



# Eastern Africa Journal of Contemporary Research (EAJCR)

## Strategy Implementation and Growth of Small and Medium Enterprises in Garissa County, Kenya

Ibrahim Amir Tawane and Stephen Makau Muathe

### Article information:

To cite this article:

Tawane, I.A. & Muathe, S.M. (2019). Strategy Implementation and Growth of Small and Medium Enterprises in Garissa County, Kenya. *Eastern Africa Journal of Contemporary Research*, 1(2), 79-88.

### For Authors

If you would like to publish your conceptual/theoretical and empirical research articles, case studies and book reviews with EAJCR, please use for authors information about how to write your work and submission guidelines. Please, visit <http://www.eajcr.org/for-authors/>

### About Eastern Africa Journal of Contemporary Research (EAJCR)

The Eastern Africa Journal of Contemporary Research (EAJCR) (ISSN 2663-7367) is both an online (open access) and print double-blind peer-reviewed quarterly journal published by the Directorate of Research and Publications of Greta University, Kenya.

EAJCR aims at advancing the frontiers of knowledge by publishing contemporary multidisciplinary conceptual/ theoretical and empirical research articles as well as case studies and book reviews.

# Strategy Implementation and Growth of Small and Medium Enterprises in Garissa County, Kenya

**Ibrahim Amir Tawane**

*School of Business, Kenyatta University, Kenya*

*Email: amirson2@gmail.com*

**Stephen Makau Muathe**

*School of Business, Kenyatta University, Kenya*

*Email: muathesm@yahoo.com*

## Abstract

*Small and Medium Enterprises (SMEs) play an indispensable role in achieving and sustaining economic growth of countries across the world. However, SMEs face enormous challenges which inhibit their growth. Effective strategy implementation is crucial for the realization of growth targets by SMEs. This study sought to establish the effect of strategy implementation on the growth of SMEs in the Garissa County of Kenya. An exploratory and descriptive research design was employed with respondents being drawn from 294 SMEs that were obtained through a stratified sampling technique. Data was analysed using descriptive and regression statistics. The study results reveal a positive and statistically significant relationship between the Growth of SMEs and the components of strategy implementation namely resource allocation, leadership, enterprise culture and communication individually and collectively. The study offers valuable recommendations to SMEs proprietors on the enhancement of strategy implementation to attain sustainable growth of their enterprises.*

**Keywords:** Strategy Implementation, SMEs Growth, Economic Growth

## 1. Introduction

Small and medium enterprises (SMEs) are critical in the economic growth of countries all over the world. SMEs provide the market with moderately inexpensive items and wide range of products and services in addition to creating most of the jobs in all world economies (Kauffmann, 2013). The growth of SMEs is determined by the effectiveness and capabilities of the enterprises' resources which includes the proprietors hard work, capital and know-how which is obtained, prepared and converted into products and services through the tasks of the enterprise, practices and systems. Unfortunately, most of the SMEs have a very short life span (Nickell *et al.*, 2014). The implementation of strategy is carried out through resource allocation, communication, leadership and enabling enterprise culture. Resource allocation facilitates the growth of organizations.

On resource allocation, Longenecker *et al.* (2015) observed that commencement of projects fails due to loss of foresight, inadequate allocation of resources and non-adherence to time lines. According to Zarutskie (2010), if an organization wants to preserve its aggressive gain, then it has to appreciate the additives of the individual asset resources which could contribute to better profitability. A study by Hakala (2011)



established that for a company to attain superior performance compared to its rivals, there is need to employ complex innovations that their rivals cannot match by enhancing their product improvement and proactively utilize latest technology in growing novel, precious and extraordinary product outputs.

On the role of communication in strategy implementation, Rajhans (2012) opined that organizational communication acts as an essential component in employee inspiration and organizational performance. Oyetunde and Oladejo (2012) study also found a positive relationship between organizational communication and efficient performance. Elving and Hansma (2012) show how managers' ability to communicate informs the success of organizations.

Leadership is also a critical component of strategy implementation. Rejas, Ponce, Almonte and Ponce (2011) carried out a research in Chile, which aimed at finding out whether management style influences the overall performance of small enterprises. They found out that transformational leadership has a tremendous effect on overall enterprise performance, while transactional management and laissez-faire style of leadership have poor influence. In another study by Obiwuru, Okwu, Akpa and Nwankere (2012) in SMEs in Nigeria it was established that there is a significant relationship between management style and enterprise performance. Muterera (2012) carried out a study in the United States of America (USA) and found out that transactional and transformational leadership behaviours are undoubtedly associated with organizational performance but transformational management behaviour contributed more to organizational performance than transactional leadership.

Finally, organizational culture facilitates the implementation of strategy. This is evidenced through a study conducted by Hoq and Chauhan (2011) who observed improved performance of enterprises is normally characterised by a robust set of middle management values because of the unique business norms which identifies the way the company carries out the business enterprise. Hotstede, Fritz, Canavan, Oosterkamp and Van (2010) recognized norms, values, beliefs, tactics and guidelines as additives of organizational culture. Barney and Hesterly (2011) argue that a company must try to comprehend its cultural tendencies to generate better performance than its fighters. Kim *et al.* (2014) assert that culture impacts organizational strategies and performance.

The SMEs perform an essential function in the Kenyan economy. The Financial Survey (2014) indicates that SMEs accounted for over fifty percent of newly created jobs in 2013. Further, SMEs contribute to thirty three percent of the value added in manufacturing and the retail trade in Kenya (Onyango & Tomecko, 2008).

In Garissa County, the survival of SMEs is low given the high prevalence of terrorism threats, high proportion of non-performing debts, inadequate capital and infrastructural challenges such electricity interruptions (National Baseline Survey, 2016). In addition, the level of political uncertainty, cost of items, hawkers, low demand and restrictive regulations all add up to the challenges facing the SMEs.



### 1.1 Focus of the Study

Despite the critical role SMEs play in enhancing a competitive private sector and contributing to the economic growth of a country, SMEs generally face greater challenges globally and in particular within developing countries such as Kenya (Aduko, 2011). According to Cherugong (2015) SMEs in Garissa county face several and critical demanding situations to their growth: the legal and regulatory constraints, lack of access to financing from external sources, low human assets capacities, lack of management abilities and training, and low technological capacities. Garissa County has harsh climatic conditions in addition to the highlighted challenges facing SMEs elsewhere yet there are SMEs which have withstood these pressures over the years. Whereas there are many factors contributing to the growth of SMEs, this study seeks to assess the effects of strategy implementation to the growth of SMEs in Garissa County. The study was guided by the conceptual framework in Figure 1.

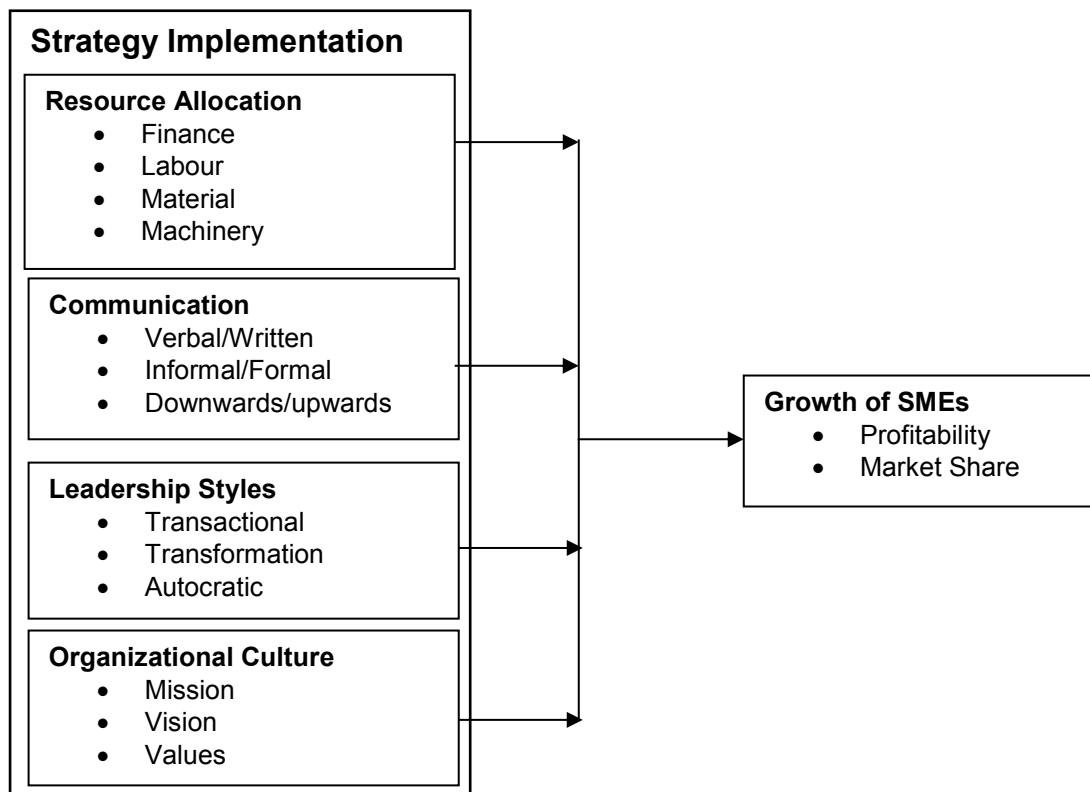


Figure 1: Conceptual Framework of Strategy Implementation and Growth of SMEs

## 2. Research Methodology

This was an exploratory study for which a descriptive design was adopted as recommended by Burns and Bush (2014). The study’s target population comprised the registered 1,109 SMEs operating in Garissa County distributed as indicated in Table 1.



**Table 1: SMEs registered in Garissa County Comprising the Target Population of the Study**

Category	Registered Enterprises	Percentage
Food Vendors	356	32.1
Clothing Vendors	201	18.1
Beverage Vendors	312	28.1
Service Vendors	145	13.1
Curio Vendors	95	8.6
<b>Total</b>	<b>1109</b>	<b>100</b>

**Source:** Research Data (2018)

Using the Taro Yamene’s approach (Hussey and Hussey (1997), sample number of targeted respondents for the study were obtained using the following formula:

$$n = \frac{N}{1 + N(e)^2}$$

Where: n=sample size

N=population size

e= level of precision/sampling error at .05

$$n = \frac{1109}{1 + 1109(0.05)^2} = 294$$

The distribution of the targeted sample of respondents per the different categories of SMEs are shown in Table 2.

**Table 2: SMEs Small and Medium Enterprises Sample Size Distribution**

Category	Targeted Sample Respondents	Percentage
Food Vendors	91	32.9
Clothing Vendors	53	18.0
Beverage Vendors	83	28.2
Service Vendors	39	12.9
Curio Vendors	25	9.9
<b>Total</b>	<b>294</b>	<b>100</b>

**Source:** Research Data (2018)

The study used both face and content validity to ensure the validity of the research instrument with expert judgement and a pilot study being conducted before the actual study. In testing the reliability, the split-approach was adopted with all measures scoring Cronbach’s alpha coefficients > 0.7. Out of the 294 questionnaires administered, 285 were collected fully filled and were used in the study representing a response rate of 96.9%.



### 3. Results and Discussions

#### 3.1 Descriptive Characteristics

##### 3.1.1 Resource Allocation for Business Operations of the SMEs

Respondents were asked to rate on a scale of 1-5 (where 1= not at all; 5= strongly agree) whether their enterprises assigned adequate resources to their operations. Table 3 highlights the results.

**Table 3: Resource Allocation Practices**

Resource Allocation Measures	Mean	SD
Physical resources (workplace space, tools of work) in the enterprise	4.08	1.080
Budgetary allocation within the company toward strategy implementation	3.93	0.838
Availability of required personnel capabilities in enterprise	4.18	0.650
Monetary resources to execute the strategy	3.91	0.830
Other support/miscellaneous resources for business operations	4.40	0.673
Non-interference of day to day operations by business owners/investors	4.40	0.698
<b>Aggregate Score</b>	<b>4.15</b>	<b>0.792</b>

**Source:** Research Data (2018)

The results in Table 3 show that overall, the SMEs agreed that resource allocation is important for strategy implementation (Aggregate score= 4.15). The respondents were of the view that Non-interference of day to day operations by business owners/investors together with other support/miscellaneous resources for business operations (mean score = 4.40) followed by availability of required personnel capabilities in enterprise (mean score = 4.40) were the most critical resources that facilitated strategy implementation.

##### 3.1.2 Communication Practices in the SMEs

When the respondents were asked to rate their communication practices on a scale of 1-5 (where 1= not at all; 5= strongly agree), the results are as shown in Table 4. The results in Table 4 reveal that to a great extent, the enterprises agreed with there being in place various communication practices within their organizations (Aggregate score= 4.33). The results show that the most favoured communication practice for strategy implementation was there being an effective communication of organizational objectives to all the employees (mean score= 4.71) followed by frequent meetings between management and employees.



**Table 4: Communication Practices**

<b>Communication Practices Measures</b>	<b>Mean</b>	<b>SD</b>
There is effective communication of organizational objectives to all the employees	4.14	1.616
Frequent meetings between management and employees are carried out	4.68	0.800
There is a regular review and adjustments of communication plans	4.18	0.808
The organization has established communication strategies to help minimize organizations potential disputes and misunderstandings	4.15	1.199
There is a clear communication giving employees opportunity to comment/ cast a vote in order to identify client's needs.	4.11	1.187
There is effective communication of organizational objectives to all the employees	4.71	0.733
<b>Aggregate Score</b>	<b>4.33</b>	<b>1.059</b>

**Source:** Research Data (2018)

### 3.1.3 Leadership Practices in the SMEs

On the leadership practices within the SMEs, respondents rated their leadership practices on a scale of 1-5 (where 1= not at all; 5= strongly agree). The results are highlighted in Table 5. The results in Table 5 show that on the overall, the leadership practices within the enterprises was average (aggregate mean score = 3.86). The study findings indicate that the leadership practices most preferred by the SMEs for the execution of strategy was by having management give out daily instructions to employees (mean score = 4.67) and also ensuring clarity of relationship between the different levels of management (mean score = 4.58).

**Table 5: Leadership Practices**

<b>Leadership Practices Measures</b>	<b>Mean</b>	<b>SD</b>
Reporting relationships within the company between all levels of management	4.58	0.562
The extent of delegation in the enterprise	3.54	1.604
Clear definition of purposeful roles to implement the method	3.10	1.487
Day-to-day instructions given by using management to personnel to implement strategy	4.67	0.589
Every day selections made by management control and their consistency toward effective strategy implementation	3.39	1.680
Top management dedication toward effective strategy implementation	3.88	1.080
<b>Aggregate Score</b>	<b>3.86</b>	<b>1.167</b>

**Source:** Research Data (2018)





### 3.1.4 Enterprises Culture

When the respondents were asked to rate on a scale of 1-5 (where 1= not at all; 5= strongly agree) the extent of to which their enterprises exhibited a set of cultural practices, the results are indicated in Table 6.

**Table 6: Enterprises Culture**

Enterprises Culture Measures	Mean	SD
The goals of and incentives for the workforce are aligned with the strategy implementation	4.47	1.315
There is alignment among the subculture of the business enterprise and the business approach	4.65	0.662
Our enterprise culture is responsive	4.82	0.384
Our enterprise subculture is adjustable	3.93	0.589
Our enterprise culture is dynamic	4.07	1.448
Our business affords pleasant client-focused surroundings	4.59	1.152
<b>Aggregate Score</b>	<b>4.42</b>	<b>0.925</b>

**Source:** Research Data (2018)

The results in Table 6 indicate that on the overall, most of the enterprises agreed that they were executing the cultural practices measures (aggregate mean score = 4.42). The majority of the SMEs indicated that the cultural practices mostly embraced was ensuring responsiveness (mean score = 4.82) followed by alignment of the enterprise subculture and its business approach (mean score = 4.82).

### 3.2 Relationship Between Strategy Implementation and Growth of SMEs

In order to establish the effect of strategy implementation on the SMEs' growth, a multiple regression analysis was conducted on the components of strategy implementation and growth of SMEs. The results are highlighted in Tables 7 (a-c)

**Table 7 (a): Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.452 <sup>a</sup>	.597	.593	1.452	.204	17.976	4	280	.000

a. Predictors: (Constant), Communication, Organizational Culture, Resource Allocation, Leadership

**Source:** Research Data (2018)





**Table 7 (b): Analysis of Variance**

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	151.542	4	7.885	37.976	.000 <sup>a</sup>
	Residual	590.122	280	2.108		
	Total	741.663	284			

a. Predictors: (Constant), Communication, Organizational Culture, Resource Allocation, Leadership

b. Dependent Variable: Growth of SMEs

**Source:** Research Data (2018)

**Table 7 (c): Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.608	1.432		1.444	.000
	Resource Allocation	.710	.239	4.050	1.879	.002
	Leadership	.798	.171	2.291	4.679	.000
	Organizational Culture	.523	.060	4.218	4.059	.000
	Communication	.644	.086	2.146	2.380	.003

a. Dependent Variable: Growth of SMEs

**Source:** Research Data (2018)

Overall, the relationship between strategy implementation and the growth of SMEs in Garissa County was found to be positive and statistically significant with the component of strategy implementation mostly affecting the growth of SMEs being the enterprises' culture ( $\beta = 4.218$ ;  $p = .000$ ) followed by resource allocation ( $\beta = 4.050$ ;  $p = .002$ ).

#### 4. Conclusions and Recommendations

The objective of this study was to assess the effect of strategic implementation on the growth of SMEs in Garissa County. The study established that all the four components of strategy implementation namely resource allocation, leadership, culture and communication significantly and positively affect the growth of SMEs.

Based on the findings of the study, it is recommended that the SMEs proprietors should provide for adequate budgetary allocation necessary for the effective execution of tasks within their enterprises. They should further enhance their leadership capacities as well as communication frameworks to ensure that their workers are effectively managed. Finally, the SMEs proprietors should provide ethical guidelines for their enterprises and ensure that operations are conducted within the framework of a value system acceptable by all stakeholders.



## References

- Aduko, J. (2011). General insurance, a tool for managing business risks: A case study of SMEs in the Tamale Metropolis (Doctoral dissertation).
- Amal, M., & Rocha Freitag F. A. (2010). Internationalization of small-and medium-sized enterprises: a multi case study. *European Business Review*, 22(6), 608-623.
- Barney, J. B., & Hesterly, W. S. (2010). *Strategic management and competitive advantage concept*. Upper saddle River, N.J: Pearson Prentice Hall.
- Barney, J. B. (2011). *Gaining and sustaining competitive advantage* (4th ed.). Upper Saddle.
- Burns, A. C., Bush, R. F., & Sinha, N. (2014). *Marketing research* (Vol. 7). Harlow: Pearson.
- Cherugong, P. (2015). *The Effect of Financial Literacy on Performance of Small and Medium Enterprises in Trans Nzoia County* (Doctoral dissertation, University of Nairobi).
- Elving. W, & Hansama, K. (2012). The Role of Communication in Organizational Change. *Corporate Communication an International Journal*, 10(2), 129-138.
- Hakala, H. (2011). Strategic Orientation in Management Literature; Three approaches to Understanding the interaction between Market, Technological, Entrepreneurial and Learning Orientation. *International Journal of Management*, (13), 199-21.
- Hoq, M. Z., & Chauhan, A. A. (2011). Effects of organizational resources on organizational performance: An empirical study of SMEs. *Interdisciplinary Journal of Contemporary Research in Business*, 2, 373-385.
- Hotstede, A., Fritz, D., Canavan, F., Oosterkamp, G. & Van, L. (2010). Towards Organizational Culture. *A Journal of Social Science Research*, 3, 49-55.
- Kauffmann J. M. (2006). Small business start-ups: success factors and support implications. *International Journal of Entrepreneurial Behaviour & Research*, 4(3), 217-238.
- Lawal, F., Omone, E., & Oludayo, O., (2012). The effect of strategic issue management on organizational performance. *Transnational Journal of Science and Technology*, 2(3), 78-80.
- Muterera, J. (2012). Leadership Behaviours and Their Impact on Organizational Performance in Governmental Entities. *International Journal of Sustainable Development*, 19-24.
- Nickell, S., Nicolitsas, D., & Dryden, N. (2014). What makes firms perform well? *European Economic Review*, 41(3-5), 783-796



- Obiwuru, T. C., Okwu, A. T, Akpa, V. O. & Nwankwere, I. A. (2012). Effects of Leadership Style on Organizational Performance: A Survey of Selected Small-Scale Enterprises in Ikosi-Ketu Council Development Area of Lagos State, Nigeria. *Australian Journal of Business and Management Research*, 1(7), 100-111.
- Onyango W. & Tomecko, A. (2008). SME in Kenya. Published in the *KCA Journal of Entrepreneurship*, 2(3), 54-56
- Oyetunde, O, & Oladejo, M. (2012). Communication Approach and Firms Performance: Appraisal of Nigerian Bottling Company (Coca cola), Ilorin-Nigeria. *Research on Humanities and Social Sciences*, 2(1), 14-24.
- Rajhans, K. (2012). Effective organizational communication: A key to employee motivation and performance. *Inter-science Management Review*, 2(2), 81-85.
- Rejas, L. P., Ponce, E. R., Almonte, M. D., & Ponce, J. R. (2011). Transformational and Transactional Leadership: A Study of Their Influence in Small Companies. *Ingeniare-Chilean Engineering Magazine*. 14(2), 156-166.
- Zarutskie, R. (2010). The role of top management team human capital in venture capital markets: Evidence from first-time funds. *Journal of Business Venturing*, 25(1), 155-172.

