EFFECT OF STRATEGIC PLANNING ON THE FINANCIAL PERFORMANCE OF PROFESSIONAL SERVICE SMALL AND MEDIUM SIZE ENTERPRISES IN KENYA

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Effect of Strategic Planning on the Financial Performance of Professional Service Small and Medium Size Enterprises in Kenya

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DECLARATION

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

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DEDICATION

I would like to dedicate this thesis to my beloved wife Patricia, my daughter, Edwina and brother Boniface for their love, encouragement and understanding. Worthy to mention is late parents.

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ABBREVIATIONS AND ACRONONYMS

BSC	Balanced Score Card
CBD	Central Business District
CEO	Chief Executive Officer
EUR	Euros
GDP	Gross Domestic Product
IT	Information Technology
KNBS	Kenya National Bureau of Statistics
OECD	Organization for Economic Cooperation and Development
R&D	Research and Design
ROK	Republic of Kenya
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
SWOT	Strengths Weaknesses Opportunities and Threats
TOC	Theory of Constraints
UK	United Kingdom
US	United States
WTO	World Trade Organization
V.I.F	Variance Inflation Factor

ILO	Internal Labour Organization
KAM	Kenya Association of Manufacturers
PEST	Political, Economic, Social and Technological
RBV	Resource Based View

DEFINITION OF TERMS

Evaluation and control This is the comparison of performance with desired result and provision of the feedback necessary for management to evaluate results and take corrective action as needed (Pearce & Robinson, 2005)

Performance The results of activities of an organization or an investment overa given period of time (Abesiga, Netswera & Zziwa, 2015).

Financial Performance This refers to the financial health of an organization over a period of time. It refers to the activities that are used to generate higher sales, profitability and worth of a business or market premium of a business (Naz, Ijaz, & Naqvi, (2016).

Small and Medium-Sized Enterprise Enterprises with between 10 and hundred employees and turnover of betweenksh.500 000 to ksh.800 million (Skokan, Pawliczek & Piszczur, 2013)

Strategy The strategies of an organization's refers to the goal-oriented actions and decisions where the firm's resources and capabilities are matched to the opportunities and threats in its business environment (Coulter, 2008).

Strategy formulation Strategy formulation refers to the guide used by executives of an organization to define their enterprises activities including its final objective and the means that will be used to realize its goals (Meier *et al.*,2010).

Strategic Management Strategic management involves an analysis organization condition and its context all with an aim of developing the right plans, implementing the strategies; and examining, adjusting the strategies accordingly. Therefore, strategic management involves situation analysis and formulation, implementation and evaluation of strategies (Coulter, 2008).

Strategy implementation Strategy implementation involves execution of new plan. During the implementation process, managers oversee the pursuit of new strategies, ensure that they are running and enhance the proficiency with which they are implemented and demonstrate specific, measurable and realistic progress in the realization of the desired outcome (Kazmi, 2008).

Strategic Planning is considered to be that act of developing the strategic change in any organization and which is essential in the implementation of the strategic intentions (Kotler, 2009).

Professional Service firm is a service firm employing people belonging to a profession, such as accountants, lawyers or engineers (Kegel, 2007).

ABSTRACT

The main objective of the study was to investigate the strategic planning process on the financial performance of professional service SME's in Kenya. Five specific objectives of the study are: to determine the effect of strategy formulation on the performance of professional service SME's in Kenya; to investigate how strategy formulation affect financial performance of professional service SME's in Kenya; to investigate how strategy implementation affect the financial performance of professional service SME's in Kenya; to evaluate the effect of strategy evaluation on financial performance of professional service SME's in Kenya and to identify the moderating effect of innovation on the relationship between strategic planning process and financial performance of SMEs. This study unit of measurement was senior, middle level managers and owners of professional service SME's in Nairobi. The study used cross-sectional descriptive study design. From a target population of 51287 registered professional service SMEs in Nairobi, 381 respondents were chosen using proportionate and purposive sampling, with one respondent selected from each SME. Questionnaire was used as the data collection instrument, with both descriptive and inferential statistics performed. From the findings it was revealed that environmental scanning, strategy formulation, strategy implementation and strategy evaluation all had positive significant effects. The findings of factor analysis also indicated that only 8 dimension of strategic planning process are considered important to SMEs. Further, the findings showed that innovation have moderating effect on the relationship between strategic planning process and the financial performance of professional service SMEs. Thus it can be concluded that strategic planning process affects the performance of SMEs to a small extent. The study also concludes that innovation practices hold potential in affecting the relationship between strategic planning process and financial performance among professional service SMEs. The study recommends that professional service SMEs adopt strategic planning process as a way of improving their performance. It is also important for SMEs that have adopted strategic planning process to embrace innovative practices as a way of further enhancing professional service SMEs financial performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The background of this study outlines the strategic planning process from global perspectives, African and Kenyan contexts respectively. This is explained in the section below.

1.1.1 Strategic Planning process from Global Perspectives

SMEs (Small-and-Medium-Enterprises) are one of the major pillars in the economic development of both the developed countries and emerging economies. Based on recent research, besides creating most employment opportunities in comparison to major corporations, most business activities of countries are linked to SMEs. However, SMEs are highly vulnerable and are characterized by high failure rates.

Chen and Bowen (2012) in one of the first study carried out in UK points out that strategic planning process is central to the financial performance of SMEs. The study suggest that although strategic planning process is important to the financial performance of SMEs, the formality of the strategic planning process has no bearing on the performance of SME, with both formal and informal strategic planning process holding great sway in the financial performance of SMEs in UK.

Since the 1970s Ibrahim, Sulaiman, Kahtani and Abu-Jarad (2012) posits that most new jobs at the macro level of OECD (Organization-of-Economic-and-Cultural-Development) are generated by SMEs. In New Zealand and Australia, for example, SMEs contribute approximately 30% of the country's GDP (Gross-Domestic-Product).In the UK and the US, SMEs contribute 51% of the country's GDP. SMEs also play a major role in terms of facilitating innovation, enhancing entrepreneurial skills and creating employment opportunities (Ahearne, Lam, & Kraus, 2014).

Review of studies in Europe reveals that SMEs have strategic planning process in a similar manner like the large enterprises. For instance, in a study by Mamula and Pantić-Popović, (2015), show that approximately 80% of SMEs managers claim to have formal strategic plans. In another study conducted in Germany, more than 70% of SMEs pointed out that strategic planning process play an important process in improving the performance of SMEs. Although reviews studies in Europe suggest the importance of strategic planning process, planning in SMEs is majorly based on informal process with less regard to planning instruments as in bigger corporation (Stonehouse & Pemberton, 2012).

SMEs are the leading enterprises in the OECD region accounting for around 99% of all firms. Resultantly, SMEs contribute around 70% of jobs in the region and contribute around 60% of value addition in the area. In developing countries, 45% of job opportunities are attributed to SMEs while approximately 33% of GDP is associated with the businesses (IFC, 2010).

Hartman, Lundberg and White (2015) point that strategic planning are important tools used by SMEs in USA in performance improvement. However, they suggest that the application of strategic planning process in USA SMEs cannot be viewed as simplified version of strategic planning process in large corporations. They propose that for strategic planning process to have impact on performance, SMEs need to adopt techniques that suit them (Mazzarol, Reboud & Souter, 2009).

Siu, Fang and Lin (2004) proposes that successful SMEs in Taiwan and China tend to adopt an overall business approach that entails the use of strategic planning process and techniques, carry out regular situational strategies and develop emergent strategies to meet the dynamic situation. Furthermore, SMEs that embrace strategic planning are often characterized by high innovation, presence of newly patented products, using new management technologies and process and expanding their ventures overseas. Nonetheless, as Wang et al. (2007) point out, most SMEs which fail in China have poor strategic planning process.

Around 81% of firms across the globe practice strategic planning, with 89% of firms in the US embracing the practice (O'Regan & Ghobadian, 2007). Based on an analysis of SMEs in the US, Baker, Adams and Davis (1993) points out that the performance of SMEs is positively influenced by strategic planning. Consequently, strategic planning is characterized by setting objectives and goals for at least the next three years and its relationship with the environment including formulating a formal plan which consists of written plans; alternative strategies; probable future resource requirements; continuous monitoring and modification strategies and includes environmental scanning (Mekic & Mekic, 2014).

Aldehayyat and Twaissi (2011) highlight that strategic planning process among countries in the Middle East is still at nascent stage with small companies not engaging in strategic planning process. They further show that SMEs in the Middle East still give less importance to formal strategic planning process, with the SMEs that engage in strategic planning mostly using informal planning methods. Strategic planning was introduced in china in the past decade; hence, only a few SMEs in the country have embraced the practice. In fact, most managers and owners of SMEs in China are not aware of the concept and mostly associate the practice with large companies; hence, they show little interest in strategic planning. However, Chinese SMEs focusing on internationalization have adopted the practice (Cunningham & Rowley, 2008).

Hill (2001) observes that SMEs in Ireland and the United Kingdom do have fairly strong strategic planning process unlike other countries in European Union. They state that most of SMEs in UK do engage in some form of strategic planning process, formal or informal process. The nature of strategic planning process of SMEs in UK contradicts the nature of strategic planning in most countries as it is relatively developed.

1.1.2 Strategic Planning Process in Africa

In South Africa, it does not seem to be the case; van Scheers (2010) established that a lack of strategic planning process is a common experience among SMEs, with most managers/owners lacking strategic planning skills. This shows that strategic planning process in South Africa is still low and at early stages across most sectors. In Sub-Saharan Africa, minimal research has been conducted on strategic management in SMEs. For instance, Abesiga, Netswera, and ziwa (2015) point out that strategic planning process is still very low among SMEs in Uganda. In addition, the study revealed that the small strategic planning process that is carried out among SMEs is still informal, with most SMEs still guided by the traditional way of operating business.

Mori, (2013) shows in his study that majority of SMEs in Tanzania have yet to adopt strategic planning in their practices. Further, the study revealed that strategic planning is more dominant among SMEs in urban places than SMEs in rural places. Majama and Tebogo Magang (2016) also indicate in their study that was carried out in Botswana that adoption of strategic planning is still low in Botswana, with some of the SME owners/managers not knowledgeable on strategic planning.

In Ghana, Appiah Fening et al. (2008), argues that most of the SMEs in Ghana have yet to adopt strategic planning process. A situation that he states has led to poor performance of most SMEs in Ghana.Donkor, Donkor and Kwarteng (2018) in a study conducted in Ghana, points out that SMEs that adopt strategic planning process exhibit long term sustainability as opposed to SMEs without strategic plans. Makinde and Olalekan (2017) established that SMEs in urban areas in Nigeria have adopted strategic planning process more than SMEs in rural areas. As a result he emphasizes that SMEs in urban areas in Nigeria are likely to succeed in the long run than SMEs in the rural areas of Nigeria.

1.1.3 Strategic Planning Process in Kenya

Njoroge (2015) points out in his study that strategic planning process among SMEs in Kenya does not always take place in a formal and structured way. Strategic planning process in Kenya he asserts are characterized by unstructured and informal process, with strategic planning process being sporadic as opposed to planned.

In a similar manner, Kihia (2017) indicated that SMEs implementing strategic management concepts tended to be more profitable and successful than those that did not. Awino (2013) further stated that SMEs in the ICT sector needed to think strategically in order to survive. The author stated that a significant number of SMEs in the ICT sector employ strategic planning practices and have written strategic plans. In this regard, he see strategic planning process as offering competitive advantages to SMEs.

In Kenya, studies by Kefa (2014) and Amurle (2014) have been conducted on strategic planning process in SMEs. From these studies it has been revealed that most SMEs are yet to adopt strategic planning process. For the SMEs that have adopted strategic planning process are in urban centers, the study showed that majority of the SMEs are medium SMEs. In lights of the low strategic planning adoption process among SMEs in Kenya, this study aimed at analyzing the effect of strategic planning process dimensions on the financial performance of professional SMEs.

Besides facilitating economic diversification and resilience, development of SMEs makes massive contributions towards the progress and growth of host nations. For example, SMEs which account for over 80 % of businesses in Kenya and contribute 18% of the country’s GDP and employ 74% of its labour force is employed in the sector. Auka and Langat (2016) in this regards argues that the potential of SMEs to contribute to the GDP growth of the country can only increase to the extent that they adopt best practices. They acknowledge that strategic planning process offers SMEs in Kenya great potential of succeeding and not failing as many SMEs have done locally.

1.1.4 Strategic Management Planning

Strategic management planning refers to a philosophical approach to business that involves more than a set rules stipulated for an organization. To successfully implement the strategic planning process, it is important for executive to think strategically before applying that thought to a process. Equally, to successfully implement the process, it is important to ensure that every person in an organization including subordinate staff understand the strategy. The stage of strategic management planning include goal-setting, analysis, strategy formation, strategy implementation and strategy monitoring (Nyamwanza, 2014).

SMEs are characterized by few formal strategy processes; however, the business depicts the existence of emergent and intended strategies. For example, entrepreneurial strategy which is common among some SMEs is defined as the presence of intentions at the individual level, tacit vision of a single leader, and adaptability to new opportunities; hence, the firm is under the control of the leader and located in protected niche in its environment; these strategies are relatively deliberate but can also be emergent.

Pournasir (2013) suggests that strategy process involves various stages and activities including strategic thinking; strategy formation; option selection; option generation; performance control; action taking; and Strategic change. Despite the various strategic process architectures being provided by different authors, the processes can be looked into three major categories: strategy formulation; strategy implementation; and strategy review and control. Regardless of the various stages and activities, the strategy processes is a set of concurrent, iterative and cyclical activities rather than a set of sequential and static set of activities. This conceptual classification is valid, however it is important to mention that these stages are not distinctive and boundaries between phases are not clear in practice (Arasa & K'Obonyo, 2012).

Some authors Ackermann, Eden, and Brown (2005) interpret some phases within the process differently. For instance, ‘Evaluation’ can be looked at from two different lenses

First interpretation is related to working out how the strategies work before events happen and looking at the effects of possible actions towards achieving goals. This type of evaluation is considered as part of formulation phase. On the other hand, the second type of evaluation seems to be part of review and control as in the work of Pushpakumari and Watanabe (2009). This type of evaluation looks at how well strategy is working in practice once strategy is put into action. It focuses on three elements within review process which are (1) an evaluation of the extent to which the strategy has been implemented and is embedded in the organization, (2) an evaluation of the assumptions underpinning the strategy, and (3) an evaluation of the influence the strategy has on those in an organization who act on the strategy (Chen & Bowen, 2012).

SMEs in Kenya have adopted strategic planning process with an aim to enhance their competitiveness. In addition to enhancing their competitiveness, external factors have contributed to the adoption of strategic planning process. These external factors include economic factors, social factors, technology information systems and competition. Besides, the external factors, political factors have contributed to the adoption of strategic planning process among SMEs in Kenya. However, the adoption of strategic planning process among SMEs has been both formally and informally, with formal strategic planning process dominant among medium SMEs while informal strategic planning process is dominant among micro and small enterprises (Wafula, 2015).

To anticipate, and simultaneously deal with environmental turbulence successfully SMEs in Kenya embrace strategic planning. Such plans must be designed to realize organizations’ competitive goals of the organization, and thus ensure the organizational mission is executed. Strategic planning as Muturi (2016) points out is more than capital or financial in SMEs. Instead, strategic planning in SMEs involves properly organized process that encompasses all future activities of an organization (Wafula 2015).

1.1.5 Small and Medium Enterprises

SMEs often refer to businesses that have less than 250 workers. In general, micro-businesses have between 1 and 9 workers while employees in small businesses range between 10 and 49. Medium-sized businesses on the other hand have between 50 and 249 workers while business that have over 250 workers are considered as large enterprises. On the contrary, Alibhai, Bell and Conner (2017) consider SMEs as independent firms that have less than 250 workers and have an annual turnover below EUR 50 million. In comparison to large organizations, SMEs have increased relatively fast since the 1980s in most developed economies. The UK for example, had approximately 4.3 million business; with 90% being SMEs in the first quarter of 2005. The SMEs in the country provided 47% of employment in the country's private sector and a turnover of 36%. The economies of other developed countries such as Russia, the US and China are also have a high proportion of SMEs (Skokan, Pawliczek & Piszczur, 2013).

Unlike the OECD region, most Sub-Saharan countries have witnessed a high growth of SMEs in the last ten years. The SMEs are the backbone of most African countries and represent around 90% of business, and simultaneously account for 60% of employment opportunities (Wambui & Wario, 2015). In Ghana, for example, SMEs provide 85% of employment in the manufacturing sector. Moreover, besides accounting for around 92% of business Ghana, the sector contributes 70% of Ghana's GDP

In Kenya, SMEs are increasing rapidly and have spread across all industries including the manufacturing, finance, textile, transport and hospitality sector, among others. Kenya has a volatile and unpredictable business environment where activities of enterprises are influenced by internal and external factors. Unlike large businesses, SMEs are less agile, and therefore are more vulnerable to a VUCA environment. The contribution of SMEs in Kenya's economic development is well-documented. The sector, for example accounts for 74.2% of the total persons in employment (KNBS, 2016). Equally, SMEs contribute around18.4% of Kenya's GDP. Besides providing goods and services sector, SMEs in Kenya promote innovation and competition and improve entrepreneurship which plays a key role in industrialization and development in the private sector (Gituma, 2016). Kenya expects to become an NIN (Newly-Industrialized-Nation) by 2030. As such, SMEs must play a critical role enabling the country to become an NIN; hence, the high proportion of early failure in the sector must either be eliminated or reduced significantly. However, besides the high mortality rate of businesses in the sector, most small business are stagnant and maintain at most five employees and rarely graduate into medium organizations. In fact, Muhando (2015) posits that most small businesses in the country rarely celebrate their third birthday. The purposes of this research is to enhance an understanding of strategic planning as the best practice that can be used facilitate better performance of SMEs in the country and reduce the high mortality rate in the sector.

1.2 Statement of the Problem

SMEs play a key role in economic development in Kenya including contributing around 70% of the country's GDP, employing almost 63.6% of the workforce and generating technical innovations, among others. Therefore, the sector is a source of economic development, innovation and flexibility. The importance of SMEs to a country's GDP has attracted interest on the performance of SMEs. A World Bank report by Alibhai, Bell & Conner (2017) revealed that majority of SMEs in Nairobi county have poor financial performance. Although the report acknowledged that professional service SME (PSEs) perform better than SMEs in other sectors the performance of PSEs was still deemed as poor. Similarly, Nakhaima (2016) in her study established that SMEs in Nairobi have poor financial performance and as a consequent suggested the need for strategic planning to improve the performance of SMEs.

Strategic planning process continues to gain traction in SMEs, albeit not through the formal strategic planning process but the informal process. Sandanda (2014) asserts that strategic planning process is increasing in terms of adoption among SMEs. He further argues that strategic planning process is used by SMEs differently in various sectors;

questions still abounds with regard to its effect on performance on SMEs in various sectors. Although a number of studies have been carried out on relationship between strategic planning process and performance of SMEs in different sectors, mixed and inconclusive finding still exists.

Regionally, studies by Makinde and Olalekan (2017); Donkor and Kwarteng (2018); Dubihlela and Sandada (2014) have all supported the importance of strategic planning process on SME performance. Locally, studies by Njoroge (2015), Najib and Baroto (2013), Maroa and Muturi (2015), Wambui and Wario (2015) and Kihia (2017) have recognized the role of strategic planning process on the performance of SMEs. The aforementioned studies have examined the strategic planning-financial performance relationship in agriculture, manufacturing, ICT and retail sector. However, professional service firms that is a key component of SMEs is still yet to be examined. This raises the question, how does strategic planning process affect financial performance of professional service SMEs. This study is an attempt to fill the gap by analyzing the effect of strategic planning process on financial performance of SMEs in professional service sector.

1.3 Objectives of the Study

1.3.1 General objective

The general objective of this study was to investigate the effect of the strategic planning process on the financial performance of SMEs in professional service sector in Kenya.

1.3.2 Specific objectives

1) To establish the influence of environmental scanning on the financial performance of professional service SMEs in Kenya
2) To determine the influence of strategy Formulation on the financial performance of professional service SME’s in Kenya

3) To establish the influence of Strategy Implementation on the financial performance of professional SMEs in Kenya.
4) To identify the influence Strategy Evaluationon the financial performance of professional service SMEs in Kenya.
5) To analyze the moderating influence of innovation on the relationship between strategic planning process and financial performance of professional service SMEs in Kenya.

1.4 Hypotheses of the Study

In order to empirically meet the study objectives, this study tested five set of hypotheses as outlined below:

H_{01}: Environmental scanning has no significant influence on the financial performance of professional service SMEs in Kenya

H_{02}: Strategy Formulation has no significant influence on the financial performance of professional service SME’s in Kenya.

H_{03}: Strategy Implementation has no significant influence and the financial performance of professional service SME’s in Kenya.

H_{04}: Strategy evaluation has no significant influence onfinancial performance of SME’s professional service SMEs in Kenya.

H05: Innovation does not influence the relationship between strategic planning process and financial performance of professional service SMEs in Kenya.

1.5 Significance of Study

This section highlights the importance and contribution of the study to various stakeholders. The stakeholder can be broadly classified as:

1.5.1 Managers of SMEs and Management Consultants

The finding of the study isof interest to the Managers or owners of the SMEs. Through the study findings and recommendation SMEs owners are in a good position to adopt strategic planning process in their business. The SMEs managers are in a position to adopt strategic planning process as evidence based as opposed to theoretical basis. Further, the study findings offer consultants the opportunity to develop programs that suits the needs of SMEs in Kenya. This will results in development of niche training programs in line with business needs of SMEs.

1.5.2 Internal Employees

This study results offers the employees within the SMEs the drive to acquire strategic planning process. Based on the study recommendation, SMEs employees can be in a position to enhance the adoption of specific planning process. Employees can also act as source of motivation to managers and owners to adopt strategic planning process by coming into contact with the findings of the study.

1.5.3 Government Policy Makers

The finding of the study is of great significant to the SMEs in Kenya. Findings of this study are also expected to be of great importance to policy makers. The documented report of this study can easily be acquired from the library and provide more understanding on public policy analysis on SMEs in Kenya. From the study policy briefs can be made and share with policy makers both from the government and private sector. Through presentation made based on the study findings in seminars and conferences the findings will contribute to improving the discourse on strategic management planning process in SMEs. Therefore, this study is important to policy makers in government who have earmarked the informal sectors as one of the key growth pillars in vision 2030. Through the findings the government can develop policies that will encourage the adoption and use of strategic planning process thereby improving growth SMEs, and by extension the development of the country.

1.5.4 Academicians and Research institutions

The study further made a myriad of contributions to the literature on the strategic management which was part of articles useful to researchers who want to further this study and to other wider stakeholders in academic circles. Specifically, through the findings of this study more knowledge will be broadened on the strategic planning process of SMEs in developing countries. Through the findings of this study, the theoretical application of different theories in management has been tested in developing countries context. This will enhance the applicability of different management theories in varying context.

1.6 Scope of the Study

The study was about the strategic planning process in small and medium sized enterprises in Kenya. Specifically, the study focused on the role of environmental scanning, strategy implementation, strategy formulation and strategy evaluation. The study used the four states of planning process to allow the researcher gain full knowledge on strategic planning process in SMEs. This is because the emergent form of strategic planning process views the four states as interrelated. This study was be limited to professional SMEs that have been in operation for at least one year. Professional service SMEs was the focus of the study for the reason that Alibhai, Bell and Conner (2017) states that professional service SMEs occupies approximately 30% of SMEs in urban areas.

1.7 Limitations of the Study

This study had its limitations; however it did not have significant interference with the outcome of the study as discussed under the following sections: The study did not have the most up to date sampling frame for professional service SMEs. The study used sampling frame by national chamber of commerce (2012) and to correct for under sampling the researcher used a sampling correction factor.

The study collected secondary data through financial statements. However during the data collection process this was a challenge as some of the respondents were not free to give out financial statement of the firms. To overcome this challenge, the researcher and only collected data on sales or profit of SMEs. Besides, the research assistants assured the respondents of privacy and confidentiality of any documents provided.

The other challenge experienced in the study was delayed response from some of the respondents during data collection. To overcome this, the researcher requested for contact information of the respondents where necessary. Through these contact information the researcher reminded the respondents on their commitment to participate in the study by filling questionnaire.

Another challenge that was experienced during data collection had to do with difficulty in reaching some of the participating SMEs during data collection. This was overcome by the researcher making contact with prospective organizations in advance through emails. Most of the organization email was source from their website or business directory. This allowed the researcher to get permission before visiting the organization.

The study also faced difficulties with regard to getting appointment from some of the managers and owners who had indicated their willingness to participate. To overcome this the researcher used referral mechanism from known contacts and participating firms to convince other unwillingness managers.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter which deals with literature review explores various research and literature focusing on the strategic planning process in SMEs. The section provides a summary of a wide range of views on the process of strategic planning. As such, the literature review section focuses on theoretical, conceptual and empirical review. The knowledge gap which is the main focus of the research is also articulated in the section.

2.2 Theoretical Framework

The research is underpinned by three major theories: Strategic fit theory, Porter's competitive advantage theory and Institutional theory.

2.2.1 Strategic Fit Theory

Strategic fit traces its origin to the works of Venkatraman (1989). This theory, also known as best fit strategic management or strategic decision theory, explains that there are no universal prescriptions of strategic management practices. Wright and Snell (2015) argue that the application of strategic management practices depends on the firm context, business strategy and culture. The proponents of this theory further observe that strategic management practices are only effective to the extent that they are aligned to the business environment both within and outside of the business.

A major assumption in the field of strategic planning process is that an organization needs to align its strategy with the external environment, internal environment, competitive environment, mission, vision, structure, capabilities and resources to improve the performance of an organization. Thus the theory views an organization as continuously engaged in emergent strategic planning process with to incorporate the complexity and uncertainty of business. The emphasis that the theory places on emergent strategic planning process suit the theory in analyzing strategic planning process in SMEs that operate in dynamic and challenging environment(Shankar & Shepherd, 2019).

Strategic fit is central to the strategy formulation and implementation process as it allow organization to process information obtained through scanning by transforming it into vision and mission statement. Thus it ensures that mission and vision statement aligns to information sourced through environmental scanning. Lindow, Stubner and Wulf (2010). emphasize that strategic fit is more than ensuring that strategy adopted by the SMEs will give the business competitive advantage but also adopting making strategic choices on integration and coordination of strategies to provide superior performance.

The theory of strategic fit theory places significant emphasis on availability and relevancy of resources and elements in strategic planning process. Lack of these resources and their alignment to the strategic goal is an obstacle in strategic planning process. Strategic fit theory is concerned with strategic implementation and how the process is implemented through the availing of necessary resources that will align the organization strategy. Strategic fit theory also states that implementing a strategy may face challenges in the implementation process, both internal and external resources. These determine the extent to which supportive environment exists in strategy implementation (Prajogo, 2016).

The strategic fit has been established as a framework under which various strategies can be oriented to affect the performance of an organization. Shankar and Shepherd (2019) assert that the strategic fit process involves management of all other elements relating to strategic planning process to ensure that the intended goal is achieved. Strategic fit is also central in the strategic planning process as it ensure that strategies adopted by organization fit within an organization and its environment, and results to improved performance.

The theory further presupposes that the strategic fit allow organizations to valuate existing strategies depending on level of business alignment, resources availability and performance impact. To this extent Aleksić, and Rašić Jelavić (2017) applied strategic fit theory in analysing the strategic planning process in SMEs and thus the suitability of the theory in understanding the effect of strategic planning process on performance of SMEs.

2.2.2 Porter's Theory of Competitive Advantage

Porter Theory was developed by Professor Michael Porter in 1980. According to Porter, (1980), the competitive position of an industry or sector, depends on five forces and it is their joint action which determines an industry's potential benefit. The main competitive forces include customer's bargaining power; suppliers bargaining power; competitive rivalry; threat of new entrants; and threat of substitute. Porter's five forces is the main analytical frameworks of the competitive positioning paradigm and is the main focus of contemporary business schools (Porter, 2011).

Lower entry barriers, high competition, increased substitutes and high bargaining power of suppliers and customers are some of the factors that are negatively associated with a firm's profitability. Therefore, based on Porter's five forces, organizations can improve their performance by delivering distinct products, cost leadership or through differentiation. To cope with a competitive environment, firms must ensure that that their strategies are superior and sustainable. Strategic planning in the current dynamic world is emergent and concerned with evaluation of strategic options that affect the performance of firms. Porters theory thus provide framework to understand the strategic planning process in firms (Wang, 2014).

Companies may have improved performance either by having the lowest product cost or by having products which are different in ways which are valued by customers. Porter (2009) defined these strategic choices namely as cost leadership strategy and differentiation strategy. Low cost strategy aims to create a sustainable competitive advantage by offering the lowest prices in a market based on low cost producer status or to maximize the profitability by reducing the costs to supply product or service with a competitive price. Differentiation strategy on the other hand, aims to create a unique product or service, brand image, customer loyalty, and higher margins and better financial performance (Lorenzo, Rubio & Garcés, 2018).

The theory argue that the failure to choose one of the generic strategies in the strategy space of potential competitive strategies can result in inferior financial performance. Conversely, the theory stresses that firm which want to improve their financial performance must continuously develop competitive strategies. This premise is key in the current study as SMEs are faced seek to improve their financial performance through strategic planning process. Thus the theory is helpful in analyzing the financial performance of SMEs from a strategic planning perspective. In this study financial performance was examined by drawing upon strategic planning process.

2.2.3 Institutional Theory

Institutional theory was developed by Zucker in 1977 with the aim of understanding how institution processes and norms contributes to its performance. Institutional theory examines the adoption and diffusion of organizational forms and practices and goes to explain how different organizations understand and interpret social acceptance within the scope of their operations. One organizational practice that many SMEs have been adopting in the recent past is strategic planning. From the scholarly findings of Nauheimer (2011) organizations that adopt and diffuse institutional prescriptions, particularly through innovation practice can survive easily and have greater stability as compared to those that are not innovative(Scott, 2014).

Brandão and Bagattolli (2017) states that institutional change occurs through the three processes of coercive, normative and mimetic. Coercive process is concerned with how external pressures forces an institution to change. In this cases to be innovative. Normative process relates to organization norms and how it encourages institution change such as innovation. Mimetic change occurs through uncertainty and with organization coping others or trying to copy others as a way to survive. In most cases it is labelled innovating by coping others.

The institutional theory is particularly useful in understanding how innovation is adopted by organization and the impact of innovation practice on the performance of an organization. An organization's interaction with other actors in its environment consequently leads to norms, standards and expectations that the organization seeks to meet in order to attain legitimization and support from the other entities that it deals with in its daily operations. Through this process, an organization get to adopt innovation practices and the process in institutionalization of the innovation practice (Moré, Telles, Marinho and Corrêa, 2016). In this study, the institutional theory gave weight to the various innovation practices that are inexistent among professional service SMEs.

2.3 Conceptual Framework

Conceptual framework refers to a visual description of variables relationship (Mugenda 2008). The strategic planning process under consideration are: environment scanning, strategy formulation, strategy implementation and strategy evaluation. There existed a very strong relationship between independent variables and the dependent variable.

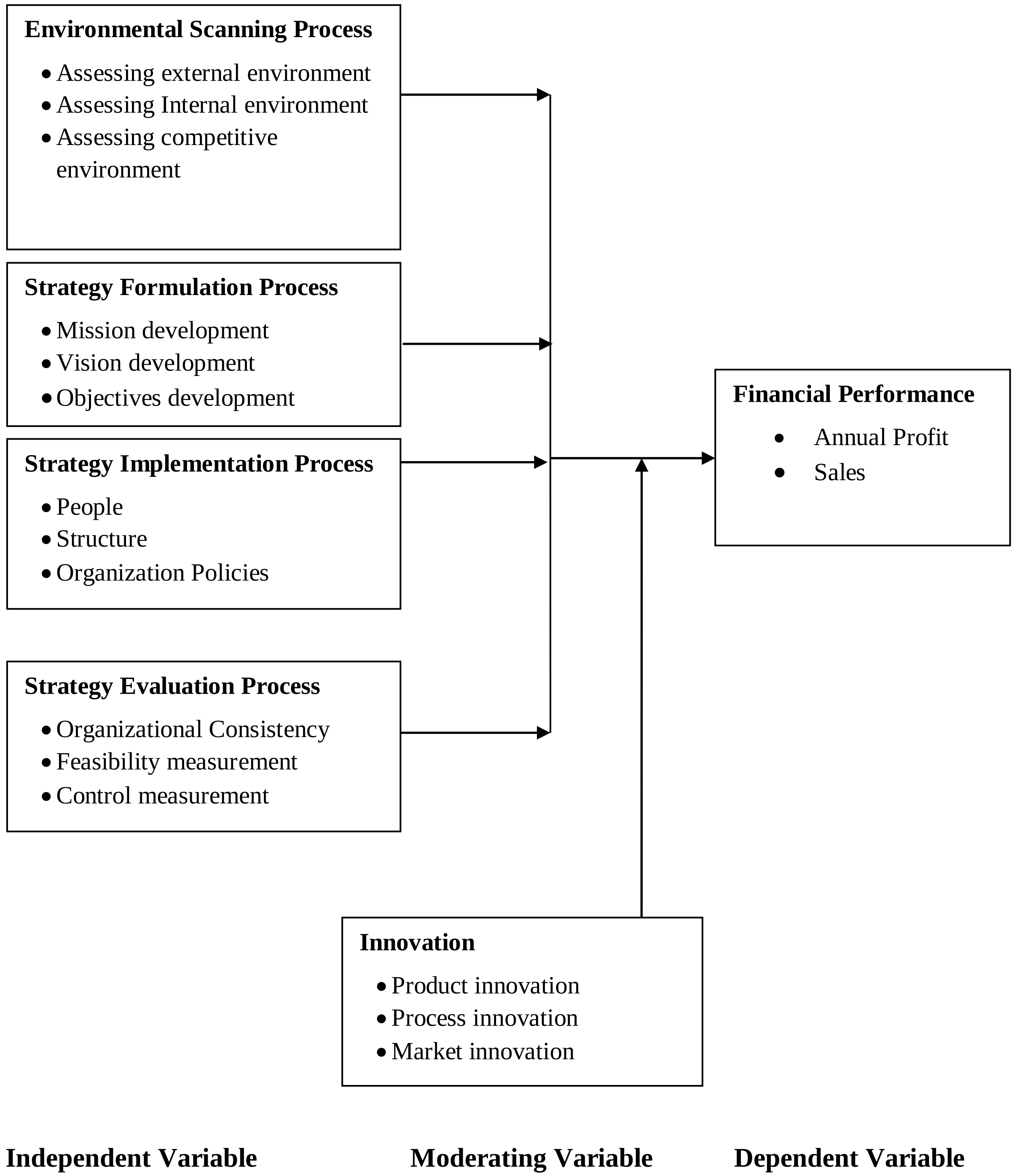

Figure 2.1: Conceptual Framework

2.4 Empirical Review of variables

This section reviews those variables that were considered as important to the research problem. The variables reviewed constitute both dependent and independent variables. The dependent variable is performance while the independent variables are strategy formulation, implementation and evaluation and control.

2.4.1 Environmental Scanning

The purpose of environmental scanning is to enable firms to understanding the structure and causes of challenges as well as prioritize the issues that require immediate attention. Environmental scanning is conducted through an analysis of the internal and external factors of a business. External scanning mainly focuses on analysis of the dynamics and structure of the outside environment that surrounds a company, includes examining the market as well as the broader environment. As such, external evaluation focuses on an analysis of various actors including customers, suppliers, competitors, distributors, governments, unions and financiers (De wit & Meyer, 2010).

Internal Assessment, on the hand concentrates on the internal functioning and capacity organizations. In particular, internal assessment seeks to analyze the business system used by organizations to create value and facilitate business system. Some of the main factors analyzed through internal scanning include resources and the chain of value-adding activities used by firms to create distinct products as well as the process used to control and coordinate the various people and units, and the organizational culture as well (De wit & Meyer, 2010).

Currently, businesses are faced with dynamic, complex and uncertain operating environments. The complexity and dynamism often manifests in heightened pace of technological advancements, accelerated product life cycles, currency fluctuations, change in consumer needs, and increased competition. In order to be sustainable and competitive, there is need for businesses to study, understand and prepare for swift changes in the environment. Environmental scanning is a strategic management technique that can assist them to acquire information about the environment (Kidombo, 2014).

Siddique (2015) defines environmental scanning as an activity of acquiring information about the trends and developments in the external environment of the business in order to properly plan. Karami (2012) also remarks that environmental scanning is the monitoring and evaluating of information about the business' environment to make informed future decisions. In other words, scanning the environment involves assessing changes in the external environment in order to determine possible opportunities and threats, and the internal environment for strengths and weaknesses. Businesses scan the environment in order to gather information that is necessary to detect political, economic, social and technological trends, so as to effectively respond in a way that improves the business' competitive advantage, avoid surprises, identify opportunities and threats, improve short and long-term planning, and establish goals and strategies (Wafula, 2015).

Most researchers agree that businesses scan the environment so as to adapt to the volatile and unpredictable environment. Consequently, through environmental scanning businesses can rapidly respond to the rapidly evolving environment (Mosoti & Murabu, 2014). To successfully scan the environment, organizations must review, examine and disseminate information about the internal and external environment. Internal scanning conducts a SWOT analysis by focusing on the strengths and weaknesses of an organization while external evaluation conducts a SWOT analysis by concentrating on the opportunities and threats.The business landscape entails three main factors: the micro-environment, the macro environment and the market environment.

The micro-environment encompasses various aspects of the business itself including the corporate culture, goals, mission and vision and departments. Organizational resources including expertise, human capital and finances also constitute the micro-environment of a business. The market landscape refers to the immediate environment surrounding an enterprise including customers, competitors, suppliers, substitute products, labour unions and possible new entrants(Pimentel, Spinola, & Moraes, 2013).

The macro-environment entails variables that are beyond the control of a business which are mainly analyzed through the PESTLE (Political-Environmental-Social-Legal-Environment) tool. Some of these variables include the prevailing political situation in a country, economic issues such as inflation, demographic changes and emergence of new technology among other factors. Businesses need to scan these three environments constantly because these environments are characterized by interrelatedness and increasing instability (Skokan, Pawliczek & Piszczur, 2013).

Karami (2012) also clarified that a business' external environment consists of two components, which are the societal and the task environment. The societal environment comprises of variables that indirectly affect the business and these include, the economic, technology, political, legal, socio-cultural and demographic factors. The task environment factors involve variables that have direct interaction and influence on the organization, for example the operation of suppliers, customers and competitors (Najib & Baroto, 2013).

Organizations may also assess the societal environment using an assessment technique called the PEST analysis (Kinyua, 2015), which is an acronym standing for political, economic, social and technological forces. The political or regulator sector includes government regulations, procedures, policies, political stability and developments that can affect the viability of the business. Economic forces consist of business cycles, Gross National Product trends, inflation and interest rates, government budgets, unemployment and disposable income (Kinyua, 2015)

These key drivers for change, according to Rouibah (2014), refer to the forces that have significant impact on the success and failure of the business. Therefore, the authors suggest that a business needs to identify its key drivers for change in order to focus and address those important factors. This will help the business to have a clear sense of these factors in order to take correct decisions that take lead to effective action. South African based firms must continuously scan the environment because readmission of the country into the international market creates numerous threats (Karami, 2012). As such, it is important to scan international forces because they also the bottom-line of enterprises.

In assessing the external environmental variables, a business needs to analyze various industry forces. Jorosi (2008) mentioned that the industry environment is the situation confronting a business within its specific competitive area. Mindful of the strength of the five forces in determining the profitability potential in the industry, Jorosi (2008) present Porter's five forces that shape competition in the industry.

Based on existing literature, most SMEs fail to conduct strategic planning; however, the process which should be precluded by environmental scanning must be conducted to facilitate an understanding of external factors that influence the resources of an organization. As such, SMEs will strategically position to effectively secure or enhance their future position relative to the rapidly changing environment. Besides having insufficient resources, Hsu and Liu (2010), points out that most SMEs have inadequate infrastructure to collect and assess external information. SMEs are also unable to obtain specialized external information in uncertain and unpredictable business environment. Therefore, it is imperative for SMEs to develop effective strategic planning process and thus seek to obtain pertinent information of the external environment.

2.4.2 Strategy Formulation

Strategy formulation has several definition and various approaches; however, the definitions can be divided into two major camps. Whereas the first camp focuses on strategy as a realized course of action, the position views strategy as an intended course of action. Gimbert, Bisbe and Mendoza (2010) contend that both positions complement rather than contradict each other. As such, the intended strategy focuses on what individuals and firms formulate before an action whereas realized strategy is the actual pattern of actions. Behaviors can be considered as strategic in case they follow a particular pattern that seeks to achieve the goals of an organization. Creation of strategy, therefore, must follow the strategy formulation or strategy formation process. Strategy implementation which focuses on enactment of strategies into action to realize the goals and objective of an organization occurs after strategy formulation. Strategies at times are not implemented because of change in plans or cancellation of the process, among other reasons. Realized strategy, on the other hand is achieved through strategy formation. Strategies can either be emergent or deliberate. Deliberate strategy focuses on control and direction by ensuring the desired goals are implemented whereas emergent strategy focuses on strategic learning (Obeidat, 2016).

The identification stage in strategy formulation has various important stages such as mission setting. Mission setting focuses on the essential issues linked to the existence of an organization. As such, the mission of an organization includes core beliefs, values and business definition and purpose. According to Bamberger, Biron and Meshoulam (2014), the mission of a company can be formal where it's integrated in the mission statement or informal where it implicitly internalized as part of a corporate culture. Agenda setting is part of an organization's mission and plays a key role in addressing strategic issues of a company (Dubihlela & Sandada, 2014).

A mission statement is widely regarded by academics and strategic planning practitioners as the first step in the strategic planning process (Anthony, 2012). However, there is considerable diversity among the definitions of mission statements, and what constitutes them. Barnett and Burgelman (2007) attribute this diversity to a tendency by some researchers who come up with new typologies, and to differences in industry conditions, which need mission statements that are industry specific. Ates and Bititci (2009) assert that a mission is an invaluable tool that is part of the business' identity and describes its customers and products or services and the ultimate rationale for the existence of the business. Besides establishing a common purpose among the staff, a mission statement guides the business on how to effectively use its resources (Asah, Fatoki, & Rungani, 2015).

Amran (2012)states that a mission statement is crucial as it gives direction to the personnel of the business, guides decision making, motivates staff and facilitates evaluation and control. According to Bartkus, Glassman and McAfee (2006), the business mission indicates its purpose and has a dual aim; to ensure employee commitment and hence, a pulling force, and secondly, to create an understanding of the business domain in which the business would want to operate. Therefore, if the business domain is clear, it is easy to evaluate its success and to position itself in the industry. Ates and Bititci (2009)proposes that the mission should state the products and services to be supplied to satisfy customer needs, the customer groups that are targeted and the geographical regions where the business operates. The authors proceeds to posit that a mission statement should also indicate the technology to be used in the production process, commitment to quality of products and services, the business' commitment to social responsibility and business' distinct competencies.

Izadi (2012) define a business objective as a target toward which a business directs its efforts. Gibcus and Kemp (2003), on the other hand, explains that objectives are outcomes expected from pursuing particular strategies. Businesses usually set up two main types of objectives, which are the short term and long-term objectives. While a short-term objective indicates the outcomes to be achieved within a short term, a long-term objective is the one that a business intends to achieve within long periods of time (Gică & Negrusa, 2011).

Kutllovci and Shala (2013) also assert that businesses usually use two types of performance yardsticks; the financial objectives and strategic objectives. Financial objectives include measures such as cash flow, return on investment and earnings growth. Strategic objectives relate to the state of competition in the market, and cover performance yardsticks, including gains in market share, surpassing key competitors on product quality and customer care, enjoying lower operating costs than rivals, better reputation with customers, having a competitive edge in international markets, being a leader in technology and innovation and being better positioned to develop growth opportunities. Both objectives are essential to the business as they enable it to be stable, competitive and sustainable (Kee-Luen, Thiam-Yong, & Seng-Fook, 2013).

Botten (2009) indicated that objectives perform five functions. First, they provide the framework for planning because they are the targets that are supposed to be attained. Secondly, they set responsibility to managers when they are assigned activities, projects and output required. Thirdly, objectives are used for the integration of the organizational activities in order to ensure synergy between all departments of the business. Fourthly, they serve as a motivator to employees to work hard to achieve the targets and perhaps receive bonuses. Fifthly, they are used to evaluate and control the performance of managers who had been assigned tasks and targets in their departments.

Kinyanjui and Juma, (2014) criticizes businesses, which do not manage by objectives because without an objective, a business lacks focus about what needs to be achieved. They proceeded by suggesting four scenarios of not managing by objectives. The first one is managing by extrapolation, where a business keeps on doing the same things because things are working. The second scenario is managing by crisis, which means an organization reacts to crisis, rather than being proactive. The third one is subjective management which is management of a business in the way you personally think is the best. The final instance is managing by hope, where decisions are made in the hope that they will pay off because of luck. In setting the business goals, both the top-to-bottom and the bottom-to-top approaches should be used, as this ensures commitment at all levels because the ideas of both management and subordinates have been taken into account (Smit et al., 2007).

The mission of an organization reflects the core values and purposes while the vision explains what an organization desire to be in future; therefore a vision is an expression of the organizations ambitions. A comparison of the mission and vision, further states that mission statements can be altered any time while the vision can last for many generations without changing. As Moris (2013) puts it, an organization’s vision should create exceptional possibilities and at the same time provide new ways of doing things.

The vision spans beyond the mission providing a direction in where the business is headed and what it can be. Even though the mission and vision statements are sometimes used interchangeably, vision statements gives the organizations long-term direction while the mission statement describes the activities performed by the organization to attain a competitive position in the market. The vision, in contrast with the mission, is more long-term orientated and is an idealization of a position where the business sees itself in the future (Obeidat, 2016).

A clear vision in an organization is important as it helps guide the business move in a chosen direction. Such a vision can contribute to employee loyalty, high productivity as well as serve as a source of motivation. As Taiwo, Agwu and Lawal (2016) states, a vision focuses a business's strategy and is the root for continued success and plays a vital role in determining a business's market potential and position the business within the marketplace. A shared vision plays an important role in translating the envisaged end results into a mission with consistent messages for customers, employees, and investors and aligns it to the business's operating practices (Skokan, Pawliczek & Piszczur, 2013).

2.4.3 Strategy Implementation

Strategy implementation, particularly project formulation to implementation, is often elusive, and therefore is currently the focus of most studies. Project implementation in SMEs is presently considered as responsible for changes within the structure, culture and management system of organizations (Andrews, Boyne, Law &Walker, 2011).

In the context of small and medium businesses, top managers play a critical role in influencing strategy implementation and make significant decisions that affect the entire organization structure. Jiang (2009), states that managerial skills determine how strategies are implemented in organizations. Successful implementation of strategies is directly linked to efficient strategy. Failed strategy implementation has numerous adverse effects on organizations including wasting funds and time and lowering employee morale as well as reducing faith and trust in the senior management (Wheelen *et al.*,2009). Furthermore, failure to implement strategies may result in worker cynicism the next time organizations seek to enact strategies. Therefore, organizations must determine how to successfully implement strategies.

Some of the main factors in an organization that determine successful implementation of strategies in an organization include human capital and proper leadership. During the implementation process top managers play a critical role by facilitating seamless communication and maintaining a smooth procedure of the entire process. CEOs also lay critical roles as architects of implementing strategy, commanders, co-coordinator, primer-setter and coach, among other roles (Ahearne, Lam, & Krauss, 2014).

With regard to leadership, Dauda, Akingbade and Akinlabi (2010) posits that it is through effective strategic leadership that a business is able to implement strategies successfully. Díaz-Fernández, González-Rodríguez and Simonetti (2014) view leadership as critical in strategy implementation because besides articulating the strategic vision of a business, leaders also empower and motivate subordinates so that they share the same vision. Kinyanjui and Juma (2014) has argued that effective leadership means being able to develop, receive, and interpret strategic plans and cascade them in a way that employees can understand the plans. Essentially, Kinyanjui and Juma (2014) is of the view that leadership does not just mean having leaders at the top, but rather it involves creating leaders throughout the business. Middle managers and junior employees' support and commitment also matter in strategy implementation (Parnell 2008). Díaz-Fernández, González-Rodríguez and Simonetti, (2014) reinforces this view by pointing out that the involvement of middle managers is crucial to increase the general awareness of the strategy and to build a general consensus in the business about the implementation of the strategy. This is because if there is general consensus, employees are united in implementing the strategy.

Gică and Negrusa (2011) advocates for active involvement of middle managers and supervisors in strategy implementation as this motivate them to work hard when they execute their duties. Organizational structure is one of the essential parts that determine effective strategy implementation. Resource allocation and the adoption of courses of action essential for enacting the goals and structure is the management design used in an organization. Organizational structure, which is the stage after strategy making focuses on strategy implementation (Chandler, 2010).

Organizational structure involves allocation of tasks, formal reporting of relationships and the procedures conducted among members in an organization. Organizational structure plays a critical role in decision making because it involves the hierarchy levels in a firm, horizontal integration and power centralization (Magaisa, Matipira & Kanhai, 2014). Centralization focuses concentration of decision making and management and the process at the top of an organization's hierarchy (Mahmoud et al., 2012). Organizations that are highly centralized restrict interaction between members, reduces task involvement among workers, hinder creativity and innovation and minimizes individual development opportunities.

Formalization is directly linked to the level of work roles within an organization that are structured and activities of the employees are governed by rules and procedures. Highly formalized firms are likely to foster innovation by creating rules and procedures that are more comprehensible, and thus enhance employee flexibility and reduce ambiguity. Organizational Policy also plays a key role in strategy implementation because they shape the corporate culture of a company. As such, the policies enable organizations to create a conducive environment that connects members to its mission, motivates employee innovation and creativity and enhances their passion and commitment. Most organizational values are explicitly expressed through policies and they are used to direct members in firm on how to deal with certain key situations (Aketch, Basheka & Bagire, 2017).

Njoroge (2015) states that there are two categories of policies. These include formalized policies and informal policies. He argues that informal policies are the most common policies in SMEs and they are not explicit as compared to formal policies. Formal policies are characterized by organization that are more central and the centralization of the organization determines the extent to which organization policies are determined by relatively few people, who are considered to hold a comprehensive view of the organization’s needs. Formal policies are characterized by the extent to which an organization places emphasis on following specific rules, procedures and guidelines. Organization policies are thus more effective through training of employee on organization policies. Such training can be formal or informal as is common in SMEs.

2.4.4 Strategy Evaluation

Strategy evaluation involves comparing corporate performance with the desired expectations. Managers obtain information from subordinates which are used to take prompt and remedial actions to address a problem. Strategy evaluation is the final step in the strategic management model. Consequently, managers can adjust the formulated strategy by comparing the results with the expected outcome (Aldehayyat & Twaissi, 2011).

Strategy evaluation seeks to determine whether the plans are practical, feasible and if they fit into the financial capability of an organization (Arasa & K'Obonyo, 2012). Some of the main factors to consider during the process include consumer demand and the quality of product. Though strategy evaluation in SMEs resembles the process in large corporations; the level of the evaluation is different. Notably, the conventional measure of organizational performance derived from researches on large organizations cannot be entirely applied to SMEs (Hsu, & Liu, 2010). Though most scholars agree that performance is the main metric in strategy evaluation, most researchers differ on the best approach that can be used to measure performance.

In SMES, financial performance including market share, ROI (Return-on-Investment), sales and profit margin cannot be used to determine the success of strategies. Instead, the evaluation and control process in SMEs integrates financial and non-financial components to determine firm performance (Chen & Bowen, 2012).Strategic planning leads SMEs to high performance when the formulated strategy is implemented effectively. Thus, it is important to determine the successful implementation of strategic plan so that all efforts directed to the accomplishment of the objectives. The stage of strategy implementation is assessed by the management through strategy evaluation process.

Elbanna and Fadol (2016) affirms that strategy evaluation is the process of identifying the level of strategy implementation; it is to specify whether the organization is in the right way and can achieve its strategic aims. Meanwhile, Jamil and Mohamed (2011) described strategic evaluation as the indicator that provide early signals to the various factors that might interfere with the success of the strategy that prompt the management to start questioning the strategy, execution process or the leaders' reliability and competency.

Strategy evaluation played vital roles to protect the business from collapse (Dubihlela & Sandada, 2014). Moreover, it prevents organizations from making the wrong decision because it identifies disruptions before they lead to serious damage, as it provides important information for management to anticipate problems if the internal and external changes occur. Ineffective evaluation can limit success or create worse problems. Conversely, strategy evaluation can be carried out effectively by setting objectives and evaluating actual results against the objectives. Therefore, the management needs to ask the right questions to ensure their effectiveness (Kutllovci & Shala, 2013).

According to Muhoho (2016), the model developed by Seymour Milles can help in asking the right questions. Seymour Milles suggested that the organizations evaluates strategies on the basis of strategic elements such as vision, mission, objectives, environment, resources and other different elements. In fact, this model also emphasizes that the organizations should review its capabilities and competencies for successful implementation of the strategy (Popa et al., 2012). In addition, Hunger and Wheelen (2010) stated that strategy can also be evaluated using the scorecard method which was developed by Kaplan and Norton.

The effective evaluation method is important because the key activity of strategic evaluation is to provide results, whether the strategy execution meet the organization objectives. These results are essential for further action if the process is pointing any problems that interfere with the functioning of the organization toward the goal. Therefore, it should be performed continuously and not just at the end of the years so that corrective action could be taken to eliminate the problems that hinder the achievements. Periodic evaluations keep the strategic plan flexible so that it can be linked to the organizational competencies (Muhoho, 2016).

Strategy evaluation when done effectively allows the organization to achieve its goals , even the management time and effort will be spent on beneficial activities, as the checking on the feasibility of implementation are also taken into account (Naghi & Gică, 2011). Besides, the available resources will also be used by considering about the future resource availability. Although most organization found this process challenging. However, it provides important information as it exposed various shortcomings and irregularities that caused the failure in achieving objectives (Najib & Baroto, 2013). Hence, this process eases the management to take action to rectify the situation so that the organization will back in the right direction in order to achieve the objectives; this action is referred to as strategic control (Nyamwanza, 2016).

Besides, strategic control is also seen as an attempt to assist management to deal with changes quickly through corrective actions so that objectives could be achieved. It is not only enabling the organization to measure progress against standards, cost, date and quality, but also provide guidance, support and direction to motivate managers and employees in achieving better results (Pearce & Robinson, 2005).

Based on Wijethunge, and Pushpakumari (2014), an effective control helps organizations to identify opportunities in the changing business environment, respond to the new situation, controlling complex situations and deal with uncertainty. It has the ability to manage risk, improve performance and keep any business from failure (Pushpakumari & Watanabe, 2009). Evaluation and control not only bring the organization back to the right track, but it also provides information to the management on the cause of the failure in achieving its objective (Dubihlela & Sandada, 2014).

Evaluation and control enables the organization to determine the effectiveness and react to the new challenges. Although strategy evaluation and control cannot remove all irregularities and errors, yet through controlling the strategy, SMEs could escape from the big problems (Sandada, 2014). Dubihlela and Sandada (2014) advised SMEs to adopt a strategy evaluation and control because it can lead the organization towards high performance. SMEs should implement strategic evaluation and control because it not only allows SMEs to deal with unstable market conditions but at the same time bringing the organization back on track (Dubihlela & Sandada, 2014).

2.4.5 Innovation

Based on porter's model, innovation plays a critical role in facilitating operational improvements, which in turn improves cost efficiency. Innovation is the process developing and implementing new ideas, processes and products in an organization. Innovation enhances the strategic positioning of an organization by enabling firms to become more competitive and realize success in the long-term. Moreover, by building organizational value, innovation enables companies to align their strategy to changes in the market by adjusting processes or creating new products (Popescu, 2014).

For innovation to prevail, firms must be open to new ideas, technologies, routines and products. As such, firms are able to respond swiftly to the highly competitive and rapidly evolving business environment. Innovation can be categorized relative to developing new process or products. Innovation plays a critical role in both the short and long-term perception of value by customers, and therefore determines the competitiveness of an organization. Consequently, innovation must be integrated with the strategic plans of firms at the operational and business level (Njeri, 2017). Based on Li et al. (2010) research on Chinese firms, innovation has significant effect on performance of organizations. For example, the outside-in process innovation in R&D

(Research and Development) positively impacts the performance measure of an organization.

Product innovation is the process of improving current products/ services or creating absolutely new goods and services. As such, the products are completely new or have significantly improved features or intended use. Product innovation also involves design change that alters the intended use of a product or introduces new qualities. Product innovation has various dimensions that focus on firms, customers and the product themselves. For instance, product innovation introduces commodities that did not exist before to both customers and the firm. Equally, modifying products implies that there is a variation in terms of the existing products of an organization (Osuga, 2016).

The purpose of product innovation is to increase efficiency. In the current business landscape which is highly competitive, firms must create new products based on customer specifications. In turn, firms will be able to retain existing customers and attract new clients. Equally, some commodities have a short product life cycle, and thus create a need for continuous innovation. Polder et al. (2010) point out that product innovation increases the bottom line of organizations because at the time of introduction, such products face minimal competition.

Process innovation, on the other hand, focuses on introducing new production and logistic methods or making significant improvements on existing practices including supporting activities like accounting, purchasing, computing and maintenance (Polder et al., 2010).

The purpose of process innovation is to enable firms to create new products or make significant improvements on existing products and services. Equally, process innovation is used by firms to lower production cost. Moreover, process innovation increases the competitiveness and productivity of firms, particularly in the manufacturing sector (McDermott & Prajogo, 2012).

Marketing innovation involves identifying and enacting new marketing approaches including changing the design, packaging and placement and developing new pricing and promotion strategies. Unlike other types of innovation, marketing innovation focuses on introduction of new marketing strategies that have not been utilized before in an organization. Changing product design by adjusting or introducing new appearance, functionality or feature is also marketing innovation.

According to Rosli and Sidek (2013) market innovation involves the use marketing mix and selection so as to satisfy the preference of customers. Organizations should give great importance to market innovation since it enables the organization to reach out to its customers at a faster and more efficiently (Rosli & Sidek, 2013). Marketing innovation is important since it enables the organization to respond to the market opportunities that the organization should exploit and at the same time meet the customers' needs.

According to Brouwers-Ren et al. (2010) marketing innovation is a necessary tool for organizations to achieve a sustainable competitive advantage. Most businesses focus only on technological innovations that they completely neglect marketing innovations. Marketing innovation will also consist of continuous and additional adjustments to current activities which enable small and medium enterprises differentiate their offerings with larger firms (Cascio, 2011). Ultimately firms are considered to be more innovative when they engage in marketing innovation as part of their overall innovation strategy.

2.4.6 Financial Performance Measurement

It is argued that the financial performance construct is one of the main constructs in strategy and organizational research simply because nearly every model attempts to relate the constructs of interest of performance. Indeed, one needs to question the value of any particular course of action if it does not have an influence on performance. Likewise, based on Venkatraman and Ramanujam, financial performance improvement is central to strategy research (Abesiga, Netswera & Zziwa, 2015).

Traditionally, organizational performance has been measured using financial measures like return on investment, cash flow, return on capital employed and financial results. Such traditional measurements systems do not take into account the value of intangible and intellectual assets, which are increasingly becoming important in our knowledge based economy. The financial perspective covers the financial objectives of an organization and allows managers to track financial success and shareholder value (Maduekwe & Kamala, 2016).

The financial measurement of performance is the traditional and most commonly used tool as a measure of an organizations performance. Financial measures are typically focused on profitability, market value of the firm, return on assets, investment and equity, liquidity and various other ratios. Financial measures generally focus on annual or short-term performance against accounting yardsticks, they do not deal with progress relative to competitors, no other non-financial objectives that may be important in achieving profitability, competitive strength and longer-term strategic goals (Ankrah & Mensah, 2015).

2.5 Empirical Literature

2.5.1 Environmental Scanning

Vudzijena (2017) in his quantitative study conducted among Retail SMEs in Zimbabwe examined the influence of environmental scanning on performance. Results of the study conducted through the questionnaire revealed environmental scanning has a positive association with performance of retail SMEs in Harare. The study suggested the need for retail SMEs to increase the frequency of scanning, collect information from a wide range of sources and fully utilize the scanning techniques such as SWOT and PEST analysis. The study was only focused on retail SMEs leabing room for the study of other SMEs in different sectors.

A qualitative study by Robinson (2015) sought to analyse the environmental scanning process in strategic planning process. The study findings revealed that environment scanning process in SMEs is driven by perceived environmental uncertainty, company size and type of uncertainty. The research contributes to highlighting the importance of environmental scanning to strategy process but within the large firm's context leaving room for studies in SMEs context.

Fadzli Ahmad Tajuddin and Zamberi Ahmad (2013) in their study examined the element of strategic management tools associated with the impact of environmental scanning (ES) on organisational performance in Malysia. Results indicated that environment scanning is a key element in the development of effective strategic plan, and with environmental scanning is significant predictor to the performance of organization.

Fatoki (2016) also did a study to examine the environmental scanning practices among SMEs in South Africa and its effect on their performance. In addition, the study examined the gender effect on environmental scanning practices among. Based on the data collected through questionnaire the study findings showed SMEs do scan their business environment but not as large enterprises and scanning information is obtained from both external and internal sources. Further the results indicated that there is no significant gender difference in the frequency of environmental scanning by SMEs. Environment scanning was found to have positive association with SME performance. These study is important in highlighting the role of environment scanning on SME performance but through the scanning perspectives of activities and sources but not the process perspective that is the basis of current study.

Similarly, Aldehayyat (2015) also conducted a study in Jordan whose aim was to analyse the environmental scanning and information sources used by Jordanian firms. The study also sought to analyze the relationship between environmental scanning and organizational characteristics (firm size and industry type), as well as organizational performance, is explored. The study targeted 190 Jordanian publicly quoted firms. The findings of this study show that scanning focus was higher for the general environmental sectors than the task environmental sectors. The results also demonstrate that these firms rely more on internal sources of information. Larger firms have more scanning activities, while smaller firms tend to focus on different sources of information. Additionally, some differences in the industry sector in terms of scanning behaviour were identified. This study also supports the existence of a positive relationship between environment scanning and organizational performance. The study provided more information on the environmental scanning construct but was limited to understanding the fiction of environmental scanning as it focused only on environmental scanning sources.

Aldehayyat and Twaissi (2011) conducted a study whose aim was to identify strategic planning system characteristics in Jordanian small industrial firms and to examine its relationship with corporate performance. The study focused on small Jordanian industrial publicly quoted firms. From the findings it was established that the involvement of top and line management in planning, the use of environmental screening, and the use of strategy tools and techniques are common practices among SMEs in Jordan. Furthermore, the study found a strong positive relationship between strategic planning and corporate performance. This study is important in understanding the application of environmental scanning practices in SMEs. However, this study only focused on publicly listed firms thereby excluding other SMEs thus the results cannot be generalized.

A study by Jorosi (2008) investigated the effects of organizational and owner/ manager profile on environmental scanning practice of Enterprise 50 Small Medium Enterprise (E50 SMEs) in Malaysia. It investigates the extent of environmental scanning practice and the factors related to information sources that SMEs utilized for environmental scanning. The results showed positive effects of organizational and owner/ manager profile on environmental scanning practice of E50 SMEs. Further it was revealed that extent of environmental scanning on the business environment sectors of SMEs with respect to utilization of information sources varies. Environmental scanning in enterprises takes the form of information sources, frequency of scanning practices and function of scanning, with the study focusing on the first two dimensions leaving the last dimension for further study.

2.5.2 Strategy Formulation

Wijethunge, and Pushpakumari (2014) did a study to empirically investigate the performance differences and business strategy formulation of small and medium sized Enterprises (SMEs) in two Asian economies. The study unit of analysis was the SMEs in manufacturing sector in Japan and Sri Lanka. Results indicated that the performance of SMEs varies with the choice of strategy formulation that owner-managers adopt. Further, the results indicated a significant relationship between business strategy and change in annual sales in Japan and Sri Lanka at a 5% level. This study in significant in so far as it will helps provide understanding and potential explanation on the relationship between strategic management planning and performance of SMEs. Nevertheless, the study has limitation in providing understanding for the SME sector as whole as it focused on manufacturing sector only.

According to a study by Wafula (2015) that sought to establish the nature of strategic formulation and how do they influence growth of SMEs within the micro-finance sector in Nairobi County. The study used an exploratory research design and the findings revealed that growth among MFI SMEs in Nairobi County has a significant joint relationship with Mission, Vision, Strategies and Action Plans, Strategic Innovation Systems, Formality of Strategic Plans and Forecasting which is significant at 5 percent level of significance. The study demonstrates the significant of formal strategic plans amongst SMEs but fail to highlight the importance of informal strategy formulation that is dorminant among SMEs.

Makinde, Ankilabi and Ajike (2015) did a study that examined the relationship between the use of strategy formulation and performance in SME sector in Nigeria. The study focused on various categories of SMEs making it suitable for generalization. The study revealed that there is a significant relationship between the use of strategy formulation and SME performance. As much as the study is of help in gaining a general understanding on the relationship between strategy formulation and SMEs performance, the study cannot provide a complete understanding on the importance of mission, vision and objectives that are key in strategy formulation process.

2.5.3 Strategy Implementation

Nyamwanza (2014) sought to establish the reason why SMEs implement strategies the way they do. Interview guide were main data collection tool and from the data analysis the study ascertained that most SMEs adopted different approaches to strategic planning and implementation. To a large extent, the study found out that strategy implementation was determined by the desire for such. The study lay the foundation for the importance of strategy implementation in SMEs. However, the study was only limited to family SMEs and thus result cannot be generalized to non-family SMEs that are a significant proportion in professional service SMEs.

Orugun, Nafiu and Aduku (2017) in their study focused on strategy implementation and its effect on organization performance of SMEs in Kogi State. It was found that strategy implementation of SMEs has significant effect on superior performance relative to other competitors in Kogi State. The study concluded that when strategy is successfully implemented, it has consequences on organizational performance. The study therefore recommends that SME owners should ensure the successful implementation of their business strategy to outperform other competitors within the same business environment in Kogi State, Nigeria. The strategy implementation component investigated in the study revolved around resources, leadership and policies. This leaves room for other strategy implementation process such as organization system that was tested in the current study.

A study by Alhilou (2015) analysed strategy implementation process through "triangle" model developed by Pettigrew (1987), where strategy implementation (SI) is viewed as a process. The study results showed that factors influencing strategy implementation process in Saudi Arabia include external, internal organisational, and internal individual. Traingle model is suitable in well-established SMEs and SMEs with formal strategic process that may not be case in Kenyan context among most of the professional service SMEs. Thus the need for the current study outside the framework of triangle model.

Elshamly (2013) carried out a study to understand the strategy implementation process approach within SMEs to gain a better understanding of how a SME performs the strategy process. From the study findings it was realized that whilst the literature lays out a systematic, sequential process, the picture presented by the case study in a SME is somewhat different. The findings revealed that SMEs are engaged in strategy implementation process in an adhoc manner with formalization in some process and lack of formalization in other processes. This result emphasis that strategy implementation process is key part in SMEs although does not provide information on how it affects the performance of SMEs, thus necessitating this study.

Siddique (2015) conducted a survey whose aim was to compare strategic planning practices of SMEs and Large-Sized Business Organizations in Emerging Economies with a focus on UAE. It emerged from the findings of the study that SMEs tend to use a limited number of strategic planning tools, practice emergent strategies, and mostly pursue short-term strategies as compared to large business. Articulation of the mission statement for planning purposes was found to be more common among the larger organizations than the SMEs. This study focused on strategic planning process and was limited to tools used in strategic planning process excluding the function of strategic planning process in SMEs.

2.5.4 Strategy Evaluation

Study by Gomera, Chinyamurindi and Mishi (2018) aimed to determine this relationship using strategy evaluation and performance of SMEs in South African context. Findings reveal strategic evaluation and control have a positive relationship with the financial performance of the SMMEs. This study was helpful to the current study it was limited to rural SMEs thus leaving out urban studies where most SMEs exists.

Mururi (2014) in her qualitative study sought to find out the importance of strategy evaluation and control practices as well the challenges if any, which may have been encountered in implementing the evaluation and control practices. The primary data was collected through the use of the interview guide. The findings of the study were that evaluation and control was carried out regularly. The evaluation ensured that the institution was on the right path towards achieving the objectives of the strategic plan and also through control, the management was able to avoid any deviations from the goals or objectives. Important as the study was its applicability favor public sector where the study was conducted and not SME sector.

Another study by Ibrahim (2015) determined the effects of strategy evaluation on organizational performance. The study identified that the approaches of strategy evaluation at CSC organization include consistency, suitability, feasibility and acceptability. First, the study showed that strategy evaluation at CSC facilitates organizational direction setting and as such contributes to organization performance. The study was conducted in large firm context where the principles of strategy evaluation may differ from SMEs.

Punt, Butterworth, de Moor, De Oliveira and Haddon (2016) also conducted a system literature review on strategy evaluation (MSE) involves using simulation to compare the relative effectiveness for achieving management objectives of different combinations of data collection schemes, methods of analysis and subsequent processes leading to management actions. The study revealed that management strategy evaluation conducted in the fisheries sector has improved the financial performance of firms involved in the industries. The study also revealed that strategy evaluation is not without challenges, particularly in regards to uncertainty. The scope of the study was only narrowed to fisheries/processing industry sector thus necessitating studies on professional service firms.

Dziyaba (2017) in his thesis set out to highlight the role played by M&E in the strategic management process while using The Royal Bank as a case study. It was realized that the organization has prioritized M&E in its strategic planning process. The main challenge of M&E in The Royal Bank is that staff members feel they are subjects of evaluation rather than users. They feel their contributions do not play a role in decision making. The study goal was only limited on M&E and left out other important components of strategy evaluation such as performance evaluation and strategic control that were included in the current study.

2.6 Critique of Existing Studies

Kwarteng (2018) conducted a cross-sectional descriptive study on the effects of strategic planning process on organizational performance. The results indicated that environmental scanning, strategy implementation and strategy evaluation are key predictors of organization performance. The study was premised on the theories of resource dependency theory and contingency theory. These theories, Aldehayyat and Twaissi (2011) argues come from capability perspectives and thus may not be suited to studying strategic planning from a process perspective. Hence the current study was based on strategic fit and institutional theory which are process based theories.

A study by Vudzijena (2017) analysed the role on environment scanning on firm performance. Environmental scanning was found to contribute to improved organization performance. As much the current study demonstrate the importance of environment scanning on firm performance the results are limited to the extent that the study used a qualitative case study approach. Another drawback of the study relates the fact the study was conducted among large firms that have different context to SMEs in regards to environmental scanning. Hence the current study filled the gap by focusing on SMEs and using quantitative study approach.

Fatoki (2016) and Aldehayyat (2015) carried out a study whose aim was to investigate the role of environment scanning on the performance of firms. Through the use of quantitative approaches the study revealed that performance on firms is affected by the information sources collected through environmental sources. These studies demonstrate the importance of information sources in environmental scanning and how it affects firm performance. However, these studies failed to investigate the environmental scanning information from internal, external and competitive environment and possible difference among these sources on performance. This gap was addressed in the current study.

Kang'ethe 2018investigated the effect of strategic planning process on performance of SMEs in Kenyan financial sector and the findings of the study indicated that environmental scanning and strategy implementation are important. Similarly, Ramdass & Pretorius (2011) sought to analyses the influence of strategic planning process on organization performance among SMEs in financial service sector in Kenya. Study results showed that environmental scanning, strategy implementation and strategy evaluation have significant effect on the performance of SMEs. This findings demonstrates the importance of controlling a study within a sector to properly gain understanding and ho results can possibly differ based on sector. However, these findings fall short of providing insights to professional service sector in totality and hence the current study was conducted.

Wijethunge, and Pushpakumari (2014) did a study whose aim to establish the role of strategic formulation process on the performance of firms among firms in the Asia continent. The results show that firms that have formulated strategies have better performance compared to firms without formal strategies. Elshamly (2013) also did a study on the influence of strategic implementation on performance of firms in Middle East context. These studies were conducted among large firms that tend to have formal strategic process as opposed to SMEs that tend to have informal process. Thus these results cannot be generalized to SMEs hence the current study.

2.7 Research gaps

Based on the comprehensive literature review and based on the previous studies the study identified the following research gaps.

Kwarteng (2018) stated that majority of studies on strategic planning process and firm performance have been conducted within the African continent but with a bias towards to certain sectors (Kang'ethe 2018; Amurle, 2015; Auka & Langat, 2016; Waliang'i , 2015). Makinde and Olalekan (2017) stresses that although most studies have been conducted in the SME service sector, they have considerably ignored the non-financial sector. To this extent, Nyamwanza (2014) not only recommends the need for more studies in profession service sector that is critical to most African countries but also conclusive studies that include different categories within the sector. From the reviewed studies, mixed effects of strategic planning process has been established and this has led to the conclusion by Abesiga, Netswera and Zziwa (2015) that different moderation factors contribute to such mixed evidence.

Further, reviewed studies show that both local and globally, most of the studies on strategic planning process-firm performance have not included moderating factors in the study model. In this regard, Farha (2016) suggest that innovation is one of the most important practices that moderates the effect of strategic planning process on firm performance since both are institutional process. This study therefore intended to fill these pertinent gaps in literature by delving on professional service sector that is largely ignored though important and include moderating factor in strategic planning process study .This study adds value to existing literature by providing empirical evidence on the role of moderating factor on the relationship between strategic planning process and financial performance of SMEs.

Critique of Existing Studies

Musau (2018) conducted a cross-sectional descriptive study on the effects of supply chain determinants of organizational performance with a focus on the measures of profitability, reliability and responsiveness among textile manufacturing firms in Kenya. The results indicated that information sharing, logistic responsiveness, buyer-supplier relationship and operational process responsiveness positively affect organizational performance. The study was premised on the theories of game theory, relational exchange theory, Supply chain network theory and lean theory. However, Agha, Alrubaiee and Jamhour (2012) argues that the theories of supply chain network, lean theory and relational exchange theory are deficient in analysing Performance effects from a sustainability perspective which was not tested in the study. Hence, the current study tested the theories of RBV, SCOR model and system theory are seen as fitting performance from sustainable perspective (Choi, Min, Joo & Choi, 2017).

A study by Anjum, Kashif and Riaz (2016) analysed the supply chain integration effects on operational performance of textile firms in Pakistan. Customer integration, supplier integration were proved to have a significant effect on operational performance. As much the current study demonstrate the importance of supply chain integration on firm performance the results are limited to operation performance raising question on effects of SCI on other aspects of operation performance. Another drawback of the study relates to the focus on external internal (customer and supplier) while ignoring internal integration that is central in organizational coordination in Performance. Hence the current study will fill the gap on other dimensions of performance in textile industry and internal integration among textile firms.

Köksal *et al*. (2018) carried out a study whose aim was to investigate the role of sourcing practices on performance of textile supply chain. Through the use of qualitative data from semi-structured interviews in the study, the study revealed that performance on textile and apparel firms supply chain is affected significantly by strong supplier networks and external integration. The study highlighted the contribution of supply chain integration on Performance. Related study has been conducted by Köksal et al. (2017) who did a study through literature review methodology to assess effects of strategic supplier partnerships on performance of textile and apparel industry. Although these studies demonstrate the importance of supplier network responsiveness and strategic supplier partnership, these studies failed to explore the other components of supply chain relationship management and supply chain responsiveness that contribute to better Performance in textile industry.

Sudarshan and Rao (2013) investigated the modular based manufacturing practices in garment Industries and the findings of the study indicated that garment factories have adopted both process and product modularity. Similarly, Ramdass and Pretorius (2011) sought to analyse the implementation of modular manufacturing in South African textile industry. Study results showed that modular based manufacturing has been implemented to varied levels among different textile firms in South Africa due to a number of challenges. However, this is as far as the scope of the aforementioned modular based studies and this portends inconclusive evidence on the potential impacts of modularity based manufacturing on performance. The current study sought to address this gap, more so the effects of modular based manufacturing.

Hossain and Roy (2016) did a study to identify the impact of Supply Chain practices (supplier relationship management and supply chain integration) on growth of firms in Readymade Garments (RMG) sector of Bangladesh. Through use of secondary data the study revealed that the supply chain practices are not significant predictors of sustainable growth in garment industries. The study concluded that supply chain practices have not fully contributed to growth of textile firms in Bangladesh. This study was premised on the theory of resource based model thereby raising the questions on the effect of supply chain practices on performance of textile firms based on other theories such as value model, SCOR model and system theory that will be tested in the current study.

Ishtiaque, Siddiqui and Ahmed (2019) did a study whose aim to establish an understanding of relationships among information and communication technology, integrative capabilities, operational responsiveness and dimensions of performance in a developing economy, with Pakistani selected as the context. The results show that the best way to achieve operational performance through ICT investment as it improves operational responsiveness and by extension operational performance. Technology based responsive (TBR) system which was the scope of the study is not well developed in other developed countries textile industry outside Asia that are yet to adopt. Thus it important to investigate applicable supply chain responsive system in developing countries in Africa and their effects on performance.

Thatte (2013) carried a research on supply chain responsiveness through modularity based manufacturing process in textile industry. In his research, he found out that modularity based manufacturing is positively related to supply chain responsiveness among textile firms. This research was carried out in the American supply chain system which is not responsive from the literature review. Additionally the study investigated the modular based manufacturing-supply chain responsiveness relationship without delving on the joint effect these supply chain practices on performance of firms.

Fukunishi (2012) carried a study with a focus on the performance of Kenyan Textile and He found out that local firms have no tolerance to economic shocks and they are susceptible to temporal negative profits due to better supply chain practices. The study did not go as far as establishing the effect of supply chain practices on performance of textile firms in Kenya but was only limited to identifying the challenges hampering the performance of firms in Kenya.

A study by Musau, Namusonge, Makokha and Ngeno (2017) investigated relationship between inventory management and performance of textile firms in Kenya. Findings showed that inventory management, a component of operational process responsiveness significantly predicts performance of textile firms in Kenya. Nonetheless, inventory management is but one of the elements of operational responsiveness, a sub component of supplier chain responsiveness and therefore the study cannot be considered as complete in providing understanding on effect of OPR on performance of textile firms in Kenya.

2.8 Summary

This chapter reviewed existing literature of the effect of strategic planning process on the performance of SMEs both locally and globally. Theories that guide the study have also been discussed in relation to the study variables. Studies in relation to the research question have also been highlighted, with research gaps and critiques of existing studies provided. This chapter also provided conceptual framework that explain the relationship between the study variables. The next chapter focuses on research methodology of the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology, which was used to carry out the study. It further describes the type and source of data, the target population and sampling methods and the techniques that were used to select the sample size. It also describes how data was collected and analyzed.

3.2 Research Design

Orodho (2003) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. According to Kombo and Tromp (2006), research design can be thought of as the structure of research. This research problem was studied through the use of cross-sectional descriptive study design. Cross-sectional study design was selected because of the advantages that it proffer in saving cost and time in data collection and also the reason that it allows for standardization of interview questions. This allows for testing of hypothesis.

3.3 Target Population

Population refers to the entire group of people or things of interest that the researcher wishes to investigate, Sekeran (2010). Target population refers to a universal set of study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result (Borg & Grall, 2009).The target population was the SMEs within the Nairobi. The SMEsin Nairobi were selected due to the likelihood of familiarity with strategic planning process as compared with SMEs in other urban centres. Besides, SMEs in Nairobi was selected for the reason that majority of

SMEs are located in Nairobi (Economic Survey, 2010).The population of the study were the 51287 professional service SMEs in Nairobi based on Economic Survey (2010).

3.4 Sample Size and Sampling Technique

Sampling is selecting a given number of subjects from a defined population as representative of that population. The study used Krejcie and Morgan table to select sample size for the study. Based on Krejcie and Morgan table, a sample size of 381 was selected from a population of 51287. Sample frame and sample size calculation for different sectors is provided in table 3.1 below.

Table 3.1: Sampling Frame

SME Category	Target Population	Sample
Business	9232	69
Finance and Insurance	20002	149
ICT	6154	46
Real Estate and Property	4616	34
Transport	4103	30
Tourism and Hospitality	3077	23
Agriculture	4103	30
Total	**51287**	**381**

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 51287 professional service firms according to Economic survey (2010).

Sampling Technique

The sampling procedure describes the list of all population units from which the sample is selected (Cooper & Schindler, 2003). The technique is applied so as to obtain a representative sample when the population does not constitute a homogeneous group. The study used stratified sampling to categorize SMEs according to the different sector in professional industry. This allowed for representation of various sector in the study. Convenience sampling was used to select both participating SMEs and owners/managers who filled the questionnaire. Convenience sampling was used as it saved on cost and time during the data collection.

3.6 Data collection Instruments

The study used both primary and secondary sources of data.

3.6.1 Primary Data

The main method used to source data was a questionnaire. The questionnaire was administered by trained research assistants while others were self-administered depending on the availability of the respondents at the time of the interview. A close-ended questionnaire was used. The questionnaire was used because the target respondents were literate and it also allowed the respondents to fill at their convenient time. The close ended questionnaire was also used because it enabled the researcher to reach a higher number of respondents within a short period of time and at lower cost. The questionnaire was also used as it reduced chance of respondent's bias, as all respondents are asked same questions. In addition, all questions were standardized and anonymity of the respondent was guaranteed for the purpose of increasing the response rate. The questionnaire was divided into 5 sections with each sub-section capturing information on a specific objective. The questions were likert based using a five-point scale where 1 was to a very low extent, 2 to a low extent, 3, to a moderate extent, 4 to a great extent and lastly 5 to a very great extent. Apart from the questionnaire, data collection form on profits and sales was used. This was used because of the difficulty in accessing financial statements from the SMEs (Mamorena & Olomide, 2016).

3.6.2 Secondary Sources

The main sources for secondary data used in the study werefinancial statements from participating SMEs. However, due to concerns of privacy and confidentiality, only less than 10% of the SMEs provided financial statements. The SMEs that provided the financial statements were those whose owners were available at the time of interview while the 90% who did not provide cited issues of confidentiality and privacy and that only the owners would provide such details.

3.7 Data Collection Procedures

The data was collected by research assistants trained specifically for this study. The research assistants visited the selected SMEs and interviewed the sampled respondents who were mainly the SME owners and managers. In each SME, only one respondent was sampled. Before the data was collected, the research assistants sought for permission from the management. The questionnaires were accompanied by a cover letter explaining the objectives of the study and assuring the respondents that the information they were giving would be treated with utmost confidentiality. The respondents also were informed that their participation was voluntary. As Ghauri and Gronhaug (2005) stated, the questionnaire method was used because it was inexpensive.

3.8 Pilot Study

As Wisner, (2007) asserts that pilot study helps in refining the questions by removing some irrelevant items and adding others to genuinely engage with the participants. A pilot study is a mini-version of a full-scale study done in preparation of actual study. In this study, piloting was done in Mombasa for the reason that according to economic survey (2010) it has the second largest professional service SMEs after Nairobi. Pilot study involved 40 managers selected purposively from professional service SMEs. The rule of thumb is that 10% of the sample should constitute the pilot test (Creswell, 2013) therefore; the pilot was within the recommendation. The reliability test carried out was on internal consistency of the likert items. This was done using the Cronbach Alpha. According to Andy (2014), Cronbach's Alpha value greater than 0.7 are acceptable while values greater than 0.8 are preferable and considerably highly reliable. The results of the reliability test are presented in Table 3.2.

3.8.1 Validity of Research Instrument

Validity is the criteria for how effective the design is in employing methods of measurement that captures the data for the purpose of addressing the research questions. To ensure the results of the study reflect similar outcomes elsewhere and be generalized to other populations or situations, the researcher used triangulation to enhance the external validity of the research instrument. Triangulation refers to the attempt to get a true fix on a situation by combining different ways of looking at the findings. Triangulation validates the methodology by an examination of the results from several perspectives. This research used questionnaire as primary data and research journals, textbooks and other public documents as secondary data. By combining data sources and methods triangulation opens the way for more credible interpretations (Decrop, 2004).

With regards to validity, Jayamaha, Grigg and Mann (2008) define it as how well an instrument measures what it purports to measure. Content, criterion and construct validity are three main forms of validity (Toni & Tonchia 2001; Jayamaha et al., 2008). According to Toni and Tonchia (2001), content validity can be determined statistically by subject experts and by reference to literature. Whereas criterion validity refers to the predictive nature of the research instrument in order to obtain an objective outcome, construct validity measures whether or not a variable is an appropriate definition of the construct (Toni & Tonchia, 2001).

To achieve construct validity, questions were organized around the specific objectives of the study namely: Environmental Scanning, Strategy formulations, Strategy Implementation, Strategy Evaluation and Innovation. Content and criterion related validity was achieved by consultations with supervisors, fellow students pursuing the degree of doctor of philosophy in business administration and experts in instrument development. Views and comments from these stakeholders were used to upgrade the instrument. The use of supervisors and experts opinion enhanced content and criterion related validity. To ensure Pilot testing of the research instruments assured that the instrument used was clear and unambiguous and enabled the researcher to make modifications to an instrument based on results obtained from the pilot study. This helped in realizing internal validity.

3.8.2 Reliability of Research Instrument

The reliability of an instrument refers to its ability to produce consistent and stable measurements. It estimates how accurately the data obtained in the study represents a given variable or construct in the study (Mugenda & Mugenda, 2008). The goal of reliability is to minimize the errors and biases in a study (Yin, 2013). To ensure the reliability a pilot survey was carried to test and improve the flow and clarity of the questionnaires before the actual data collection. Wisner, (2007), asserts that a pilot study helps in refining the questions by removing some irrelevant items and adding others to genuinely engage with the participants.

The researcher also used Cronbach's Alpha to test the reliability of the proposed constructs with results presented in the table 3.2 below. Due to the multidimensionality of strategic planning and performance of SME, the internal consistency reliability of the constructs was established by calculating the Cronbach's alpha coefficient. Table 3.1 reports the results. Table 3.2 indicates that the overall coefficient alpha for all the strategic management practices and business performance was 0.923. Individually all the study variables had Cronbach value of 0.7 and above. According to Andy (2014), Cronbach's Alpha value greater than 0.7 are acceptable. The results in the table below indicated that all the study independent variables gave Apha value greater than 0.7 thereby proving the research tool as reliable.

Table 3.2: Reliability Results

Variable	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	Number of Items
Environmental Scanning	0.802	0.806	9
Strategy Formulation	0.822	0.821	9
Strategy Implementation	0.801	0.803	9
Strategy Evaluation	0.833	0.837	9
Innovation	0.821	0.831	9
Overall	0.923	0.78	45

3.9 Data Analysis and Presentation

This section discusses the techniques that were used to analyze data and test the variables. After data collection, the researcher examined all the questionnaires for completeness and consistency and then categorized all the items before coding. Data preparation was done on the completed questionnaires by editing, coding, and cleaning the data. Data collected was analyzed using descriptive statistics. The descriptive statistical tools were used in describing the data and determining the respondents' degree of agreement with the various statements under each factor. Data analysis was done using SPSS (version, 20) and Microsoft excels to generate quantitative both descriptive and influential statistics.

Descriptive statistics was used to examine the characteristics of the population. It enabled the researcher to meaningfully describe a distribution of scores using statistics that is depends on the type of variables in the study and the scale of measurement. Mugenda and Mugenda (2008) assert that descriptive statistics enable the researcher to describe distribution of scores. Variable aggregation for different variables was undertaken in facilitation of further statistical analysis. The researcher used "Collapsing Response" method in analyzing responses from a Likert scale measurement. This was done by transforming the variable in SPSS through getting the total score of likert items on any variable.

3.9.1 Factor analysis

Factor analysiswas used in summarizing the information about strategic planning practices into smaller sets of variables that retain as much information in the original variables as possible (Toni & Tonchia, 2001). The method assisted in identifying the strategic planning practices that are important to the SMEs based on the managers perception. The process of determining the number of factors based on eigenvalues requires that only factors with eigenvalues greater than 0.7 are retained as they account for most variance in the model (Toni & Tonchia 2001).

3.9.2 Test of Hypothesis (ANOVA)

The null hypothesis was tested by ANOVA based on the assumption of the homogeneity of the variance of the sample that is normally distributed at 95% confidence interval. The level of significance is the statistical standard that is specified for the purpose rejecting the null hypothesis (Namusonge, 2010). Mugenda and Mugenda (2008) argue that the analysis of variance is used because it makes use of the F – test in terms of sums of squares residual.

According to Sawilowsky (2002), ANOVA is useful in assessing whether the independent variables affect dependent variables differently. The F statistic tends to be greater when the null hypothesis of independence is not true. The P-value is crucial in ascertaining the probability that the null hypothesis is true. P-values of less than 0.005 indicate that the F statistic is high and that the null hypothesis of independence needs to be rejected since it is not true (Sawilowsky, 2002). This helped in determining the relationship between strategic planning process and financial performance of SMEs.

3.9.3 Multiple regression Results

Multiple regression analysis is used when one is interested in predicting a continuous dependent variable from a number of independent variables. It shows the percentage of the total variation of the dependent variable that can be explained by the independent variables and this is assessed using the coefficient of determination (R2) which is used for judging the explanatory power of the linear regression of dependent variable on independent variables. R2 is a measure of the goodness of fit of the regression line to the observed sample values of dependent and independent variables. The R2 can range from 0.0 to 1.0, with 1.0 showing a perfect fit that indicates that each point is on the line (Carver et al., 2009).

Multiple regression analysis was appropriate in this study because the researcher had one single dependent variable that is the performance of SMEs in Kenya which is presumed to be the function of several independent variables of strategy planning process that included; environmental scanning(X1), strategy formulation(X2), strategy implementation(X3), Strategy evaluation X4and moderating variable of innovation(X5).

$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon,$ ………………………………………………… (i)

Where $\beta 0$=Y-intercept

β_1= Regression coefficient for Environmental Scanning

β_2= Regression coefficient for Strategy Formulation

β_3= Regression coefficient for Strategy Implementation

β_4= Regression coefficient for Strategy Evaluation

X1, X2, X3 and X4 represents environmental scanning, strategy formulation, strategy implementation and strategy evaluation respectively.

The study used two regression model, with the first model (presented above) testing the relationship between independent and dependent variable and the second model (shown below) testing the moderating effect of innovation on the relationship between independent and dependent variables. The study used Process Macro analysis in SPSS to test for the moderating effect of innovation on the study variable. Process macro is a form of bootstrapping techniques that has been developed to improve effectiveness in testing moderating and mediating effect in models. The bootstrap method developed by Preacher andHayes (2004, 2008) has the advantage over Sobel tests and Baron and Kenny's tests in that it determines moderating effect with certainty. The bootstrap method developed by Hayes has also the advantage of testing the effect of a moderating, mediating variable on combined relationship between independent variables and dependent variables. This method is recommended over other methods. (Hair et al., 2014; Pardo & Roman, 2013).

3.9.4 Moderating Effects on the Influence of Innovation on Strategy planning process and financial performance in professional service SMEs in Kenya

To establish whether innovation has a moderating effect on the relationship between strategy implementation and the performance SME professional service firms in Kenya.

To achieve this objective, this study was guided by the moderated multiple regression model (MMR) showing the interactions innovation of the firm with the dependent and independent variables in this study;

$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$, ……………………………………….. (ii)

Where $\beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$represents strategic planning processs variables.

$\beta_5 X_5$ the representing moderating variable with X_5 representing innovation practices and β_5 representing regression coefficient for innovative practices.

$Y = \beta 0 + \beta_{15} X_{15} + \beta_{25} X_{25} + \beta_{35} X_{35} + \beta_{45} X_{45} + \varepsilon$, ……………………………….(iii)

Where, the moderating effect of innovation practices has been included in the model with $\beta_{15}X_{15}$ representing interaction effect between innovation and environmental scanning, $\beta_{25}X_{25}$ represents the interaction effect between innovation and strategy formulation, $\beta_{35}X_{35}$represents interaction effect between innovation and strategy implementation while $\beta_{45}X_{45}$ represents interaction effect between innovation and strategy evaluation.

3.9.5 Diagnostic Tests

This section provides a discussion on the assumption tests that were carried out before data analysis.

3.9.5.1 Multicollinearity

This refers to the relationship among the independent variables. Multicollinearity exists when the independent variables are highly correlated (r=.9 and above). Multicollinearity was checked through variance inflation factor (VIF), with VIF greater than 4 showing multicollinearity.

3.9.5.2 Outliers

Multiple regression is very sensitive to outliers (very high or very low scores). Checking for extreme scores was carried out during the initial data screening process, with values that were deemed outliers removed. The outliers in the study were deleted from the data set. Since the study data was ordinal outliers were dealt with during data cleaning and data entry stage.

3.9.5.3 Normality

This refers to various aspects of the distribution of scores and the nature of the underlying relationship between the variables. The study normality was tested through a histogram, which was tested for dependent variable (Profits of SMEs). In multiple linear regression, Tabachnick and Fidell (2007) advocates that only dependent variable need to be subjected to normality test.

3.10 Measurement of Variables

3.10.1 Financial Performance of SMEs

This is the dependent variable and was measured using two objective performance measurement. The study used annual profit and sales as the measure of financial performance. Mamorena and Olomide (2016) suggest that the most reliable financial performance measure for most SME is profits and sales.

3.10.2 Environmental Scanning

This is the independent variable that was used in assessing all the environmental scanning activities of the SMEs. Nine items were aggregated to provide information on environmental scanning activities, the nine items covered the areas of internal environment, external environment and competitive environment. The researcher used a five point Likert scale (5 =strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1=strongly disagree).

3.10.3 Strategy formulation

This is the independent variable that was used in assessing the SMEs strategy formulation process. Nine items were aggregated to capture the strategy formulation process in SMEs, with the items classified into mission, vision and objectives. The researcher used a five point Likert scale (5 =strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1=strongly disagree).

3.10.4 Strategy Implementation

This is the independent variable that was used in assessing all the strategy implementation process. This was assessed through leadership in SMEs, Organizational policies and Organizational Structure. A total of nine items was used to collected information from SMEs on strategy implementation. Five point Likert scale (5 =strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1=strongly disagree) was used by the researcher.

3.10.5 Strategy evaluation

It involves all processes that are employed by the SMEs to evaluate their strategies. To test strategy evaluation, nine items were tested at the following levels: setting standards, measuring performance and strategy control. Five point Likert scale (5 =strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1=strongly disagree) was used by the researcher.

3.10.6 Innovation

This is the moderating variable that was used in the study. This was assessed through process innovation, product innovation and market innovation in SMEs. A total of nine items was used to collected information from SMEs on innovation in SMEs. Five point Likert scale (5 =strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1=strongly disagree) was used by the researcher.

Table 3.3: Summary of Hypothesis Tests

Objectives	Hypothesis	Statistical Tests	Interpretation
Q. 1 To investigate the effect of environmental scanning on the financial performance of professional service SMEs in Kenya	**H_{01}**: There is a relationship between environmental scanning and the financial performance of professional SMEs in Kenya	Regression coefficient, p-value	Range = 0 to 1
Q. 2 To determine the effect of Strategy Formulation on the financial performance of professional service SME's in Kenya.	**H_{02}:** There is a relationship between Strategy Formulation and financial performance of professional service SME's in Kenya.	Regression coefficient, p-value	Range = 0 to 1
Q. 3 To investigate the effect of Implementation on financial performance of professional service SME's in Kenya.	**H_{03}:** There is a relationship between Strategy Implementation and the financial performance of professional service SME's in Kenya.	Regression coefficient, p-value	Range = 0 to 1
Q. 4 To identify the effect of Evaluation and Control on financial performance of professional service SMEs in Kenya.	**H_{04}:** There is a relationship between Evaluation and financial performance of professional service SME's in Kenya.	Regression coefficient, p-value	Range = 0 to 1
Q 5. To test the moderating effect of innovation on the relationship between strategy planning process and financial performance of SMEs	Innovation positively affects the relationship between strategic planning process and financial performance of professional service SMEs	P-value, Effect size	Effect size greater than Zero.
	H_{04}: The three independent variables of strategy formulation, strategy implementation and strategy evaluation and control	R^2 was used to test the relationship between variables and financial performance of SMEs.	The amount of variance accounted for in the criterion (dependent variable) from a set of predictors (independent variables)

3.11 Ethical Consideration

To commence the field processes, the researcher sought approval from Jomo Kenya University of Agriculture and Technology. A permit was also secured from the National Commission for Science, Technology and Innovations (NACOSTI).Before data collection assent and informed consent were sourced from the respondents. This entailed explaining the purpose of the study to the respondents before data collection. Data was only collected from respondents who agree to be participants based on informed consent. Through letters of assurance, the respondents were assured of confidentiality for their identity and the data collected. They were assured that data will only be used for the academic work and kept by the researcher.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter focuses on presenting the empirical results of the study. First, it presents the preliminary findings of the characteristics of the sample and data collected, 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 study hypothesis .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 Response Rate

As shown in Table 4.1, respondents from 313 professional service SMEs participated in the survey. This comprised 82% of the targeted 381 firms. Response rate is a key determinant to the performance of regression analysis, with major effect on whether data meet assumption tests or not. According to Tabachnick and Fidell (2007) small sample size limits the meeting of assumption tests in multiple regression analysis. This brings the response rate of 82 %.

According to Baruch and Holtom (2008) a response of over 80% is very good response rate. However, the target response rate of 100% was not achieved. This was as a result of non-cooperation by some of the selected SMEs. Not meeting the response rate could also be attributed to the data collection method used, face to face and absence of managers/owners in a number of SMEs during study site was a major hindrance. This is because lack of permission meant that data could not be collected. These results are similar to the findings of Peltier and Naidu (2012) who had a response rate in a similar study carried out on networking in SMEs.

Table 4.1: Response Rate

Responses	Frequency	Percentage
Returned Questionnaires	313	82
Non-Returned Questionnaires	71	18
Total	**381**	**100**

4.3 Environmental Scanning of Professional Services SMEs in Kenya

This section discusses the results from analysis on environmental scanning sub-categories in detail. Results presented herein are based on the likert scores and focuses on the component of external environment, internal environment and competitive environment.

4.3.1 External Environment

Businesses scan the environment in order to gather information that is necessary to detect political, economic, social and technological trends, so as to effectively respond in a way that improves the business' competitive advantage, avoid surprises, identify opportunities and threats, improve short and long-term planning, and establish goals and strategies (Jorosi, 2008). To confirm this, respondents were asked if the organization conduct effective environmental scanning activities so as to cope with threats and grasp opportunities and hence obtain sustainable competitive advantage. These findings show that environmental scanning play a major role in giving SMEs competitive advantage. From the results it was established that 1.3% of the respondents believe to no extent, 3.8% believe to low extent, 30.1% believe to moderate extent, 46.8% believe to great extent and 17.9% believe to very great extent. Related to this question was the question on if environmental scanning enables the organization obtain more accurate and industry insights and with results indicating that 0.6% believed to no extent, 3.8% believed to low extent, 32.1% believed to moderate extent, 47.4% believed to great extent and 16% believed to very great extent. This shows that source of information used in environmental scanning is reliable to SMEs. These results imply that scanning market environment is a key part of environmental scanning in SMEs. These findings support the findings of Charles, Ojera and David (2015) who found out that market environment scanning is a major strategy in environmental scanning in SMEs.

When asked if environmental scanning reduces environmental uncertainty, majority comprising 40.7% agreed to a great extent. Another 17.6% were in agreement that environmental scanning reduces environmental uncertainty to a very great extent. 33% of the respondents agreed to a moderate extent while 7.1% and 1.6% agreed to a no extent at all. These results are shown in Table 4.2. From the results it is evident that SMEs use environmental scanning to create stability for their business. This supports Elbanna and Alhwarai (2012) assertion that organizations facing high uncertainty and hostility in the environment will tend to be more market oriented to ease the negative influence on performance. Managers' perception of high levels of environmental uncertainty may reduce their ability to properly plan for their organizations and hence negatively influence organizational performance. Thus performance of an organization depends on the fit between its resources and the external environment. If the fit is good, due to environmental stability, then the firm will be rewarded with superior performance. However, if the environment is hostile the firm will be rewarded with poor performance. Previous studies have found that a vast majority of SMEs have prioritized the use of environmental scanning in reducing environmental uncertainty (Stonehouse & Pemberton, 2002). Consistent with the findings of this study are studies by Bryson (2011) and Albright (2004) who found out that managers value environmental scanning in reducing environmental uncertainty. The findings from this study suggest that a majority of the SMEs appear inclined in considering environmental uncertainty a matter of concern and given such consideration environmental scanning is a way of dealing with such uncertainty. Further, it can be inferred that the small minority of SMEs that does not view environmental uncertainty as of concern are more unstable in their environment.

4.3.2 Internal Environment

The study sought to establish the extent to which the firms ensure that their strategies take into consideration the competitive environment. From the empirical findings tabulated in Table 4.2, 46.2% of the respondents agreed to a very large extent cumulative, 11.2% agreed to a large extent, 39.7% agreed to a moderate extent, 1.9% agreed to a low extent while 1% agreed to no extent. This means that analysis of competitors among SMEs is a key process in environmental scanning. This concurs with (Karami, 2012) assertion that scanning competitive environment is an important part in the process of strategic planning, since the information obtained, if used properly, can lead to good decisions on the establishment or continuation of a competitive advantage. The study findings align with the results of Auka and Langat, (2016); Sandada (2014) who concluded that SMEs engage in environmental scanning to improve their competitive strategies. These findings suggest that majority of SMEs use environmental scanning to improve their competitive advantage and with SMEs using opportunities environmental scanning: namely the micro-environment, market environment and the macro-environment.

Regarding the question on whether strategies take advantage of opportunities that exists as shown in Table 4.2 below , it was established that majority of respondent strongly believe that SMEs strategies take advantage of existing opportunities to a great extent(42.6%), very great extent(13.1%), moderate extent(39.7%), low extent(3.5%) and no extent(1%). This shows that SMEs strategy planning process is based on porter's models. The results of this research are similar to the studies carried out by (Kinyanjui & Juma, 2014; Muhando, 2015).

On the question if managers should ensure that the firm's pursuit of market opportunities is based on both existence of competitive advantages that arise from the firm's key resources the study found out that 45.8% believed to a great extent, 21.2% believed to a very great extent, 29.8% believed to a moderate extent, 2.9% to a low extent and 0.3% believed to no extent. These findings imply that existing resources are key factors in strategy planning process in SMEs. These findings are in accordance with the findings of an earlier study conducted by (Jorosi, 2008) in SME manufacturing sector in Zimbabwe.

4.3.3 Competitive Environment

The question on whether environmental scanning has value associated with faster reaction times revealed that 2.2% believed to no extent, 6.7% believed to low extent, 29.8% believed to a moderate extent, 40.1% believed to a great extent and 21.2% believed to a very great extent. Thus it can be deduced from the findings that SMEs undertake strategic reaction to the business environment. This is concurs with Babatunde and Adebisi (2012)who argues SMEs that continuously carry out environmental scanning can react strategically faster to the environment. These results align to the findings of (Gică & Negrusa, 2011) who concluded that SMEs that engage in environmental scanning have faster reaction times than SMEs that do not engage in environmental scanning.

The findings revealed that 44.1% of respondents believed that to a great extent environmental scanning enhances a firm's knowledge base and effective planning horizon, while 0.6% believed to no extent, 2.6% believed to a low extent, 35% believed to a moderate extent and 17.7% believed to a very great extent. From these findings it can be inferred that SMEs have information systems that are used in strategic planning and these systems lead to development of high impact strategies. Previous findings by Elbanna and Fadol, (2016) support these findings that environmental scanning improves knowledge base of SMEs thereby impacting positively on strategy planning process.

Finally, on the question if environmental scanning provides a company industry foresight and leadership position the study showed that 1.3%, 4.8%, 31.4%, 40.1% and

22.4% agreed to no extent, low extent, moderate extent, great extent and very great extent respectively. This clearly shows that SMEs use environmental scanning for development of business vision. According to Karami and Chen (2010) organizations scan the environment in order to understand external forces of change so that they may develop better mission and vision. To this environmental scanning constitutes a key mode of setting the business apart from its competitors through business vision.

Table 4.2: Environmental Scanning

Statement	Percentages					Total
	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	
In our organization, we conduct effective environmental scanning activities so as to cope with threats and grasp opportunities and hence obtain sustainable competitive advantage	1.3	3.8	30.1	46.8	17.9	100
With effective environmental scanning, our organization is able to obtain more accurate market and industry insights and hence more likely to satisfy current customers and explore new market segments which ultimately contribute to the financial performance	0.6	3.8	32.1	47.4	16	100
In our organization, environmental scanning reduces environmental uncertainty and assist in organization’s risk management	1.6	7.1	33	40.7	17.6	100
In our organization, managers ensure that the strategy is consistent with conditions in the competitive environment	1	1.9	39.7	11.2	46.2	100
In our organization, managers ensure that the strategies take advantage of existing opportunities and minimize the impact of major threats	1	3.5	39.7	42.6	13.1	100
In our organization, managers ensure that the firm’s pursuit of market opportunities is based on both existence of external opportunities and competitive advantages that arise from the firm’s key resources	0.3	2.9	29.8	45.8	21.2	100
In our organization, environmental scanning has value associated with faster reaction times	2.2	6.7	29.8	40.1	21.2	100
In our organization, environmental scanning enhances a firm’s knowledge base and effective planning horizon	0.6	2.6	35	44.1	17.7	100
In our organization, environmental scanning provide a company industry foresight and the potential to get to the future before competitors hence obtaining a leadership position in the market place	1.3	4.8	31.4	40.1	22.4	100

4.4 Strategy Formulation of Professional Service SME's in Kenya

The strategy formulation process was measured using 9 likert items which were divided in three sub-scales with each sub scale having three likert items. An analysis was carried out based on individual likert items, sub-scales and total scale with the preliminary results presented in the section below. The results are presented based on the Likert Sub-scales of the study.

4.4.1 Mission

The first question under the mission in strategy formulation was on whether mission is a benchmark against which managers evaluate organizational performance. From the study results it was established that 2.3% of the respondents believed to no extent, 4.2% to a low extent, 24.8% to a moderate extents, 48.7% to a great extent and 20% to a very great extent. These findings are shown in Table 4.7 below. This shows that mission statement is part of performance measurement system in SMEs. This can be attributed to the reason that mission statement aligns the organization activities to a purpose that encourages performance measurement. These findings align with the results of Skokan, Pawliczek, and Piszczur, (2013) that show the mission statement is part of performance measurement system in SMEs.

Concerning the question, the role of mission in providing unique insight into an organization's value and future direction for external groups it was revealed that 1.3% of the respondents believed to no extent, 3.5% to a low extent, 29% to a moderate extent, 49% to a great extent and 17.1% to a very great extent. These findings demonstrate that business mission is an important part of managing external organizational communication in SMEs. These results confirm the previous studies by Toftoy and Chatterjee, (2004) who established that mission statement guide relationship with external groups.

On the question mission nurtures organizational loyalty and fosters a sense of community for employees the study results showed 2.6% of the respondents believed to a low extent. 4.2% believed to a low extent, 33.4% to a moderate extent, 37% to a great extent and 22.7% to a very great extent. These findings illustrate that mission statement contribute to strengthening the sense of unity and belonging among employees in SMEs. Mission statement enable employees have a shared goal and purpose and this promotes organization culture. These results affirm the findings by Wafula, (2014) who established that mission statements promotes organization culture in SMEs through creating shared culture.

4.4.2 Vision Statement

Under the sub-scale of vision statement, three likert questions were asked with results presented in the section below. From the results of the study it was found that 1.6% and 4.5% of respondents believed that vision statement determine what customers want in the future to no extent and low extent respectively. 33.3%, 25.3% and 35.3% were established to believe to a moderate extent, great extent and very great extent respectively. It can thus be deducted that vision statements are major part in determining customer satisfaction in SMEs. This is because a key action in attaining vision is to develop business processes that enable business to provide customer services more efficiently and more effectively. These results are similar to the findings of Tanković, (2013) who affirmed the role of vision statement in customer satisfaction.

The study results also showed that 3.8%, 6.7%, 28.5%, 32.4%, 28.5% of the respondents believed that vision statements are used establish future competitors to a no extent , low extent, moderate extent, great extent and very great extent respectively. These findings highlight that vision statement are important component in SMEs strategic direction. According to Taghi Alavi and Karami, (2009) vision statement provides framework that firms can used to determine future competitors. These findings are consistent with the results of Skokan, Pawliczek, and Piszczur, (2013) who affirmed the role of vision statement in helping SMEs determine future competitors.

The study also sought to establish the extent to which firms use vision statement to evaluate their competitive scope. From the empirical findings tabulated in table 4.7, cumulative 59.6% of the respondents believed to a greater extent SMEs use vision statement to evaluate competitive scope, this comprised 23.7% for those to a greater extent and 35.9% to a very great extent. On the other hand 1.9%, 4.5% and 34% believed to a no extent, low extent and moderate extent respectively. It can thus be interpreted vision statement play a major role in competitive strategies of SMEs. This findings align to the result of Sandada, Pooe, and Dhurup, (2014) established that vision statement helps in determining competitive scope of SMEs.

4.4.3 Objectives

In regard to the question whether strategies are continuously revised to match with the changing environment, 14.1% believed to a very great extent; 42% to a great extent, 40.4% to a moderate extent, 2.9% to a low extent and 0.6% to no extent. Majority of the respondents agreed that strategies are continuously revised in line with changing environment. This shows that the strategy adopted by SMEs are emergent. This is confirmed by Sandada (2015) who found that strategy-making in small firms is mainly emergent, adaptive and reliant on personal relationships with mainly customers and suppliers.

In regard to employee involvement in strategy formulation, findings revealed that 18.3% believed that employees are involved to a very great extent, 42.4% to a great extent, 28.9% to a moderate extent, 6.8% to a low extent and 3.5 to no extent. This findings show that employees are involved in development of objectives in SMEs. Participation in the competitive working environment is a crucial factor that contributes to organizational performance, where participation is viewed as the involvement of employees in establishing the organization's vision, mission, objectives, and strategies (Sandada et al., 2014). According to David (2001) employee participation increases the work performed and the employee's commitment within the organization since the aim of employee participation is to improve business processes and enhances organizational productivity (Armstrong, 2006). These findings are similar to the results of (Sandada, Pooe, & Dhurup, 2014).

In terms of whether objectives provide a clear view of what a firm is trying to accomplish for its customers the following breakdown emerged from the results; 1.6% believed to no extent, 2.6% believed to a low extent, 37.9% believed to moderate extent, 14.1% believed to a great extent and 43.7% to a very great extent. Thus it can be implied from the results that objectives play a major role in SMEs strategic orientation. Wijethunge and Pushpakumari (2014) emphasizes objectives provides both financial directives and strategic directives, with strategic directives involved in consumers and other stakeholders. Objectives contribute to meeting customers' needs through set target for each department in a firm and through providing a framework to evaluate and control the performance of managers and employees in regards to targets. These results are consistent with the results of Wijethunge and Pushpakumari (2014) who carried out a study on strategic planning among SMEs in Srilanka.

Table 4.3: Strategy Formulation

Statement	Percentages					Total
	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	
Our organization mission is a benchmark against which managers evaluate organizational performance	2.3	4.2	24.8	48.7	20	100
Our organization mission helps to provide unique insight into an organization's value and future direction for external groups	1.3	3.5	29	49	17.1	100
Our organization mission nurtures organizational loyalty and fosters a sense of community for employees.	2.6	4.2	33.4	37	22.7	100
We use vision statement to determine what our customers want in the future.	1.6	4.5	33.3	25.3	35.3	100
We use vision statement to establish who will be our future competitor	3.8	6.7	28.5	32.4	28.5	100
We use vision statement to evaluate what our competitive scope should be	1.9	4.5	34	23.7	35.9	100
Strategies are continuously revised to match with the changing environment.	0.6	2.9	40.4	42	14.1	100
Employees are involved in formulation of mission, vision, objective, strategies & policies.	3.5	6.8	28.9	42.4	18.3	100
Our organization objectives provide a clear view of what a firm is trying to accomplish for its customers.	1.6	2.6	37.9	14.1	43.7	100

4.5 Strategy Implementation of Professional Service SMEs in Kenya

This section presents the findings on the respondents' perception on the strategy implementation in SMEs. This perception was measured using 9 likert items which were divided in three sub-scales with each sub scale having three likert items. The sub-scale composed of leadership, organization structure and policies. Preliminary results are presented in the section below.

4.5.1 Leadership

In terms of the role of top management in the implementation of strategy, the respondents believed that to a low extent (3.2%), moderate extent (40%), great extent (44.2%) and very great extent (12.6%) top management has more influence in strategy implementation. These results are tabulated in Table 4.4 below. These findings indicate that strategy implementation in SMEs is predominantly dominated by top-management and thus there is top management commitment. Becker, Vandenverghe and Meyer (2004) state that top management plays an important role in promoting commitment to the strategy implementation from all employees. This is supported by Dandira (2011) who notes that top management often feel that strategic planning is their prerogative; thus they tend to monopolize strategy formulation and implementation and tend to have more say in the strategy planning process. These results relate with previous study by Mueen, (2009) which found that top management have more roles in the implementation of strategies in SMEs.

The findings showed that majority of respondents (39.9%) believed that to a very great extent strategy is implemented by employees who are willing and able to do it. 17.7%, 36.7% and 4.5% believed on the statement to a great extent, moderate extent and low extent respectively. These findings show that there is personal commitment from employees on strategy implementation in SMEs. The personnel commitment to strategy implementation has been found to positively affect the success and rapidity of the strategy implementation (Dooley et al., 2000). Commitment increases personnel motivation, shortens the lead time required for strategy implementation and permits rapid responses to changes in the business environment (Dooley et al., 2000). According to Kohtamaki, Kraus, Makila and Ronvko (2012), employees are a very important component of strategy implementation and there personnel's commitment to strategy implementation indicates the link between participative planning and company performance. The effectiveness of strategy implementation is affected by the quality of the people involved in the process (Peng and Littlejohn, 2001). These results are in line with the findings of Kinyanjui and Juma (2014) who found out that staff play a major role in strategy implementation.

On the question if managing resources is a component of leadership skills during strategy implementation, the results showed that 1.3% believed to no extent, 4.5% believed to a low extent, 36.7% believed to a moderate extent, 17.7% to a great extent and 39.9% to a very great extent. From the results it can be interpreted that leadership skills plays as a key role in order to form and enforce a strategy. Leaders must ensure that the firm's core competencies are understood when selecting strategies at the strategy formulation stage and then emphasized when implementing the selected strategies (Hitt et al., 2013). Strategic leaders must allocate resources towards building new capabilities, which capabilities are developed into core competencies and key in strategy implementation. These findings are in line with previous studies by (Gică & Negrusa, 2011) who established that strategy implementation requires strategic leadership.

4.5.2 Organization Structure

A central premise of in strategy implementation is that organizational structure is generally regarded as a fundamental part of effective strategy implementation, because new strategies create administrative problems and economic inefficiencies. Therefore, structural changes are needed to address issues and to increase performance (Siddique, 2015).

The study examined the extent to which organization structure is key to strategy implementation and this was tested through 3 likert questions. Data in Table 4.4 presents responses of the respondents' perception on role of organization structure as a means to end and not an end to itself in strategy implementation. The study results indicated that 1.6% believed to no extent, 4.5% believed to a low extent, 30.6% believed to a moderate extent, 42.6% believed to a greater extent and 20.6% believed to a very great extent. These findings highlights that organization design plays a key role in strategy implementation. Structure improves the efficiency of operations and balances the need for specialization with that need for integration. The need for structure becomes evident as the business evolves.

Related question was asked on whether organization structure is key mechanism for strategy implementation, with results showing that 1.6% believed to no extent and 5.8% believed to a low extent. 36.7%, 40.5% and 15.4% believed to a moderate extent, great extent and very great extent respectively. In this sense, the organizational structure of SMEs it can be said exhibit high potential for flexibility.

Organization structure that supports strategy implementation at operational level is largely flexible in nature and evolves over time (Siapei, 2015). These findings are consistent with the findings of Christou (2015) who found out that organization structure are key in strategy implementation in SMEs. On the other hand these findings are contrary to the results of Asah, Fatoki, and Rungani, (2015) who affirmed that organization structure is not important in strategy implementation in small business where most of them are family owned and sole proprietorship.

When asked whether with strategy implementation comes little organizational structuring as possible, majority of the of the respondents believed to a great extent (38.7%) while 18.7% believed to a very great extent. 34.8%, 6.1% and 1.6% believed to a moderate extent, low extent and no extent respectively. These findings imply that strategy implementation has little effect on organization structure in SMEs. Strategy implementation occurs with a context and with the context entailing the alignment of organizational structure and systems for the effective execution of strategic planning to enhance organizational performance (Thorpe & Mogan, 2007). However, this necessarily, is not the case in SMEs that have informal strategic planning process and lack well laid formal organization structures. These results contradict the findings of Ates and Bititci, (2009) who concluded that with strategy implementation comes increased organizational restructuring.

4.5.3 Organization Policies

Organizational Policies is considered a key variable in effective strategy implementation, among other key factors. Dobni *et al.* (2001) argue that organizational strategy and subsequent performance cannot be understood without an understanding of the behavior of an organization. They add that the culture of the organization or the collective behavior of employees drives strategy in an organization; people make a difference, therefore management has to create an environment that connects people to the organization's mission and motivates their creativity, commitment and passion.

The question on the role of policies in institutionalizing basic aspects of organizational behavior revealed that 1% agreed to no extent, 4.2% agreed to low extent, 34.7% agreed to moderate extent, 43.7% agreed to a great extent and 16.4% agreed to a very great extent. Thus it can be suggested that policies are a major way of developing organization culture in SMEs. These results are in line with the findings of Auka and Langat (2016) who found out that policies are considered important in developing organizational behavior in SMEs.

From the results of the data , it was established that 43.2% agreed that policies help managers in making the right decisions to a great extent, 17.4% agreed that policies help to a very great extent while 33.9%, 4.8% and 0.6% agreed to a moderate extent, low extent and no extent respectively. Thus it can be construed that policies play an important role in the decision making process in SMEs. In the words of Andrews et al (2009) policies serve the function of guiding the organization's members on how to deal with certain key situations. These results contradict the findings of Nyamwanza (2014) who found that polices do not help in decision making in SMEs since decision making in SMEs revolve around the owner of the business.

When the respondents were asked if policies counteract resistance to or rejection of chosen strategies by the organization's members the study found out that, 3.5% believed that policies counteract resistance to no extent, 7.1% believed to low extent, 35% believed to moderate extent, 35.7% believed to a great extent and 18.6% believed to a very great extent. These results show that policies create organizational values and norms in SMEs. These findings consistent with the conclusion of Chen and Liu, (2012) who found out that policies create values that promote strategy implementation in SMEs.

Table 4.4: Strategy Implementation

Statement	**Percentage**					
	Very low extent	**Low extent**	**Moderate extent**	**Great extent**	**Very great extent**	**Total**
The role of top management as strategic makers has more influence on implementation of the strategy.	0	3.2	40	44.2	12.6	100
In our organization, strategy is implemented by people and they must be willing and able to do it	1.3	4.5	36.7	17.7	39.9	100
In our organization, effective strategy implementation depends on a good fit between the competencies and attitudes of employees and the proposed strategy	1.3	4.5	36.7	17.7	39.9	100
In our organization, the structure of an organization is not an end in itself but it is a means to an end of implementing the chosen strategy to achieve the desire objectives of the organization	1.6	4.5	30.6	42.6	20.6	100
In our organization, organization structure is key mechanism for implementing new strategy	1.6	5.8	36.7	40.5	15.4	100
In implementing any given strategy in our organization, the major focus is to pursue as little restructuring as necessary.	1.6	6.1	34.8	38.7	18.7	100
In our organization, policies institutionalize basic aspects of organizational behavior	1	4.2	34.7	43.7	16.4	100
In our organization, policies help managers to avoid hasty and ill-conceived decisions in changing operations	0.6	4.8	33.9	43.2	17.4	100
In our organization, policies counteract resistance to or rejection of chosen strategies by the organization's members	3.5	7.1	35	35.7	18.6	100

4.6 Strategy Evaluation of Professional Service SMEs in Kenya

Data in Table 4.16 presents responses relating to strategic evaluation practices in SMEs. The study results are presented on each likert item. The preliminary results are presented based on the sub-scale of the likert items.

4.6.1 Setting Standards

When the respondents were asked if strategy process involves a continuous watching brief to identify potential problem diverse responses emerged, 2.3% of the responses agreed to no extent, 2.6% agreed to a low extent, 39.2% agreed to a moderate extent while 39.9% and 16.1% agreed to a great extent and very great extent respectively. According to Hunger and Wheelen (2010), strategy evaluation is a process of continuous pointing out problems to allow for action thus providing strategic direction. These findings corroborate those of a study to determine the role of strategy evaluation in firms. In that study, Al-Wugayan and Pleshko (2011) found that strategy evaluation in firms involves continuous problem identification in firms. From the above findings, it can be inferred that strategic evaluation in SMEs entails continuous problem identification in strategy implementation.

Organizations should review its capabilities and competencies for successful implementation of the strategy (Popa et al., 2012). Data in Table 4.16 shows responses on statements regarding the extent reviewing strategy through regular formal reviews. The data shows that majority, comprising 34.6% of the respondents, were in agreement that regular formal reviews were carried out to a great extent, 22.8% to a very great extent, 33.3% to a moderate extent, 7.1% to a low extent and 2.2% to no extent. This reveals that t Related to this question was the question on process of reviewing strategy involving reviews at the end of each critical path element and end phase. Concerning this question the results revealed that 35.9% believed to a great extent, 22.1% believed to a very great extent, 30.8% believed to a moderate extent while 9.6% and 1.6% believed to low extent and no extent respectively. These results support Makinde, Ankilabi and Ajike (2015) argument that strategy evaluation should be carried out continuously and not just at the end of the years but weekly, monthly, quarterly and yearly. This he argues will allow for corrective action to be taken on time. David (2003) also argued that a continuous rather than periodic strategy evaluation is necessary for all businesses, regardless of size, sector or industry affiliation. The reason is that a continuous evaluation of strategies offers benefits such as allowing benchmarking of progress to be established and monitored effectively, creating manager and employee commitment to achieve objectives, and enabling the monitoring of changes in the external opportunities and threats as well as internal strengths and weaknesses of the business. These results align with those of a study conducted by Kee-Luen, Thiam-Yong, and Seng-Fook, (2013), which found out that most SMEs carry out formal reviews, albeit informally. These findings imply that strategy evaluation has been institutionalized in SMEs.

4.6.2 Performance Measurement

Performance measurement in firms that have developed strategic planning requires a clear cause-effect linkage with firm strategy (Jamil & Mohamed, 2011). As such, strategy performance measurement facilitates the definition and achievement of strategic objectives (Hall, 2011; Lillis, 2002) by linking strategy with operations and targets (Jamil & Mohamed, 2011), and supports alignment of behaviors and attitudes with an organization's strategic direction (de Leeuw & van den Berg, 2011). The first question on strategy performance measurement sought to ascertain the extent to which strategies have been applied and achieve through profit margins. From the results it was established that 1.6% of respondents believed to no extent, 5.5% believed to low extent, 31.8% believed to moderate extent, 37.3% to a great extent and 23.8% to a very great extent. Similarly, the respondents were asked the extent of application and achievement of strategies via sales growth and with varied responses emerging. 12.5% of the respondents believed to a very great extent, 41.8% believed to a great extent, 41.5% believed to a moderate extent, 3.2% believed to a low extent and 1% to no extent. These results indicate that profit and sale growth are key metrics in strategy achievement in

SMEs. A point supported by Naghi and Gică (2011) who argues that performance measures in SMEs tend to be simple due to lack of proper documentation, with profits and sales dominating strategy performance measurement. These findings support the results of Muhoho (2016) who found out in his study that profit targets are key strategy implementation in SMEs

Concerning the question on the extent to which strategies have been applied and achieved by the return on investments the following responses emerged. 2.3% believed to no extent, 3.5% believed to low extent, 38.6% believed to moderate extent, 13.8% believed to a great extent and 41.8% believed to a very great extent. These results indicate that return on investment is a key strategy performance measurement. Return on investment is a long term strategy performance measurement in the realization of mission and vision in small, medium and large enterprises Pushpakumari and Watanabe (2009). However, these findings contradict the results of Najib and Baroto (2013) who established that return on investment as one of the least commonly used strategy performance measurement.

4.6.3 Strategy Control

General objective of strategy evaluation is to determine if mission and the objectives of organization is met. To examine these respondents were asked if during strategy evaluation goals are consistent with strategic direction. From the results it was revealed that 1% believed to no extent, 3.5% believed to a low extent, 37.2% believed to a moderate extent, 41% believed to a great extent and 17.3% to a very great extent. Thus it can be implies from this findings that strategy implementation in SMEs meets the criteria of consonance of the key criteria in strategy evaluation. These results are consistent with the findings of Auka and Langat (2016) who established that consonance forms part of strategy implementation in SMEs.

In regard to strategy control, Smit et al. (2007) state that to be effective, the strategic control system should be flexible, accurate, timely, simple, and a continuous process. Ehlers and Lazenby (2007) assert there are four basic types of strategic control. These include premise control, implementation control, strategic surveillance and special alert control. Thus to understand the type strategic surveillance carried out in SMEs the respondents were asked if they consider trends or combination of trends in strategy evaluation. The results indicated that 0.6% believed that trends formed part of strategy evaluation to no extent, 1.3% to low extent, 40.4% to moderate extent, 41.3% to great extent and 16.3% to very great extent. Thereby it can be inferred that strategy surveillance is valued highly as a strategy evaluation mechanisms in SMEs. Further it can be deduced that strategic change is a key part of strategy implementation with changes in conditions leading to strategy change management. These results align with the findings of Aracıoğlu, Zalluhoğlu and Candemir (2013), with the results showing that strategy surveillance is highly valued in strategy evaluation.

To examine feasibility in strategy evaluation in SMEs, a question was asked on the extent to which strategy is implemented in SMEs without putting strain on resources. From the results it was found out that 1.6% of the respondent agreed to no extent, 5.8% agreed to low extent, 34% agreed to moderate extent, 19.6% agreed to great extent and 39.1% to a very great extent. It can be suggested from the findings that majority of SMEs engage in implementation control during strategy implementation. According to Babafemi (2015), a key determinant of successful strategy implementation is resource allocation which ensures that existing limiting resources are used to execute strategy and meet set targets and objectives. Similar results were also found by Christou (2015) who concluded that feasibility of resource allocation is important in strategy implementation in SMEs.

Table 4.5: Strategy Evaluation

Statements	Percentages					Total
	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	
In our organization, reviewing strategy process involves a continuous watching brief which is required when potential problem areas must be identified before they become major issue.	2.3	2.6	39.2	39.9	16.1	100
In our organization, reviewing strategy process involves a series of regular formal reviews e.g. performance reports can be generated on a weekly, monthly, quarterly and annual basis to provide a formal monitoring process for key performance indicators	2.2	7.1	33.3	34.6	22.8	100
In our organization, process of reviewing strategy involves reviews at the end of each critical path element and end phase	1.6	9.6	30.8	35.9	22.1	100
In our organization, we ascertain the extent to which strategies have been applied and achieve through profit margins	1.6	5.5	31.8	37.3	23.8	100
In our organization, we determine the extent of application and achievement of strategies via sales growth.	1	3.2	41.5	41.8	12.5	100
In our organization, we establish the extent to which strategies have been applied and achieved by the return on investments	2.3	3.5	38.6	13.8	41.8	100
In evaluating strategy here, goals must be consistent with the organization's overall strategic direction	1	3.5	37.2	41	17.3	100
In our organization, there is need to consider strategy within the context of sets of trends or combination of trends rather than individually against a single trend	0.6	1.3	40.4	41.3	16.3	100
In evaluating strategy in our organization, we use feasibility as the extent to which the strategy can be implemented without putting the organization's resources under undue strain.	1.6	5.8	34	19.6	39.1	100

4.7 Innovation

Data in Table 4.6 presents responses relating to innovation practices in SMEs. The study results are presented on each likert item. The preliminary results are presented based on the sub-scale of the likert items

4.7.1 Product Innovation

Table 4.6: Product Innovation

Statement	Percentage					
	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Total
We develop new services that integrate technology.	0	33.1	40	12.8	14.1	100
We are use of latest technologies in the firm	4.3	5.8	55.8	18.2	15.9	100
The firm has continued to release new products in the market.	1.3	4.5	36.7	17.7	39.9	100
We experiment with new services in our local market	1.6	4.5	30.6	42.6	20.6	100
We improve our provision's efficiency of services	1.6	5.8	36.7	40.5	15.4	100
We frequently refine the provision of existing services	1.6	6.1	34.8	38.7	18.7	100
We regularly generate new ways of marketing the services of the firm.	6.1	10.2	21.8	47.6	14.3	100
We renew general marketing management activities of the company regularly.	1.2	4.8	23.7	52.5	17.8	100
We renew the product promotion techniques employed for the promotion of current and/or new products	3.5	11.2	56.2	26.8	2.3	100

Under the sub-scale of product innovation statement, three likert questions were asked with results presented in the section below. From the results of the study it was found that 33.1% and 40% of respondents believed that the organizations develop new services that integrate technology to a low extent and moderate extent respectively while 12.8% and 14.1% of the respondents believed to a great extent and very great extent respectively. This demonstrates that the role of technology innovation in service delivery among professional service SMEs in Kenya is relatively limited. This could be attributed to the relatively low levels to which professional service SMEs have remote clients Hogan *et al.* (2007). These results contradict the findings of Hogan et al., (2011) who established that technology integration is an important part of the product innovation in service firms. The difference in study findings can be explained by the fact that the current study focused on SMEs while the former study dwelt on large firms.

The study results also showed that 4.3%, 5.8%, 55.8%, 18.2% and 15.9% of the respondents believed that the SMEs used latest technology to a no extent, low extent, moderate extent, great extent and very great extent respectively. These findings further demonstrate that technology innovation in service firms SMEs is at nascent stage. According to Cesário, Fernandes, Jesus and Barata (2015) innovation in service firms is majorly driven by the client's needs, technology innovation included. These findings are consistent with the results of De Jong, Bruins, Dolfsma and Meijaard (2003) who concluded that service firms are not fast in adopting the latest innovation when compared to manufacturing.

The study also sought to establish the extent to which firms has continued to release new products in the market. From the empirical findings tabulated in table 4.19, cumulative 39.9% of the respondents believed to a very great extent SMEs while 17.7%, 36.7%, 4.5 and 1.3% believed to a great extent, moderate extent, low extent and no extent respectively. It can thus be seen that service innovation plays an important part in giving SMEs competitive advantages. These findings align to the result of Verhees and Meulenberg (2004) who concluded that SMEs release new products to further their competitive advantage.

4.7.2 Service Innovation

In regard to the question whether the firms experiment with new services in the local market, the study revealed that 20.6 % believed to a very great extent; 42.6% to a great extent, 30.6% to a moderate extent, 4.5% to a low extent and 1.6% to no extent. Concerning service efficiency improvement, the findings revealed that 15.4% believed that service efficiency improvement is to a very great extent, 40.5% to a great extent, 36.7% to a moderate extent, 5.8% to a low extent and In terms of the frequency of service refinement, the following breakdown emerged from the results; 1.6% believed to no extent, 6.1% believed to a low extent, 34.8% believed to moderate extent, 38.7% believed to a great extent and 18.7% to a very great extent. These findings imply that SMEs in professional services sector engage in incremental innovation. Incremental innovation in SMEs contributes new ways of serving clients to ensure firm develops appropriate services and yields greater avenues (Johne & Davies, 2000). The study findings are consistent with the results of Yeh-Yun Lin and Yi-Ching Chen (2007) who found out that SMEs in service sector continuously engage in process innovation.

In terms of whether the firm generates new ways of marketing services of the firm, the following results emerged. 6.1 % believed to no extent, 10.2% believed to a low extent, 47.6% believed to moderate extent, 21.8 % believed to a great extent and 14.3 % to a very great extent. Further the result revealed that 1.2%, 4.8%, 23.7%, 52.5% and 17.8% believed that the firm renews the general marketing activities regularly to a no extent, low extent, moderate extent, great extent and very great extent respectively.

4.7.3 Market Innovation

In regard to the question whether the firms generate new marketing ways, the study revealed that 14.3% believed to a very great extent; 47.6% to a great extent, 21.8% to a moderate extent, 10.2% to a low extent and 6.2 % to no extent. These findings demonstrate that SMEs are innovative in their marketing strategies. These results conform to the findings of Wijethunge and Pushpakumari (2014) who established that

SMEs are innovative in their marketing practices. Concerning the renewal of general marketing management activities of the company regularly, the findings revealed that 17.8% believed that to a very great extent, 52.5% to a great extent, 23.7% to a moderate extent, 4.8% to a low extent and 1.2% to no extent. These findings demonstrate that SMEs reviews their marketing strategies and this supports the assertion of Najib and Baroto (2013). On the question of the question for the extent of renewing the product promotion techniques employed in SMEs, the study revealed that 3.5 % believed to no extent, 11.2% to low extent, 26.8% to moderate extent, 56.2% to a great extent and 2.3% to a very great extent. The findings revealed that promotional strategies play a central role in SMEs marketing. These concur with the results of (Skokan, Pawliczek & Piszczur, 2013).

4.8 Financial Performance of SMEs

This section presents the findings on the respondents' views about financial performance of SMEs. This views were expressed on profit and sales among the SMEs. Preliminary results are presented in the section below.

Table 4.7: Financial Performance of SMEs

Statement	Percentages					Total
	Less than 1Million ksh	1 Million-5 Million	6 Million-10Million	Above 10 Million	No Profit	
Profits of SMEs	35.4%	26.6%	17.9	13.2	6.9%	100

Performance measurement of SMEs was also carried out through a profit analysis of the firms. The SMEs were required to indicate the approximate profit they have attained in the past one year. From the study findings majority (35.4%) of the SMEs indicated that there profit for the past one year was less than 1 million ksh. 26.6% of the SMEs had profit between 1million and 5million over the past one year. 17.9% while 13.2% and

6.9% of the firm had profits of 6 million to 10, Above 10 million and No profit respectively (table 4.8).

This implies that most of the SMEs in Nairobi are low performing in regards to financial performance. This is supported by Raguž, Čolović and Beran (2015) who asserts that most SMEs have relatively low profits due to competition levels among many SMEs. The findings are similar to the results of Ojo, Akinsunmi, and Olayonu (2017) who established that most SMEs in Nigeria make low profits.

Table 4.8: Sales Growth of SMEs

Statement	**Percentages**				**Total**
	No growth at all	**10-20% sales growth**	**30-50% sales growth**	**60-80% sales growth**	
Sales growth SMEs	22.5%	43.4%	23.8%	10.3%	100

Performance measurement of SMEs was also carried out through an analysis of sales growth of the SMEs. From the study findings in table 4.24, majority (43.4%) of the SMEs indicated that over the past one year they had experienced a sales growth of 10-20%. While 22.5%, 23.8% and 10.3% had experienced no sales growth at all, 30-50% growth and 60-80% sales growth respectively. This demonstrates that most SMEs had low performance in sales growth rates. This concurs with the findings of Muturi (2016) who established that most SMEs in Kenya have low sales growth rate.

4.9 Factors Analysis on Strategy Planning Process

This section focuses on the procedure used to arrive at the strategy planning process factors that were used in the study analysis through data reduction technique. This will include the checking suitability of data for factor analysis, methods of factor extraction, factor rotation, naming and interpretation of factors, is discussed.

4.9.1 Checking the suitability of data for factor analysis

The Bartlett's Test of Sphericity and Kaiser-Meyer-Olkin (KMO) are the most commonly used statistical tools used to check the suitability of data for factor analysis. The study used KMO to check if the data was appropriate for factor analysis. A rule of thumb that is commonly used is that a low KMO between 0-0.4 shows that the data is not appropriate for analysis while KMO values between 0.5 and 1 show that the data is appropriate (Malhotra 2007). In this study, KMO value fell within the acceptable range of 0.678 (table 4.9), implying that the data for this study is factorable. The KMO values lie between minus infinity and plus one (Kaiser 1970). KMO values in the region of four and five show a weak factor-analytic data, while a good factor-analytic data is when KMO is approximately 0.80 and excellent data occurs when the KMO value is around 0.90 (Kaiser 1970).

Table 4.9: KMO Test

KMO TEST	**Value**
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.678

4.9.2 Selecting a method of factor extraction

To extract the underlying factors of supply chain practices, Principal Components Analysis method was used. This method was important in ensuring that data was reduced without losing any information and in providing main factors that affect variation in the study (Yidana, Ophori & Banoeng-Yakubo, 2008). The study used Kaiser's eigenvalue greater-than 0.7 rule. The methods are illustrated in the subsequent section.

4.9.2.1 Kaiser's Eigen value

According to the rule, factors are retained for interpretation only if they have eigenvalues larger than one with large eigenvalues showing the usefulness of factors while small Eigenvalues allude to non-importance of the factors (Huck, 2012). Following the Kaiser rule, the study retained eight extracted factors. The retained factors are reported in table 4.10 below.

Table 4.10: Eigen Values

Factors	Eigen Values
External environment	2.416
Business Mission	1.915
Business Vision	1.787
Strategy control	1.154
Leadership	1.032
Organization Policies	0.906
Organization Structure	0.777
Performance Measurement	0.736

The factor one labeled environmental scanning has an eigenvalue of 2.416 and comprises of five items. The Cronbach alpha for this factor yielded a value of 0.80, indicating the reliability of the factor. Today's high levels of competition, uncertainty and turbulence require businesses to scan the environment in order to detect the market changes so as to effectively respond in a way that improves their competitiveness (Karami, 2008). This indicates that scanning the environment is crucial because this will enable a business to adapt to the dictates of the continuously changing market. The importance of external environmental scanning as a factor of strategic planning was confirmed by several studies. For example, a study of strategy in high technology small and medium sized enterprises by Karami (2008) found that both internal and external environments influence decisions of enterprises. Jorosi's (2008) study of the environmental scanning practices of Botswana's small and medium sized manufacturing enterprises also confirmed that organizations scan external environment in order to make informed decisions. A study by Harris and Martin (2006) also reports about the importance of external environmental scanning. The results of the study by Popoola (2010) further consolidate the importance of external environment scanning by revealing that corporate managers in Nigeria scan the environment to gain a competitive advantage.

Factor two labeled business mission, has an eigenvalue of 1.915 and consists of five items. Forbes and Seena (2007) assert that a mission statement is crucial to business as it establishes a common purpose in the business, guides decision making, and motivates and inspires personnel. In an analysis of the role of strategic planning in the performance of small service businesses, French et al. (2004) affirm the importance of business mission as a factor of strategic planning. Mazzarol et al. (2009) further confirmed the factor, and Dincer et al. (2006) who evaluated the strategic planning in growth oriented small firms and the strategic planning process, respectively. A mission statement enhances business performance because it reminds employees of key organizational values that provide general guideline to diagnoses and solution to problems (Bart & Hupfer, 2004).

The third factor labeled Vision Statement has an eigenvalue of 1.787 and consists of five items, Finkelstein et al. (2008), states that vision encapsulates the ideology or guiding philosophy of a business and it expresses the values, purpose and direction through the mission and business objectives. Kantabutra and Avery (2010) point out that vision is needed by a business to guide, remind of history of the company, inspire, and to control the business. According to Ungerer et al. (2007), having a clear vision, serving as a pilot to steer the business in a chosen direction is important for all businesses. Such a vision can spawn fierce employee loyalty, high productivity, and motivation. A vision focuses a business's strategy and is the root for continued success (Shrivastava, 2009). Vision should play a vital role in determining a business's market potential (Tedlow, 2007) and position the business within the marketplace (Chun & Davies, 2001: 323).

The factor labeled evaluation and control, which describes monitoring and control of progress in goal achievement, had an eigenvalue of 1.154 and comprised of five factors. For Pearce and Robinson (2005), evaluation and control involves assessing progress in the implementation of a strategy and taking action to correct any deviations from the set standards. The inclusion of this factor in the strategic planning process of SMEs in this study corresponds closely to the view proposed by Ehlers and Lazenby (2007) that through continuous monitoring and control, businesses are able to sustain competitive edge over competitors. The respondents in the study therefore, view evaluation and control as an important construct in their strategic planning practices. The basic thought is that control monitors strategy implementation in order to identify the fit between strategies and objectives (David, 2003).

Frequent evaluation and controls enable businesses to adapt strategies and plans timeously and cost-effectively if there is a misfit between present and planned data (Kraus et al., 2006). Besides initiating a learning process, Kraus et al. (2006) state that evaluation and control can raise employee morale because employees achieve gratification and they are also incentivized if they achieve set goals. The evaluation and control construct suggests that SMEs are likely to monitor their progress in strategy implementation and take corrective action to correct deviations from the standards set.

The fifth factor with eigenvalue of 1.032 consisted of five variables. The factor is labeled source of information about the environment. According to Thompson (1997) without strong leadership an organization is unlikely to successfully implement a corporate strategy. Emphasizing the importance of strong leadership, (Orit, Stan and Paul, 2009) argue that even the best formulated strategies cannot succeed without ability and the support of a leader in an organization. The authors further observe that in nearly all organizations that have successfully implemented strategies, effective leadership is important in ensuring that strategies are implemented.

Galpin (1998) states what makes the difference between successful and unsuccessful strategy deployment is the way management motivates and educates its people to act on a business strategy. In support of the foregoing, Kaplan and Norton, (2011) confirmed in their study the importance of leadership in strategic planning in SMEs. This is supported in this study as respondents consider leadership as key in strategic planning process.

The sixth factor consisted of variables relating to organizational policies in SMEs, with an eigenvalue of 0.906. Ehlers and Lazenby (2007) regard organizational culture as another key success driver in strategy implementation. When the organization’s beliefs, visions and objectives underpinning its chosen strategy are congruent with its organizational culture, it is easy to implement or execute the strategy (Ehlers & Lazenby 2007). Klein’s (2008) study results suggest that cultures based on constructive norms can foster motivation, innovation, creativity and risk taking behaviour, and cooperation, thereby creating competitive advantages and defensive cultures that negatively impact on the performance of organizations.

Therefore, according to Klein (2008) the consistency between organizational culture and the strategy is a source of competitive advantage. A study conducted by Brenes et al. (2008) also confirmed the positive impact of an enabling organizational culture on strategy implementation. Heide et al. (2002) conducted a study on organizational culture and its effect on strategy implementation. The results of the study confirm that culture is a source of competitive advantage if it is supportive of strategy implementation.

The seventh factor was organization structure construct which had an Eigen value of 0.777. According to Heide et al. (2009), the structure of an organization affects implementation indirectly through influence on information, control and decision processes. The authors further maintain that a business must ensure compatibility between the chosen strategy and its structure. This is done to ensure proper reporting structures in the implementation activities. Pearce and Robinson (2011) see the alignment between strategy and structure as a necessary condition for successful strategy implementation. A study by Heide et al. (2008) confirms that organizational structure constitutes a key driver to strategy implementation. Brenes et al. (2008) reported similar result in a study on key success factors for strategy implementation in Latin America. The findings reveal that businesses have benefited greatly from aligning organizational structures with strategies chosen.

The eighth factor with an eigenvalue of 0.736 was performance measurement. According to Elenkov (1997), performance measurement can help SMEs as the external environment poses uncertainty for new ventures, managers have to scan and interpret environmental changes to maintain their firm’s viability and performance. Performance measurement system, helps SMEs define their opportunities and threats. It also enables SMEs to identify areas where the firm can differentiate from its rivals and explore the ways to make it difficult for the competition to imitate products and strategic moves. Evidence showing the significance of performance measurement is presented in different studies of strategic planning. For example, confirming the importance of this construct, the study by Dincer et al. (2006) established that performance measurement is key in strategy planning process in SMEs.

In summary, the factor analysis procedure has identified eight dimensions of strategic planning practices which are business mission and vision, environmental scanning, formality of strategic planning, strategy implementation incentives, employee involvement in strategic planning, evaluation and control, and time horizon of strategic planning.

4.10 Inferential Statistics

Inferential statistics was carried out by multiple linear regression, specifically ANOVA tests. The data from this research comprised of four main predictor variables that included environmental scanning, strategy formulation, strategy implementation and strategy evaluation. The relationship between these variables was investigated by standard multiple regression. Prior to both regression analyses, the data were tested to see if they fulfilled the assumptions of multiple regressions.

4.10.1 Diagnostic Tests

This section discusses the assumption tests that were conducted before regression analysis.

4.10.1.1 Multicollinearity

The multicollinearity assumption was tested with the correlation matrix and with 'Tolerance' and 'Variance Inflation Factor' (VIF). From the table below it was evident that multicollinearity assumption was met since the VIF factor is above 1but less than 4 (Pallant, 2001).Low tolerance means a high degree of multicollinearity among the corresponding variables. However, when the VIF is the inverse (reciprocal) of the tolerance, large values indicate a high degree of multicollinearity. A tolerance value of less than 0.10, or a VIF value of more than 4, is regarded as confirmation of statistically significant multicollinearity (Hair et al., 1998). Table 4.11 shows that tolerance values are not less than the cut-off level of 0.10 and that the VIF values do not exceed 4.

Table 4.11: Multicollinearity Tests

Independent Variable	F-Statistic	Significant
	Tolerance	VIF
Environmental Scanning	0.455	2.199
Strategy Implementation	0.7	1.429
Strategy Formulation	0.575	1.738
Strategy Evaluation and control	0.63	1.588
Innovation practices	0.589	1.599

4.10.1.2 Normality

In order to examine the normality, a histogram of the dependent variable are provided in Figure 4.1 below.

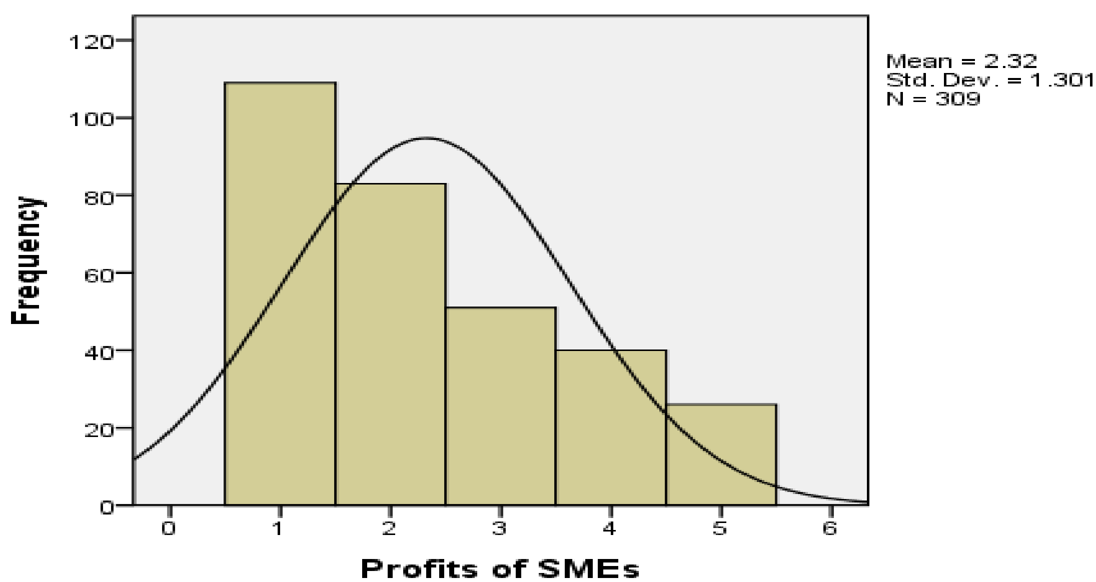

Figure 4.1: Histogram

Figure 4.1 indicates that the shape of the distribution with the bell-shaped histogram approximates to the normal distribution with no much kurtosis and thus the study shows that the data meets the assumption of normality.

4.10.2 Differences in Environmental Scanning between SMEs categories and Business sectors

This section examined the differences and similarities concerning environmental scanning among different categories of SMEs. The similarities and differences concerning the strategy formulation were examined by one-way between-group analysis of variance (ANOVA).

a) Assumption Test

Normality tests and homogeneity of variances test was carried out before carrying out one-way ANOVA.

i) Normality Tests

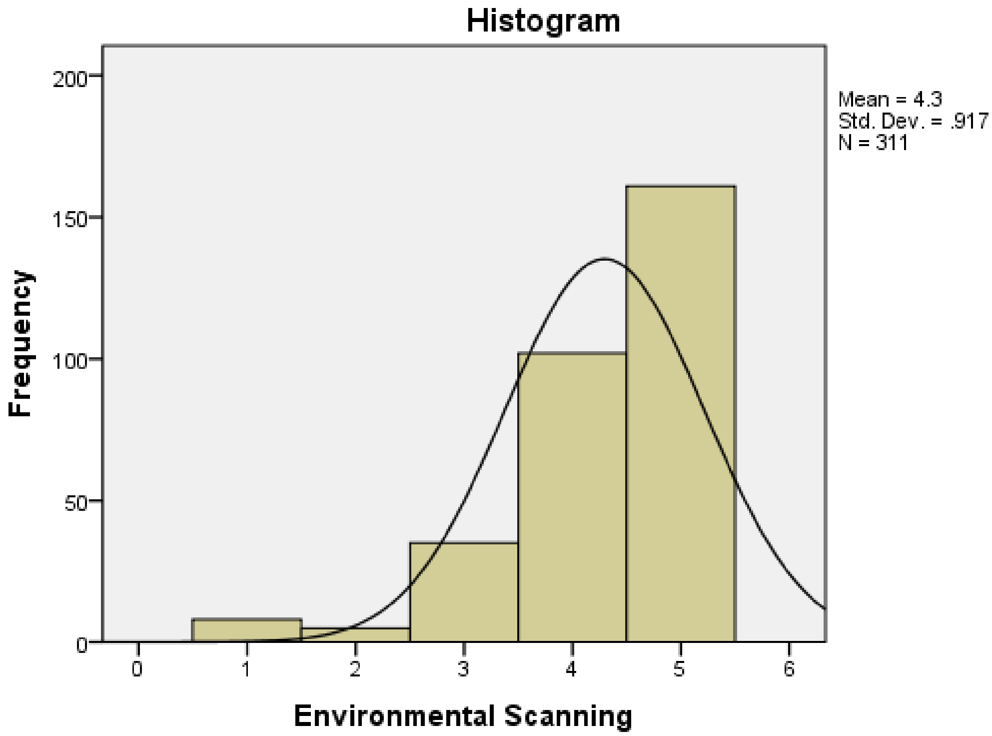

Figure 4.2: Normality Test

The results in Figure 4.2 show that the dependent variable (environmental scanning) does show a near normal plot that showing that the data is suitable for one way ANOVA. This shows that normality assumptions have not been violated.

ii) Homogeneity Tests

To check the homogeneity of variances tests, levene tests was carried out with the results presented in the table below

Table 4.12: Test of Homogeneity of Variances

Levene Statistic	df1	df2	Sig.
0.01	2	309	0.736

In this study, the Levene statistic is F = 0.01 and the corresponding level of significance is greater than 0.736 (Table 4.12). Thus, it can be concluded that the assumption of homogeneity of variance has not been violated in the study

Table 4.13: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	24.893	2	12.447	20.363	.000
Within Groups	188.882	309	.611		
Total	213.775	311			

From the results in table 4.13 above it can be concluded that the categories of SMEs have significant effect on environmental scanning carried by SMEs. This was indicated by p-value less than 0.05(p=0.00). Thus there was more need to carry out post hoc test to ascertain the cause of significant. Post hoc-results were carried out with the results indicated in Table 4.14.

Table 4.14: Post Hoc Test

(I) Category of SMEs	(J) Category of SMEs	Mean Difference (I-J)	Std. Error	Sig.
Micro SMEs	Small SMEs	-.38803*	.09690	.000
	Medium SMEs	-.78764*	.13023	.000
Small SMEs	Micro SMEs	.38803*	.09690	.000
	Medium SMEs	-.39961*	.13214	.011
Medium SMEs	Micro SMEs	.78764*	.13023	.000
	Small SMEs	.39961*	.13214	.011

To test the location of the difference in means post hoc results were carried out with results of the post hoc indicting that there was significant difference between all categories of SMEs. This show that as SMEs increase in size they tend to carry out more environmental scanning. This was supported by the mean in table 4.15 which showed an increase in means associated with environmental scanning as SMEs move from micro to medium types. This concurs with the assertion of Chen and Bowen (2012) that medium SMEs tend to carry out more environmental scanning than small SMEs.

Table 4.15: Descriptive Statistics

SME Type	N	Mean	Std. Deviation	Std. Error
Micro SMEs	138	3.5797	.86126	.07332
Small SMEs	124	3.9677	.72061	.06471
Medium SMEs	49	4.3673	.69803	.09972
Total	311	3.8585	.83042	.04709

4.10.3 Differences in strategy formulation between SMEs Types

In this section, the study examines the differences and similarities concerning the strategy formulation among different categories of SMEs. The similarities and differences concerning the strategy formulation were examined by one-way between-group analysis of variance (ANOVA). One-way analysis of variance compares the differences between the different groups with the variability within each group. To gain a detailed understanding of the differences between the variables, post hoc comparisons for each independent variable were undertaken. In this study Scheffe was applied.

a) Exploring the differences: Different SME

Before carrying out one way ANOVA, assumption tests that included normality tests and homogeneity of variances were carried out with results presented below.

i) Normality Test for Dependent Variable

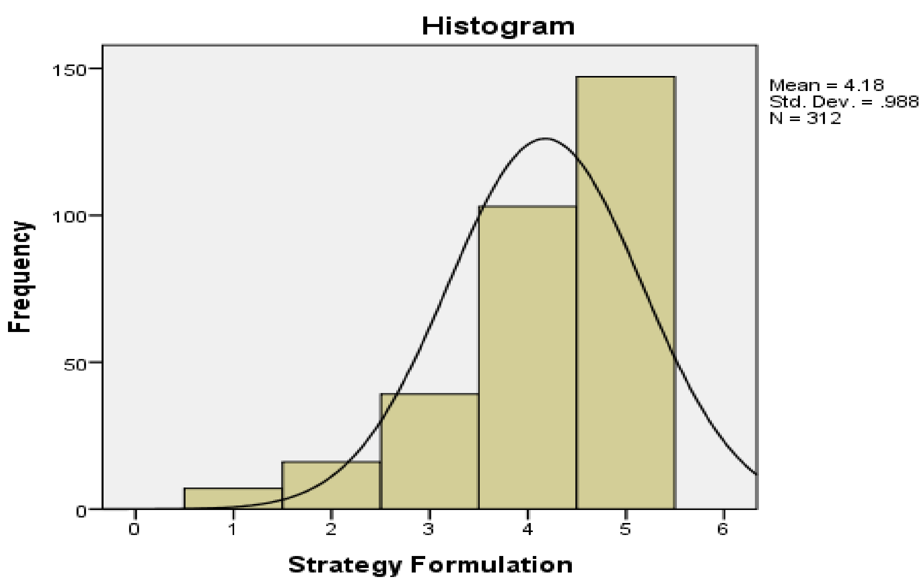

Figure 4.3: Normality Plot

The results in Figure4.3 show that the dependent variable(strategy formulations) does show a near normal plot that showing that the data is suitable for one way ANOVA since normality assumptions have not been violated.

ii) Homogeneity Tests

To check the homogeneity of variances tests, levene tests was carried out with the results presented in the table 4.16.

Table 4.16: Test of Homogeneity of Variance

Levene Statistic	df1	df2	Sig.
0.000	2	310	1

In this study, the Levene statistic is F = 0.000 and the corresponding level of significance is greater than 0.05.Thus, it can be concluded that the assumption of homogeneity of variance has not been violated in the study.

Table 4.17: ANOVA Results on SME Categories

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.138	2	1.569	2.356	.068
Within Groups	206.399	310	.666		
Total	209.537	312			

From the results in table 4.17 it can be concluded that the categories of SMEs have no significant effect on the strategy formulation carried by SMEs. This was indicated by p-value of greater than 0.05(p=0.068). This means strategy formulation is not differentiated by type of SMEs but exists across all SMEs. These results indicated that there was no need to carry out post hoc test. These results were further confirmed from the descriptive statistics table where mean did not indicate a pattern of either rise or fall across the SMEs categories. This can be seen in the table 4.10. From these results it can be deduced that strategy formulation is important for all category of SMEs. This is supported by Kee-Luen, Thiam-Yong, and Seng-Fook (2013) who contends that strategy formulation albeit formally and informally is a key part of SMEs business strategy.

Table 4.18: Descriptive Statistics

Category of SMEs	N	Mean	Standard Deviation	Standard Error
Micro SMEs	138	3.9493	.95384	.08120
Small SMEs	124	4.1613	.76919	.06908
Medium SMEs	50	3.9796	.43252	.06179
Total	312	4.0386	.82215	.04662

4.10.4 Differences in strategy Implementation between SMEs categories

This section examines the differences and similarities concerning the strategy implementation among different categories of SMEs. The similarities and differences concerning the strategy formulation were examined by one-way between-group analysis of variance (ANOVA).

a) **Assumption Test**

Normality tests and homogeneity of variances test was carried out before carrying out one-way ANOVA.

i) Normality Tests

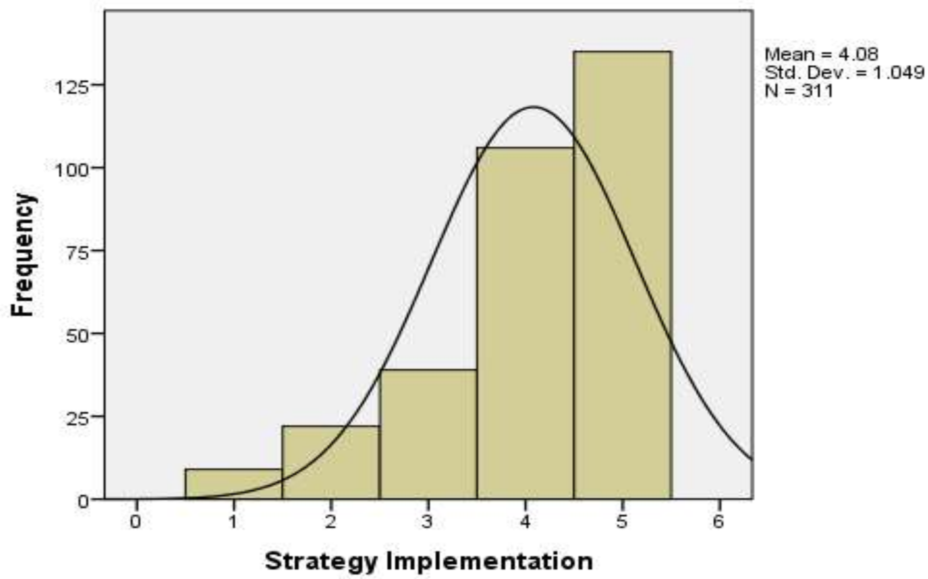

Figure 4.4: Normality Tests

The results in Figure4.3 show that the dependent variable (strategy implementation) does show a near normal plot that showing that the data is suitable for one way ANOVA. This shows that normality assumptions have not been violated.

ii) Homegeneity Tests

To check the homogeneity of variances tests, levene tests was carried out with the results presented in the table 4.19 below:

Table 4.19: Test of Homogeneity of Variances

Levene Statistic	df1	df2	Sig.
0.109	2	309	0.082

In this study, the Levene statistic is F = 0.109 and the corresponding level of significance is greater than 0.05.Thus, it can be concluded that the assumption of homogeneity of variance has not been violated in the study.

Table 4.20: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	59.573	2	29.786	40.143	.000[b]
	Residual	229.391	309	.742		
	Total	288.964	311			

a. Dependent Variable: STRATEGY IMPLEMENTATION

b. Predictors: (Constant), Category of SMEs

From the results in table 4.20 above, the findings reveal that strategy implementation is affected by category of SMEs. This is indicated by p-value lesser than 0.05(p=0.00). These results show that as firm increase in size they are more likely to engage in strategy implementation. This was affirmed through descriptive statistics mean in table 4.21 that indicated that mean was increasing across the SMEs. Sandanda (2014) observes that as SMEs increase in size they are likely to acquire more resources which can be used to support the implementation of strategies in SMEs. This supports Wijethunge and Pushpakumari (2014) proposition that strategy implementation is affected differently in small and medium SMEs due to varied organizational resources at their disposal. Thus there was more need to carry out post hoc test to ascertain the cause of significant. Post hoc-results were carried out with the results indicated in table 4.22 below.

Table 4.21: Descriptive statistics

Category of SMEs	N	Mean	Standard Deviation	Standard Error
Micro SMEs	137	3.6423	1.04837	.08957
Small SMEs	124	4.2742	.77919	.06997
Medium SMEs	50	4.8696	.34050	.05020
Total	311	4.0814	.97177	.05546

Table 4.22: Post hoc Tests on SME Category

(I) Category of SMEs	(J) Category of SMEs	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Micro SMEs	Small SMEs	-.63186*	.10767	.000	-.8967	-.3670
	Medium SMEs	-1.22723*	.14802	.000	-1.5913	-.8631
Small SMEs	Micro SMEs	.63186*	.10767	.000	.3670	.8967
	Medium SMEs	-.59537*	.14996	.000	-.9642	-.2265
Medium SMEs	Micro SMEs	1.22723*	.14802	.000	.8631	1.5913
	Small SMEs	.59537*	.14996	.000	.2265	.9642

*. The mean difference is significant at the 0.05 level.

Dependent Variable: STRATEGYIMPLEMENTATION

To test the location of the difference in means post hoc results were carried out with results of the post hoc indicting that there was significant difference between all categories of SMEs. This was supported by the mean in table 4.15 above which showed an increase in means associated with strategy implementation as SMEs move from small to medium types.

4.10.5 Difference in Strategy Evaluation between SMEs types

Assumption tests were carried out before the analysis of one way ANOVA through homogeneity of variance tests and normality tests. The results are presented in below.

a) Assumption Test

Normality tests and homogeneity of variances test was carried out before carrying out one-way ANOVA.

i) Normality Tests

From the results in Figure4.5 it is revealed that the dependent variable (strategy evaluation) does show a near normal plot that showing that the data is suitable for one way ANOVA and hence normality assumptions have not been violated

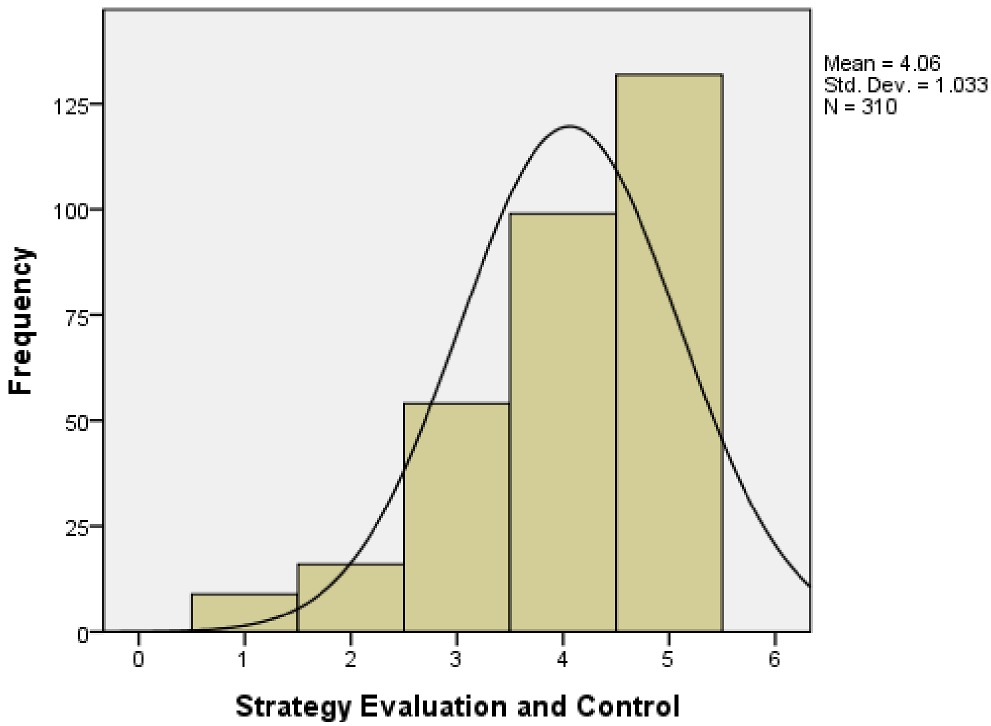

Figure 4.5: Normality Tests

ii) Homegeneity Tests

To check the homogeneity of variances tests, levene tests was carried out with the results presented in the table 4.23 below:

Table 4.23: Test of Homogeneity of Variances

Levene Statistic	df1	df2	Sig.
1.483	2	308	.145

Homogeneity of variances tests in the table above shows that the assumption test has not been violated since the homogeneity of variance was greater than 0.05.

Table 4.24: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.081	2	1.041	1.690	.700
Within Groups	189.729	308	.616		
Total	194.350	310			

From the results in table 4.24 above it can be concluded that the business sector of SMEs has no significant effect on the strategy evaluation carried by SMEs. This was indicated by p-value of greater than 0.05(p=0.7). Thus it was not necessary to carry out post hoc tests.

4.10.6 Differences in Innovation Practices between SMEs of Different Types.

This section examines the differences and similarities concerning the innovation practices among different categories of SMEs. The similarities and differences concerning the strategy formulation were examined by one-way between-group analysis of variance (ANOVA). Before carrying out one-way ANOVA assumption tests were carried out and results are presented below.

a) Assumption Test

i) Normality Test

Normality tests and homogeneity of variances test was carried out before carrying out one-way ANOVA.

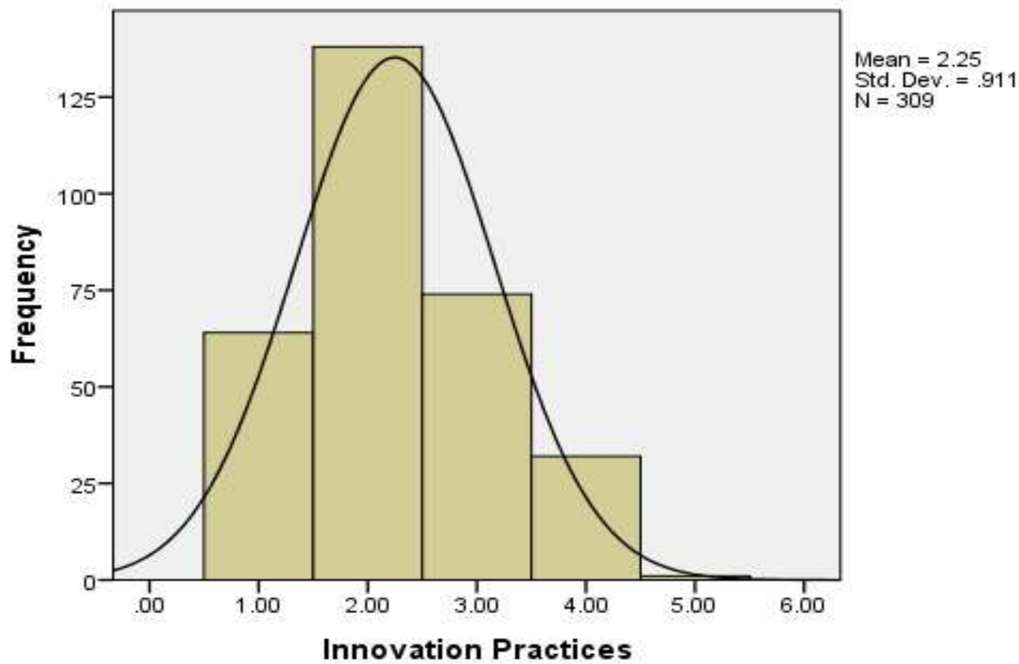

Figure 4.6: Normality Plots

The results in Figure 4.6 show that the dependent variable (innovation practices) does show a near normal plot that showing that the data is suitable for one way ANOVA. This shows that normality assumptions have not been violated.

ii) Homogeneity Tests

To check the homogeneity of variances tests, levene tests was carried out with the results presented in the table 4.20 below.

Table 4.25: Test of Homogeneity of Variances

Levene Statistic	df1	df2	Sig.
2.136	2	307	.120

In this study, the Levene statistic is F = 0.109 and the corresponding level of significance is greater than 0.05. Thus, it can be concluded that the assumption of homogeneity of variance has not been violated in the study.

Table 4.26: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	21.285	2	10.642	18.817	.000
Within Groups	173.065	307	.566		
Total	194.350	309			

a. Dependent Variable: STRATEGY Evaluation

b. Predictors: (Constant), Category of SMEs

From the results in table 4.26 above it can be concluded that the categories of SMEs have significant effect on innovation in SMEs. This was indicated by p-value lesser than 0.05(p=0.00). Thus post hoc test to ascertain the cause of significant Post hoc-results were carried out with the results indicated in table 4.27

Table 4.27: Post Hoc Results

(I) Category of SMEs	(J) Category of SMEs	Mean Difference (I-J)	Std. Error	Sig.
Micro SMEs	Small SMEs	-.56305*	.09342	.000
	Medium SMEs	-.40012*	.12518	.007
Small SMEs	Micro SMEs	.56305*	.09342	.000
	Medium SMEs	.16293	.12704	.440
Medium SMEs	Micro SMEs	.40012*	.12518	.007
	Small SMEs	-.16293	.12704	.440

To test the location of the difference in means post hoc results were carried out with results of the post hoc indicating that the difference on innovation was due to micro SMEs. This could be attributed to low innovation practices in micro SMEs in the study compared to small and medium SMEs.

4.10.7 Regression Analysis between Strategic Planning Practices obtained from Factor Analysis and Financial Performance

Regression analysis was performed to test the predictive relationship between two sets of variables, namely strategic planning practices and financial performance. The strategic planning practices were used as independent variables and financial performance was used as a dependent variable. Table 4.28 presents the regression results showing the predictive power of each factor on financial performance.

Evaluating the model

This section present the overall influence of strategic planning process on financial performance via a model summary.

Table 4.28: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.651a	0.4238	0.3791	0.7563

a. Predictors: (Constant), Control, External Environmental Scanning, Business Mission, Business Vision, Leadership, Organization Structure, Organization Culture, Performance measurement

b. Dependent Variable: Profits

In table 4.28, model summary show the predictive ability of the study model. In the study R value of 0.651 has been established indicating that there is a small correlation between the predictor variables, all lumped together into one model. This model explains 42.38% of the variances in performance of SMEs in the present study. R squared value of 42.38% was used in the study since adjusted R squared value is suitable for small sample of less than 200 to avoid overestimation problems and corrects R value to provide a better estimate of the true population value.

Table 4.29: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.757	4	4.689	8.5926	.0004b
	Residual	159.895	293	0.5457		
	Total	170.652	297			

a. Dependent Variable: Profits

b. Predictors: (Constant), Control, External Environmental Scanning, Business Mission, Business Vision, Leadership, Organization Structure, Organization Culture, Performance measurement

The output obtained from the SPSS analysis as shown in table 4.29 gave an F-ratio of 8.5926 which is significantly greater than 1 thus showing that the model is appropriate in explaining their relationship between the predictor variables and outcome variables. This was also supported by p-values of 0.001 that shows that the model is significant and therefore the null hypothesis that the model is not suitable for explaining the relationship between dependent and independent variables was rejected.

Table 4.30: Regression Coefficients

Model	Unstandardized Coefficients		Standard Coefficients	t	Sig
	B	Standard Error	Beta		
Constant	0.398	0.148		2.19	0.031
External Environmental Scanning	0.532	0.0614	1.419	2.247	0.032
Business Mission	0.290	0.0756	1.974	3.413	.0168
Business Vision	0.162	0.0853	0.168	0.981	0.062
Leadership	0.418	0.0713	1.881	2.146	0.041
Organization Culture	0.391	0.0345	1.675	3.846	0.035
Organization Structure	0.092	0.048	0.78	0.76	0.053
Strategic Control	0.234	0.078	1.465	2.345	0.038
Performance Measurement	0.187	0.083	0.189	2.119	0.056

The beta coefficients in table 4.30 show that External environmental scanning makes the most significant contribution to financial performance (β=0.532, p<.05), followed by Organization leadership (β=0.418, p<.05), followed by organization culture (β=0.391, p<.05), followed by business mission (β=0.290, p<.05) and strategy control (β=0.324, p<0.05). However, business vision (β=0.162, p>0.05), followed by performance measurement (0.187, $p<0.05$) and organization structure ($\beta=0.092$, $p>0.05$) showed insignificant contributions to financial performance. From the findings it is evident that environmental scanning contributes greatly to financial performance, followed by strategy implementation, strategy control and strategy formulation.

From the study findings it was established that there exists a positive and significant relationship between external environmental scanning and financial performance. The results show that for a unit change in external environmental scanning, there is 0.532 positive change in financial performance of SMEs. This study show that ES practices play a very important role in the financial performance of SMEs thus environmental scanning could be used to improve the financial performance of SMEs.

The results showed that the existence of mission statements in the studied firms were associated with firms' performance. A significant and positive relationship was established between mission statement and financial performance of SMEs. These findings suggest that firms with mission statements are more likely to have better financial performance. With regard to vision statement, the findings showed that vision statement does not influence the financial performance of SMEs. This implies that having vision statement does not necessarily results to improved financial performance of SMEs.

The findings of the study revealed that Organization leadership has positive and significant influence on financial performance of SMEs. From the results it was evidenced that a unit change in organization leadership results to improvement in financial performance by 0.418. This results show that organization leadership can contribute to enhanced financial performance of SMEs.

This study emphasizes the importance of people on financial performance of SMEs. This study finding further highlight the critical role that top management, people (skills, experience and capabilities) play in financial performance of SMEs. The study results validate the findings of Pournasir (2013) who established that organizational leadership is a key factor in strategy Implementation. A similar study by Kihara (2017) concluded that strategic organizational leadership positively influences the performance of firms.

Concerning the relationship between organization culture and financial performance of SMEs, the study demonstrated that there exists a positive significant relationship. This shows that information organization culture portends benefits to SMEs and that SMEs in the study have strong organization culture. The positive influence of organization culture is achieved as a result of unique quality of culture put forward by resources based view theory (Barney, 1991) and its ability to help the organization to anticipate or adapt to environmental changes as proposed by dynamic capability and contingency theories (Donaldson, 2006). Ahmadi et al. (2012) posit that strong cultures are the ones associated to superior performance owing to strongly shared values among employees (Raudan et al., 2008). These results are consistent to the findings of study by Sadighi (2017) who established that organization culture positively influences organizational performances.

The findings of the study also showed that strategic control does influence the performance of SMES. Thus it can be suggested that with every investment that organizations make on strategic control, financial performance improvement is enhanced. Strydom (2011) argues that strategy control informs the managers about the reasons leading to the failure to meet a certain objective, performance standard and/or any other performance indicator. Sandanda (2015) also argues that strategy control allows organization to undertake corrective action that will make strategies effective in organizations.

Studies by Kim (2012); Ngambi and Ndifor (2015) show support for strategic control on financial performance of firms.

4.10.8 Regression Analysis between Strategic Planning Process and Financial Performance of Professional Service SMEs

Table 4.31: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.4939[a]	.244	.176	.94766

a. Predictors: (Constant), Environmental Scanning, Strategy formulation, Strategy Implementation, Strategy evaluation

b. Dependent Variable: Profits of SMEs

From the table 4.31 above, the study findings revealed that 24.4% of the change in financial performance of professional service SMEs can be attributed to strategic planning process. 75.6% of the change in financial performance of professional service SMEs are attributed to factors not included in the regression model.

Table 4.32: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.499	5	2.900	6.22465	.000[a]
	Residual	136.505	293	.46589		
	Total	151.004	298			

a. Predictors: (Constant), Environmental Scanning, Strategy formulation, Strategy Implementation, Strategy evaluation

b. Dependent Variable: Profits of SMEs

Results in table 4.32 above shows that the regression model is suitable for explaining the relationship between strategic planning process and financial performance of professional service SMEs. This is evident the p-value 0< 0.05 which shows that the regression model is significant. This is also supported by F-statistics which is much greater than one in the model.

Table 4.33: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.132	.706		4.434	.000
	Environmental Scanning	.135	.067	.177	2.017	.045
	Strategy Formulation	.063	.073	.727	2.869	.039
	Strategy Implementation	.050	.084	.953	3.598	.026
	Strategy Evaluation	.080	.146	.507	2.255	.046

a. Dependent Variable: Profits

For the environmental scanning variable, the results shows that there exists a significant and positive relationship with financial performance. Thus for a one point increase in the environmental scanning activities, the probability of the SMEs being in a higher performance category would increase by 0.135 while the other variables in the model are held constant (Table 4.33). Since the p value is less than 0.05, the study accepted the alternative hypothesis that states; there exists a relationship between environmental scanning and financial performance of SMEs. These findings imply that environmental scanning results to improved financial performance of SMEs in the professional service sector. Chen and Bowen (2012) argues that environmental scanning provides the firm with critical and strategic information that when tapped into can result into improved financial performance of SMEs.

Karami (2008), states that effective scanning of the environment is necessary to the successful alignment of competitive strategies with environmental requirements and the achievement of outstanding performance in SMEs. According to Ebrahimi (2000), a firm`s competitive position, financial success and survival depend on its ability to scan, understand and adapt to the environmental conditions. In addition, Babalhavaeji and Farhadpoor (2012) states that having access to timely and relevant information can give a firm competitive advantage as it allows management to improve its strategic planning, tactical implementation of program and its monitoring and control. Ultimately, improved access to information is linked to good decision making within managers of organizations.

Babalhavaeji and Farhadpoor (2013) state that organizations that do not pay attention to wide range of signals are unlikely to prosper because they will have missed vital information about markets, products, customers and competitors while those that adopt effective environmental scanning are more likely to prosper.

This result indicated a weak relationship between environmental scanning and financial performance in professional services SMEs. This is unlike the study by Vudzijena (2015) who established that environmental scanning has a strong relationship with performance of business. The difference can be attributed to frequency within which firms carry out environmental scanning the sources of information. This was not the domain of the study unlike the study by Vudzijena (2017). The findings of the study are also shared by Karami (2008) who stated that effective scanning of the environment is an essential requirement to the successful alignment of competitive strategies with environmental requirements and the achievement of outstanding performance in SMEs. This shared view was consistent with Pimentel, Spinola and Moraes (2013) who stated that many strategists and strategic management scholars generally agreed that small firms which aligned their competitive strategies with the requirements of their environment (environmental scanning) outperformed firms that failed to achieve such alignment.

The second hypothesis suggests that there is significant relationship between strategy formulation and financial performance of SMEs in professional service sector. This hypothesis is accepted since the findings of this study have revealed a weak positive relationship ($r= 0.063$, $p= 0.039$). This result implies that SMEs which have formulated strategies tend to be more profitable than firms which have not formulated strategies. Arasa and K'Obonyo (2012) concurs with these findings in his study by finding that formulation of strategy is more highly associated with financial performance than non-formulation of strategy.

This implies that when organization has direction of its undertaking, the more it influences the financial performance and therefore enterprises need to develop strategies that will guide its business. This is consistent with the result of Akinyele and Fasogbon, (2007) that strategy formulation enhances better organizational performance, which in the long run has impact on the survival of the organization. Furthermore, strategy formulation will encourage favorable attitude to change, stimulates cooperative, integrated and enthusiastic approach to tackling problems and opportunities, encourage forward thinking and the integration of the behavior of individuals in the organization into a total effort. The findings also conform to what Izadi, (2012) found about the role of strategy formulation in performance of SMEs.

The study third hypothesis indicated that there is significant relationship between strategy implementation and financial performance of SMEs in professional service sector. Based on the study findings, the study accepted the third hypothesis, there is significant relationship between strategy implementation and financial performance of SMEs. The results revealed that an increase in strategy implementation activities results to an increase in financial performance by 0.05 units. These findings demonstrate that

SMEs that implement their strategies are likely to experience higher financial performance than SMEs that have not implemented their strategies. According to Nyamwanza (2014) strategy implementation enables the organization to operationalize their resources with aim of achieving business goals. These study findings align with the results of Kihara (2016) and Izadi (2012) that showed that strategic implementation contributes to improved business performance of SMEs.

The study also revealed that there exists significant relationship between strategy evaluation and financial performance of SMEs. This findings lead to acceptance of the alternative hypothesis that states that: there exists significant relationship between strategic evaluation and the financial performance of SMEs. This demonstrates that SMEs that carry out strategy evaluation are likely to have better performance all other factors constant. Kihia (2017) asserts that strategy evaluation is a critical tool and measure in assessing the organization's strategic position thereby allowing the organization take corrective measures if necessary thus improving the organization performance. These arguments are in line with Muhammad (2013) who indicated that evaluation enables firm to carry out performance appraisal thus providing feedback to performance. The findings are supported by an empirical study by Dubihlela and Sandada (2014) which found out that strategic evaluation affects SME performance positively.

The general regression Model arrived at was $Y = 3.132 + 0.135X1 + 0.063X2 + 0.05X3 + 0.08X4$.

Where;

X1= Environmental Scanning (ES), X2 = Strategy Formulation (SF), X3= Strategy Implementation (SI), X4 = Strategy Evaluation (SE) and Y= Financial Performance of SMEs in Kenya.

Hence;

Financial Performance of SMEs in Kenya = 3.132 + 0.135 Environmental Scanning + 0.063 Strategy formulation + 0.053 Strategy Implementation + 0.080 Strategy Evaluation.

The Beta Coefficients in the regression model show that all of the tested variables had positive relationship with financial performance of SMEs in Kenya with all the variables tested being statistically significant with p-values less than 0.05.

The findings implies that a unit change of X1(Environmental scanning) = 0.135, will results in to 0.123 change in the SME financial performance in Kenya; X2 (Strategy formulation) = 0.063, will results in to 0.063 change in the financial performance in SMEs; X3 (Strategy implementation)= 0.053; will results in to 0.053 change in the financial performance of SMEs in Kenya and finally X4 (Strategy evaluation) = 0.080, will results in to 0.080 change in the financial performance of SMEs in Kenya.

The Y- Intercept ($\beta 0 = 3.132$), predict that the financial performance of SMEs in Kenya when all other variables are zero, implying that without the independent variables that include; Environmental scanning, strategy formulation, strategy implementation and strategy evaluation the financial performance of SMEs in Kenya will be 3.132

From the table 4.33, Environmental scanning Practice X1 with (β =0.135, $p< 0.05$) has the strongest relationship with the financial performance of SMEs in Kenya, then followed by Strategy implementation X3 (β =0.05, $p< 0.05$), Strategy formulation X2(β =0.063, $p< 0.05$) and finally strategy evaluation X4 (β =0.08, $p< 0.05$) respectively. From the analysis all four independent variables (Strategic planning process) statistically significantly predicted the financial performance of SMEs in Kenya.

4.10.9 Moderating Effect of Innovation on the relationship between Strategic Planning Process and Financial Performance of Professional Service Firms

Table 4.34: Model Summary

R	R Squared	F Statistics	P-value
0.634	0.40196	3.5952	0.0140

The results show the R^2 in the model with moderating variable was 0.40196. R^2 for the model without moderating variable was 0.244 as shown table 4.31, which means that the Moderated Model increased by 0.1579. Thus it can be concluded that the moderating variable occasioned 15.79% change in the model. The results indicate that the moderating model was statistically significant with the model had F = 3.5952 and p-value=.0140. This shows that the model is suitable to explaining the moderating influence of innovation on relationship between strategic planning process and financial performance of professional service SMEs.

Table 4.35: Interaction Effect Table

	Co-efficients	T values	P-values	LLCI	ULCI
Constant	5.1678	10.1026	0.000	25.7200	38.1660
Innovation	0.4266	3.2261	0.023	0.3004	2.047
Strategic Planning Process	1.480	2.7582	0.045	0.2471	1.466
Interaction Effect	1.268	4.3847	0.016	0.026	2.185

Based on the moderation rule by Andrew Hayes, (2007), innovation has a moderating effect on the relationship between strategic planning process and the financial performance of professional service SMEs in Kenya. The rules states that if the interaction effect of the model values in both lower level confidence interval (LLCI) and upper level confidence interval (ULCI) has no zero value between them, the moderating variable has a significant effect on the model. Thus the study reject the null hypothesis and conclude that innovation have moderating effect on the relationship between strategic planning process and the financial performance of professional service SMEs. The findings in table 4.35 enable us to conclude that strategic planning process could influence firm performance through innovation activities in professional service SMEs in Kenya. The findings were in agreement with the findings of the study by Obeidat, (2016), linking innovation indirectly to strategic planning process-performance linkage.

Table 4.36: Conditional Effect of X on Y at Values of the Moderator

Innovation	Co-efficient	T values	P-values	LLCI	ULCI
Low level of Innovation	.4403	2.134	0.098	0.2656	1.9212
Moderates Level of Innovation	0.3119	3.7676	0.0423	0.2483	1.4706
High Level of Innovation	0.067	4.6796	0.0328	0.315	0.891

The study further sought to establish the effect of innovation at various levels. From the study it emerged that only medium level of innovation and high level of innovation affects the relationship between strategy planning process (table 4.36). This finding suggests that improvement of strategic planning process effect on performance of SMEs occurs best at firms with relative higher levels of innovation. This study concurs with the results of Song et al. (2011) who concluded that firms with higher levels of innovation have better organizational performance occasioned by the corporate strategies.

4.11 Discussion of Study Findings

For the environmental scanning variable, the results revealed that the variable affects the financial performance of SMEs positively. The results show that increasing environmental scanning on professional SMEs customers, suppliers, competitors, internal company information, socio-economic information, regulatory information and available technology on the market has a positive relationship with financial performance in Nairobi. The findings were supported by Mupani and Chipunza (2019) who outlined the five environmental constituents or dimensions namely; social, economic, political, regulatory and technological when frequently scanned lead to improved firm performance.

Chen and Bowen (2012) argues that environmental scanning provides the firm with critical and strategic information that when tapped into can result into improved financial performance of SMEs.According to Agbim, Oriarewo and Zever (2014), a firm`s competitive position, financial success and survival depend on its ability to scan, understand and adapt to the environmental conditions. In addition, Babalhavaeji and Farhadpoor (2012) states that having access to timely and relevant information can give a firm competitive advantage as it allows management to improve its strategic planning, tactical implementation of program and its monitoring and control.

Karami (2008) argues that economic factors, technological and political factors, which are external environmental factors are the most vital factors to the SMEs and as such hold key to the to determine survival of SMEs. Karami (2008), states that effective scanning of the environment is necessary to the successful alignment of competitive strategies with environmental requirements and the achievement of outstanding performance in SMEs. Babalhavaeji and Farhadpoor (2013) state that organizations that do not pay attention to wide range of signals are unlikely to prosper because they will have missed vital information about markets, products, customers and competitors while those that adopt effective environmental scanning are more likely to prosper.

The study findings support the findings of Kraja and Osmani (2015); Fatoki (2016) that established the importance of environmental scanning to the performance of SMEs in Albania and South Africa respectively. Similarly findings were also established by Vudzijena (2015). This shared view was consistent with Pimentel, Spinola and Moraes (2013) who stated that many strategists and strategic management scholars generally agreed that small firms which aligned their competitive strategies with the requirements of their environment (environmental scanning) outperformed firms that failed to achieve such alignment. However, unlike the findings by Vudzijena (2015) that showed a strong significance the current study revealed a weak significance. The difference can be attributed to frequency within which firms carry out environmental scanning the sources of information. This was not the domain of the study unlike the study by Vudzijena (2015).

The second hypothesis suggests that there is significant relationship between strategy formulation and financial performance of SMEs in professional service sector. This result implies that SMEs which have formulated strategies tend to be more profitable than firms which have not formulated strategies. Arasa and K'Obonyo (2012) concurs with these findings in his study by finding that formulation of strategy is more highly associated with financial performance than non-formulation of strategy. The findings also conform to what Izadi, (2012); Sarker and Palit (2015) found about the role of strategy formulation in performance of SMEs. The studies revealed a positive influence of strategy formulation on SME performance.

Mori (2013) suggests that formulation of strategies provides an organization with direction of its undertaking, the more it influences the financial performance and therefore enterprises need to develop strategies that will guide its business. This is consistent with the result of Akinyele and Fasogbon, (2007) that strategy formulation enhances better organizational performance, which in the long run has impact on the survival of the organization. Furthermore, strategy formulation will encourage favorable attitude to change, stimulates cooperative, integrated and enthusiastic approach to tackling problems and opportunities, encourage forward thinking and the integration of the behavior of individuals in the organization into a total effort.

Formulation of mission statement sharpen organization focus thus results in efficient use of resources. Mission statements also build more confidence in management so that new business will be initiated. Similarly, if employees of the company begin to see the mission statement as a source of guidance and direction for individual and work unit productivity, then the company's performance will most likely be enhanced.

Taiwo, Agwu, and Lawal (2016) also argue that vision statement and mission statement can result in enhancing the financial performance through their formulation. They further argue that vision and mission statement development that is more inclusive results to better organizational performance as opposed to vision statement that is developed by the owner/manager of firm.

The study third hypothesis indicated that there is significant relationship between strategy implementation and financial performance of SMEs in professional service sector. Based on the study findings, the study accepted the third hypothesis, there is significant relationship between strategy implementation and financial performance of SMEs. The results revealed that an increase in strategy implementation activities results to an increase in financial performance by 0.05 units. These findings demonstrate that SMEs that implement their strategies are likely to experience higher financial performance than SMEs that have not implemented their strategies. According to Nyamwanza (2014) strategy implementation enables the organization to operationalize their resources with aim of achieving business goals. These study findings align with the results of Kihara (2016) and Izadi (2012) that showed that strategic implementation contributes to improved business performance of SMEs.

This study finding further highlight the critical role that top management, people (skills, experience and capabilities) play in financial performance of SMEs. The study results validate the findings of Pournasir (2013) who established that in strategy implementation, organizational leadership is a key factor in strategy Implementation. A similar study by Kihara (2017) concluded that strategic implementation positively influences the performance of firms.

During strategy implementation, (>>>) asserts that organization culture portends benefits to SMEs and that SMEs in the study have strong organization culture. The positive influence of organization culture is achieved as a result of unique quality of culture put forward by resources based view theory (Barney, 1991) and its ability to help the organization to anticipate or adapt to environmental changes as proposed by dynamic capability and contingency theories (Donaldson, 2006). Ahmadi et al., (2012) posit that strong cultures are the ones associated to superior performance owing to strongly shared values among employees (Raudan et al., 2008). These results are consistent to the findings of study by Sadighi (2017) who established that organization culture positively influences organizational performances.

The study also revealed that there exists significant relationship between strategy evaluation and financial performance of SMEs. This findings lead to acceptance of the alternative hypothesis that states that: there exists significant relationship between strategic evaluation and the financial performance of SMEs. This demonstrates that SMEs that carry out strategy evaluation are likely to have better performance all other factors constant. Kihia (2017) asserts that strategy evaluation is a critical tool and measure in assessing the organization's strategic position thereby allowing the organization take corrective measures if necessary thus improving the organization performance. These arguments are in line with Muhammad (2013) who indicated that evaluation enables firm to carry out performance appraisal thus providing feedback to performance. The findings are supported by an empirical study by Dubihlela and Sandada (2014) which found out that strategic evaluation affects SME performance positively.

The beta coefficients in table 4.30 show that External environmental scanning makes the most significant contribution to financial performance ($\beta=0.532$, $p<.05$), followed by

Organization leadership (β=0.418, p<.05), followed by organization culture (β=0.391, p<.05), followed by business mission (β=0.290, p<.05) and strategy control (β=0.324, p<0.05). However, business vision (β=0.162, p>0.05), followed by performance measurement (0.187, p<0.05) and organization structure (β=0.092, p>0.05) showed insignificant contributions to financial performance. From the findings it is evident that environmental scanning contributes greatly to financial performance, followed by strategy implementation, strategy control and strategy formulation.

From the study findings it was established that there exists a positive and significant relationship between external environmental scanning and financial performance. The results show that for a unit change in external environmental scanning, there is 0.532 positive change in financial performance of SMEs. This study show that ES practices play a very important role in the financial performance of SMEs thus environmental scanning could be used to improve the financial performance of SMEs. According to Ebrahimi (2000), a firm`s competitive position, financial success and survival depend on its ability to scan, understand and adapt to the environmental conditions. In addition, Babalhavaeji and Farhadpoor (2012) states that having access to timely and relevant information can give a firm competitive advantage as it allows management to improve its strategic planning, tactical implementation of program and its monitoring and control.Karami (2008) argues that economic factors, technological and political factors, which are external environmental factors are the most vital factors to the SMEs and as such hold key to the to determine survival of SMEs. According to Ebrahimi (2000), a firm`s competitive position, financial success and survival depend on its ability to scan, understand and adapt to the environmental conditions. In addition, Babalhavaeji and Farhadpoor (2012) states that having access to timely and relevant external information can give a firm competitive advantage as it allows management to improve its strategic planning, tactical implementation of program and its monitoring and control. The research provided support to earlier findings of Beck (2007) where external environmental scanning factors were examined in relation to SMEs performance. These environmental factors were found to be significantly important to the organization in terms of performance.

The results showed that the existence of mission statements in the studied firms were associated with firms' performance. A significant and positive relationship was established between mission statement and financial performance of SMEs. These findings suggest that firms with mission statements are more likely to have better financial performance. This according to Baetz and Bart (1998) is because mission statement provides organizational members with a "meaning for their existence" which transcends departmental and corporate needs. Mission statement sharpen organization focus thus results in efficient use of resources. Want (1986) concluded that mission statements resulted in improved productivity and eventually helped to increase profits. He further emphasized that mission statements build more confidence in management so that new business will be initiated. Similarly, if employees of the company begin to see the mission statement as a source of guidance and direction for individual and work unit productivity, then the company's performance will be enhanced

These findings confirm the results of Taghi Alavi and Karami (2009) who demonstrated that CEO's believe that the existence of formal and written mission statement has a great impact on enhancing organizational performance. Gharleghi et al., (2011) also found a positive relationship between mission statement characteristics (clearness, completeness, reality, practically, the amount of employees and managers awareness, the amount of the acceptance, flexibility, attention to stakeholders, and distinctiveness of the mission statement) and organizational performance.

With regard to vision statement, the findings showed that vision statement does not influence the financial performance of SMEs. This implies that having vision statement does not necessarily results to improved financial performance of SMEs. Taiwo, Agwu, and Lawal (2016) argue that vision statement can result in enhancing the financial performance of firms depending on the development of vision statement. They further argue that vision statement development that is more inclusive results to better organizational performance as opposed to vision statement that is developed by the owner/manager of firm. These results contradict the findings of Darbi (2012) who concluded that formal vision statement positively influences the financial performance of firms.

The findings of the study revealed that Organization leadership has positive and significant influence on financial performance of SMEs. From the results it was evidenced that a unit change in organization leadership results to improvement in financial performance by 0.418. This results show that organization leadership can contribute to enhanced financial performance of SMEs. This study emphasizes the importance of people on financial performance of SMEs. This study finding further highlight the critical role that top management, people (skills, experience and capabilities) play in financial performance of SMEs. The study results validate the findings of Pournasir (2013) who established that organizational leadership is a key factor in strategy Implementation. A similar study by Kihara (2017) concluded that strategic organizational leadership positively influences the performance of firms.

Concerning the relationship between organization culture and financial performance of SMEs, the study demonstrated that there exists a positive significant relationship. This shows that information organization culture portends benefits to SMEs and that SMEs in the study have strong organization culture. The positive influence of organization culture is achieved as a result of unique quality of culture put forward by resources based view theory (Barney, 1991) and its ability to help the organization to anticipate or adapt to environmental changes as proposed by dynamic capability and contingency theories (Donaldson, 2006). Ahmadi et al., (2012) posit that strong cultures are the ones associated to superior performance owing to strongly shared values among employees (Raudan et al., 2008). These results are consistent to the findings of study by Sadighi (2017) who established that organization culture positively influences organizational performances.

The findings of the study also showed that strategic control does influence the performance of SMES. Thus it can be suggested that with every investment that organizations make on strategic control, financial performance improvement is enhanced. Strydom (2011) argues that strategy control informs the managers about the reasons leading to the failure to meet a certain objective, performance standard and/or any other performance indicator. Sandanda (2015) also argues that strategy control allows organization to undertake corrective action that will make strategies effective in organizations.

Studies by Kim (2012); Ngambi and Ndifor (2015) show support for strategic control on financial performance of firms.

Table 4.37: Summary of hypotheses test results

Hypothesis	p-values	Decision
There is a relationship between environmental scanning and the financial performance of SMEs in Kenya	0.045	Accepted
There is a relationship between Strategy Formulation and financial performance of SME's in Kenya.	0.039	Accepted
There is a relationship between Strategy Implementation and the financial performance of SME's in Kenya	0.026	Accepted
There is a relationship between strategy evaluationand the financial performance of SME's in Kenya	0.046	Accepted
To analyze the moderating influence of innovation on the relationship between strategic planning process and financial performance of professional service SMEs in Kenya.	0.0140	Accepted

From the table 4.37 above, it is evident that all the independent variables of the study affect the financial performance of SMEs. Further, it was also established that innovation practices affects the relationship between strategic planning process and financial performance of professional service SMEs.

CHAPTER FIVE

SUMMARY, CONCLUSIONSAND RECOMMENDATIONS

5.1. Introduction

This chapter summarizes 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: Study's contribution to theory and existing body of knowledge and Section 5.6: Areas for future research.

5.2 Summary of Findings

The overall objective of the study was to investigate the effect of strategic planning process on the financial performance of professional service SMEs. Specifically the study sought to establish the effect of environmental scanning on the financial performance of professional service SMEs in Kenya; determine the effect of Strategy Formulation on the financial performance of professional service SME's in Kenya; establish the effect of Strategy Implementation on the financial performance of professional SMEs in Kenya; identify the effect Strategy Evaluation on the financial performance of professional service SMEs in Kenya and to analyze the moderating influence of innovation on the relationship between strategic planning process and financial performance of professional service SMEs in Kenya.

5.2.1 To determine the effect of environmental scanning on the performance of Professional Service SMEs in Kenya.

From the study, external environmental scanning was found to have a positive and significant influence on performance of SMEs in professional service sectors. In addition, the study found that internal environmental scanning was found to affect the performance of SMEs. The same could be said of competitive environmental scanning that was established to have positive and significant effect on the performance of SMEs. It is thus inferred that environmental scanning has a role and influence the performance of SMEs through environmental scanning and competitive scanning. Business performance is primarily influenced by environmental change that is outside of the organization's control (Dobni & Luffman, 2003). This depends on whether change is taking place internally or externally to the organizations; in the case of internal change the organization is expected to be in control, while externally organizations can only anticipate these changes. Therefore it is necessary to conduct analysis of the organizations internally and externally for successful strategy formulation. Accordingly, most organization place emphasis on external change that they have no control over unlike internal control that they have can have control over (Ates & Bititci, 2009).This corroborates with findings from previous study by Elbanna and Alhwarai(2012) which concluded that external environmental screening has positive and highly significant impact on the performance of firms.

Another significant finding from the study was that environmental scanning is positively and significantly associated with the financial performance of professional service SMEs. Thus it can be inferred that environmental screening is associated with improved performance in SMEs. The results of correlation and regression analysis in chapter four indicated a strong positive relation between environmental scanning and business performance. This means that professional service SMEs should conduct a thorough analysis of the operating environment which they are exposed to in order to survive the operating environment prevailing. For the professional service SMEs to realize business profits, it is imperative that they frequently scan for information both internal and external sources and apply scanning techniques to analyze the obtained information in order to generate strategies for survival and competitive advantage. Without scanning the environment, professional service SMEs will miss on vital information which is essential for the financial performance.

Organizations that are aware of the environment importance and searching in depth about the movement of its variables or to know the occurring interactions between its elements through performing the environmental screening and going beyond the organizational boundaries, the possibilities of success of this kind of organizations will be high, and improving the administrative decision making in these organizations and making them able to avoid many of the challenges and difficulties they are encountering (Lichtenthaler, 2009). Since successful organizations take into account the environmental changes and investigate and analyze the external environment that reflects the level of the environmental changes that was called by Mason the "Environmental Turbulence" (Mason, 2003), and since the environmental turbulence is considered as a driving variable and its screening and monitoring plays an important role in achieving high levels of financial and operational organizational performance. Similarly, these findings are consistent with those of a study by Elbanna and Fadol, (2016) which showed that environmental scanning influence performance of SMEs in emerging economies.

The successful running of a business could be very challenging especially considering the external challenges that business operations encounter in Kenya but with the adoption of strategic environmental scanning the SME sector can address some of the challenges to do with external and internal changes. The finding of the study will help SMEs and agencies to identify key areas of environmental scanning that SMEs need to focus on amidst their limited costs. The finding has impact on the extent of environmental scanning practice and identifying information sources based on the areas that SMEs need to focus on. Environmental scanning capabilities of SMEs need to be developed and as such these findings will contribute to the development of such practices among SMEs. This is because it will allow SMEs to know the dimension of environmental scanning that they need to pay utmost attention to with their limited resources.

Environmental scanning could provide early warning signals for organizations, emerging from environmental uncertainties, risks, threats and opportunities. It could help companies develop and modify business strategies to meet changing external circumstances and hence improve their competitiveness and performance. In today's turbulent environment, it is more desirable for SMEs to conduct environmental scanning activities systematically and regularly. Moreover, for studies attempting to discover or demonstrate the association between environmental scanning and business success, it is limited to measure organization's financial performance only, such as profitability, return on capital and net profit margin. The contribution of environmental scanning, in terms of reducing uncertainty and assisting strategic management and planning, may not be directly revealed in SME performance as the study findings have indicated.

The management needs to thoroughly and strategically scan the environment at which it operates before commencement of operation and also periodically scan the environment when the operation has begun. In view of this, the researcher can rightly conclude that if the organization can strategically, periodically, and always involve in strategic environmental scanning and pay strong attention to the threats (so as to avoid) and opportunities (so as to seize) in the environment, the level of such organization performance will be very high at all ratification.

The dimensions of environmental scanning that are of importance to the corporate performance were investigated. The results of this study show that scanning focus was predominantly focused towards external analysis more than internal analysis. Thus, it can be concluded that external environments is important for the success of SMEs and thus SMEs should pay more attention to external environment.

Also, the findings allude to the fact that most SMEs possibly engage in external sources of information that internal sources since major dimension focuses on external and competitive environment, with limited focus on internal environmental analysis. The relationship between scanning activities and organizational characteristics (firm size) was recognized. Environmental scanning was found to increase with SMEs categories from micro, small and medium. Thus it can be concluded that as SMEs grow in size more attention should be paid on environmental scanning.

5.2.2 To determine the effect of Strategy Formulation on Performance of Professional Service SMEs in Kenya.

The study sought to find out the effect of strategy formulation on performance of SMEs in Kenya. Overall, the study findings suggest that strategy formulation is greatly practiced among SMEs, with mission and vision statement valued highly in strategy formulation. On the contrary the findings also revealed that objectives are valued to a lesser extent in SMEs. The findings of this study suggested that strategy formulation through mission and vision statement is a key part of strategy planning in professional service SMEs. Additionally, the findings suggest that strategy formulation is practiced by micro, small and medium SMEs with no significant difference. These findings support the argument of (Dermol, 2012) that mission and vision statement can have a goal-setting effect when it specifies the goals of the firms and makes it easier for employees to make daily decisions (Mullane, 2002). Mission statement has a coordination effect when it reduces communication costs and facilitates coordination among employees (Biloslavo & Lynn, 2007). Managers perceive mission statement as one of the most important managerial tool which has the power of directing behavior and sets the boundaries for how resources should be allocated and what strategic and operational goals should be set.

The findings revealed that mission, vision and objectives statement have a small positive and significant change on the performance of SMEs in professional service sector. Thus is can be deducted that mission, vision and objective statement all impact positively on performance of SMEs. Mission and vision statement is positively related with organizational performance. This result is mainly based on organization operating plans and decision-making guiding functions of mission statements. Mission, vision and objective statement forms the basis of organizational strategic planning through providing organizational direction, internal decision-making and resource allocation. As a knowledge platform and information tool, the statement passes on the organizational value and philosophy. In addition to direct role in organizational performance, the statement guides the top management for better performance (Ekpe, Eneh, & Inyang, 2015). The organizational statement can help organization achieve their goals with the resultant consequence of performance improvement through communication, leadership, organizational climate and strategy implementation (Kee-Luen, Thiam-Yong, & Seng-Fook, 2013). The study suggested that organization should continue to strive to improve on its mission, vision and objective statement as well as communicating same to create mutual expectation among stakeholders. The study also suggested that organizational statements are necessary for the employee, customers and other stakeholders to understand the organization's direction.

The study revealed that strategy formulation had a positive and significant influence on the financial performance of SMEs in professional service sector. Thus it can be inferred that strategic formulation has positive influence on financial performance of SMEs in professional service sector. From the findings, it can be construed that strategy formulation is important to SMEs since it contributes to SME growth and success. These findings suggest that SMEs that have formulated strategies have improved businesses performance (Kantabutra, 2010). A study of the relationship between strategy formulation and business performance by Kantabutra (2010), found that strategy formulation content have positive and direct effects on both customer and staff satisfaction, thus impacting business performance. The results infer that increased practices of mission and vision, environmental scanning and formality of strategic planning lead to high levels of business performance. It is therefore important for SME owners and managers to develop quality organization statements that can enhance organizational performance. A business should implement all the three organizational statement: vision, mission and objectives.

This study contributes towards a better understanding of the extent to which strategic formulation influences financial performance of professional service SMEs. The study argues that the use of strategy formulation has an impact on the performance of SMEs, with this argument drawn from the current research which has shown that strategy formulation has a positive relationship with performance of SMEs. From the findings it can thus be concluded that strategy formulation has small effect on the overall performance of SME and therefore SMEs should make use of strategy formulation in combination with other factors that can enhance its overall effects. Such effects can be revealed in three broad areas of strategy formulation processes: decision content, analytical dimensions of the process and social dimensions of the process (e.g. provision of a forum for negotiation and legitimization).

This study found that type of SMEs had no significance on strategy formulation. Thus, it can be concluded that strategy formulation and its dimension are important business tool for the success and growth of SMEs in all sectors. It might be safe to attribute this popularity that strategy formulation component such as mission and vision statements have gained over time. This popularity is mainly due to the needs of organizations to develop and articulate their strategic intent to exist, survive, and grow and how they should relate with actors around them including market, businesses, employees and even the wider society to achieve higher performance. Mission and vision statement communicates much about the aims, aspirations and values of organizations and units of organization. It represents the confluence of culture, purpose, values, leadership, and a host of tangible and intangible resources collectively and integratively targeted toward enhanced performance.

5.2.3 To establish the Effect of Strategy Implementation on Financial Performance of Professional Service SMEs in Kenya.

From the findings of the study it was established that majority of SMEs have put in place initiative to help in strategy implementation. Such initiatives involved leadership, organizational structure and policies. The findings suggest that SMEs are aware of what strategy implementation entails and have put in place initiatives to help in strategy implementation. This suggests that SMEs owners have not only theoretical knowledge on strategy implementation, but they have also put in place measures to ensure strategy implementation. Further results revealed that leadership had a strong and positive effect on the financial performance of SMEs as opposed to organizational structure and policies that were established to have weak and positive effect on performance of SMEs.

These findings infer that leadership impacts greatly on financial performance of professional service SMEs and thus SMEs should place more emphasis on leadership skills and strategic leadership. SMEs face a number of challenges to do with resources. The same cannot be said on leadership since most SMEs are owner-led thereby making leadership the prerogative of the owners. This by extension means SMEs have limited or poor leadership structure (Gică & Negrusa, 2011). Policies in SMEs are not formal and this means that many values are not openly and explicitly articulated, some because they serve the function of guiding the organization's members on how to deal with certain key situations. These Findings are similar to the study by Gibcus andVan Hoesel (2003) who established that leadership styles greatly influences the performance of small firms.

Further, strategic implementation was found to have positive and significant influence on financial performance of professional service SMEs. Thus it can be put forward that SMEs implementing their strategies have positive financial performance. The positive relationship between these strategy implementation and SME performance should encourage SMEs to implement their strategies. By doing so, SMEs can enhance their performance, increase their chances to grow, and consequently strengthen their competitive advantage and prosper within the national economy. These findings are consistent with the findings of (Kinyanjui & Juma, 2014: Magaisa, Matipira, & Kanhai, 2014) who concluded that the Implementation of Strategies is positively associated with improved business performance in firms.

The findings of the study suggest that for a strategy among SMEs to be implemented successfully, there is need for SMEs to align strategy with organization policies, organization structure and leadership of the organization. That means that, strategy implementation process must be established within an organization to support and establish an organizational culture that embraces the organizations strategy over time. Organization polices need to be developed in line with the emergent strategy and organization structure need to be adaptable and flexible to strategy implementation.

The results of this research strongly support prescriptive strategic management literature which advocates that a positive relationship between strategy implementation and financial performance (Kinyanjui & Juma, 2014). Moreover, this research give a new evidence about the practice of strategic implementation in SMEs and thus, support the results of empirical research (Kutllovci & Shala, 2013) which concluded that strategy implementation importance varies according to SMEs types. Therefore the findings suggest that small and medium enterprises need to pay more attention to strategy implementation than micro SMEs. All firms, whether young or old, small, medium or large in size, should engage and participate in strategy implementation. Any firm can succeed in strategy implementation efforts and achieve superior financial performance so long as proper attention is given to leadership, structure, human and non-human resources and technology.

5.2.4 To determine the effect of strategy Evaluation on the financial performance of Professional Service SMEs in Kenya

This study set to find out if strategy evaluation has an influence on the performance of SMEs in Kenya. The findings of this study prove that strategy evaluation has a weak positive effect on the performance of Professional Service SMEs. These results affirm Wijethungeand Pushpakumari (2014) argument that strategy evaluation offers the managers an opportunity to review the strength and weakness of their strategy in the business environment thus allowing the manager to take corrective action. According to Sandada (2015) strategy evaluation require expertise and resource that may be lacking in some SMEs and therefore limiting the effectiveness of strategy evaluation in SMEs. Further, (Sandada, Pooe, & Dhurup, 2014) explains that a number of SMEs apply strategy evaluation practices suitable for large enterprise without contextualizing specific strategy evaluation practices for SMEs. Further, they argue that this has reduced the effectiveness of strategy evaluation in SMEs. These findings corroborate the results of Sandada (2015) that established that strategy evaluation has a weak influence on the performance of SMEs in South Africa.

Specifically, the findings revealed that strategy control and performance measurement have a small and positive effect on the performance of SMEs while setting of standards was found to have a non-significant effect on the performance of SMEs. Performance measurement, although, rudiment is a common process among SMEs thus allowing the relationship between strategy and performance to be tested. SMEs are endowed with limited resources which require stringent use of available organizational resources. Limited resources encourages SMEs to engage in control of resource apportioned for strategy implementation, albeit few resources and thus reduces the effect of resource control on SMEs. These results contradict the findings of (Siddique, 2015) that established that performance measurement and strategy control results in large increase in performance of large business. Setting of standards on the other hand revealed a non-significant relationship with performance of SMEs. This is because standard setting is moderated by time effect and formalization of rules, which is not so common among SMEs that are used to having informal rules. These results support the findings of Pushpakumari and Watanabe (2009) that indicated that standards setting have a significant relationship with performance of SMEs in Malaysia.

The findings of the study revealed that strategy evaluation is affected by SMEs types with strategy evaluation increasing with size of SMEs. This can be possibly attributed to presence of formalized policies and resource in small and medium SMEs as opposed to micro SMEs. On the same note strategy evaluation was found to be not affected by business sectors with SMEs across all sectors engaging in strategy evaluation. Strategy evaluation is key process in strategy implementation since it helps SMEs to re-orient their strategy according to prevailing social and business environment.

5.2.5 To determine the Moderating effect of Innovation on the Relationship between Strategic Planning and Financial Performance of Professional Service SMEs in Kenya

The findings of the study show that innovations have moderating effect on the relationship between strategic planning process and the financial performance of professional service SMEs. Our findings enable us to conclude that strategic planning process could influence firm performance through innovation activities in professional service SMEs in Kenya. The findings were in agreement with the findings of the study by Obeidat et al. (2016), linking innovation indirectly to strategic planning process-performance linkage.

The findings suggest that the relationships between strategic planning process and financial performance of professional service SMEs, were contingent on the extent of innovation of the SMEs: the more innovative the SMEs, the greater the associations of strategic planning process with financial performance. This result is consistent with Mamula and Pantić-Popović (2015) findings, which indicated that strategic planning process were more prevalent in highly innovative, firms. The current study suggests that strategic planning process may not have a major impact on financial performance of less innovative SMEs. The significant relationships between strategic planning and financial performance of professional service SMEs resulted mainly from the strong relationships in more SMEs. These results provide a clue as to why the relationship between strategic planning practices and financial performance of SMEs has been mixed in previous studies (Dauda, Akingbade & Akinlabi, 2010). That is, the effects of strategic planning process on financial performance of SMEs may differ depending on organizational factors such as innovation in this case.

5.3 Conclusions

The study findings showed that strategic planning practices that include; environmental scanning, strategy formulation, strategy implementation and strategy evaluations significantly contribute to financial performance of professional service SMEs in Kenya.

From the research findings, environmental scanning had an effect on the financial performance of professional service SMEs. Majority of the respondents found that environmental scanning is an important factor in the financial performance of professional service SMEs which cannot be ignored. Results from the factor analysis also showed that external environmental scanning is the most important factor among environmental scanning practices to professional service SMEs. This demonstrates that of all environmental scanning practices that professional services SMEs value most, external environmental scanning tops the most.

Research findings also revealed that strategy formulation affects the financial performance of SMEs. The means that professional service SMEs that have formulated strategies whether formal or informal are more likely to have better financial performance. Further, the results show that mission and vision statement are crucial pillars of strategy formulation among SMEs. Thus the study highlights the importance of mission and vision statements to the performance of professional service SMEs.

Based on the research results presented, the research results indicated that strategy implementation has a positive and significant effect on the financial performance of professional service SMEs. It can thus be concluded from this findings that professional service SMEs should implement existing strategies as way of enhancing financial performance of SMEs. All the three factors of leadership, organization policies and structure were found to be important to SMEs. Thus it can be concluded that established policies and organization structure plays a critical role in explaining the variation of financial performance in professional service SMEs. Similarly, leadership skills exhibited by manager and owners of SMEs are central factors that should be prioritized for professional service SMEs aiming to improve performance.

The findings also revealed that strategy evaluation and control has significant and positive effect on the financial performance of SMEs. This result proves that SMEs that periodically analyze their strategies and have in place control measures are more likely to experience better performance. However, performance measurement emerged as the most important factors in strategy evaluation and control among SMEs. This shows that SMEs that are able to link emergent strategies and performance can experience improved performance as a result of existing strategies.

Finally, the study findings demonstrate that innovation practices has a moderating influence on the relationship between strategic planning process and the financial performance of SMEs. Thus it can be concluded that SMEs with strategic plans and engaging in incremental innovation process are at a better position to experience improved financial performance. Thus it can be concluded that strategic planning process when implemented in conjunction with innovation practices has more positive effect on performance of professional service SMEs.

5.4 Recommendations

5.4.1 Managerial Implications

Based on the study findings, leadership and organizational culture were established to have significant influence on the financial performance of professional service SMEs. Thus the study recommends that professional service SMEs firms should put more emphasis on developing leadership skills among the managers and in building organizational culture. Further the study recommends that it is necessary for SMEs to know the elements of organizational culture so that they can use the strengths for enhancing business performance. Thus the study recommends the need for SMEs to regularly diagnose and change organizational culture to improve financial performance of SMEs. The study recommends that all SMEs in Kenya should put in place strategic plans that guide strategy implementation.

The results infer that increased practices of mission and vision lead to high levels of business performance. The study thus recommends the need for SME owners and managers to understand the importance of formality of strategic plans by having in written vision and mission statement. Due to the increased complexity of their competitive environment, strategic planning in SMEs need to be more formalized. Although not a panacea to business success, having a formalized and documented strategic plan will enable SMEs to communicate their intentions to employees and external stakeholders.

Basing on the results obtained from both regression and correlation analysis, it is recommended that professional service SMEs conduct environmental scanning in their organizations. Since the results indicate a strong relationship with financial performance, SME owners need to put in place all the necessary resources required to establish a controlled environmental scanning system in their companies. The researcher further recommends SME owners and management to draft organizational policies which favor environmental scanning to enhance its implementation as core business of the organizations.

The study showed that environmental scanning has the highest predictor on financial performance of professional services SMEs. This shows the importance that environmental scanning has on business performance of SMEs. The study therefore strongly advocates for increased frequency of scanning in SMEs. It is recommended that professional service SMEs continuously and regularly scan and search for information from their operating environments. Frequent scanning will aid in updating management of changes in the environment which will assist in strategy formulation during turbulent and uncertain environmental conditions.

From the results of the research study, it was concluded that the internal and external environmental scanning had a great influence on financial performance. It is recommended that professional service SMEs utilize different information sources both internal and external to the company. By so doing, information about the environment is obtained from wide range of sources covering almost all sectors of the operating environment. The researcher recommends that professional service SMEs place more emphasis and resources on attending industry meetings and scanning competitors. By attending to industry meetings, they learn more on the current issues pertaining to their particular industry and share ideas with peers and specialists in the industry.

The information from competitors is vital as it provides a competitive advantage for the firm over its competitors. The researcher recommends that government introduces a policy on SME training which includes conferences and seminars where information sharing is encouraged. It is recommended that management in SMEs provide information management systems which links up all employees within the company such that internal information source of information is utilized by the companies.

The study recommends that SMEs in Kenya need to constantly innovate in line with the changes in the competitive environment require. Consequently firms that delay in making this realignment may end up exhibiting poor results even with development of corporate strategies.

Since this study established the existence of a significant relationship between strategic evaluation and performance of professional service SMEs, the study recommends that management within government owned entities should develop adequate strategic formulation processes that are inclusive as a way of developing performance objectives. There is also need to develop performance evaluation systems that are objective, with key performance indicators for each employee and job category. There is also need to ensure that periodic and regular strategic audits are conducted by the SMEs owners/managers. This will not only enhance objectivity, but ensure environmental and operational factors are well assessed, and realigned with desired organizational performance. The study recommends to the SMEs need to always evaluate the business corporate strategy as a key contributor to the financial performance, there is need to always periodically evaluate business strategies.

The study recommends that for SMEs to experience higher impacts of strategy planning on business performance there is need for SMEs to adopt innovation strategies, as highly innovative SMEs have better performance than low innovative SMEs.

5.4.2General recommendations

On the basis of this research, we can conclude that the development and the execution of strategic planning process and its communication across and beyond SMEs borders might lead to performance improvement in SMEs. Therefore additional effort should be put by all stakeholders in dealing promoting strategic planning process in SMEs sector.

Training and development can help SMEs to develop more skills in strategic planning process. This can help improve the effectiveness of strategic planning process among SMEs in Kenya. Therefore, SMEs should be prepared to be flexible and adjust styles to circumstances. They should however avoid seeming to be inconsistent if they adopt a different style in a particular set of circumstances. The reason for the change should be made clear to subordinates.

This study can serve as a guide to SMEs owners and managers to properly implement strategic planning practices, which will enable the SME to play an increased role in the economy. Through strategic planning practices, Kenyan SMEs may be cushioned from the dynamic, highly competitive and unstable business environment.

5.4.3 Policy Recommendation

The government of Kenya has recognized the crucial role that SMEs play to the economy and various support initiatives have been channeled to SMEs. In spite of this support many small and medium-sized enterprises fail every year. Policy instruments therefore may fail to acknowledge adequately that management, as opposed to technical considerations, are equally important determinants of successful innovation. Therefore, in light of the findings of this research it could be concluded that government support initiatives targeted towards SMEs should place equal weight on strategic planning process to increase the survival of SMEs.

According to the findings of this study, strategy formulations, implementation and environmental scanning are crucial factors in the firms' success. In this research it has been suggested that management must develop a strategic orientation in the business as it grows through the implementation of an effective strategic planning process. Therefore, the governmental agencies such as the technical training institution can help the SME sector by putting more emphasis on management development in the curriculum towards business entrepreneurship.

In the current constitutional dispensation, the county and national government have a role to play in the success of SMEs thus the need for County programmes to incorporate and promote strategic management practices among SMEs. This will complement the role of national government.

5.5 Study's Contribution to Theory and existing body of 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 study could be valuable to SMEs in that it extended the knowledge of strategic planning practices, techniques and processes, which could result in enterprise growth and competitiveness. The results of the study should also assist managers in understanding the strategic paths through which strategic planning can assist a business achieve a future desired position. In particular, the findings of the study have suggested the mechanism, which could be used by managers to adopt strategic planning in order to gain improved performance.

The second contribution of the study lies on the inclusion of moderating factor in testing the relationship between strategic planning process and financial performance of SMEs. Mixed results have emerged on the supposed relationship between strategic planning and financial performance of SMEs, with this attributed to various organizational factors. This study marks an important milestone by testing the relationship between strategic planning and performance of SMEs through organizational factors. This will help contribute on the knowledge of role of organizational factors on effect of strategic planning process in SMEs.

5.6 Areas for Further Research

This study recommends the following as areas for further research

Firstly, the study involved strategic planning process. However, there were many components of strategic planning process that were not included in the study. The study therefore, recommends the need to include other components and factors not included in this study.

Secondly, the study involved strategic planning process without specifying whether formal strategic planning or informal strategic plans were part of the study. This study recommends the needs for more studies that will specifically focus on formal strategic plans or informal strategic plans and their relationship with performance of SMEs. This is because the existence of formal strategic plan or informal strategic plans may have important implication that can affect the strategic planning process-performance relationship in SMEs.

Thirdly, this study was solely based on the views of managers/owners and therefore the results are prone to manager's bias. Thus more studies should incorporate other stakeholders such as consumers, suppliers among others. This will further present more objectivity in findings.

Fourthly, the study was only based on professional service SMEs in Nairobi and therefore generalizability of the finding could be limited to Nairobi County. Thus more studies should be carried out that includes other parts of the country making the study more national.

Further research should be done in the area of the strategic planning process and their relationships with company performance as well by including other organizational factors as moderating and mediating variables. This study only included innovation as the moderating variable.

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APPENDICES

Appendix i: letter of introduction

24stSeptember 2016
Dear Sir/Madam

RE: REQUEST TO FILL THE ATTACHED QUESIONNAIRE

I am a student of Jomo Kenyatta University of Agriculture and Technology pursuing PhD in Business Administration. I am required to write a thesis in partial fulfillment of this course. The title of my thesis“the effect of Strategic planning process on Performance of Small and Medium Enterprise in Nairobi. The findings of the study and the subsequent recommendations, if well implemented, are expected to transform our Small and Medium Enterprises. I am therefore requesting you to fill the attached questionnaire to enable me complete this thesis. Your honesty in filling this questionnaire will immensely contribute towards the accuracy of the findings. Kindly also ensure you provide responses to all the questions asked. The information you will provide will be treated with utmost confidentiality and will be used for this study only. However, the findings of study may be availed to you upon request.

Thank you in advance.

Yours faithfully,

Darius OlooOtieno

Doctoral Student

Appendix ii: Questionnaire

The questionnaire below has been set in relation to the objectives of the study. All the questions are in relation to strategic planning process. Please answer all the questions by either filling in the space or marking the [/] as appropriate.

SECTION B: Independent variables

I)Environmental scanning

Please indicate the extent to which you agree with the following statements on Strategy Formulation. Use a scale of 1-5 where 1= To a very low extent, 2=To a low extent, 3= To a moderate extent, 4= To a great extent and 5= To a very great extent

Environmental scanning measures	**1**	**2**	**3**	**4**	**5**
External environment Q9.In our organization, we conduct effective environmental scanning activities so as to cope with threats and grasp opportunities and hence obtain sustainable competitive advantage					
Q10.With effective environmental scanning, our organization is able to obtain more accurate market and industry insights and hence more likely to satisfy current customers and explore new market segments which ultimately contribute to the financial performance					
Q11.In our organization, environmental scanning reduces environmental uncertainty and assist in organization's risk management					
Internal environment Q12.In our organization, managers ensure that the strategy is consistent with conditions in the competitive environment					
Q13.In our organization, managers ensure that the strategies take advantage of existing strengths and minimize the existing weaknesses					

II)

Q14.In our organization, managers ensure that the firm's pursuit of market opportunities is based on competitive advantages that arise from the firm's key resources					
Competitive environment Q15.In our organization, environmental scanning has value associated with faster reaction times					
Q16.In our organization, environmental scanning enhances a firm's knowledge base and effective planning horizon					
Q17.In our organization, environmental scanning provide a company industry foresight and the potential to get to the future before competitors hence obtaining a leadership position in the market place					

II) Strategy Formulation

Please indicate the extent to which you agree with the following statements on Strategy Formulation. Use a scale of 1-5 where 1= To a very low extent, 2=To a low extent, 3= To a moderate extent, 4= To a great extent and 5= To a very great extent

Strategy formulation measures	**1**	**2**	**3**	**4**	**5**
Mission Q18.Our organization mission is a benchmark against which managers evaluate organizational performance					
Q19.Our organization mission helps to provide unique insight into an organization's values and future direction for external groups					
Q20.Our organization mission nurtures organizational loyalty and fosters a sense of community for employees					
Vision Q21.Our organization uses vision statement to determine what our customers want in the future					
Q22.Our organization uses vision statement to establish who will be our future competitors					
Q23.Our organization uses vision statement to evaluate what our competitive scope should be					
Objectives Q24.Strategies are continuously revised to match with the changing environment					

Q25.Employees are involved in formulation of mission, vision, objectives, strategies and policies					
Q26.Our organization objectives provide a clear view of what a firm is trying to accomplish for its customers					

III) Strategy Implementation

Please indicate the extent to which you agree with the following statements on Strategy implementation. Use a scale of 1-5 where 1= To a very low extent, 2= To a low extent, 3= To a moderate extent, 4= To a great extent and 5= To a very great extent

Strategy implementation measures	**1**	**2**	**3**	**4**	**5**
Leadership Q27.The role of top management as strategic makers has more influence on implementation of the strategy.					
Q28.In our organization, strategy is implemented by people and they must be willing and able to do it					
Q29.In our organization, effective strategy implementation depends on a good fit between the competencies and attitudes of employees and the proposed strategy					
Organization structure Q30.In our organization, the structure of an organization is not an end in itself but it is a means to an end of implementing the chosen strategy to achieve the desired objectives of the organization					
Q31.In our organization, organization structure is flexibility facilitating strategy implementing.					
Q32.In implementing any given strategy in our organization, the major focus of management is to pursue as little restructuring as necessary					
Organization culture Q33.In our organization, policies institutionalize basic aspects of organizational behavior					
Q34.In our organization, policies help managers to avoid hasty and ill-conceived decisions in changing operations					
Q35.In our organization, policies counteract resistance to or rejection of chosen strategies by the organization’s members					

IV) Strategy evaluation

Please indicate the extent to which you agree with the following statements on evaluation and control. Use a scale of 1-5 where 1= To a very low extent, 2= To a low extent, 3= To a moderate extent, 4= To a great extent and 5= To a very great extent

Strategy evaluation measures	**1**	**2**	**3**	**4**	**5**
Setting standards Q36.In our organization, reviewing strategy process involves a continuous watching brief which is required when potential problem areas must be identified before they become a major issue					
Q37.In our organization, reviewing strategy process involves a series of regular formal reviews e.g. performance reports can be generated on a weekly, monthly, quarterly and annual basis to provide a formal monitoring process for key performance indicators					
Q38.In our organization, process of reviewing strategy involves reviews at the end of each critical path element and end phase					
Measuring performance Q39.In our organization, we ascertain the extent to which strategies have been applied and achieved through profit margins					
Q40.In our organization, we determine the extent of application and achievement of strategies via sales growth					
Q41.In our organization, we establish the extent to which strategies have been applied and achieved by the return on investments					
Strategy control					
Q42.In evaluating strategy in our organization, goals must be consistent with the organization's overall strategic direction					
Q43.In our organization, there is need to consider strategy within the context of sets of trends or combination of trends rather than individually against a single trend					
Q44.In evaluating strategy in our organization, we use feasibility as the extent to which the strategy can be implemented without putting the organization's resources under undue strain					

Innovation

Please indicate the extent to which you agree with the following statements on innovation. Use a scale of 1-5 where 1= To a very low extent, 2= To a low extent, 3= To a moderate extent, 4= To a great extent and 5= To a very great extent

Innovation Practices	**1**	**2**	**3**	**4**	**5**
Product Innovation Q45. Developing new products with components and materials totally differing from the current ones					
Q46. Decreasing manufacturing cost in components and materials of current products					
Q47.Increasing manufacturing quality in components and materials of current products					
Service Innovation Q48.We experiment with new services in our local market					
Q49.We improve our provision's efficiency of services					
Q50.We frequently refine the provision of existing services					
Market Innovation					
Q51. We renew the distribution channels without changing the logistics processes related to the delivery of the product					
Q52.We renew general marketing management activities of the company regularly.					
Q53.We renew the product promotion techniques employed for the promotion of current and/or new products					

FINANCIAL PERFORMANCE

54. In the past one year, what has been the profit of your firm (Tick as appropriate). [1] Less than 1,000,000ksh, [2] 1 Million-5Millionksh [3] 6million- 10million[4] Above 10 million [5] No profit

55. In the past one year, what has the your firm's sales growth relative to your competitors (Tick as Appropriate) [1] No growth at all [2] 10-20% growth [3] 30-50% [4] 60- 80% [5] Above 80% growth

Appendix iii: sample size for a given population size

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Source: Sekaran (2010)

Appendix iv: list of firms which partcipated in the study

Grainstar Ltd			
Duron Paints			
Pefric (E.A) L.T.D			
M M Services (K) Ltd			
skytouch travel & tours agency ltd			
Chrub Agencies			
Syhetos IT solution ltd			
Blue Consultant			
Fit Resources Ltd			
Events marketing solutions ltd			
Hattons enterprices			
Evolve Business Consultants			
Level Moja Capital Solutions			
Goshen Consultants			
Intel Media			
Customer Services Consulting Co Ltd			
Fadhili Business Solutions			
GBSH Consult			
Laibuta Investments			
Havencare Pharmacy			
Cemat Solutions			
BMC Meida kenya			
Sante Ventures			
Nixortech systems design			
Strategic Consultants Ltd			
hip			
Lan-x Africa Ltd			

Zuri Investment			
Seed Capital Investment Ltd			
Technico Development and Financing Limited			
Serenity Services Ltd			
Hardy beauty parlour			
Mwitiface Africa			
Haven Health care			
Practicum Leadership			
Improve Your Business Kenya			
Evolution Fashion Designers			
IMARC Group			
My jobs eye ltd			
Cost Planning Service			
ABBIE BEAUTY CONSULTANT			
Agdeco cooperative saving and credit society			
Plushique store ltd			
Extreme saloon and barber shop			
Lemavuuki agency			
Homeland insurance brokers ltd			
Betty Max			
Hass consultant real estate properties			
Go kenya safari			
Carol Network Solution			
Preperty point			
Hands creations holing ltd			
Delimaars			
Dove way			
Kreston college			
Galaxy plastics ltd			

Vast images			
Hi-Tech pooltables			
AMS			
E Pass International			
Spacenet Online			
Pinnacle travel & safaris			
Safari without Borders			
Cama Physical fitness centre			
Prime Safaris			
Computer sapiens & Technologies			
Cezam and associates limited			
Ashford Financial Consultants			
Freedom travels & tours			
Tridents insurance co. ltd			
TAI sacco			
Optive enterprises			
Agre and cooperative training and consultancy services			
Lattice Consulting			
MGK Consulting Limited			
Aslan adventure			
Kenya budget safaris			
Finconsult Company			
Leisin Business Advisory			
EARTHLAND PROPERTIES			
UA Communication			
Petanns driving school			
Prime move mover insuarance			
Gol Bridal center			
Pinnacle Projects			

Viffa Consult Limited,			
Epass International Ltd,			
Waga hOLDING			
Vivi Communications			
MWAS COLLECTION			
Unbound Communication			
Transcend Media Grp			
Readline PR			
Outlook Solutions East Africa			
Varity management			
Ocean Communication Ltd			
Daturn Ltd			
Macany Consulting			
Ultimate			
KK Security			
Security group (k)			
Afro security solutions ltd			
Khweza Consulting			
Black and White security			
Faulu Kenya microfinance bank			
lavington security			
P.G Security			
GHS Security services			
Bm security			
Inter Management Group			
Impact Africa			
Horizons Media Group			
Headline Media Service Ltd			
Diamond Media Communications Ltd			

Corporate Talk Limited			
Kingdom faces limited			
Rader limitted			
Brand Magnets Ltd			
Blue Print Marketing			
Ayen Global			
AirPress Communication Ltd			
Action One Public Relations Ltd			
Hass consult Real Estate			
Orion soace computers			
Peoplelink consultants			
Habitat partners ltd			
Mitoko and company			
Mitoke and company			
The Sense Communication Ltd			
Webpros solutions kenya			
3D Africa Communications Ltd			
Lynnis super enterprise			
Dotsavvy limited			
Mandhir construction ltd			
BOK travels 7 safaris			
Pekar roofing company ltd			
Earge Ltd			
Real management services			
Earge Ltd			
Exclamation marketing ltd			
Africa roads safaris			
Securex agencies (k)			
Kenice Investment ltd			

Bridgelink International			
Amana ins bro..			
Instarect limited			
Corprisk Africa Ltd			
Royal sheild of e.africa			
Family bank ins agency			
Patrick communication ltd			
Jaytech Arts			
African safaris kenya			
Ndotoni properties			
Mimasa limited			
Eurotech Africa Ltd			
Magan tours and travels			
Audit & Corporate Govenance Centre			
Discovering Cybber			
Domico General supplies Ltd			
Acra digital link			
Back to Eden sanitation			
Big cast exploration safaris			
Adcar media limited			
Mlilleniom Management cansultancy ltd			
Facilities Management Co Ltd			
Brand Spark			
Millenium Management Consultants Ltd			
Grand Agency Marketing			
Chanrey wright insurance brokers			
Gravity solution ltd			
Advotech office supplies ltd			
WELLMART CHEMIST			

Travelplan tours & safaris				
Artemis Transition Partners				
Bluewave international services ltd				
Safari partners ltd				
Cyka Manpower Services				
Asili adventure safaris and travels				
Smarter tent makers business service				
Kenafric				
Benrich Success System Ltd				
Face-Save enterprise				
Computer Sciences Corporation				
Digital World				
Barbra Travel ltd				
Trade center				
Bushtroup tours and safaris				
Progressive credit ltd				
Africa sermon safaris				
DYKAAN COLLEGE				
Campus research training consultant ltd.				
Southhend Medical Centre				
Paradise Restaurant				
Clarity Consulting Ltd				
Bestmark Management Services				
Monarch properties				
Endeavour africaa group				
Channacco Management Consultants				
Libco ltd				
Msanii Records				
Glory tours lodge campigns safaris				

Breinscope Consultants Ltd			
Artemis Transition Partners			
Pano enterprises			
Corporate Smarts & Insights Africa Ltd			
Africa Management Solutions Ltd (AMSOL)			
Capacity Development Africa Ltd			
Essential Enterprices			
Al-Ekhlaas Agencies			
Vista Window LTD			
Assignment Solutions (K) Ltd			
Dibes Africa Ltd			
Blue mountain trekking & safaris			
Across africa adventure safaris			
Finelands Holdings			
Golden Afrika (K) Ltd			
Top edge collection			
Hekima college			
Adept Systems			
Rural Aid Kenya			
Alpex Consulting (A) Ltd – Head Office Branch			
Manix Clothing store			
Data Rush courier			
Gachichio Insuarance Brokers			
Breinscope Consultants Ltd			
Bridgegap International Ltd			
Ashley Management Consultants			
Amsco Atms Project			
Brentrich Capital & Credit Ltd			
Fineland Holdinds			

gachichio insurance broker ltd			
Acropolis ins bro..			
Waumini insurance Br			
Amana Ins Brokers			
Orchard			
Classic TNCH investment			
Vike I8nsuarance Brokers			
Career Link Ltd			
IMG event organizers			
Allied Assuarance Bro..			
Ernest and martin associates			
Amro Ins Bro..			
DMC Consultant ltd			
East Africa business consultancts			
Rone insuarance			
Dafina Consultants Ltd			
Planet safaris adventure			
Africa Paradise Safaris			
Bapa Insuarance Brokers			
Gras sayote ins br			
Papat Properties Management			
Sky flyers and travel			
Samphil eng & general works			
Capacity Development Africa Ltd			
Earthcare Services Ltd			
Kenya Orient Insuarance Ltd			
Alphine Insurance Brokers			
Earthview Management Ltd			
fotress insurance brokers			

Straight security ltd			
Vision Media			
Penta phamarcy and clinics			
Frank Management Consult Ltd			
Wilka property Managent			
pestmatic Limited			
Abib swiftravels agencies ltd			
Absolute securities			
Critical Consultancy Services Ltd			
ESF Apex Strategies Ltd			
Orion space computer college			
Vivio Features production			
Jelta-Iink Consultant			
Summkit adventure africa			
Damian Ltd			
Mugo & co.			
Onesource finance sves ltd			
HR & Management Agency Ltd			
Real plan consutants ltd			
Fair Merit Ltd			
Crown Intitute of business			
Inborn solution ltd			
Gestoria Limited			
Guto & Associates			
Canopy Insuarance Brokers			
Nairobi College of cosmetology			
HR Connection Ltd			
Urban properties cons' ltd			
Absolute Holiday Safaris			

Rural Aid Kenya			
Fame Insuarance Agency			
Nazalene meical clinic			
Hublink Co ltd			
Intex Secretarial Bureau			
Muiru kandia company			
Jeed Consultants Ltd			
International Supply Chain Solutions Ltd			
Ideal Business Link Ltd			
Peman consultant			
Jobs Connection Ltd			
Kas Consulting Ltd			
Strategic Dimensions			
Mitoko and company			
High speed cyber			
Weightland Enterprises			
Kimani & Association			
Ladder Consulting Ltd			
Promin Consultants Ltd			
Strategic africa ltd			
Out Of The Box Ltd			
Liaison Development Consultants			
Outlook solutions			
Microde Consult			

Appendix v: research permit

JOMO KENYATTA UNIVERSITY
OF
AGRICULTURE AND TECHNOLOGY
MOMBASA CAMPUS

Telegrams "Thika"
Tel: 041 2006404, 0705 628 272
Email: jkuat.ac.ke

24th September, 2016

JKU/7/1/001

TO THE WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: PERMISSION TO COLLECT DATA FOR DARIUS OLOO OTIENO
REG NO: HD433-C005-1892/2012

The above mentioned is a student at this Campus undertaking PhD- Business Administration Course. DARIUS is in his final year and is expected to collect data based on the project topic "EFFECT OF STRATEGIC MANAGEMENT PROCESS ON THE PERFORMANCE OF SMALL AND MEDIUM SIZE ENTERPRISES IN KENYA."

Any assistance given to him will be highly appreciated.

Thank you.

Yours Sincerely,

Dr. [illegible] Simba.
DIRECTOR.

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