THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

The Role of Strategic Management Factors in Managing Growth of Small and Medium Enterprises- A Survey of Small and Medium Enterprises in Mombasa County

Janet Muthoni Kinyua
Student, Jomo Kenyatta University of Agriculture and Technology Mombasa Campus, Kenya
Abdulla Ibrahim Ali
Lecturer, Jomo Kenyatta University of Agriculture and Technology Mombasa Campus, Kenya

Abstract:
The purpose of this study was to determine the role of strategic management factors on the growth of SMES in Mombasa County. The specific objective of this study was to establish how strategic planning, strategic resource allocation, strategic training affect business growth of SMEs in Mombasa County. The research applied causal effect design to establish the relationship between strategic management factors and business growth. In this study, the target population was SMEs who have been in business for a period not less than two years. This sample was selected using stratified random sampling technique. The population was segregated into several mutually exclusive subpopulations (strata) which include 1,280 derived from the seven categories of businesses as grouped by the County Government of Mombasa because one of the categories is not a target population. A sample size of 10% was selected from the categories of the population. A sample size of 128 was selected from the seven categories because one category does not fit the target population. In using questionnaires as the major instrument throughout the research process, the researcher totally relied on the honesty and accuracy of the participants' responses. The researcher analyzed data collected from the questionnaires through the use of SPSS Version 22 which is a modern way of data analysis with a high degree of accuracy. The independent variables were tested using croncbach's alpha to find the validity of the questionnaire. The findings of the research indicate that the three objectives; strategic training, strategic planning, and strategic resource allocation all affect business growth either singly or in combination. The researcher's conclusion was that as much as SME's always conduct strategic training, planning, and resource allocation, they fail when it comes to involving all levels of management because they don't do it equitably and fairly. The researcher recommended that to increase business growth, they can create value and grow by using seven drivers namely; increase sales growth; increase operating profit margin; reduce
cash tax rate; reduce incremental investment in capital expenditure; reduce investment in working capital; increase time period of competitive advantage; reduce cost of capital. Also there is need for other researchers to consider larger and different sample sets so to take into consideration the different environment in which some of them operate. This will allow for comparison between the results of the different studies.

1. Introduction

1.1. Background of the Study
According to Kaplan and Norton (2004) an organization's strategy describes how it intends to create value for its shareholders, customers, and the larger stakeholders. They argue that a strategy must measure the critical parameters that represent its actions for long-term value creation. Pearce and Robinson (2009) noted that a strategy provides a framework for managerial decisions. Satisfied customers, engaged employees and prosperous owners don't happen by chance, they occur due to deliberate actions spelt in the strategies of the firm that in turn direct the activities and processes in the business (Covey, 2011). Pavlicek (2009) contends that a company strategy expresses a basic idea of how it intends to reach its objectives.
According to Kenya National Bureau of Statistics (2007) business success remains elusive for many entrepreneurs and studies reveal that most businesses fail soon after launch. Despite many studies in business management, little has been achieved to overcome the challenges. Besides, there is no consensus on the most appropriate method to grow a business. However, most hopeful entrepreneurs continue to commit huge amounts of resources into enterprises expecting that such businesses would do well and grow into large enterprises. Instead, most of them struggle to survive and eventually collapse, leaving the owners reeling in pain and anger from the losses.

According to Delmar *et al*., (2003) business growth is a multidimensional phenomenon and different forms of growth may have distinct determinants and effects. According to Christensen *et al*., (2002), most managers understand that significant new enterprises and sustainable growth comes from creating new markets and ways of competing. However, they note that a few of them make such investment because when times are good and core businesses are growing robustly, starting new generation of growth ventures seem unnecessary. When times are bad and mature businesses are under attack, investments to create new growth business cannot send enough profit to the bottom line quickly enough to satisfy investor pressure for a fast turnaround.

Cespedes *et al*., (2013) observe that starting a successful business is often considered the hardest thing entrepreneurs do but contend that growing an existing venture may be even more difficult. The authors contend that many companies get stuck on a plateau that inhibits their ability to grow: a scale stopper (what they refer to as the "Devil's Triangle"); the place where a company seems weighted down by the bounds of its original start-up business model, a lack of experience by its founder(s) and an accelerating, expense-fuelled burn rate through working capital and investor patience.

The only way a business can maintain its growth is by launching new growth business when the core units are strong (Christensen, Johnson & Rigby, 2002). Pearce and Robinson (2009) explain that businesses need to plan growth that is consistent with technical and business capabilities because in addition to strong leadership and vision, human and financial capital will also be required. The authors say that the form of growth that generates new economic value and contributes directly to economic growth is referred to as organic growth. They define organic growth as business expansion through increasing output and sales. From this point of view, growth can be measured by change in several attributes such as turnover of sales, employment, assets, market share and profits.

Cespedes *et al.* (2013) find that once a venture reaches a critical size, its complexity greatly increases. At that stage the authors points out that the business needs to identify its core customers and build a scalable platform and craft growth around them. They contend that original business model must deal with new markets and organizational realities and argue that the behaviour establishing the business is often inadequate for scaling growth. Bender and Ward (2009) argue that a company can create value and grow by using seven drivers namely; increase sales growth; increase operating profit margin; reduce cash tax rate; reduce incremental investment in capital expenditure; reduce investment in working capital; Increase time period of competitive advantage; reduce cost of capital. Cespedes *et al.,* (2013) argue that a significant value creation cannot occur without growth. As a result, the failure to scale has social as well as investor and managerial costs and it affects job creation and innovation throughout the enterprise.

1.1.1. Small and Medium Enterprises (SMEs) in Kenya

Small and Medium Enterprises (SMEs) contribute greatly to the economies of all countries, regardless of their level of development. The SME Solutions Center (SSC, 2007) defines an SME in Kenya as a business formally registered, with an annual turnover of between Ksh. 8 million to Ksh. 100 million, an asset base of at least Ksh. 4 million and 5 to 150 employees.In Kenya an SME can be a microenterprise, a small enterprise or a medium enterprise. A microenterprise is a business organization having a maximum of 10 employees; a small enterprise has a minimum of 11 employees and a maximum of 50; while a medium enterprise has between 50 and 150 employees (Oketch, 2000).

About 80% of the labor force in Japan and 50% of workers in Germany are employed in the SME sector. With respect to developing countries and according to the ILO/JASPA (2002), the sector made a significant contribution to the gross domestic product of Uganda (20%), Kenya (19.5%) and Nigeria (24.5%).

The term SMEs covers a wide range of perceptions and measures, varying from country to country and between the sources reporting SME statistics. Some of the commonly used criterions are the number of employees, total net assets, sales and investment level. However, the most common definitional basis used is employment, but, there is a variation in defining the upper and lower size limit of an SME (Ayyagari, Beck & Demirguc-Kunt, 2003).

Organization for Economic Cooperation and Development (OECD) (2012) contends that the biggest challenge remains the lack of comparability in the statistical definitions of an SME. OCED noted that SMEs face more severe credit conditions than large enterprises, in the form of higher interest rates, shortened maturities and increased requests for collateral, suggesting that smaller firms were considered to be higher-risk companies due to their poor business prospects. Business and Industry Advisory Committee to the OECD (2011) observes that definitions of SMEs vary from country to country depending on the economic conditions in that particular country and the general guidelines that govern small businesses.

OECD (2008) found that small firms are generally those with fewer than 50 employees, while micro-enterprises have at most 10 or in some cases 5 workers. On the other hand, European Commission (2012) states the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro. The most frequent upper limit designating on SME is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees.

According to the SME department of the World Bank (2010), an enterprise is considered to be micro if it has up to 10 employees, total assets of up to $10,000 and annual sales of up to $ 100,000; small enterprises up to 50 employees, total assets and total sales of up to $ 3 million, medium enterprises up to 300 employees, total assets and total sales of up to $ 15 million. Hall (2007) observes that the definition of an SME in China is quite complex and can include relatively large firms. The definition used for regulatory purposes (and thus for the collection of statistics on SME exports) in China depends on the industry category and is defined in terms of employees, sales and assets. For example, an industrial SME is defined as having up to 2,000 employees, while a small business has less than 300.

Kauffmann (2004) observes that small businesses in Africa can rarely meet the conditions set by financial institutions, which see SMEs as a risk because of poor guarantees and lack of information about their ability to repay loans. The author suggests that in Africa private sector consists of mostly informal microenterprises, operating alongside large firms. Most companies are small because the private sector is new and because of legal and financial obstacles to capital accumulation. The author says that many firms stay small and informal and use simple technology that does not require great use of national infrastructure. Their smallness also protects them from legal proceedings (since they have few assets to seize upon bankruptcy) so they can be more flexible in uncertain business conditions. However, the Economist Intelligence Unit (2008) argues that businesses with the flexibility to adapt to changing conditions are well positioned for growth.

SMEs play a significant role in national economies. OECD (2007) contends that SMEs are the backbone of all economies and are a key source of economic growth, dynamism and flexibility. The policy brief finds that SMEs constitute the dominant form of business organization, accounting for over 95% and up to 99% of enterprises depending on the country. They are responsible for between 60-70% net job creations in OECD countries. Despite the significant role that SMEs play in most economies, most of them fail. Longenecker *et al*., (2006) argue that lack of planning, improper financing and poor management has been posited as the main causes of failure of small enterprises.

World Trade Organization (WTO) (2007) statistics suggested that by 2006, China had already overtaken the United States as the second largest exporter in the world in terms of export volume, and would overtake Germany in the following year and be the leading exporting country in the world. The statistics further indicate that Chinese SME exporters are a major contributor to Chinese economic growth and SMEs contribute 68 % of China's exports. In fact Hall (2007) says that many of these SMEs are internationalized. The author finds that China has created more SMEs in the last 20 years than the total number of SMEs in Europe and the United States combined. Hall (2007) traces the origin of SMEs in China and finds that it was only with the opening of the private economy in China in the reforms of 1980s by Deng Xiaoping that private SMEs were recognized.

According to European Commission (EC) (2005) micro, small and medium-sized enterprises (SMEs) are the engines of the European economy and they are an essential source of jobs, create entrepreneurial spirit and innovation in the EC and are thus crucial for fostering competitiveness and employment. OECD (2012) notes that information at the national level is provided in the form of country profiles, which present data for a number of debt/equity and financing framework condition indicators. Taken together, they provide governments and other stakeholders with a tool to understand SME financing needs, to support the design and evaluation of policy measures and to monitor the implications of financial reforms on SME access to finance.

At the Pittsburgh Summit in 2009, G20 leaders acknowledged that access to finance provides growth opportunities for businesses and the economy as a whole. The economic outlook suggests that in Africa private sector consists of mostly informal microenterprises, operating alongside large firms. Most companies are small because the private sector is new and because of legal and financial obstacles to capital accumulation. Between these large and small firms, SMEs are very scarce and constitute a "missing middle."

In South Africa, with its robust private sector, micro and very small enterprises provided more than 55 per cent of all jobs and 22 per cent of GDP in 2003, while big firms accounted for 64 per cent of GDP. The development of the private sector varies greatly throughout Africa. In Morocco, 93 per cent of all industrial firms are SMEs and account for 38 per cent of production, 33 per cent of investment, 30 per cent of exports and 46 per cent of all jobs. Micro and very small businesses in South Africa provided more than 55 per cent of total employment and 22 per cent of GDP in 2003. Small firms accounted for 16 per cent of both jobs and production while medium and large firms accounted for 26 per cent of jobs and 62 per cent of production. According to African Economic Outlook (2004-2005), nearly 80 per cent of firms in Congo have fewer than five workers. The country has 2,100 firms in the formal and 10,000 in the informal sectors.

In Kenya, Capital Markets Authority (CMA) (2011) notes that an enterprise is categorized as a micro enterprise if it has full time employees between (1 – 10) and an annual turnover of up to Kshs. 5 Million or up to USD 50,000; small enterprise with full time employees of between (11 – 50) and a turnover of between Kshs. (5 – 50 Million) or USD (50,000 – 500,000) and Medium Enterprise with full time employees of between (51 – 100) and a turnover of Kshs. (51 million – 1 Billion) or USD (0.5M - 10 million).

1.1.2. Business Growth in SMEs

Davidsson *et al*., (2006) observe that growth of Small and Medium enterprises is greatly dependent on the founders, their ability and skills to overcome start up challenges in order to succeed. Entrepreneurial spirit is only accomplished when the new venture progresses from start-up to an enterprise that illustrates growth. The authors say that entrepreneurship is the creation of new economic activity and includes new venture creation activity and new economic activity of established firms. Stevenson (1983) defines entrepreneurship as the pursuit of opportunities without regard for the resources controlled. According to Shukla (2009) an entrepreneur is an individual who owns a firm, business, or venture, and is responsible for its development. The author defines entrepreneurship as the practice of starting a new business or reviving an existing business, in order to capitalize on new found opportunities.

Small and Medium entrepreneurial growth is the transformation from entrepreneurship to a professionally managed firm. It is conceivable to conclude that as the venture grows, there is need for it to be structured and managed more professionally so that it can provide essential guidelines through the transitions and yield ground for further growth. Isaacson (2011) argue that entrepreneurship should be anchored on absolute creativity where reality is willfully bent so that the impossible can be achieved. Kruger (2004) finds that entrepreneurship begins with action, the creation of new organization including the antecedents to its creation, inter alia, environmental scanning for the opportunity, the identification of the opportunity to be pursued, and the evaluation of the feasibility of the new venture.

Research has established that entrepreneurship is credited for technological inventions, the rise of corporate empires and directly linked to economic development around the world (Minniti *et al*., (2007)). Hisrich *et al.*, (2005) noted that the opportunity must fit the personal skills and goals of the entrepreneur. Schumpter (1937) defines entrepreneur as an "innovator". Timmons (1989) defines entrepreneurship as any attempt to create a new business, showing which firms defy the failure rule and why. A number of research works posit that poor finance management practices are some of the key challenges encountered by most SMEs. A useful starting point for most SMEs is to construct an organizational map that identifies the voids that may themselves present business opportunities for growth (Khanna & Krishna, 2010).

1.2. Statement of the Problem

Kenya National Bureau of Statistics (2007) finds that three out of five businesses fail within the first few months of operation. The high rate of failure is not only evident in developing countries but also seen in developed countries that have a better financial infrastructure and improved information collaboration. Longenecker *et al*., (2006) argues that start-ups fail due to lack of foresight, poor resource planning, bad timing, lack of funding and poor resource allocation. These studies reveal that a business could have a great idea and a great team, but still fail due to lack of training, lack of funding and, consequently, lack of time to let a good model mature.

Despite unhindered access to vast business information through the Internet, technological progress, and globalization these failures remain the worst nightmares for small and medium entrepreneurs. Bender and Ward (2009) found that strategic management decisions made by entrepreneurs influence the direction and performance of SMEs. The puzzle in the failures of SMEs is that whereas some of the enterprises fail, others prosper and grow into large multinational businesses. The scenario where some businesses fail and others survive yet they operate in similar business circumstances advance the need for research. Mallett (2012) noted that a customized strategy that is best suited for an organization's circumstances creates a framework for the entrepreneurs to judge both short-term and long-term financial tactics that eventually lead to business evolution and growth.

This research therefore, explores the strategic management factors that make it possible for some enterprises to survive and grow while others fail yet they operate in similar market and industrial circumstances.

1.3. Objectives

1.3.1. General Objective

The main objective of this study was to establish the role of strategic management factors in managing growth of SMEs.

1.3.2. Specific Objectives

The specific objectives were:-

(i) To establish how strategic planning affects business growth of SMEs in Mombasa County
(ii) To examine how strategic resource allocation affects business growth of SMEs in Mombasa County.
(iii) To establish how strategic training affects business growth of SMEs in Mombasa County

1.4. Research Questions

The study will be guided in answering the following research questions;

(i) How does strategic planning affect business growth in Mombasa County?
(ii) How does strategic resource allocation affect business growth of SMEs in Mombasa County?
(iii) How does strategic training affect business growth in Mombasa County?

1.5. Justification and Importance of the Study

The study will immensely contribute within the theoretical and empirical levels to enhance better management of business growth in SMEs. It will have a positive role in future evaluation of business growth within the county and even the entire country.

This study will be of importance to the following;

1.5.1. Academicians and Researchers

This study will be of benefit to researchers as it will add to the body of existing materials or knowledge which will open way for further research on related subject matters.

1.5.2. Policy Makers

This study will also be useful to policy formulators such as company managers, as to the optimum business growth strategies to adopt so as to bring about efficiency and enhance profitability.

1.5.3. Management

This study will help managers and business owners manage their businesses in a better way Managing business growth is a crucial factor for maintaining liquidity, survival, profitability and solvency of an enterprise.

1.6. Scope of the Study

The scope of this research was limited to determining the role of strategic management factors on growth of SMEs in Mombasa County. This study drew respondents who are SME managers from enterprises that have survived start up challenges and are on the path of growth. The research focused on SMEs fundraising strategies, the costs of their funds and capital dispersion policies, in addition to assessing the fund employment strategies in the SMEs and determine the specific policies that inform investment actions.
Data was picked from Government publications, Public management reform secretariat, and other researches already carried out.

2. Literature Review

2.1. Introduction

This chapter covered theoretical framework, empirical review, conceptual framework, critic of the existing literature, summary and the research gaps.

2.2. Theoretical Framework

Theoretical framework involved the review of theories underlying the topic of study. Theories under determinants of working capital management include;

2.2.1. Competitive Theory

According to Fota (2005) and Porter (1990) to do well in any business you must develop a long-term strategy. Making consistent decisions in all aspects of a firm's operations is difficult without a well-defined and clearly integrated strategy. By far the most widely pursued corporate directional strategies are those designed to achieve growth in sales, assets, profits or some combination. Companies that do business in expanding industries must grow to survive. Continuing growth means increasing sales and a chance to take advantage of the experience curve to reduce the per-unit cost of products sold, thereby increasing profits. This cost reduction becomes extremely important if a corporation's industry is growing quickly and competitors are engaging in price wars in attempts to increase their shares of the market.
Porter (1990) developed a model that allows analyzing why some nations are more competitive than others and also why some industries within nations are more competitive than others. This model of determining factors of national advantage has become known as Porters Diamond. It suggests that the national home base of an organization plays an important role in shaping the extent to which it is likely to achieve advantage on a global scale. This home base provides basic factors, which support or hinder organizations from building advantages in global competition. Porter's Five Forces Analysis is a tool for analyzing the attractiveness of an industry. It has 5 components: customer, competitor, suppliers, barriers to entry, threat of substitutes. The tool allows you to consider each of these areas and to determine whether this is going to be profitable or not for companies in that industry.
The essence of competition is the interaction of players with different interests, each trying to improve their position. In this pursuit, firms engage in competitive initiatives, such as introducing new products, entering new markets, vertically integrating or changing pricing structures. Any such initiative will draw competitive responses and therefore the possible reactions of competitors, suppliers and distributors must be taken into account in a comprehensive strategic plan. Moreover, competition never stands still and other firms will be exploring new initiatives of their own which need to be anticipated and mitigated. Competitive theory is commonly used to help clients develop solutions to issues such as price wars, dealing with powerful distributors, suppliers, customers and anticipating competitive responses.

2.2.2. Resource Allocation Theory

According to Davidsson (1991), firm growth is an indication of continued entrepreneurship. Further, Davidsson noted that economic theories take the willingness to grow a business for granted, by assuming profit maximization. However, empirical evidence suggests that small business owners are reluctant to grow even if there is room for profitable expansion and that profitable firms of different sizes co-exist within industries. He argued that growth is a choice of the owner-manager and that profit maximization is only one of the possible motives for business growth. Davidsson views were drawn from psychological theories of motivation, which recognize that individuals differ in their motivational make-up.
The central concept in resource advantage theory is that of "resources", which again determine the competitive advantage of firms. Competitive advantage is the result of a firm's planned strategy. The strategic direction is realized through the ability of producing greater profits than the competitors. Many factors are equally important in producing a position of success. Some of these are industrial factors; others are resources and competencies of the single firm. The sum of all these forces results in creating and sustaining a successful position, in other words, a competitive advantage. Successful firms are successful because they have a resource advantage, which in turn cannot be defined in any other way than as a quality that brings about success. Defining the possession in terms of the outcome it produces presents ontological difficulties: both in cases when resource advantages are posited *ex ante* and in situations where the chain of causality is contestable. The crux of this theory, as in much of the strategy literature, seems to lie in an equivocation of strategy and competition.

2.2.3. Five Stages of Small Business Growth Theory

According to the theory of five stages of small business growth by Churchill and Lewis (1983), growth is part of the natural evolution of a firm. The authors identified five stages of growth: existence, survival, success, takes off and resource maturity. In each stage of

development a different set of factors are critical to the firm's survival and success. Growth thresholds may exist as obstacles to the transition from one stage to another. Accordingly, in the take off stage, most relevant in a study of rapid growth, there are two major concerns or obstacles to firm growth: first the ability of the owner to hire new people and second is delegate responsibility. The business will also need enough cash to satisfy the greater demand for financial resources brought about by growth.
Churchill and Lewis (1983) noted that each stage is characterized by an index of size, diversity and complexity and described by five management factors; managerial style, organization structure, extent of formal system, major strategic goal, and owner's involvement in the business. Bender and Ward (2009) observe that greater problems at this very simple level of financial strategy tend to be encountered with the lower business risk companies. In general, business risk tends to reduce as companies mature; not least because the unsuccessful ones will fail and cease to exist.

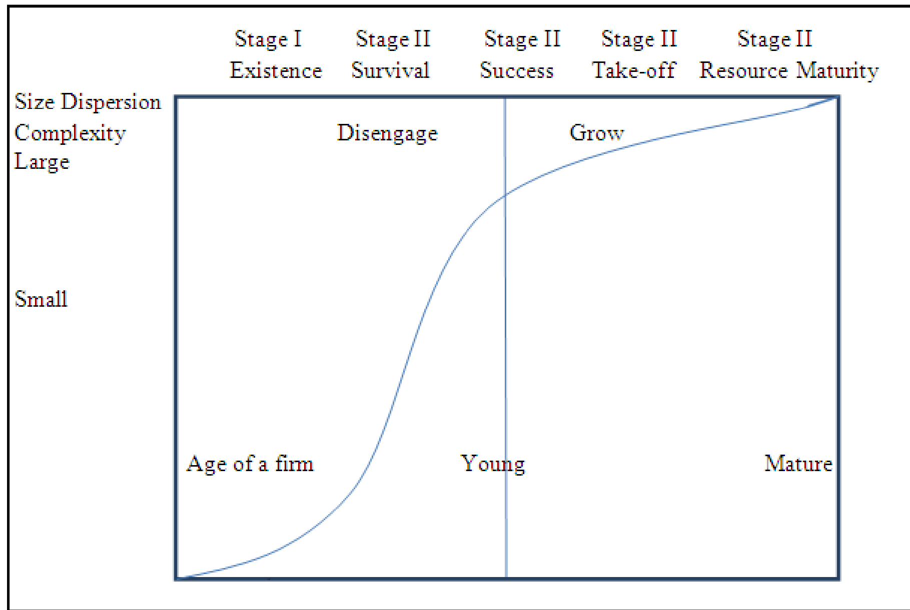

Figure 1: Business growth stages
Source: Churchill and Lewis (1983)

2.3. Conceptual Framework
A conceptual framework is a figure that explains the main things to be studied in conception. It provided an idea on establishing the relationship between the dependent and independent variables. It provided the primary model that illustrates the basis on deciding on the research questions and objectives and the methodology followed in solving the phenomenon under investigation. The conceptual framework shown below provided the parameter that was used to determine the relationship between the dependent and the independent variables. The dependent variable was defined as business growth while the independent variables were interpreted as a cluster of factors that have impact on the growth of business given as strategic training, strategic planning, and strategic resource allocation.

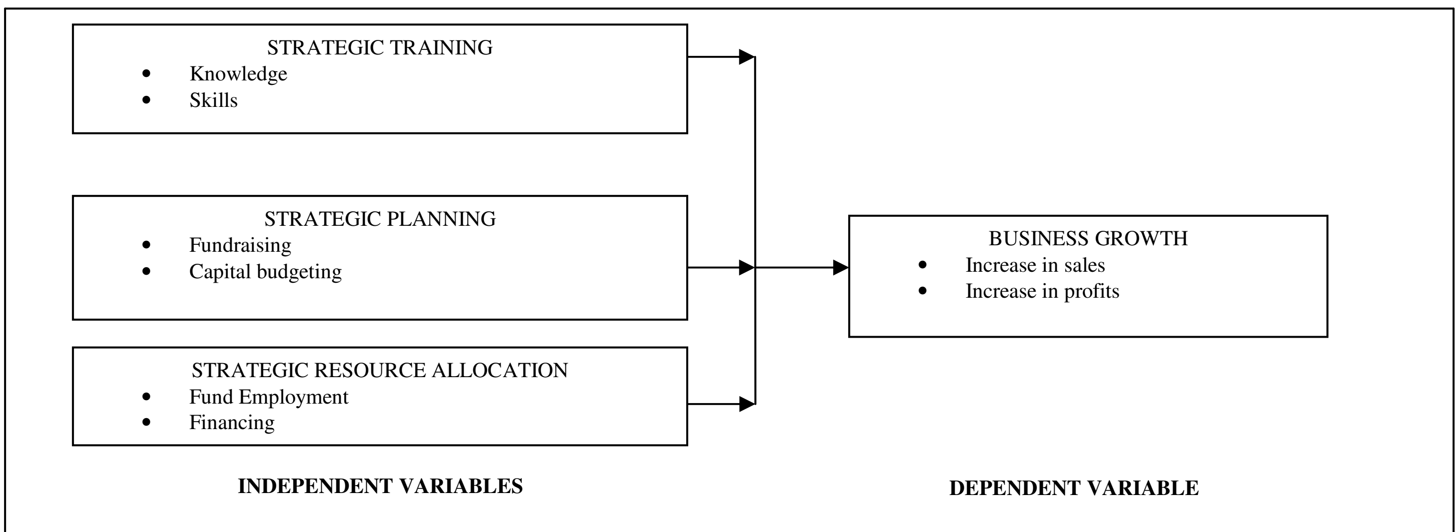

Figure 2: Conceptual framework of Strategic management factors.

2.4. Empirical Review
Strategic management factors were reviewed under the following;

2.4.1. Strategic Training
Human resources are active agents that accumulate wealth for the nation, exploit material resources, build social, economic and political organizations and assist in national development of a country. That is, if the public and private organizations have sufficient and effective entrepreneurs, with suitable and relevant skills and knowledge, there is every possibility for achieving its aim and objectives. Zimmerer *et al.,* (2008) argues that becoming a successful business enterprise requires the entrepreneur to become a skilled fundraiser, and this requires a lot of time and energy. In startup companies or businesses, raising capital can easily consume as much as one-half of the entrepreneur's time and can take many months to complete.
Training, knowledge and skills acquired by the business enterprise team is vital in order to ensure business growth. Business management focuses on profit maximization but involves risks and therefore requires tremendous training, knowledge and skills in order to succeed. In addition, employees should implement what they know and thus might need training on the job apart from prior education. Training and development is a planned, continuous effort by management to improve employee competence levels and organizational performance. Mathis and Jackson (2000) define training as 'a learning process whereby people acquire capabilities to aid in the achievement of organizational goals'. Training is designed to provide employees with knowledge and skills needed for their present jobs. Therefore, training is for specific purposes, for instance in teaching someone the specific skills to do the job for which he or she was hired, or retraining due to change in technology or job assignment. On the other hand, employee development involves learning that looks beyond today's job; it has a more long term focus (Mathis and Jackson, 2000).It prepares employees to keep pace with the organization as the organization changes and grows. It is important that an organization provides both training and development so that it run smoothly both now and in future times of transition.
Training and development activities have the potential to align employees of an organization with its corporate strategies. In virtually every market, customers and beneficiaries are demanding higher quality, lower costs, and faster cycle times. To meet these requirements, organizations must continually improve their overall performance. Rapid advances in technology and improved processes have been important factors in organizations and businesses meet this challenge.

2.4.2. Strategic Planning
According to Mintzberg *et al.,* (1996), Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy. It may also extend to control mechanisms for guiding the implementation of the strategy. Strategic planning became prominent in corporations during the 1960s and remains an important aspect of strategic management. It is executed by strategic planners or strategists, who involve many parties and research sources in their analysis of the organization and its relationship to the environment in which it competes. Strategy has many definitions, but generally involves setting goals, determining actions to achieve the goals, and mobilizing resources to execute the actions. A strategy describes how the ends (goals) will be achieved by the means (resources). The senior leadership of an organization is generally tasked with determining strategy. Strategy can be planned (intended) or can be observed as a pattern of activity (emergent) as the organization adapts to its environment or competes. Strategy includes processes of formulation and implementation; strategic planning helps coordinate both. However, strategic planning is analytical in nature (i.e., it involves "finding the dots"); strategy formation itself involves synthesis (i.e., "connecting the dots") via strategic thinking. As such, strategic planning occurs around the strategy formation activity.

2.4.2.1. Fund Raising
Bender and Ward (2009) explain that the most appropriate manner for raising funds mean that a firm must take account both of the overall strategy of the organization and the combined weighted requirements of its key stakeholders. They argue that employment of funds include the decision to reinvest or distribute any profit generated by the organization. Rosenberg (2003) argues that financial strategy also protects the endowment: the net assets that are meant to be spent down and build back up across business cycles, relieving pressure to dip into endowment principal during downturns. The study also found that debt can be used to achieve the same goal; in effect this is a choice between reducing operating expenses before a downturn and reducing them after the downturn to pay back debt.
Durand (1952) noted that a firm can increase its value or lower the cost of capital by using the debt capital. However, Modigliani and Miller (1958) argue that in an environment, where there are no taxes, default risk or agency costs, capital structure is irrelevant. This proposition was theoretically very sound but was based on the assumptions of perfect capital market, which were not valid in reality. In correction, they incorporated the effect of tax on value and cost of the capital of the firm, Modigliani and Miller (1963) contend that in the presence of corporate tax, the value of the firm varies with the variation of the use of the debt due to tax benefit on interest bill. However, Bender and Ward (2009) argue that debt is generally not a good idea for growth of companies either; their finance should mostly be equity, often taken from the capital markets
According to Bender and Ward (2009) businesses at the launch stage should be financed with equity that is prepared to accept a high risk, such as venture capital. The authors contend that at the growth stage, the business is still risky: managing rapid growth is hard work, and many companies fail to make the transition successfully. Bender and Ward (2009), however, argue that once the business has stabilized and reached maturity, its business risk reduces. At this point it can and should reduce its overall cost of capital by taking on cheap debt to replace the expensive equity.

2.4.2.2. Capital Budgeting (Project analysis to choose one)
Capital budgeting is the process of analyzing investment opportunities in long-term assets which are expected to produce benefits for more than one year (Peterson and Fabozzi, 2002). A central feature of any investment analysis is Discounted Cash Flow, which takes into consideration the time value of money, is regarded as theoretically correct, and includes at least four different discounting models: Net Present Value(NPV), Internal Rate of Return(IRR) , modified internal rate of return (MIRR), and profitability index (PI) (Brigham and Ehrhardt, 2002).
Both NPV and IRR are consistent with the goal of maximizing a firm's value, use cash flows and consider cash flow timing. With NPV, the present value of future cash flows is generated and when compared with initial outflows, an investment project is seen as acceptable whenever a positive NPV is the outcome. IRR is a percentage rate that equates the present value of future cash inflows with the present value of its investment outlay. Finance theory asserts that NPV is the best method for evaluating capital investment projects. In a normal project, cash outflows are followed by annual cash inflows and under these circumstances, NPV and IRR lead to the same investment decisions. Problems with the IRR technique occur in two cases and may lead to incorrect capital budgeting decisions (Brigham and Ehrhardt, 2002).

2.4.3. Strategic Resource Allocation

2.4.3.1. Fund Employment
Rosenberg (2003) argues that business leaders need to analyze projected cash flows from the project and compare them to other investment options to see which provides the best return for the risk. The author observes that these financial analyses allow business leaders to discuss whether the differences in mission achievement justify the differences in financial impact, and to select the mix of projects that strike the best balance. Bhidé (2000) says that a close look at growth companies in their earlier stages of development shows that founders do not assume all of the risks of the venture. The author observes that a greater set of risks is shouldered by those who work for an entrepreneur, sell supplies to an entrepreneur, or agree to buy whatever the entrepreneur is selling, the ability to persuade others to take on risks is key to the early success of entrepreneurs.
Bender and Ward (2009) observe that financial risk is the risk inherent in the company's choice of financing structure. Rosenberg (2003) argues that stable organizations test their alternatives for the financial impact of different expenses, income, timing of expenses, and other factors. If a program will continue beyond its initial funding, these organizations routinely and rigorously plan how any budget expansion will continue to be funded.
Bhidé (2000) finds that successful entrepreneurs are surprisingly effective at spreading the risk around to others. The author finds that successful entrepreneurs rely on a range of tactics to overcome these hurdles. They learn to target resource providers who have limited alternatives, short-term needs, and a personal or psychological preference for working with new companies. Bhidé (2000) says that risk is an intrinsic part of any business venture. Starting a company of any type places tremendous strain on the founders' personal lives. The cost of the uncertainty that comes with a new venture can be staggering in terms of stress on family relationships, self-image, and personal bank accounts. Rosenberg (2003) points that business owners consistently look at both the mission and financial impacts of potential projects and investments.

2.4.3.2. Financing
Zimmerer *et al.,* (2008) argues that becoming a successful business enterprise requires the entrepreneur to become a skilled fundraiser, and this requires a lot of time and energy. In start-up companies or businesses, raising capital can easily consume as much as one-half of the entrepreneur's time and can take many months to complete. Capital is defined as any form of wealth employed to produce more wealth. Capital exists in many forms and in a typical business they include cash, inventory, plant, and equipment. Entrepreneurs' need three different types of capital depending on the use and this include: fixed capital; working capital and finally growth capital. However to make any investment decision one need to consider the some factors: First type of capital required for example fixed, working or growth capital. Second, source of capital available such as equity or debt sources or in internal or external source. Third, cost involved and fourth implications such as loss of control. Finally it also important to consider risks involved.
Wickham (2001) noted that fixed capital is needed to purchase a company's permanent assets such as building, land computers and equipment. Money invested in these fixed assets tends to be frozen because it cannot be used for other purposes. The money involved in purchase of fixed assets is normally substantial and credit terms are usually lengthy. Lenders of fixed capital expect the assets purchased to improve the efficiency and thus the profitability of the business and to create improved cash flow that ensures payment. Working capital is defined as current assets less current liabilities. Current assets refer to the current resources of the business that represent cash or can be converted cash easily or are cash, while current liabilities refer to debts that ought to be cleared in the near future normally one year. The need for working capital arises because of the uneven flow of cash into and out of the business due to normal seasonal fluctuations and they may include: credit sales, seasonal sales, swings or unforeseeable changes in demand. Working capital can be used in businesses to buy inventory, pay bills, finance credit sales, pay wages and salaries and take care of unexpected emergencies. Lenders of working capital expect it to produce higher cash flows to ensure repayment at the end of the production or sales cycle. Unlike working capital, Growth capital is not related to the seasonal fluctuations of a business. Growth capital is meant for expanding or for expanding for changing the primary direction of a business. Lenders of growth capital expect the funds to improve a company's profitability and cash flow position thus ensuring repayment.

According to Hirsch (2008) Sources of finance can be classified into two major ways: Equity versus debt sources or internal versus external sources. Debt financing is a financing method involving an interest bearing instrument usually a loan. Most of such loans require fixed assets such as vehicles land machines and others to be used as collateral security. Debt financing requires entrepreneur to pay back the amount borrowed as well as interest. Equity financing on the other hand does not require collateral security and it offers the investor some form of ownership position in the venture. The investor's shares in the profits of the venture as well as any disposition of its assets as per the percentage of business owned. Factors that may be considered in making decision on whether to go for debt financing includes the following: i) Availability of funds ii) The assets of the venture iii) The rate of the interest iv) Repayment period v) The use of the finance e.g. to finance fixed assets, to finance working capital activities or to finance growth activities if an organization. Internal source of funds refers to internally generated funds or generated within the business and they include among others: Profits ploughed back, Sales of assets, Reduction in working capital, Collection of account receivable more quickly, Reduction of repayment period. External sources of finance include the following: Self, Family friends, Commercial bank, Government loan programs, Private and public placements. The source to considered need to consider the following factors, a) The length of time the funds are available b) The cost involved and c) The amount of company control lost.

2.4.3.3. Business Growth

North, Baldock and Vickers (2011) noted that business growth is viewed mainly in terms of increases in sales turnover, profits and market share. Bender and Ward (2009) argue that a company can create value and grow by using seven drivers namely; Increase sales growth; Increase operating profit margin; Reduce cash tax rate; Reduce incremental investment in capital expenditure; Reduce investment in working capital; Increase time period of competitive advantage; Reduce cost of capital.

Christensen, Johnson and Rigby (2002) contend that most managers understand that significant new sustainable growth comes only from creating new markets and new ways of competing. However, they say that a few of them make such investment because when times are good and core businesses are growing robustly, starting new generation of growth ventures seem unnecessary. When times are bad and mature businesses are under attack, investments to create new growth business can't send enough profit to the bottom line quickly enough to satisfy investor pressure for a fast turnaround. Growth is also associated with new challenges and development opportunities which affect the employees (Hamel & Prahalad, 2002; Wiklund *et al.*, 2003; Ghoshal *et al*., 2000).

Bender and Ward (2009) argue that as a business it goes through the growth stage, it will turn profitable, but could still be cash negative due to the required investment in working capital and fixed assets, needed to support this rapid growth. It is only when the business becomes mature that the cash flows begins reflecting profitability. According to Cable (2010) growing exports are the means of benefiting from the expanding global economy. Growth of the organisation demands building up teams and developing network outside the organisation (Bird & Jelinek, 2002). Nooteboom (2002) proposed three core characteristics of SMEs and small organisations - independence, personality, and the small scale. Cespedes *et al.,* (2013) advise that managers of enterprises need to focus on dimensions within an entrepreneur's circle of influence: how to identify a venture's core customers and the implications for selling, cost management, growth strategy, and required organizational relationships.

The environment in which the organization operates poses challenges depending of the industry life cycle and industry structure; but market growth does not necessarily lead to growth of small organizations (Morris, 2001).

2.5. Critique of Existing Literature

Gibbons and O'Connor (2005) conducted a study on SMEs and concluded that the entrepreneurs did not have adequate understanding of strategic management terms and were less equipped with strategic management tools. The possible reasons were centralised decision making by the entrepreneur or difficulty in prioritizing the development of their managerial skills. Under turbulent and uncertain environment the small business entrepreneurs use their intuitive skills rather than systematic approach or tools such as financial strategy.

Prater and Ghosh (2005) in an empirical study on U.S. based small and medium sized enterprises operating in Europe reported new product development, expansion into new international markets and expansion into new European markets as the major growth strategies adopted by them. The study also concluded that the enterprises did not take advantage of outsourcing of operation functions such as logistics. However growth carries different meanings by the different entrepreneurs. There is a strong impact of entrepreneur's attitude and the decision on growth and there may not be uniformity in growth agenda among the entrepreneurs even if they operate in the same market (Matthews & Scot, 1995).

Bhidé (2000), based on interviews of founders of 100 major companies in U.S.A. explained that the entrepreneurs of high performing companies adopt faster and cheaper method of strategy planning without expecting high degree of precision. This is more economical and timely as compared to typical corporate practices. These entrepreneurs integrate action and analysis. Need for strategic orientation in management of small business in terms of knowledge about market, customers and competitors is emphasised in many studies, this need is emphasised more because of ever increasing competition and shortening product and service life-cycles (Callahan &Cassar, 1995).

Indeed, in empirical models of small firm growth, the characteristics of founders of businesses were linked to their growth aspirations (Davidsson 1989, Kolvereid, 1990, Gundry & Welsch, 1997), and the growth performance of their ventures (Kimberly 1979, Cooper *et al.,* 1994). Growth also depends on the changing industry patterns and management; it is also about sociological evolution of the business (Boswell, 1973). Bird and Jelinek (2002) argued that entrepreneurs intentionally link their own and others' resources to build a firm to add value. Intentionality is a state of mind, directing attention, experience and actions towards a specific goal or way to its

achievement. The entrepreneurs have strong desire to be successful and major determinant of success is intentional processes. Growth is also attributed to the 'need for achievement' present in large parts of the society.

2.6. Research Gap

The gap identified is the development of a link mechanism of all business growth practices for better business performance and specifically factors that may serve to enhance growth of businesses like capacity of the entrepreneurs, resource planning and resource allocation are to be investigated by the researcher.

Entrepreneurship is all about the identification of an opportunity, creation of new organization, and pursuing new ventures (Carton *et al*., 1998). There are many studies done on entrepreneurship like external skills required in entrepreneurs. For example, Schumpeter (1934) has stated that an entrepreneur needs to be innovative, creative, and should be able to take risk. Wickham (2006) has also supported his views. Pajarinen *et al*., (2006) have said that entrepreneurs with higher academic background are more innovative and will use modern techniques and models to do business. Barringer and Bluedorn (1999) have described entrepreneurs as individuals who can explore the environment, discover the opportunities, and exploit them after proper evaluation. Kuratko (2009), in his book, distinguishes between entrepreneurs and small business owners. He highlights that these two terms are often used interchangeably, but both have many differences in their reaction under certain situations. An entrepreneur aggressively focuses on innovation profit and growth of the enterprise. On the other hand, a small business owner's objective and focus is mostly on managing stable growth, sales, and profits.

The objective of an enterprise resource planning is to unify and standardize business processes. Centralizing information makes it easier to collect, access, and manage data across the enterprise. But the critical value businesses reap from Enterprise Resource Planning is expanded visibility into data that can be used to better inform their business decisions and operational proficiency. For professional service organizations, project workflow is the key to maximizing the return on services delivered. The accuracy of billing, time management, and status updates can result in a profitable project or a disappointment that tanks financial forecasts. For instance with many employees working offsite, the number of data sources expands, putting increased pressure on operations to manage efficiency seamlessly. Visibility becomes more important as the data grows, but becomes harder to achieve. Accelerating business processes is best accomplished by standardizing them to eliminate unnecessary steps and automating manual tasks. This is the top reason most attributed to the deployment of Enterprise Resource Planning by businesses, both small and large. What sets companies apart in the success they achieve is the quality of their execution. Obviously, adoption and execution will be best when the system selected is intuitive and easy to use. This importance is amplified with the speed of business today. We simply cannot afford to file an IT request and allow it to sit in the queue for days or even weeks. Business success is predicated by responsiveness and the quality of business decisions. That means enabling operational roles to manage the system independently.

OECD (2010) noted that Since the non-rivalrous nature of intangibles gives rise to increasing returns to scale, the growth opportunities implied by the rising importance of intangibles are potentially vast. Realizing this growth potential, however, depends on the ability to reallocate labor and both tangible and intangible capital to their most productive use. Furthermore, the ability to effectively reallocate tangible resources takes on heightened importance, given the inherent difficulties in reallocating intangible assets. Accordingly, there is evidence on the efficiency of resource allocation in OECD and emerging countries, and draws some links between intangible assets, resource allocation and productivity at the firm level.

For a firm that chooses to bring a product to market independently, ease of resource reallocation is particularly crucial to ensuring the returns to innovation and realizing the growth potential implied by the increasing returns to scale properties of intangible assets. While access to financial markets provides a key mechanism for resource reallocation, there is a disconnect between the characteristics of intangibles and the requirements for external finance, which in turn raises a number of policy issues. From the perspective of an intangible-based start-up firm, profitability depends not only on technological success but crucially on the ability to leverage the fixed cost of investments in intangibles which are subject to strong returns to scale – through increases in the scale of production (Bartelsman and Groot, 2004).The latter, in turn, depends on the ability to reallocate tangible resources, such as labor and physical capital. Given that intangibles are subject to only partial excludability, however, this redeployment of resources must occur rapidly in order for the start-up firm to capture the value of the investment before imitation by followers. Similarly, in the event of technological failure, the ability to rapidly scale down operations – *via* divestitures of labor and capital is crucial to facilitate exit and thereby release resources that can be used by other firms and to provide the entrepreneur with sufficient space in order to experiment with alternate ideas. Indeed, this is consistent with anecdotal evidence that suggests that the most successful entrepreneurs have experienced some form of business failure in the past. The ability to rapidly redeploy tangible resources, which is influenced by framework policies, not only influences the returns to innovation but also the type of strategy firms employ to boost their own productivity.

2.7. Summary

Business growth remains one of the most debated and contested issues in the area of research. Despite numerous past attempts by researchers to unravel the mystery of business failure and hence provide direction for growth, there is no consensus on the most acceptable approach to grow a business. The researcher has attempted to piece together past studies and literature to provide relevant review for this chapter.

An entrepreneurial venture is successful if it is growing. Growth has various connotations. It can be defined in terms of revenue generation, value addition, and expansion in terms of volume of the business. It can also be measured in the form of qualitative features like market position, quality of product, and goodwill of the customers (Kruger 2004). Growth is a vital indicator of a flourishing enterprise. There are many factors like characteristics of the entrepreneur, access to resources like finance, and manpower

which affect the growth of the enterprise and differentiate it from a non-growing enterprise. Gilbert *et al*., (2006) suggested how and where questions are important in the context of the growth of the enterprise. It has been highlighted that growth is a function of the decisions an entrepreneur makes, like how to grow internally or externally and where to grow in domestic market or international market. There are many different theories on identifying the main factors underlying the growth of the enterprise. One set of theories addressed the influence of enterprise size and age on growth (Evans 1987; Heshmati 2001; Morone and Testa 2008), and the second set deals with the influence of variables such as strategy, organization, and the characteristics of the enterprise's owners (Fazzari et al. 1988; Lumpkin and Dess 1996; Freel and Robson 2004) on growth of the enterprise. Mateev and Anastasov (2010) have found that an enterprise's growth is related to size as well as other specific characteristics like financial structure and productivity. They further added that the total assets which is one of the measure of the enterprise size has a direct impact on the sales revenue, but the number of employees, investment in Research and Development, and other intangible assets have not much influence on the enterprise's growth prospects. Lorunka et al. (2011) have found that the gender of the founder, the amount of capital required at the time of starting the business, and growth strategy of the enterprise are very important factors in predicting growth in a small enterprise. They have further highlighted that apart from human capital resources, the growth of an enterprise can be predicted on the basis of commitment of the person starting a new enterprise. The researcher hopes that this study will shed more light and provide a clearer picture of business growth efforts through management strategies.

3. Research Methodology

3.1. Introduction

This chapter covered the research methods and also consider the logic behind the methods used in the context of the research study and explain why a particular method or technique was used and why not the others.

It described the research design, study population, data collection and analysis techniques and procedures. This research generalized the findings on the management factors in managing growth of businesses.

3.2. Research Design

A Research design is defined as the program that guides the investigator as he or she collects analyses and interprets the observation (Barasa, 2012). Research design is the plan and structure of investigation so conceived as to obtain answers to research questions, expressing the research problem-framework, organization, or configuration of the relationships among variables of the study (Cooper & Schindler, 2008). Kothari (2004) observes that research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Barasa (2012) states that research design is concerned with the questions of whom shall we study, what shall we observe, when will the observation be made, how will data be collected and analyzed. That it is the blueprint that enables a researcher to come up with answers to these questions and guides him or her in the stages of research. Cooper and Schindler (2008) have emphasized that research design entails type, purpose, time frame, scope and environment of the study. Kothari (2004) noted that research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible yielding maximal information with minimal expenditure of effort, time and money.

The researcher used causal effect design to determine the effects of strategic management factors on business and how it eventually leads to growth. Research design is a logical model of proof that allows the researcher to draw inferences concerning causal relations among the variables under investigation (Barasa, 2012).Causal effect design attempts to reveal relationship between variables. In this study, the researcher sought to determine how strategic management factors affect business and lead to growth. Cooper and Schindler (2008) note that in considering possible relationships that occur between two variables, there emerge three possibilities First is the symmetrical relationship, this is where two variables fluctuate together but the researcher assumes the changes in neither variable are due to changes in the other. These conditions are often found when two variables are alternative indicators of another cause or independent variable. The second relationship is reciprocal it exists when two variables mutually influence each other. The third relationship is asymmetrical which postulates that changes in one variable are responsible for changes in another variable. Causal studies seek to discover the effect that a variable has on another or why certain outcomes are obtained (Cooper & Schindler 2008).

3.3. Target Population

Cooper and Schindler (2008) describe target population as those people, events, or records that contain the desired information and can answer measurement question. Without knowing the target population, it may not be obvious which of the samples are appropriate for the study. In this study, the target population will be SMEs who have been in business for a period not less than two years. They are 1,280 derived from the seven categories of businesses as grouped by the County Government of Mombasa because one of the categories is not a target population.

3.4. Sampling Frame

The sample collected from the County Government of Mombasa was selected using stratified random sampling technique. The population was segregated into several mutually exclusive subpopulations (strata) as per the different sectors in the Kenyan economy.

3.5. Sample Size and Sampling Technique

Mugenda and Mugenda (2003) argue that sampling is the process of selecting a number of individuals for a study in a way that the individuals selected represent the large group from which they were selected. For this study, a sample size of 10 % will be selected from the categories of the population. A sample size of 128 was selected from the seven categories because one category does not fit the target population.

Code	Category	Population	Sample 10 %
100	General Trade, Wholesale, Retail, Stores, Shops, Personal Services	407	41
200	The second category comprise of the informal sector	No business	0
300	Transport, Storage and Communications	132	13
400	Agriculture, Forestry and Natural Resources Extraction	269	27
500	Accommodation and Catering	112	11
600	Professional and Technical Services	103	10
700	Private Education, Health and Entertainment Services	134	14
800	Industrial Plants, Factories, Workshops, Contractors	123	12
	TOTAL	1280	128

Table 1: Target Population and Sample Size
Sample frame, adopted from County Government of Mombasa
Source, Author 2015

3.6. Research Data Collection

3.6.1. Primary Data Collection

The researcher used a designed questionnaire which contained questions that assisted in attaining the objectives of this research as earlier stated. The Questionnaire was divided into sections which included the following; Section A involved questions related to demographic information, Section B contained information related to strategic training and business growth, Section C was related to strategic planning, while questions on Section D related to strategic resource allocation.

3.6.2. Secondary Data Collection

The research also obtained secondary data from journals published monthly that contain details, contacts, company profile and records. This helped the researcher in identifying the respondents. In addition, the research used the available resources on financial risks data from literatures of previous works to build on this study. This included books, journals and research papers.

3.7. Data Collection Procedures

This study involved both primary and secondary data sources.

3.7.1. Primary Data Collection Procedures

The primary data collection procedures started by identifying the respondents and their accessibility. This information was extracted from the SMEs on request and the use of research designed questionnaires.

3.7.2. Secondary Data Collection Procedures

The secondary data was collected from journals, company records, financial statements on request for identification of respondents and their accessibility.

3.8. Pilot Study

The researcher carried out pre-testing of research instrument by using a small representative sample selected based on convenience based on alpha testing method. Though common in software development, alpha test was tested among selected respondents to confirm that the research questionnaire works. It has been proposed that alpha can be viewed as the expected correlation of two assets that measure the same construct. By using this definition, it is implicitly assumed that the average correlation of a set of items is an accurate estimate of the average correlation of all items that pertain to a certain construct. Cronbach's alpha is a function of the number of items in a test, the average covariance between item-pairs, and the variance of the total score. When the questionnaire at issue is reliable, people who are completely identical- at least with regard to their pleasure in writing should get the same score, and people completely different should get a completely different score (Field, 2009).

3.9. Data Processing and Analysis

Data was edited which means careful scrutiny of the completed questionnaires. Editing was done to ensure that the data is accurate, consistent with other facts gathered, uniformly entered, as complete as possible and has been well arranged to facilitate coding and tabulation. The data collected was transformed into various indicators and scores that will be reflective of the various variables. SPSS statistical analysis version 22 was used in the computation of responses from the respondents.

3.9.1. Quantitative Data Analysis

The data analysis involved numerical counts and frequencies which will serve as a basis in finding out the role of strategic management factors on the growth of SMES in Mombasa County. The data was used to express the spread or variation in response and will be presented in tabular and graphs forms. Quantitative analysis provided the means to separate the large number of confounding factors that often obscure the main qualitative findings. Data processing involved pre-processing of the data to be collected during the pilot study.

3.9.2. Model Specification

This model helped to establish the relationship between the independent variables and the dependent variable. The Co-efficient of determination, R^2 was used to estimate how well the independent variables explain the dependent variable in the model. Multiple regression analysis was used to establish the relationship between independent variables and the dependent variable. The model was used to study the determinants of business growth. The model specification was as follows:

$$Y = \alpha + \beta 1_{X1} + \beta 2_{X2} + \beta 3_{X3} + \varepsilon$$

Where

α: is a constant term,

βn: coefficients to be determined

ε: the error term.

Y: the dependent variable (Business growth)

X_1: independent variable (strategic training)

X_2: independent variable (strategic planning)

X_3: independent variable (strategic resource allocation)

3.9.3. Statistical Tests of Significance

In testing the significance level, the statistical significance was considered significant if the P-value was less than or equal to 0.05. The study used ANOVA to establish the significance of the regression model from which f-significance value of p less than 0.05 was established.

4. Data Analysis, Results and Discussion

4.1. Introduction

This chapter contains the summaries of data findings in descriptive and narrative form for the analysis alongside interpretations by the researcher by use of mean scores and percentages. The data analysis was based on the research objectives and questionnaire items which were analyzed using statistical tools like pie chart, distribution tables and graphs and results of the analysis presented. Most of the questions had a scale ranging from 1 to 5 indicating the extent to which the respondents agreed or disagreed with each statement.

4.2. Response Rate

The total questionnaires that were distributed were 128 and 115 were returned answered which represents 89.843% of the total questionnaires that were administered to the field while 13 questionnaires were not returned which represents 10.157% of the questionnaires administered. According to Mugenda and Mugenda (2003) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent; therefore, this response rate was adequate for analysis and reporting. From Table 2, it can be inferred that there was a good response rate.

Response Rate	Frequency	Percentage
Responded	115	89.843
Did not respond	13	10.157
TOTAL	**128**	**100**

Table 2: Response Rate
Source, Author (2015)

Prior to the actual study, the researcher carried out a pilot study to pretest the validity and reliability of data collected using the questionnaire. The pilot study allowed for pre-testing of the research instrument by using a small representative sample selected based on convenience based on alpha testing method. From the Table 3 below, it can be inferred that the questionnaire was reliable.

Variable	Croncbach's Alpha	Number of Items
Strategic training	0.713	6
Strategic planning	0.749	7
Strategic Resource Allocation	0.688	5

Table 3: Reliability Coefficients
Source, Author (2015)

The reliability of the questionnaire was evaluated through Croncbach's Alpha which measures the internal consistency by establishing if certain item measures the same construct. Croncbach's Alpha was established for every objective in order to determine if each scale (objective) would produce consistent results should the research be done later on. The findings of the pilot study shows that all the three variables were reliable as their reliability values exceed the prescribed threshold of 0.7 (Mugenda and Mugenda, 2003).

4.3. Background Information

The background information was gathered based on the age, gender, marital status, professional training, level of education, type and nature of business, industrial classification of business, number of employees, and the annual gross turnover. Out of 1280 SMEs as my target study, a sample study of 10% was required for the study. Out of the 128 questionnaires 115 were received back while 13 were not returned.

4.4. Age of Respondents

The age of the respondents was one of the characteristics of the study in the questionnaire. Table 4 shows the age brackets of the respondents.

Age	Frequency	Percentage	Cumulative Percentage
Between 20-25	8	7.0	7.0
Between 26-30	20	17.4	24.4
Between 31-35	36	31.3	55.7
Between 36-40	19	16.5	72.2
Between 41-45	16	14.0	86.2
Between 46-50	9	7.8	94.0
51 and Above	7	6.0	100.0
TOTAL	**115**	**100.0**	

Table 4: Age of the respondent
Source, Author (2015)

The results indicate that a majority of the respondents fall in the age bracket of between 31-35 years while the age bracket of 51 years and above had the least respondents. This shows that most SMEs are run by a young and energetic work force who mostly comprise of college and university graduates who have a working experience of between 4-7 years in business. The few old people in SME's who fall in the '51 and Above' category are the ones who have been in the industry for more than 20 years and have been retained because of their level of experience and ability to deliver.

These findings are in line with Peretomode and Peretomode (2001), who state that training is planned organizational effort concerned with helping an employee acquire specific skills, knowledge, concepts, aptitudes, and behaviors to enable him or her perform more efficiently on his present job, that is, to improve performance, and that's why most people fall in the 31-35 years age bracket.

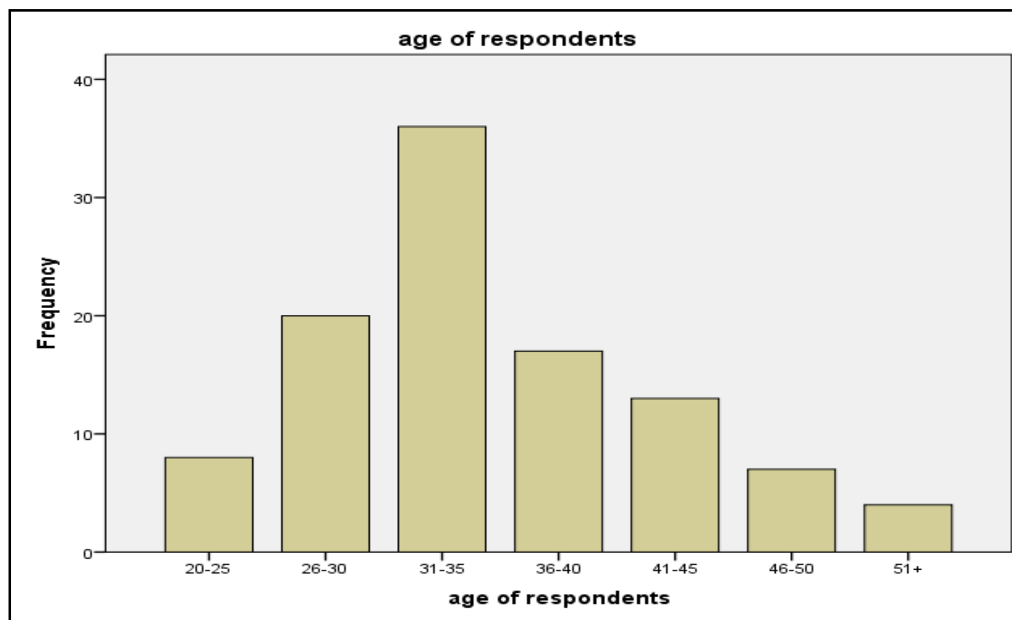

Figure 3: The age of the respondents

4.5. Gender of the Respondents

Results indicate that male respondents were 55 and female 51, as reflected in Table

	Frequency	Percentage	Cumulative Percentage
Male	64	55.65	55.65
Female	51	44.35	100.0
TOTAL	**115**	**100**	

Table 5: Gender of the respondents
Source, Author (2015)

From Table 5, the results indicate that most of the respondents (55.65%) were male which also indicates that SMEs have more men than women in their workforce. This could be attributed to the nature of work SMEs handle which is termed as masculine especially when it comes to industries such as manufacturing, agriculture/mining, general trading and transportation.
However, with the numerous 'girl child empowerment' campaigns, there has been a large number of women who have come out and started taking up roles and positions in the society and this is explained by (44.35%) as seen from Table
The results are in line with Ayyagari (2003) who states that there is a variation in defining the upper and lower size limit of an SME in terms of gender with male being slightly higher.

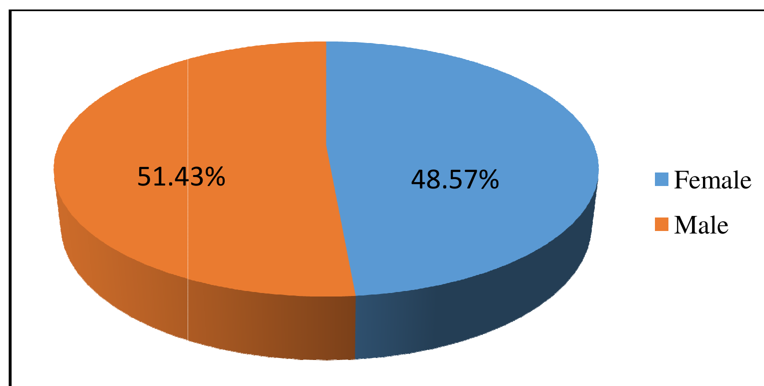

Figure 4: The Gender of the respondents

4.6. Marital Status

Category	Frequency	Percentage	Cumulative Percentage
Married	27	23.5	22.5
Divorced	11	9.6	33.0
Widowed	12	10.4	44.3
Single	39	33.9	76.5
Separated	26	22.6	100.0
TOTAL	**115**	**100.0**	

Table 6: Marital Status
Source, Author (2015)

From Table 6 above, it can be inferred that a majority of SME managers (33.9%) are single, and are closely followed by those married at (23.5%). The ones falling under the category of 'divorced' are the least at (9.6%).This explains the real situation on the ground whereby most college graduates start their SME's when they are still single as they may not have the means since they are fresh from school but after a while, they get married and due to cases of working for long hours, stress due to running of these SME's and some point bad losses and infidelity, this eventually leads to rise of divorce cases.
This is in line with findings of Zimmerer *et al.,* (2008) who argue that becoming a successful business enterprise requires the entrepreneur to become a skilled fundraiser, and this requires a lot of time and energy.

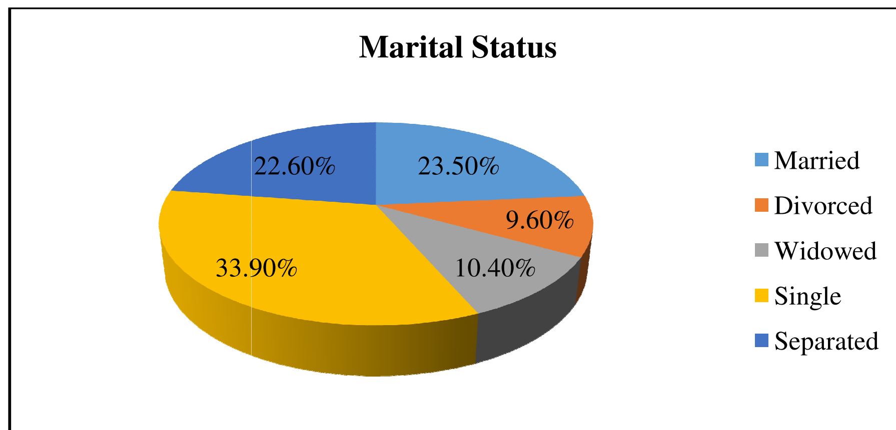

Figure 5: Marital Status of the Respondents

4.7 Professional Training

Profession	Frequency	Percentage	Cumulative Percentage
Engineering	7	6.1	6.1
Management	30	26.1	32.2
Entrepreneurial	13	11.3	43.5
Medicine	6	5.2	48.7
Accountancy	9	7.8	56.5
Marketing & Advertising	16	13.9	70.4
Computer Science	5	4.3	74.7
Economics	11	9.6	84.3
Finance	18	15.7	100.0
TOTAL	**115**	**100.0**	

Table 7: Professional Training
Source, Author (2015)

From Table 6, it can be inferred that a majority of SME managers (26.1%) have a management profession while the least (4.3%) have a computer science profession. It can be deduced that most SME managers took up management courses at tertiary institutions most preferably Business Commerce and Management partly due to its short duration in terms of coursework, cheaper in terms of school fees remittance and that it is readily applicable in any business context. Computer science is not a favorite course and it is not usually taken up due to its technicality.

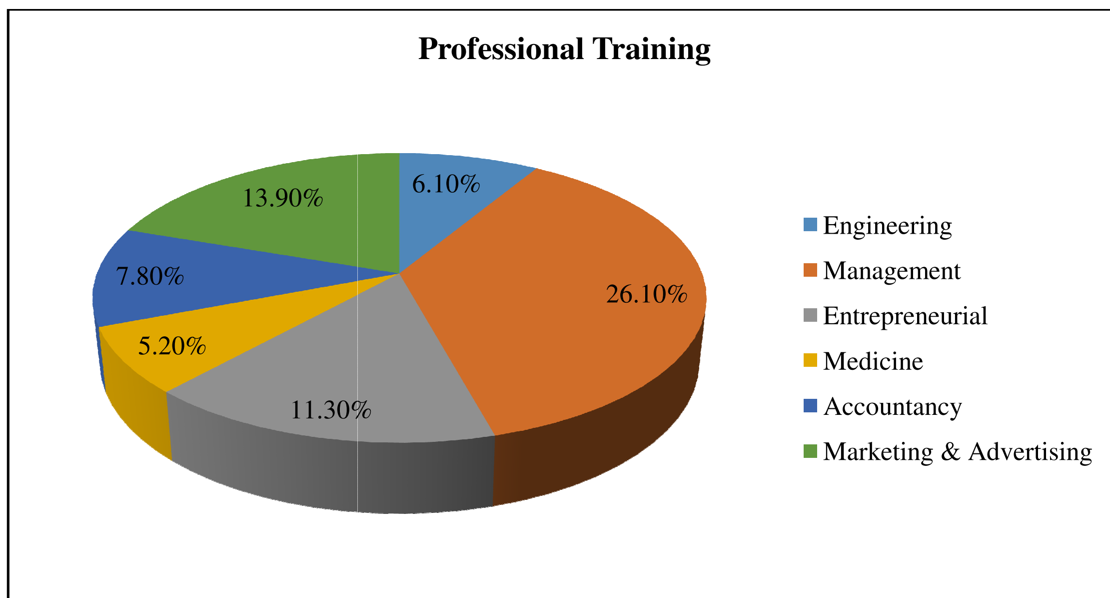

Figure 6: Professional training of the respondents

4.8 Highest Level of Education

The level of education was one of the personal bio data gathered in this study. This was important in that, it reflected the knowledge about working capital management which was the general objective of the study. This is shown in Table 8

Category	Frequency	Percentage	Cumulative Percentage
Primary School	15	13.0	13.0
Secondary School	39	33.9	46.9
College	42	36.5	83.4
University	15	13.0	96.4
Postgraduate	4	3.6	100.0
TOTAL	**115**	**100.0**	

Table 8: Highest Level of Education
Source, Author (2015)

From Table 8 above, it can be inferred that 13% of SME managers are primary school leavers, 33.9% are secondary school leavers, 42% are college graduates, 15% are university graduates and 4% are postgraduates.

The results show that a majority of SME managers are College graduates, meaning that they are literate and have an idea of what strategic management is and how it relates to business growth. Many college graduates normally decide to come up with business ideas and form SME's after futile attempts of securing themselves employment in blue-chip companies.

This is in line with according to European Commission (EC) (2005) micro, small and medium-sized enterprises (SMEs) are the engines of the European economy and they are an essential source of jobs, create entrepreneurial spirit and innovation in the EC and are thus crucial for fostering competitiveness and employment.

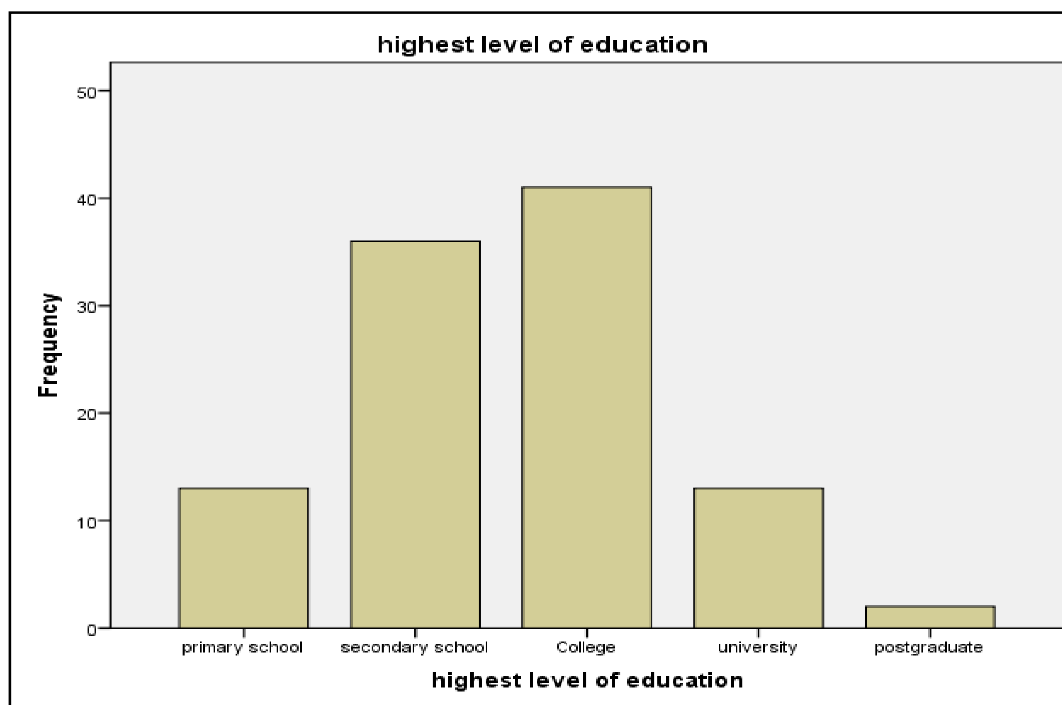

Figure 7: Highest level of education

4.9. Type of business

	Category	Frequency	Percent	Cumulative Percent
	Limited Liability Company	29	25.2	25.2
	Sole proprietorship	40	34.8	60.0
	Partnership	23	20.0	80.0
	Cooperative	23	20.0	100.0
	Total	**115**	**100.0**	

Table 9: Type of business
Source, Author 2015

From Table 8, 29% of the respondents indicated that their SMEs were in form of limited liability companies, 40% indicated sole proprietorship, and 23% indicated partnerships and cooperatives respectively. This shows that a majority of the SMEs are of the type of sole proprietorships. A reason behind this could be that most SMEs are new in the industry and most owners prefer to be sole proprietors to other forms of partnerships and collaborations.
These findings are in line with Kauffmann (2004) who states that a majority of SMEs remain at the sole proprietorship level because the owners have limited access to formal credit and their limited access to services and amenities. The author further states that with many SME's being of sole proprietorship, their smallness also protects them from legal proceedings (since they have few assets to seize upon bankruptcy) so they can be more flexible in uncertain business conditions.

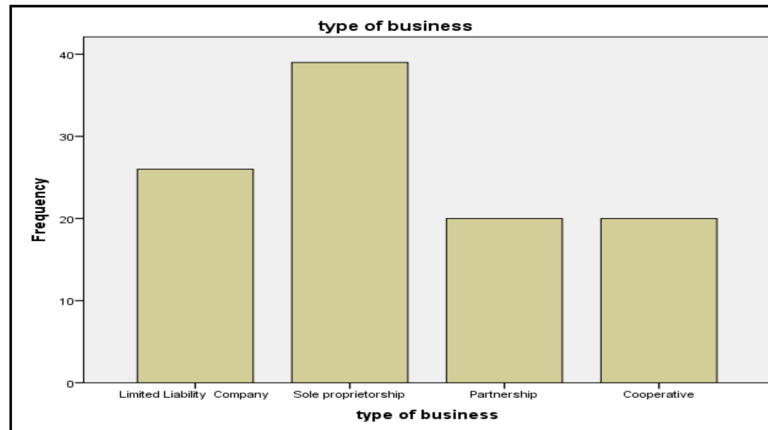

Figure 8: Type of business

4.10 Industrial Classification of Your Business

Category	Frequency	Percent	Cumulative Percent
Agricultural	4	3.2	3.2
Transportation	11	8.9	12.1
Professional Services	13	10.5	22.6
Accommodation	8	6.5	29.1
Education, Health	14	11.3	40.4
Manufacturing	15	12.1	52.5
Finance/Insurance/real estate	14	11.3	63.8
General Trading	35	28.2	92
Others	10	8.0	100.0
Total	**115**	**100.0**	

Table 10: Industrial Classification of your business
Source, Author 2015

From Table 9, 3.2% of the respondents indicated that their SMEs were in form of agricultural, 8.9% indicated transportation, 10.5% indicated professional, 6.5% indicated accommodation, 11.3% indicated education/health, 12.1% indicated manufacturing, 11.3% indicated finance/insurance/real estate, 28.2% indicated general trading and 8% indicated the others category.
This shows that a majority of the SMEs are of the type of General Trading category. A reason behind this could be that most SMEs are new in the industry and want to diversify their risks hence avoid investing in one line, hence choose general trading whereby they deal in selling wide variety of goods for example hardware, electrical and light transport services. This is in line with findings of Bender and Ward (2009) who observe that greater problems at this very simple level of financial strategy tend to be encountered with the lower business risk.

4.11. Number of Employees

Category	Frequency	Percentage	Cumulative Percentage
1-4	33	28.7	28.7
5-49	49	42.6	71.3
50-99	17	14.8	86.1
100-150	11	9.6	95.7
Over 150	5	4.3	100.0
TOTAL	**115**	**100.0**	

Table 11: Number of employees in the firm
Source, Author 2015

From Table 9 above, 28.7% of the respondents indicated that their SMEs have between 1-4 employees, 42.6% indicated that their SMEs have between 5-49 employees, 14.8% indicated that their SMEs have between 50-99 employees, 9.6% indicated that their SMEs have between 100 150 employees, 4.3% of the respondents indicated that their SMEs have over 150 employees. This shows that a majority of the SMEs have between 5-49 employees as their workforce. A reason behind this could be that a majority of the SMEs are small in nature and don't have the finances to support a large workforce.
This is in line with Organization for Economic Cooperation and Development (2012) findings that state that in Kenya most enterprises have a minimum of 11 employees and a maximum of 50.

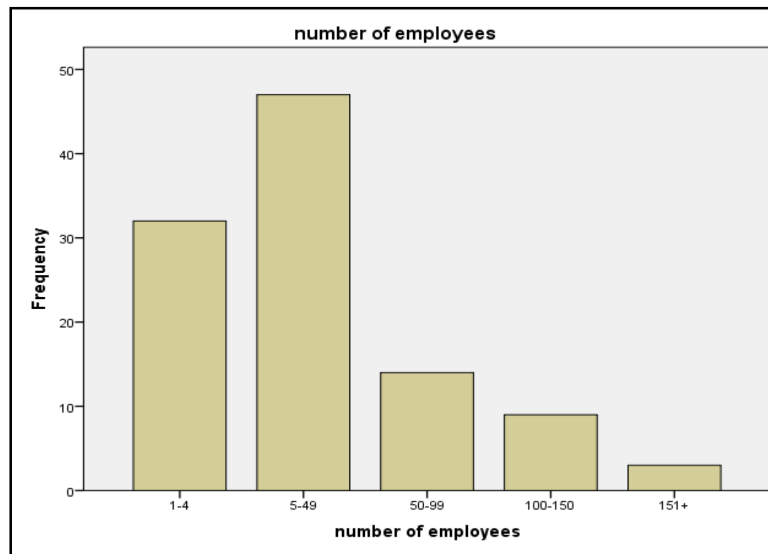

Figure 9: Number of employees

4.12. Annual Gross Turnover

Category (in Kshs)	Frequency	Percentage	Cumulative Percentage
0-5,000,000	59	51.3	49.2
5,000,001-25,000,000	29	25.2	72.6
25,000,001-50,000,000	15	13.0	84.7
50,000,001-75,000,000	8	7.0	93.6
Over Ksh 75,000,000	4	3.5	100.0
TOTAL	**115**	**100.0**	

Table 12: Annual Gross Turnovers
Source, Author 2015

From Table 12, 51.3% of the respondents indicated that their SMEs have an annual gross turnover of amounts between 0 and 5,000,000, 25.2% indicated 5,000,000-25,000,000, 13% indicated 25,000,001-50,000,000, 7% indicated 50,000,001-75,000,000 while 3.5% indicated over 75,000,000.
This shows that a majority of SMEs have an annual gross turnover of between 0-5,000,000 Kenyan Shillings. A reason for this is that most SMEs don't have a large volume of business and also they have not put strategies in place to boost their profits. Unaccounted and unnecessary expenditure during a year of operation eats into profits and this is why most SMEs don't realize big profit margins since the costs outweigh revenues.
This is in line with Capital Markets Authority (2011) findings that state annual gross turnover are used to define the size of SMEs with a majority not realizing an annual gross turnover of more than 5 million.

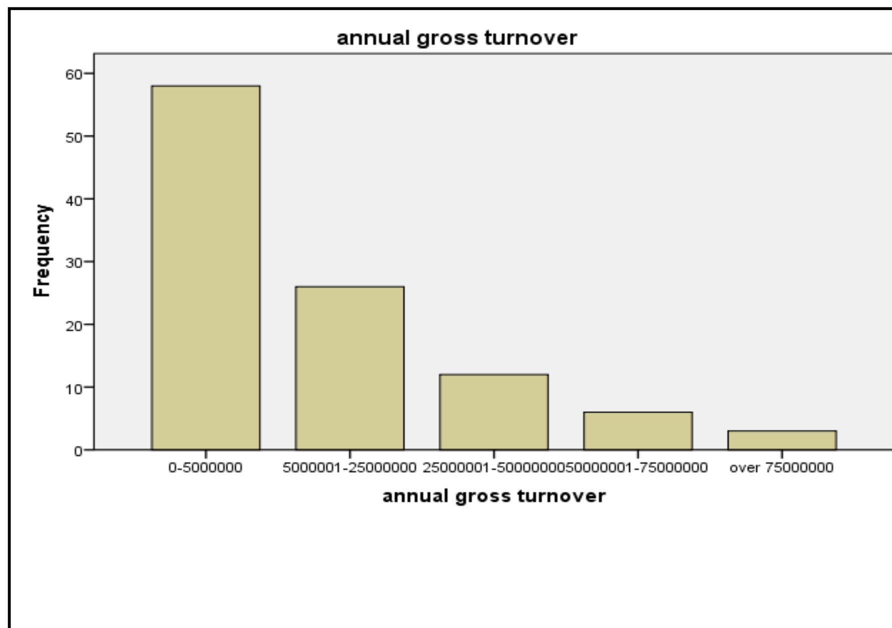

Figure 10: Annual gross turnovers

According to the scale, those variables which had a Mean above 3 represented 'strongly disagreed', those which had a mean scale above 2.5 but less than 3 represented 'disagreed', those which had a mean above 2 but less than 2.5 represented 'strongly agreed', those with a mean close to 2 represented 'agreed' while those that had a mean of less than 1.5 represented 'not sure'. Standard deviation was used to indicate the extent of dispersion and subsequently consensus.

Descriptive Statistics				
	N	Mean	Std. Deviation	Variance
Does the firm offer vigorous strategic training to its staff?	115	3.17	.782	.611
Does the firm use a strategic training plan to stay on course?	115	2.36	.663	.440
Has strategic training facilitated an improvement in SMEs performance?	115	2.41	.764	.583
Has strategic training highly helped in leveraging skills development?	115	1.92	.588	.346
Is strategic training currently facing numerous challenges in our SME?	115	2.26	.827	.684
Have you benefitted from the strategic training offered in your SME?	115	1.37	.716	.513
Valid N (listwise)	115			

Table 13: Extent to which your SME handles its affairs in regards to strategic training
Source, Author (2015)

According to the study shown in Table 13, a majority of SMEs (M=3.17) strongly disagreed that the firm offers vigorous strategic training to its staff, (M=2.36) agreed that their SMEs use a strategic training plan to stay on course, (M=2.41) agreed on the fact that strategic training has facilitated an improvement in SMEs performance, (M=1.92) strongly agreed that strategic training has highly helped in leveraging skills development, (M=2.26) strongly indicated that strategic training is currently facing numerous challenges in their SME's, (M=1.37) indicated that they were not sure whether they have benefitted from the strategic training offered in their SME's.

From the findings above, it is evident that a majority of the SMEs use a strategic plan to stay on course which has greatly contributed to an improvement in the SMEs performance. SMEs have taken up initiatives to offer strategic training to their staff but it is perceived as not rigorous enough as expected. Despite strategic training having helped in leveraging skills development, it is facing numerous challenges to the point majorities of its staff are not yet sure whether they have benefitted from the training offered. All these are in line with findings by Nyambegera (2005) who states that the most important competitive advantage for any organization is its employees, and these workers must remain competent through continuous training and development efforts. Organizations should view training and development as a strategic investment rather than a budgeted cost. Rapid advances in technology and improved processes have been important factors in organizations and businesses meet this challenge.

To correct this situation in the Kenyan market, it is recommended that SMEs must offer vigorous training to its staff so that they may perfect on their skills and abilities. By doing this, performance and efficiency will have an improvement.

Those variables which had a mean above 3 represented 'strongly disagreed', those which had a mean scale above 2.5 but less than 3 represented 'disagreed', those which had a mean above 2 but less than 2.5 represented 'strongly agreed', those with a mean close to 2 represented 'agreed' while those that had a mean of less than 1.5 represented 'not sure'. Standard deviation was used to indicate the extent of dispersion and subsequently consensus.

Descriptive Statistics				
	N	Mean	Std. Deviation	Variance
Does the firm always conduct strategic planning?	115	2.47	.822	.676
Does strategic planning involve all levels of management?	115	3.42	.623	.388
Does strategic planning in your SME have corrective measures for deviation?	115	2.53	.778	.605
Does your SME conduct a pre-strategic planning survey?	115	2.89	.805	.648
Has strategic planning brought efficiency in your SME?	115	2.11	.686	.471
Has strategic planning ensured there is effective allocation of resources and control mechanisms?	115	2.38	.798	.637
As a tool, has strategic planning transformed and revitalized your SME?	115	2.06	.903	.815
Valid N (listwise)	115			

Table 14: Extent to which your SME handles issues pertaining to strategic planning

According to the study shown in Table 14, majority of the SMEs (M=2.47) agreed to the fact that SMEs always conduct strategic planning, (M=3.42) indicated respondents strongly disagreed that strategic planning involves all levels of management, (M=2.53) disagreed that strategic planning in SMEs have corrective measures for deviation, (M=2.89) disagreed that SMEs conduct a pre-strategic planning survey, (M=2.11) agreed that strategic planning has brought efficiency in SMEs, (M=2.38) agreed that strategic planning has ensured effective allocation of resources and control mechanisms, (M=2.06) agreed as a tool, strategic planning has transformed and revitalized their SMEs.

As much as SMEs always conduct strategic planning, they fail when it comes to involving all levels of management because they don't do it equitably and fairly. Despite SMEs conducting strategic planning from time to time, a majority of them neither have corrective measures for deviation nor conduct a pre-strategic planning survey. However, despite the various challenges, strategic planning has brought efficiency and ensured effective allocation of resources and control mechanisms. Above all, as a tool, strategic planning has transformed and revitalized SMEs in a very big way.

The findings are in line with what was quoted by Brealy and Myer, (2006) that a manager that "A strategic plan is like a child with a hummer and everything is a nail". Without a strategic plan, it is very difficult for any organization to move forward.

As part of the recommendations, SMEs should have corrective measures stated clearly in their strategic plans, conduct a pre-strategic planning survey and most importantly involve all levels of management when designing their strategic plans.

According to the scale, those variables which had a mean above 3 represented 'strongly disagreed', those which had a mean scale above 2.5 represented 'disagreed', those which had a mean above 2 but less than 2.5 represented 'strongly agreed', those with a mean close to 2 represented 'agreed' while those that had a mean of less than 1.5 represented 'not sure'. Standard deviation was used to indicate the extent of dispersion and subsequently consensus.

Descriptive Statistics				
	N	Mean	Std. Deviation	Variance
Is strategic resource allocation done in a free and fair manner to ensure equality?	115	3.08	.815	.664
Does strategic resource allocation involve all levels of management?	115	2.87	.847	.717
Does your SME use a budget/resource allocation model as guidance?	115	2.24	.853	.728
After resource allocation has been implemented, is effective monitoring and evaluation conducted to oversee?	115	2.67	.782	.612
Does strategic resource allocation in our SME suffer due to lack of finances?	115	2.11	.756	.572
Valid N (listwise)	115			

Table 15: Extent to which your SME handles issues pertaining to strategic resource allocation

According to the study shown in Table 15, majority of the SMEs (M=3.08) strongly disagreed to the fact that strategic resource allocation is done in a free and fair manner to ensure equality, (M=2.87) disagreed that strategic resource allocation involves all levels of management, (M=2.24) strongly agreed that their SMEs use a budget/resource allocation model as a guidance, (M=2.67) disagreed to the fact that after resource allocation has been implemented, effective monitoring and evaluation is conducted to oversee, (M=2.11) agreed that strategic resource allocation in their SMEs suffer due to lack of finances.

From the findings above, despite a majority of SME's using a budget/resource allocation model as guidance, the resource allocation is not done in a free and fair manner to ensure equality and doesn't involve all levels of management. The biggest setback to the resource allocation is insufficient funds to finance the whole project. It is discouraging that despite living in this 21st Century where monitoring and evaluation should be implemented in all levels of management, a majority of SMEs still don't find it useful and have not yet adopted it.

According to Hirsch *et al*., (2008) sources of finance can be classified into Equity versus debt sources or internal versus external sources. If finances are managed well, then everything falls into place starting from adoption of the budget/resource allocation model to the allocation of these resources.

4.13. Multiple Regression Analysis

To establish the relationship between the independent variables and the dependent variable the study conducted regression analysis which involved coefficient of correlation and coefficient of determination.

The study used ANOVA to establish the significance of the regression model from which f-significance value of p less than 0.05 was established as shown in Table 21. The model was statistically significant in predicting business growth that the regression model had a probability of less than 0.05 of giving a wrong prediction. This therefore means that the regression model had a confidence level of above 95% hence high reliability of the results obtained.

	Unstandardized Coefficients		Standardized	T	Sig.	95% Confidence Interval for B	
	B	Std Error	Beta			Lower Bound	Upper Bound
(Constant)	.326	.211		1.580	.116	-.829	.715
Strategic Training	.308	.113	.211	2.583	.011	.610	.543
Strategic Planning	.317	.101	.082	1.840	.004	.627	.210
Strategic R. Allocation	.283	.066	.153	2.562	.016	.032	.303

Table 16: Multiple Regression Analysis Coefficients[a]
Dependent variable: Business Growth 0.05

The researcher conducted a multiple regression analysis as shown in the table above so as to determine the relationship between business growth and the four variables investigated in this study.

The regression equation was:

$$Y=0.326 + 0.308X_1 + 0.317X_2 + 0.283X_3$$

Y: is the dependent variable (Business Growth)

X_1: is strategic training

X_2: is strategic planning

X_3: is strategic resource allocation

According to the regression equation established in Table 22, taking all factors constant at zero, business growth will be 0.326. The data findings analyzed also shows that taking all other independent variables at zero; a unit increase in strategic training will lead to a 0.308 increase in business growth; a unit increase in strategic planning will lead to a 0.317 increase in business growth; a unit increase in strategic resource allocation will lead to a 0.283 increase in business growth.

This therefore implies that all the three variables have a positive relationship with business growth with strategic planning contributing most to the dependent variable. The p-values for all the 3 variables have got variables coefficients statistically significant since their p-values are less than the common alpha level of 0.05.

4.14. Summary of Findings and Discussions

4.14.1. Business Growth Practices

The results indicate that a majority of the respondents fall in the age bracket of between 31-35 years while the age bracket of 51 years and above had the least respondents. This shows that most SMEs are run by a young and energetic work force who mostly comprise of college and university graduates who have a working experience of between 4-7 years in business. The few old people in SME's who fall in the '51 and Above' category are the ones who have been in the industry for more than 20 years and have been retained because of their level of experience and ability to deliver.

These findings are in line with Peretomode and Peretomode (2001), who state that training is planned organizational effort concerned with helping an employee acquire specific skills, knowledge, concepts, aptitudes, and behaviors to enable him or her perform more efficiently on his present job, that is, to improve performance, and that's why most people fall in the 31-35 years age bracket.

Most of the respondents (55.65%) were male which also indicates that SMEs have more men than women in their workforce. This could be attributed to the nature of work SMEs handle which is termed as masculine especially when it comes to industries such as manufacturing, agriculture/mining, general trading and transportation. However, with the numerous 'girl child empowerment' campaigns, there has been a large number of women who have come out and started taking up roles and positions in the society and

this is explained by (44.35%). The results are in line with Ayyagari (2003) who states that there is a variation in defining the upper and lower size limit of an SME in terms of gender with male being slightly higher.

Majority of SME managers (33.9%) are single, and are closely followed by those married at (23.5%). The ones falling under the category of 'divorced' are the least at (9.6%).

This explains the real situation on the ground whereby most college graduates start their SME's when they are still single as they may not have the means since they are fresh from school but after a while, they get married and due to cases of working for long hours, stress due to running of these SME's and some point bad losses and infidelity, this eventually leads to rise of divorce cases. This is in line with findings of Zimmerer *et al.,* (2008) who argue that becoming a successful business enterprise requires the entrepreneur to become a skilled fundraiser, and this requires a lot of time and energy. In startup companies or businesses, raising capital can easily consume as much as one-half of the entrepreneur's time and can take many months to complete. Such cases contribute to the rising divorce and separation cases, with other entrepreneurs opting to remain single.

Majority of SME managers (26.1%) have a management profession while the least (4.3%) have a computer science profession. It can be deduced that most SME managers took up management courses at tertiary institutions most preferably Business Commerce and Management partly due to its short duration in terms of coursework, cheaper in terms of school fees remittance and that it is readily applicable in any business context. Computer science is not a favorite course and it is not usually taken up due to its technicality.

Majority of SME managers are College graduates, meaning that they are literate and have an idea of what strategic management is and how it relates to business growth. Many college graduates normally decide to come up with business ideas and form SME's after futile attempts of securing themselves employment in blue-chip companies. This is in line with according to European Commission (EC) (2005) micro, small and medium-sized enterprises (SMEs) are the engines of the European economy and they are an essential

A majority of the SME's (40%) are of the type of sole proprietorships. A reason behind this could be that most SME's are new in the industry and most owners prefer to be sole proprietors to other forms of partnerships and collaborations. These findings are in line with Kauffmann (2004) who states that a majority of SME's remain at the sole proprietorship level because the owners have limited access to formal credit and their limited access to services and amenities. The author further states that with many SME's being of sole proprietorship, their smallness also protects them from legal proceedings (since they have few assets to seize upon bankruptcy) so they can be more flexible in uncertain business conditions.

Majority of the SME's are of the type of General Trading category. A reason behind this could be that most SME's are new in the industry and want to diversify their risks hence avoid investing in one line, hence choose general trading whereby they deal in selling a wide variety of goods for example hardware, electrical and light transport services. This is in line with findings of Bender and Ward (2009) who observe that greater problems at this very simple level of financial strategy tend to be encountered with the lower business risk.

A majority of the SME's have between 5-49 employees as their workforce. A reason behind this could be that a majority of the SME's are small in nature and don't have the finances to support a large workforce. This is in line with Organization for Economic Cooperation and Development (2012) findings that state that in Kenya most enterprises have a minimum of 11 employees and a maximum of 50.

This shows that a majority of SME's have an annual gross turnover of between 0-5,000,000 Kenyan Shillings. A reason for this is that most SME's don't have a large volume of business and also they have not put strategies in place to boost their profits. Unaccounted and unnecessary expenditure during a year of operation eats into profits and this is why most SME's don't realize big profit margins since the costs outweigh revenues. This is in line with Capital Markets Authority (2011) findings that state annual gross turnover are used to define the size of SMEs with a majority not realizing an annual gross turnover of more than 5 million.

It is evident that a majority of the SME's use a strategic plan to stay on course which has greatly contributed to an improvement. They have also taken up initiatives to offer strategic training to their staff but it is perceived as not rigorous enough as expected. Despite strategic training having helped in leveraging skills development, it is facing numerous challenges to the point majorities of its staff are not yet sure whether they have benefited from the training offered. All these are in line with findings by Nyambegera (2005) who states that the most important competitive advantage for any organization is its employees, and these workers must remain competent through continuous training and development efforts.

As much as SME's always conduct strategic planning, they fail when it comes to involving all levels of management because they don't do it equitably and fairly. Despite conducting strategic planning from time to time, a majority of them neither have corrective measures for deviation nor conduct a pre-strategic planning survey. However, despite the various challenges, strategic planning has brought efficiency and ensured effective allocation of resources and control mechanisms. Above all, as a tool, strategic planning has transformed and revitalized SMEs in a very big way. The findings are in line with what was quoted by Brealy and Myer, (2006) that a manager that "A strategic plan is like a child with a hummer and everything is a nail". Without a strategic plan, it is very difficult for any organization to move forward.

Despite a majority of SME's using a budget/resource allocation model as guidance, the resource allocation is not done in a free and fair manner to ensure equality and doesn't involve all levels of management. The biggest setback to the resource allocation is insufficient funds to finance the whole project. It is discouraging that despite living in this 21st Century where monitoring and evaluation should be implemented in all levels of management, a majority of SME's still don't find it useful and have not yet adopted it. According to Hirsch *et al*., (2008) sources of finance can be classified into Equity versus debt sources or internal versus external sources. If finances are managed well, then everything falls into place starting from adoption of the budget/resource allocation model to the allocation of these resources.

According to the regression equation established in Table 22, taking all factors constant at zero, business growth will be 0.326. The data findings analyzed also shows that taking all other independent variables at zero; a unit increase in strategic training will lead to a 0.308 increase in business growth; a unit increase in strategic planning will lead to a 0.317 increase in business growth; a unit increase in strategic resource allocation will lead to a 0.283 increase in business growth.
This therefore implies that all the three variables have a positive relationship with business growth with strategic planning contributing most to the dependent variable. The p-values for all the 3 variables have got variables coefficients statistically significant since their p-values are less than the common alpha level of 0.05.

5. Summary, Conclusion and Recommendations

5.1. Introduction

This chapter deals with the overview of the findings, conclusions that can be drawn from the findings and what could be done about the findings. It further gives recommendations which are derived from the conclusions. The summary points out the findings of the research, showing their relationship with similar previous studies done by other researchers. It indicates the relevance of the findings to the objective of the study. The conclusion shows the inferences from the findings in the study, the relevance to the problem being studied finally the recommendations given.

5.2. Summary

This study focused on registered Small and Medium Enterprises in Mombasa County to show how their management of business growth is affected by various determinants. The first objective of this study was to find out how strategic training affects business growth. The study established that a majority of the SME's use a strategic plan to stay on course which has greatly contributed to an improvement. They have also taken up initiatives to offer strategic training to their staff but it is perceived as not rigorous enough as expected. Despite strategic training having helped in leveraging skills development, it is facing numerous challenges to the point majorities of its staff are not yet sure whether they have benefited from the training offered. All these are in line with findings by Nyambegera (2005) who states that the most important competitive advantage for any organization is its employees, and these workers must remain competent through continuous training and development efforts.
The second objective of this study was to find out how strategic planning affects business growth. The study established that as much as SME's always conduct strategic planning, they fail when it comes to involving all levels of management because they don't do it equitably and fairly. Despite conducting strategic planning from time to time, a majority of them neither have corrective measures for deviation nor conduct a pre-strategic planning survey. However, despite the various challenges, strategic planning has brought efficiency and ensured effective allocation of resources and control mechanisms. Above all, as a tool, strategic planning has transformed and revitalized SMEs in a very big way. The findings are in line with what was quoted by Brealy and Myer, (2006) that a manager that "A strategic plan is like a child with a hummer and everything is a nail". Without a strategic plan, it is very difficult for any organization to move forward.
The third objective of this study was to establish the effect of the resource allocation model on business growth. The study established most SME's use a budget/resource allocation model as guidance; the resource allocation is not done in a free and fair manner to ensure equality and doesn't involve all levels of management. The biggest setback to the resource allocation is insufficient funds to finance the whole project. It is discouraging that despite living in this 21st Century where monitoring and evaluation should be implemented in all levels of management, a majority of SME's still don't find it useful and have not yet adopted it.
According to the regression equation, taking all factors constant at zero, business growth will be 0.326. The data findings analyzed also shows that taking all other independent variables at zero; a unit increase in strategic training will lead to a 0.308 increase in business growth; a unit increase in strategic planning will lead to a 0.317 increase in business growth; a unit increase in strategic resource allocation will lead to a 0.283 increase in business growth.
This therefore implies that all the three variables have a positive relationship with business growth with strategic planning contributing most to the dependent variable. The p-values for all the 3 variables have got variables coefficients statistically significant since their p-values are less than the common alpha level of 0.05.

5.3. Conclusion

The study concluded that most SMEs in Kenya are of sole proprietorships are run by a young and energetic work force who mostly comprise of college and university graduates who are male. A majority of SME managers are single and have a management profession.
These findings are in line with Kauffmann (2004) who states that a majority of SME's remain at the sole proprietorship level because the owners have limited access to formal credit and their limited access to services and amenities. The author further states that with many SME's being of sole proprietorship, their smallness also protects them from legal proceedings (since they have few assets to seize upon bankruptcy) so they can be more flexible in uncertain business conditions.
A majority of these SME's are of the General Trading category mostly comprising of 5-49 employees and have an annual turnover of 0-5,000,000 Kenyan shillings. Unaccounted and unnecessary expenditure during a year of operation eats into profits and this is why most SME's don't realize big profit margins since the costs outweigh revenues.
Despite strategic training having helped in leveraging skills development, it is facing numerous challenges to the point majorities of its staff are not yet sure whether they have benefited from the training offered

As much as SME's always conduct strategic planning, they fail when it comes to involving all levels of management because they don't do it equitably and fairly
Despite a majority of SME's using a budget/resource allocation model as guidance, the resource allocation is not done in a free and fair manner to ensure equality and doesn't involve all levels of management

5.4. Recommendations

5.4.1. Policy Recommendations
To increase business growth among the SME's, they can create value and grow by using seven drivers namely; Increase sales growth; Increase operating profit margin; Reduce cash tax rate; Reduce incremental investment in capital expenditure; Increase time period of competitive advantage; Reduce cost of capital.
When times are bad and mature businesses are under attack, investments to create new growth business can't send enough profit to the bottom line quickly enough to satisfy investor pressure for a fast turnaround. Growth is also associated with new challenges and development opportunities which affect the employees
Growth of the organisation demands building up teams and developing network outside the organisation and managers of enterprises need to focus on dimensions within an entrepreneur's circle of influence: how to identify a venture's core customers and the implications for selling, cost management, growth strategy, and required organizational relationships.

5.5. Limitations
The sample used for this study was small compared to the population of all registered SMEs in Kenya. This study applied a sample of 128 registered SMEs in Mombasa County while the population of all registered SMEs in Kenya stands at 1.6 Million as per the Ministry of Trade and Industrialization database.
This study applied both primary and secondary data. The collection of primary data through a questionnaire posed a challenge since there was reluctance from SME managers of various organizations in providing some specific information. In addition, the collection of secondary data from the annual reports of the SME's was also a challenge since some SME's did not have proper financial records and some of those that had, were reluctant to share them. The researcher however, assured the respondents of anonymity and confidentiality of the information provided to enhance the response rate.
The time period for collection of data was limited and this posed a challenge in enhancing the response rate. Data for this study was collected within a period of one month and given the depth of the study, one month was not adequate. Due to the limited time period, secondary data from the financial statements was collected for only two years, 2014 and 2015. This limited the scope of the study.

5.6. Suggestions for Further Research
This research study was limited to data collected from the sampled population. However, there are many other registered SMEs spread throughout the country. Hence there is need for other researchers to consider larger and different sample sets so to take into consideration the different environment in which some of them operate. This will allow for comparison between the results of different studies.
Due to the limited time period, it was not possible to collect comprehensive data needed to measure the relationship between WCM and financial performance of SME's in Kenya. In this regard, there is need for other researchers to widen the study by including collecting secondary data covering a wider period of time, for instance 10 years. Compared to the two years used for this study, different results may be arrived at by use of a wider time period.
This study was limited by the reluctant responses to the questionnaire and also reluctance to availing the financial statements. In this regard, there is need for researchers to explore the use of different data collection techniques which will enhance the response rate. With an enhance response rate, the researchers may come up with different findings.
The study was also restricted to the SMEs sector in Kenya. This can cause limitations in regards to the generalization of results to the Kenyan economy. In this regard, further studies can be performed on other sectors of the economy which may result in different findings.

6. References

i. Ayyagari,Bec &Demirguc-Kunt (2003). Small &Medium Enterprises across the Globe: A New Database USA-Newyork publishers.
ii. Barasa, L. P. (2012). Research Methodology. Eldoret: Moi University.
iii. Barclay, M. J., & Smith, W. (1999). "The Capital Structure Puzzle: Another Look at the Evidence."Journal of Applied Corporate Finance.8-20.
iv. Bartelsman, E.J. and H.L.F De Groot (2004), "Integrating Evidence on the Determinants of Productivity",in G. Gelauff, L. Klomp, S. Raes, Th. Roelandt (Eds.), Fostering Productivity: Patterns,
v. Determinants and Policy Implications, Amsterdam e.a.: Elsevier, pp. 160-184.
vi. Baumol, W.,& Malkiel, B. G. (1967). "The Firm's Optimal Debt-Equity Combination And The Cost of Capital". Quarterly Journal of Economics, 81, 547-578.
vii. Baxter, N., (1967). Leverage, risk of ruin and cost of capital, Journal of Finance 22, 395 – 403
viii. Bender, R.,& Ward, K. (2009).Corporate Financial Strategy. Oxford: Elsevier Butterrworth- Heinemann.

ix. Bird, B.. &Jelinek, M. (2002). The Operation of Entrepreneurial Intentions. Perspectives on Business and Management. NewYork :Routledge
x. Bhide, A. (1999). How Entrepreneurs Craft Strategies That Work in Harvard Business Review on Entrepreneurship. Boston: HBS Press
xi. Bhidé, A. (2000). The Origin and Evolution of New Businesses. New York, NY: Oxford University Press.
xii. Black, F. (1976). The Dividend Puzzle, Journal of Portfolio Management 2, 5-8.
xiii. Black, F.,& Scholes, M. S. (1974). The Effects of Dividend Yield and Dividend Policy on Common Stock Prices and Returns, Journal of Financial Economics 1, 1-22.
xiv. Boswell, J. (1973). The Rise and Decline of Small Firms. London: George Allen & Unwin Limited
xv. Brigham, E.F. (1975), "Hurdle rates for screening capital expenditure proposals", Financial Management, Vol. 4, No. 3, pp. 17-26.
xvi. Brigham, E.F. and Ehrhardt, M.C. (2002), Financial Management: Theory and Practice, 10thed., South-Western, Mason, Ohio.
xvii. Brink, B., &C. de la Rey (2001). Work-family interaction strain: Coping strategies used by successful women in the public. South African Journal of Psychology, 31(4)
xviii. BrounenD. A. Dejong and K. Keedijk (2004) Corporate finance in Europe, confroting theory and practice. Journal of finance management. Vol 33 issue 4 pg 71-101.
xix. Cable,V. (2010). A strategy for sustainable growth.UK: Department for business Innovation and Skills
xx. Carland, J., Hoy, F., Boulton, W., & Carland, J. (1984).Differentiating Entrepreneurs from Small Business Owners. A Conceptualization. Boston: Academy of Management Review, 9
xxi. Chan, S. Y.,& Foster, M. J. (2001). Strategy Formulation in Small Business. The Hong Kong Experience. International Small Business Journal, 19, 3
xxii. Chandran, E. (2004).Research Methods. Nairobi, Kenya: Daystar University
xxiii. Christensen C. M., Johnson, M. W., & Rigby, D. K. (2002).Foundation for Growth: How to Identify and Build disruptive new business: Massachusetts Institute of Technology
xxiv. Churchill, N. C.,& V. L. Lewis. (1983). The five stages of small business growth. Boston: Harvard Business Review
xxv. Cooper D. R.,& Schindler P.S. (2008). Business Research Methods. Singapore: McGraw-Hill/Irwin
xxvi. Covey, S. R. (2011).The One hour plan for growth. Hoboken, New Jersey: John Wiley and Sons Inc
xxvii. Davidsson, P., Delmar, F.,&Wiklund, J. (2006).Entrepreneurship and the Growth of Firms. Cheltenham, UK: Edward Elgar.
xxviii. Davidson, P. (2002). 'Continued Entrepreneurship – Ability, need and opportunity as determinants of small firm growth.London and New York: Routledge
xxix. Delmar, F., Davidsson, P.,& Gartner, W. (2003). Arriving at the high-growth firm. Journal of Business Venturing 18, 189–216.
xxx. Dermol, V. (2010).Development of Entrepreneurial Competences. Celje, Slovenia: International School for Social and Business Studies.
xxxi. Durand, D. (1959). Cost of Debt and Equity Funds for Business: Trends and Problems of Measurement. In The Management of Corporate Capital. Edited by Ezra Solomon. New York: The Free Press
xxxii. Field, A. (2009). Discovering Statistics using SPSS. Sage: London
xxxiii. Gibbons, P. T.,& T. O'Connor. (2005). Influence on Strategic Planning Process among Irish SMEs. Journal of Small Business Management, 43(2)
xxxiv. Gordon, M., J. (1959). Dividends, Earnings, and Stock Prices, Review of Economics and Statistics 41, 99-105.
xxxv. Gordon, M. J. (1963). Optimal Investment and Financing Policy, Journal of Finance18, 264-272.
xxxvi. Ghoshal, S. G., & Bartlett, C. A.(2000). Managing Radical Changes–What India companies must do to become world class'. New Delhi: Viking Books India (P) Limited
xxxvii. Hamel, G.,&Prahalad, C.K. (2002). Competing for the Future. New Delhi: Tata McGraw-Hill Publishing Company Limited
xxxviii. Hillier, D., Griblatt, M., & Titman, S. (2008).Financial Markets and Corporate Strategy.
xxxix. Berkshire: McGraw-Hill Higher Education.
xl. Hisrich, R. D., Michael P.,& Shepherd, D. A. (2005). Entrepreneurship. New York: McGraw-Hill Irwin
xli. Isaacson, W. (2011). Steve Jobs. USA**:** Simon & Schuster
xlii. Kothari, C.R. (2004). Research Methodology. India: New Age International (P) Limited
xliii. Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. Journal of Financial Economics3: 305-360.
xliv. Kaplan, R. S.,& Norton, D. P. (2004). Strategy Maps. Boston, USA: Harvard Business School Publication Corporation
xlv. Kaplan, R. S.,& Norton, D. P. (2005).Creating the Office of Strategy Management.
xlvi. Boston, USA: Harvard Business School Publication Corporation
xlvii. Kauffmann, C. (2004). Financing SMEs in Africa: Policy Insights No. 7 is derived from African Economic Outlook 2004/2005, a joint publication of the African Development Bank and the OECD Development Centre.
xlviii. Keats, B.,&Bracker, J. (1988). Towards a Theory of Small Firm Performance: A Conceptual Model. American Journal of Small Business (Spring)

xlix. Kenya, Government.(2007). Economic Survey. Nairobi: Government Printer. Khanna, T.,& Krishna, G. (2010) Winning in Emerging Markets: A Road Map for Strategy and Execution. Boston: Harvard Business Press.
l. Kotey, B.,& Meredith, G. (1997). Relationship among Owner / Manager Personal Values, Business Strategies, and Enterprise Performance. Journal of Small Business Management (April)
li. Kruger, M. E. (2004). Entrepreneurship theory and creativity. Pretoria: University of Pretoria
lii. Lintner, J. (1956). "Distribution of Incomes of Corporations among Dividends, Retained Earnings and Taxes," American Economic Review, XLVI 97- 113.
liii. Lintner, J. (1962), Dividends, Earnings, Leverage, Stock Prices and Supply of Capital to Corporations, The Review of Economics and Statistics64, 243-269.
liv. Majumdar, S. (2006). Growth Strategy in Small Entrepreneurial Business Organisations; A Conceptual Model. Manipal, Karnataka: T. A. Pai Management Institute
lv. Mallett, F. (2012). Framework for Developing Your Financial Strategy: Boston, L.E.K. Consulting Executive Insights Vol. VI, Issue 3
lvi. Matthews, C. M., & Scott, S. G. (1995). Uncertainty and Planning in Small and Entrepreneurial Firms: An Empirical Assessment. Journal of Small Business Management, October
lvii. McBurney, D. H.,& White, T. L. (2010). Research Methods. Belmont, CA: Elm Street Publishing Services.
lviii. Miller, M. (1977).“Debt and tax,” Journal of Finance, Vol. 32, pp.261-75.
lix. Minniti, M., Bygrave, W., & Autio, E. (2006).Global Entrepreneurship Monitor – 2005 Executive Report, Babson College and London Business School, Wellesley, MA/London.
lx. Mitchell, M. L.,&Jolley, J. M. (2010). Research Design Explained. Belmont, CA :Macmillan Publishing Solutions.
lxi. Modigliani, F.,& Miller, M. (1958).The Cost of Capital, Corporation Finance and the Theory of Investment. American Economic Review48:261-297.
lxii. Modigliani, F.,& Miller, M. (1961).“Dividends Policy, Growth, and the Valuations of Shares”, Journal of Business, Vol. 3, No. 4, 411-433.
lxiii. Modigliani, F.,& Miller, M. (1963). “Corporate income taxes and the cost of capital: A correction,” American Economic Review, Vol.53, 433-43.
lxiv. Morris, S. (2001). The Growth and Transformation of Small Firms in India. New Delhi: Oxford University Press
lxv. Muganda, A.G. (2008). Social Science Research; Theory and Principles. Nairobi: Applied Research and Training Services.
lxvi. Mugenda, O. M.,&Muganda, A.G. (2003). Research methods: Quantitative and Qualitative approaches. Nairobi: ACTS Press.
lxvii. Myers, S.C. (1984).Finance Theory and Financial Strategy. Sloan School of Management:
lxviii. Myers, S. C., &Majluf, N. (1984). Corporate Financing and Investment Decisions When Firms Have Information that Investors Do Not Have. Journal of Financial Economics13: 187- 221. Massachusetts Institute of Technology Cambridge, Massachusetts 02139
lxix. Myers, S. C. (2001). “Capital Structure,” Journal of Economic Perspectives, Vol. 15(2). 81-102.
lxx. Nooteboom, B. (2002). Innovation and Diffusion in Small Firms. Theory and Evidence.
lxxi. In Morris F. Krueger, (ed.), Entrepreneurship: Critical Perspectives on Business and Management. London and New York: Routledge
lxxii. North, D., Baldock, R.,& Vickers, I. (2011).Research into Mid-Size Business Growth. London: Centre for Enterprise and Economic Development Research (CEEDR).
lxxiii. O’Farrell, P. N. O.,& Hitchins, D. M. W. N. (2002). Alternative Theories of Small Firm
lxxiv. Growth. In Morris F. Krueger, (ed) Entrepreneurship: Critical Perspectives on Business and Management. London and New York: Routledge.
lxxv. Oketch, H. O. (2000). Micro and Small Enterprises in Kenya: Agenda for improving the Policy Environment. ICEG. Nairobi: ICEG.
lxxvi. Oracle Financial Services.(2009). Liquidity Risk Management in Financial Services. Redwood Shores, CA: Strategies for Success: Oracle Corporation.
lxxvii. OECD.(2012). Financing SMEs and Entrepreneurs 2012: An OECD Scoreboard, OECD Publishing. http://dx.doi.org/10.1787/9789264166769-en
lxxviii. Pearce, J. A.,& Robinson, R. B. (2009).Strategic Management. Singapore: McGraw Hill International.
lxxix. Porter, M. E. (1979). How Competitive Forces Shape Strategy. Harvard Business Review, 57, No. 2 (March – April)
lxxx. Prater, E.,&Ghosh, S. (2005). Current Operational Practices of U.S. Small and Medium-Sized Enterprises in Europe. Journal of Small Business Management, 43(2)
lxxxi. Richard Pike and Bill Veale (2008), Corporate finance and investment decisions and strategy.
lxxxii. Robson, C. (2002). Real world research (2nd ed.). Oxford: Blackwell
lxxxiii. Rosenberg, J. (2003). National Arts Strategies Leadership Education for Arts and Culture
lxxxiv. Rozeff, M. S. (1982). Growth, Beta and Agency Costs as Determinants of Dividend payout Ratios, The Journal of Financial Research5, 249-259.
lxxxv. Ryan Patricia A. and Clenn P. Ryan (2002) capital budgeting practice of the fortune 1000.How things changed. Journa of business and management Vol 8 issue 4 pg 358-264

lxxxvi. Saunders, M.,& Lewis, P. (2003).Research Methods for business for business students. Spain: Thornhill Publishers
lxxxvii. Schumpeter, J.A. (1934). The Theory of Economic Development. Chicago: Harvard University Press (Originally published in German in 1911).
lxxxviii. Scott, J. H. (1976). A Theory of Optimal Capital Structure. Bell Journal of Economics7:33-54.
lxxxix. SME Solutions Centre, (2007). SSC Services-Kenya, viewed on 30th September 2007, available at www.ssc.co.ke/services
xc. Solomon, E.(1963). The Theory of Financial Management. New York: Columbia University Press.
xci. Stephen A. Ross, Randolph W. Westerfield And Bradford D. Jordan (2006), Fundamentals of corporate finance. 9th edition McGrawHill higher education
xcii. Stevenson, H. (1983). Perspective on Entrepreneurship. Boston: Harvard Business Review
xciii. Stiglitz, J.E. (1969) "A re-examination of the Modigliani-Miller theorem". American Economic Review 59, 784-793.
xciv. Strickland, T. (1999).Strategic Management, Concepts and Cases: McGraw-Hill Companies
xcv. Wiklund, J., Davidsson, P.,& Delmar, F. (2003). 'What Do They Think and Feel about Growth? An Expectancy Value Approach to Small Business Managers' Attitude Towards Growth. Entrepreneurship Theory and Practice, Spring
xcvi. Wickham (2001) .Strategic Entrepreneurship .Prentice Hall: Harlow
xcvii. Zimmerer, T.W. Scarrborough, N.M. and Wilson, D. (2008).Essentials of Entrepreneurship and Small Business Management. Pearsons and prentice Hall, New Jersey.