



## INVESTIGATION OF THE ADOPTION OF STRATEGIC PLANNING BY SMALL AND MEDIUM SIZED MANUFACTURING FIRMS IN KENYA

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**Abstract:** *The current business world has experienced rapid environmental changes due to the ever changing Political, Economic, Social-cultural, Technological and Legal (PESTEL) factors. In order to survive, firms constantly improve their performance by laying long term strategies. The study aimed at comparing the performance of small and medium enterprises (SMEs) involved in manufacturing before and after adoption of strategic planning. The target population was the 260 manufacturing SMEs that had been in operation for a minimum of three years and the sample comprised 135 firms. Data was collected by use of questionnaires and was analyzed by SPSS and Microsoft Excel software. Stratified random sampling method was the main sampling technique that was adopted. The study used two types of research designs incorporating both exploratory and descriptive survey designs. The main statistical analysis tool used in the study was the paired samples t-test. The research study found that the performance of the manufacturing SMEs was higher after adoption of strategic planning*

**Keywords:** *Adoption, Strategic Planning, SME, Manufacturing Sector, Before, After, Kenya*

### 1.1 BACKGROUND OF THE STUDY

Strategic planning can be defined as the process of developing and maintaining consistency between the organization's objectives and resources and its changing opportunities (Robson, 1994). Strategic planning determines where an organization is going over the next three years or more, how it's going to get there and how it will know if it got there or not (Mcnamara, 2005). Strategic planning tool originated in the early 1950s but gained popularity from the mid 1960 to 1970's. It was then widely believed to be the answer for all



private and public organizational management problems. However it was cast aside during the 1980s as the various planning models did not yield higher returns. It was then again adopted later in the 1990s when different scholars appreciated it as a process with particular benefits in particular contexts (Mintzberg, 1994).

Many researchers have over the years argued that strategic planning tool is a concept that should be reserved for large corporations with large specialized planning departments as the Small and Medium enterprises (SMEs) are too busy dealing with operational problems and events on a day to day basis and devote no time to strategic planning (Hanlon & Scott, 1995). A clear strategy on the other hand might enhance business performance and is equally crucial to the SMEs as it is to the large organizations. Strategic planning as a management tool has gained sustained prominence in the management of small and medium enterprises in the past two decades. It is practiced by 81% of the enterprises worldwide while 89% of the firms in the United States of America (USA) alone have adopted it as part of their management tools (O'Regan & Ghobadian, 2007). Comprehensive reviews of the small and medium businesses literature suggest that *ceteris paribus*, strategic planning is generally more common in better performing enterprises (Hormozi *et al.* 2002). Gibson and Cassar (2005) argue that small and medium businesses that plan strategically are more likely to be innovative, achieve higher sales growth and higher returns on assets, higher profit margins and higher employee growth and above all gain competitive advantage.

In terms of clustering SMEs, different methods have been adopted in different countries. Some countries such as India, Pakistan and Philippines cluster their firms according to the invested capital and assets. Other countries such as Mexico and Portugal cluster the enterprises depending with the sales volumes (Prasad, 2004). In Kenya, classification of small and medium enterprises is based on the number of employees engaged by the firms (Mandal, 2007). The firms that engage less than five employees are referred to as micro-enterprises, while the that employ 5 – 49 workers and 50 – 99 workers are classified as small and medium sized enterprises respectively. The firms with over one hundred workers are categorized as large scale enterprises.

SMEs are not just considered to be the driving force of economic development but they are also regarded as very key contributors of growth in almost all economies of the world



(Garikai, 2011). The SMEs also contribute significantly to the employment opportunities, generate significant domestic and export earnings, contribute to the general health and welfare of economies and are key instruments in poverty reduction (Mephokee, 2004). SMEs have grown in importance in the global economy in the last decade. In the USA, SMEs contribute to 99.7% of all employment opportunities while in the European Union the sector contributes 99% of the opportunities available (Peacock, 2004). In Malaysia, SMEs represent 99.2% of all business establishments and account for 65.1% of the workforce (Leong, 2006). In Japan as at the year 2006, SMEs numbered 4.2 million and accounted for 99.7% of all firms and employed 42 million people, which is 78% of the total employment and accounted for 47.7% of the total manufacturing volumes in the year 2006 (White, 2008).

Research studies have been done on the relationship between strategic planning and performance in different organizations across the world. In the United States of America (USA), study findings have showed that strategic planning in SMEs has positive influence on the firm's performance (Baker *et al.* 1999). In connection to this, Kudla (1980) has outlined the characteristics of strategic planning to include: goals and objectives set for at least three years into the future, its relationship with the environment, a formal strategic plan consisting of written plans, identifying future resource requirements, encompassing procedures for on-going monitoring and modification as well as environmental scanning. Strategic planning is not a static product which once set stays as it is (Stopford, 2001). It is rather a constantly evolving process trying to follow the continual changes in the environment implying that change and strategy are inseparable (Delmar & Wiklund, 2008).

While strategic planning in large organizations has been researched extensively, resulting in many prescriptions, models and concepts, the use and application of the planning process in many SMEs is still the subject of on-going debate (Jennings & Beaver, 2000). Gathenya, Bwisa, & Kihoro, (2011) have analyzed strategic planning in terms of entrepreneurial orientation, scanning orientation, scanning intensity, planning flexibility, planning scope and locus of planning. In many of the developing countries, little is known about the strategic management practices in SMEs as only a few studies have been done (Aldehayyat & Twaissi, 2011).

In Kenya, 74% of all employees are employed in the SMEs and the sector contributes over 18% of the country's Gross Domestic Product (GDP) (Republic of Kenya, 2005). In this



country, more than 90% of the businesses are found in this sector and in the year 2011, the Kenya Economic survey (2012) found that out of the 503,000 jobs that were created, 440,400 were in the SME sector. It is acknowledged that SME sector including agriculture and manufacturing have contributed greatly to the Kenya's economic growth (Kombo, 2011).

### **1.1.1 Comparison of performance of the manufacturing SMEs before and after adoption of strategic planning**

Performance measurement is important for organizations as a means of continual improvement and also as a means of determining whether or not an organization is achieving its objectives (Mukulu *et al.* 2012). In their scholarly studies, Joyce and Woods (2003) concluded that organizations that use strategic planning make faster decisions and successfully implement change and innovation to realize growth in their operations.

Comprehensive studies of the small and medium sized enterprises suggest that *ceteris paribus*, strategic planning is generally more common in better performing enterprises (Miller & Cardinal, 1994). Several scholars (Bracker *et al.*, 1988; Berman *et al.*, 1997; Carland & Carland, 2003; Gibson & Cassar, 2005) argue that once small and medium businesses begin to practice strategic planning, they are likely to be more innovative, achieve higher sales growth, higher ROA, higher profit margins and higher employee growth as well as gain some competitive advantage. From the argument of Gibson and Cassar (2002) planning in SMEs is mostly adaptive in nature, short term oriented and concerned with the manipulation of scarce resources.

Past studies have generally shown that strategic planning is not only important for large organizations but SMEs as well (Al Ghamdi, 2005). Berman *et al.* (1997) found that firms that practice strategic planning produce better results than firms that do not. Every business regardless of size needs an effective, comprehensive business plan as the process of developing the strategic plan forces the entrepreneur to think about the harsh "reality" of the business world rather than the common dream world (Harrison, French, & Kelly, 2004). Lerner and Almor (2002) contended that planning lays the groundwork for developing the strategic capabilities needed for high performance in organizations. In his scholarly works, Bwisa (2013) has reported that strategic planning when applied even at county levels is of great importance.



Volberda (2010) when investigating the influence of strategic planning and performance in SMEs found a positive relationship between strategic planning and financial performance. Similarly, Baker and Leidecker (2001) found that SME business planners were shown to be more successful when measured by Return on assets (ROA) as compared to non-planners. Rue and Ibrahim (1998) showed that strategic planning practices can have a positive influence on the success of small and medium enterprises. A study by Oslon and Bokor (2003) of 442 SMEs in the USA supported the case for formal strategic planning enhancing business performance although this was found to be context dependent. According to these studies, the process of planning itself seems to have a positive effect in that it leads to a better understanding of the business and to a broader range of strategic alternatives.

## 1.2 STATEMENT OF THE PROBLEM

Strategic planning is a process that successful businesses ought to undertake if they are to work towards their future success paths. Comprehensive review of various SMEs show that a key determinant of their success lies in the presence or absence of strategic planning (McMinn & Lucio, 2002). Gibson and Cassar (2005) found that firms that use strategic planning effectively usually perform better than the ones which merely react to circumstances. Past studies of manufacturing firms have indicated that strategic planning results in superior financial performance, measured in terms of generally accepted financial measures such as Returns on Assets (ROA) (Ansoff *et al.* 2001; Herold, 2001; Malik & Karger, 2000; Thune & House, 1999). Boyd (1991) found out that the probability of survival is substantially smaller for non-planning enterprises. The seeds of enhanced future business performance are sown in the early stages of business life and the understanding of the same has a predictive value (Bwisa *et al.* 2011).

Although the majority of studies have identified a positive relationship between strategic planning and SME success, there are those studies that have identified no relationship between these two variables. Gibson *et al.* (2001) in a study of 2956 Australian manufacturing SMEs and French *et al.* (2004) in their investigation of 127 Australian service SMEs found no relationship between strategic planning and organizational performance. In his scholarly work, Shrader *et al.* (1993) found that there is no systematic relationship between long range planning and organizational performance. Thompson and Strickland



(1992) suggest that strategic planning has no value in and of itself, but takes on value only as committed people infuse it with energy.

In most developing countries, small and medium enterprises have formed the base for industrial structures and facilitated the process of industrialization irrespective of their stage of development (Balasundaram, 2009). In spite of the key role played by strategic planning as have been found in some studies, there is evidence that strategic planning is rare in most SMEs and that many tend to orientate towards short term operations rather than long term strategic issues, and that decision making in these firms tends to be reactive rather than proactive (Wang *et al.* 2007). In addition, the small and medium enterprises literature suggests that SMEs have not adopted strategic planning tool as quickly as the large firms (Beaver, 2003; Pearce & Robinson, 2011). In spite of their importance in the economic development of any given country, SMEs are plagued by high failure rates and high levels of poor performance (Jocumsen, 2004).

The Kenya government in keeping with the global trends has identified SMEs as one of the key economic drivers towards meeting its vision 2030 blueprint as well as attainment of the millennium development goals (Government of Kenya, 2007). Best practices in terms of planning will thus need to be adopted by the manufacturing SMEs to ensure success. Past studies that have been carried out in different countries on the effect of adoption of strategic planning on the performance of SMEs have yielded results that are not consistent. The existing body of knowledge on the effect of adoption of strategic planning in SMEs is not very clear and more research studies need to be carried out to determine the actual effect of adoption of strategic planning on the performance of SMEs especially in developing countries. In Kenya, there is hardly any empirical literature that has compared the performance of manufacturing SMEs before and after adoption of strategic planning and this study therefore is intended to fill this gap.

### **1.3 GENERAL OBJECTIVE**

The general objective of the study was to investigate adoption of strategic planning by small and medium sized manufacturing firms in Thika town, Kenya.

#### **1.3.1 Specific Objective**

To compare the performance of the small and medium manufacturing firms before and after adoption of strategic planning.



## **1.4 STRATEGIC CHOICE THEORY**

The strategic choice theory focuses on the ability of an organization's management to adopt strategic decisions that will enable it to position itself relative to its environment or seek to change its environment in order to accomplish its goals given its internal capabilities, competencies and resources (Shortell & Kaluzny, 2006). A common strategic decision that many SMEs have been pursuing is strategic planning as a management tool in a bid to plan for their firms in the long term. Previous to this theory was a common view that organizations were viewed to be designed along specific operational arrangements based on the external environment and that adoption of new management tools was not necessary. Strategic choice theory provided an alternative that emphasized the role of individuals and groups within organizations to adopt and diffuse new strategic choices that dynamically influence the development of the organizations. These strategic choices form part of an organizational learning process that enables the firm adapt to the external and internal environments of the firms.

In organizations, strategic choice theory describes the role that strategic leaders play in influencing the management through making choices that can lead to adoption of competitive attributes in a dynamic business environment (Child, 1997). Strategic choice theory focuses on those actions that an organization adopts so as to achieve resource transactions with its environment given its internal capabilities (Astley & Van de Ven, 1983). Defining these actions requires that an organization understands its external environment in terms relevant to the organization and to have the cognitive ability to have its external reality translated into internal reality (Miles & Huberman, 1994). With an assessment of external threats and opportunities coupled with the knowledge of internal strengths and weaknesses, specific strategies can be formulated and adopted so as to achieve objectives that are supportive of the organizations mission's in accord with its values (Swayne, Duncan & Ginter, 2009). The strategic choices that are made by firms and their adoption lead to adjustment and evolution of organizational structure and processes in response to the perceived environmental factors (Child, 1997).

In regard to adoption of strategic planning by small and medium manufacturing enterprises, strategic choice theory will attempt to describe the role that business owners and senior



managers play in influencing the overall team in the organization in making choices that can lead to adoption of competitive attributes in a bid to survive in the highly competitive and dynamic business environment. This is because strategic choice theory focuses on the ability of an organization's management to adopt strategic decisions that will enable the firm to position itself well relative to its external environment and end up with improved results.

## **1.5 CONCEPTUAL FRAMEWORK**

A conceptual framework is a visual or written product, one that explains either graphically or in narrative form the main things that a researcher intends to study, key factors, concepts or variables and the presumed relationships amongst them (Miles & Huberman, 1994). There are several types of conceptual frameworks and these include: Working hypothesis— used in exploratory research; Descriptive categories— used in descriptive research; Models of operations research— used in decision making studies; Practical ideal type— used in gauging type of research and Formal hypothesis— used in explanatory or prediction research.

### **1.5.1 Working hypothesis**

A working hypothesis is constructed to facilitate research enquiry. It is a hypothesis that is provisionally accepted as a basis for further research in the hope that a tenable theory will be produced even if the hypothesis ultimately fails (Shields, 1998). It is constructed as a statement of expectations which can be linked to the exploratory research and is often used as an ideal conceptual framework in qualitative studies. In most exploratory studies, a working hypothesis is used as a means of determining facts and its chief function is the suggestion of the lines of enquiry for the sake of facts.

#### **Q1. How does performance compare before and after adoption of strategic planning in small and medium manufacturing firms in Kenya?**

H<sub>1</sub>: The performance of small and medium manufacturing enterprises in Kenya is the same even after adoption of strategic planning.

H<sub>2</sub>: There is an increase in performance of the small and medium sized manufacturing firms after the adoption of strategic planning.

H<sub>3</sub>: There is a decrease in performance of the small and medium sized manufacturing firms after the adoption of strategic planning.





## 1.6 METHODOLOGY

The study used two types of research designs incorporating both exploratory and descriptive survey designs. The study also used both qualitative and quantitative approaches as recommended by Thietart *et al.* (2001). A quantitative research refers to the systematic investigation of scientific or mathematical properties and their relationships. A qualitative approach refers to an in-depth investigation that is more descriptive than numerical.

In research studies, exploratory studies are used when the area of study is new and the researcher wants to do an exploration just to learn something about the dilemma facing the manager or the entrepreneur running an enterprise (Cooper & Schindler, 2006). It is used when little is known about the issue being investigated (Neuman, 1997). It can for example be used to explore relationships when the different variables are unknown, develop new measurement instruments after conducting initial qualitative analysis, generalize qualitative findings, as well as refine or test a developing theory. The study design was used as the effect of adoption of strategic planning on the performance of manufacturing SMEs in Kenya was not known.

Descriptive survey research design is a technique of gathering information by questioning those individuals who are the object of the research and belonging to a representative sample, through a standardized questioning procedure with the aim of studying relationships between variables (Corbetta, 2003). Descriptive survey design was chosen as the most appropriate method that would provide a broad overview of the sample taken that would also allow generalization.

In this research study, stratified random sampling and purposive sampling methods were used. Stratified sampling, a process by which the sample is constrained to include elements from each of the different segments was used to categorize enterprises in regard to the different sizes and segments. Purposive sampling method also known as deliberate sampling was used to enable the researcher select certain firms that were under-represented in the manufacturing sector as this would enable coverage of all the different sub-units that comprised the manufacturing industry ensuring inclusivity and proper achievement of the research objective.



The sampling frame was the list of all small and medium firms involved in manufacturing with a specific focus on the enterprises that were located in Thika town. The target population in this study was a total of 260 small and medium manufacturing firms that had been in operation for a minimum of three years. The population was from the firms that had a workforce of 5-49 and 50-99 employees respectively. A sample of 135 SMEs that represented 52% of the population was drawn from the twelve sub-units that composed the manufacturing industry that included: Construction and Mining, Chemical and Allied, Energy, Electrical and Electronics, Food and Beverage, Leather and Foot wear, Metal and Allied, Motor vehicle and Accessories, Paper and board, Pharmaceuticals and Medical Equipment, Plastics and Rubber, Textiles and Apparels as well as Wood and Furniture.

### **1.7 RESULTS OF THE STUDY**

The research study aimed at establishing the performance in annual growth rates of several outlined measurement parameters of the manufacturing SMEs before and after adoption of strategic planning. The respondents were asked to indicate the annual growth rates for several parameters that measure business performance that included; sales, profits, number of full time employees and the market share. To compare the performance before and after adoption, paired samples t-test method was used. For the four different parameters that were used to measure performance, the mean level after adoption was found to be higher than the period before (Standard error mean = 0.183,  $t = -8.505$ ,  $df = 63$ ,  $p < 0.001$ ) as shown in appendix 1.

On average, the different measurement variables (sales, profits, number of full time employees and the market share) were all growing at an average rate of 3% to 5% per annum before adoption of strategic planning and increased to between 12% to 17% after adoption (appendix 2). This was clear evidence that in terms of the different parameters used to measure performance in the firms, the growth rates were higher after adoption of strategic planning than before. In this regard, Baker, Addam and Davis (1993) found that where strategic planning tool was adopted and effectively implemented, most of the businesses reported that it benefited them. Miller and Cardinal (1994) in their scholarly works found that organizations that are involved in strategic planning produces better results than those that do not. In addition, Lyles *et al.* (1993) in their scholarly works found



that a more advanced and more detailed strategic planning results in a more substantial corporate growth.

### **1.7.1 Growth in sales before and after adoption of strategic planning**

To compare the performance in growth of sales volumes before and after adoption of strategic planning, the researcher again used paired samples t-test method. The study results revealed that the two periods were significantly different. For the period after adoption of strategic planning, the mean level was significantly higher than for the period before adoption (Standard error mean = 0.225,  $t = -7.168$ ,  $df = 63$ ,  $p < 0.001$ ) as shown in appendix 1. In percentage, the annual growth rate in sales for the period before adoption of strategic planning was 6 to 10% and for the period after adoption, the annual growth rate was 16% to 20% as shown in appendix 2.

The research finding is supported by Wijewardena *et al.* (2004) who in their study of 168 manufacturing firms in Sri Lanka found that strategic planning and control sophistication led to increased sales and concluded that the greater the sophistication of strategic planning tool, the greater the sales volumes. Earlier research studies by Oslon and Bokor (2003) supported the case for formal strategic planning enhancing business performance through such attributes such as sales volumes though this would be context dependent as other characteristics such as entrepreneur's prior management experience were found to be significant factors.

Further research studies showed that SMEs that engage in strategic planning (compared with those ones that do not) are more likely to be those that achieve higher sales growth, higher profit margins and higher employee growth (Carland and Carland, 2003). The study by Berman *et al.* (1997) to examine the nature of business planning activities undertaken by small firms suggested that a relationship exists between enhanced sales growth and the adoption of business planning techniques such as strategic planning tool.

### **1.7.2 Growth in profits before and after adoption of strategic planning**

The research further aimed at comparing annual growth in profits for the manufacturing SMEs before and after adoption of strategic planning. In order to realize the objective, paired samples t-test was used and the results revealed that the two periods were significantly different. As shown in appendix 1, the mean level for the period after adoption was found to be significantly higher than for the period before (Standard Error mean =



0.198,  $t = -9.350$ ,  $df = 60$ ,  $p < 0.001$ ). The average annual growth in profits was 0% to 5% before adoption of strategic planning and 11% to 15% after adoption as shown in appendix 2.

From the study results, it was thus evident that adoption of strategic planning resulted to an increase in the annual growth rate in profits in the manufacturing SMEs. The research outcome concurs with the research findings by Fubara (1986) who observed that companies that engage in strategic planning tool experience higher growth in profits compared to the ones that do not. Kargar and Parnell (1996) found that effective adoption and implementation of strategic planning in organizations leads to improved business financial performance measured in profits. According to this research finding, improved financial performance in firms is because adoption of strategic planning ensures that the budget allocations are based on sound and well thought out plans.

Venkatraman and Ramanujam (1987) found in their scholarly works that firms that engaged in strategic planning had better financial and non-financial performances compared to the firms that had not engaged on the same. Ackelsberg and Arlow (1985) in their research works found that strategic planning enterprises achieve better financial and non-financial results than the firms that do not have the strategic planning tool. The research finding does not support Robinson and Pearce (1984) argument that formal strategic planning is a conceptual activity suited solely for large firms and therefore has no effect on financial performance of small firms as it was evident that even manufacturing SMEs reported improved growth of profits after adoption of strategic planning tool.

### **1.7.3 Growth in full-time employees before and after adoption of strategic planning**

To compare the performance in annual growth rate of full time employees before and after adoption of strategic planning, paired samples t-test was used and the mean level for the period after adoption was found to be significantly higher than for the period before (Standard error mean = 0.201,  $t = -7.346$ ,  $df = 62$ ,  $p < 0.001$ ) as shown in appendix 1. In percentage form, the average annual growth rate of the number of full time employees in the manufacturing SMEs before adoption of strategic planning tool was 0% to 5% and after adoption, the annual growth rate increased to 11% to 15% (appendix 2). The results showed that adoption of strategic planning in the SMEs enabled them realize higher growth rate of full time employees.



This research finding is supported by Mesu *et al.* (2013) who found that visionary leadership coupled with clear communication of the direction that the firm intends to take helps drive employees commitment and consequently growth in organizations. Viljoen (1995) argue that strategic planning assists in providing direction so that organizational members know where the organization is headed and where they can concentrate their efforts. Similar research findings were reported by Berman *et al.* (1997), Bracker *et al.* (1988), Carland and Carland, (2003) and Gibson and Cassar (2005) who argued that once small and medium sized businesses begin to practice strategic planning, they are likely to be more innovative, achieve higher sales growth, higher ROA, higher profit margins and higher employee growth as well as gain some competitive advantage.

De-Krujif (2011) in his research work found that strategic planning tool helps in anticipating and deciding the future of an organization, maintaining a competent work-force, controlling checks, controlling programs against plans, leading employees towards a common vision and coordinating individual efforts to group goals. Lyles *et al.* (1993) found that a more advanced and detailed strategic planning in organizations results in a more substantial corporate and employees' growth. In organizations, when the employees are aware of the vision of their firms and where to best utilize their capabilities, they are bound to get retained in the respective firms for longer periods.

#### **1.7.4 Growth in market share before and after adoption of strategic planning**

To compare the performance in annual growth rate of the market share before and after adoption of strategic planning in the manufacturing SMEs, the researcher again used paired samples t-test and the results as shown in appendix 1 revealed that the two periods were significantly different (Standard error mean = 0.187,  $t = -8.141$ ,  $df = 56$ ,  $p < 0.001$ ). The mean level for the period after adoption of strategic planning was higher than for the period before. In percentage form, the average growth rate for the period before adoption was 6% to 10% and this increased to 11% to 15% after adoption as shown in appendix 2. It was thus clearly evident that adoption of strategic planning in the manufacturing firms resulted to increased growth in the market share in the manufacturing firms.

The research finding is supported by Bryson (1989), Stoner (1994) and Viljoen (1995) who found that strategic planning assists organizations to develop a comparative advantage over competitors and create a sustainable competitive advantage thereby increasing the market



share. Ohmae (1983) also contended that strategic planning enables a firm to gain as effectively as possible a sustainable edge over its competitors and in the process increasing the market share.

## **1.8 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **1.8.1 Summary of findings**

For the four different parameters that were used to measure performance (sales, profits, number of full time employees and the market share), the mean level for the period after adoption of strategic planning was found to be higher than for the period before (Standard error mean = 0.183,  $t = -8.505$ ,  $df = 63$ ,  $p < 0.001$ ). The study found that on average, the different measurement parameters improved from an average growth rate of 3% to 5% before adoption to 12% to 17% after adoption of strategic planning. The performance of the manufacturing firms after adoption of strategic planning was higher measured by the four parameters as compared to the period before.

In regard to the growth in sales volumes, the study found that the mean level for the adopters of strategic planning was higher than that of the firms that had not adopted (Standard error mean = 0.225,  $t = -7.168$ ,  $df = 63$ ,  $p < 0.001$ ). On average, the rate of annual growth in sales for the period before adoption of strategic planning was 6% to 10% and after adoption, the annual growth rate increased to between 16% and 20%. The results thus clearly showed that adoption of strategic planning in the manufacturing SMEs improved the rate of growth in sales in the manufacturing SMEs.

Pertaining to the growth in profits, paired samples t-test results revealed that the mean level for the period after adoption was significantly higher compared to the period before adoption of strategic planning (Standard Error mean = 0.198,  $t = -9.350$ ,  $df = 60$ ,  $p < 0.001$ ). The annual growth rate in profits was 0% to 5% for the period before adoption of strategic planning and for the period after adoption, the annual growth rate was 11% to 15%. Based on these results, it was clearly evident that the manufacturing SMEs recorded higher growth rates in profits after adoption of strategic planning compared to the period before adoption. In regard to the growth in the number of full time employees, paired samples t-test results revealed that the mean level for the period after adoption of strategic planning was higher compared to the mean level before adoption (Standard error mean = 0.201,  $t = -7.346$ ,  $df = 62$ ,  $p < 0.001$ ). In percentage form, the annual growth rate of full time employees for the



period before adoption of strategic planning was 0% to 5% and for period after adoption was 11% to 15%. This showed that adoption of strategic planning in the manufacturing SMEs led to increased growth rate in the number of full time employees in the manufacturing SMEs.

As pertains to the growth rate of the firms' market share, paired samples t-test results revealed that the mean level for the period after adoption was significantly higher than for the period before (Standard error mean = 0.187,  $t = -8.141$ ,  $df = 56$ ,  $p < 0.001$ ). The annual growth rate in the market share for before adoption of strategic planning was 6% to 10% and for the period after adoption, the annual growth rate was 11% to 15%. It was thus evident that adoption of strategic planning tool in the manufacturing SMEs led to an increase in the growth rate of the market share.

### **1.8.2 Conclusions**

When the different measurement parameters (annual growth rate in; sales, profits, market share and number of full time employees) were analyzed together, the results showed that the mean level value for the period after adoption was higher than for the period before. When the rate of growth rate of the different parameters was measured in percentage, the growth rate for the period after adoption of strategic planning was found to be higher than for the period before. Still, when the different measurement parameters were analyzed individually, the study results found that the performance of the period after adoption of strategic planning was higher than for the period before. The study thus concluded that adoption of strategic planning in the manufacturing SMEs leads to enhanced growth rates in manufacturing SMEs measured in terms of annual growth rate of sales volumes, profits, market share and the number of full time employees.

### **1.8.3 Recommendations**

The study recommends that owners and directors in the manufacturing SMEs should give focus to adoption of strategic planning in their firms as they are bound to gain from the benefits that accrue from long term planning such as enhanced growth in sales, profits, market share and growth in the number of full time employees. The study also recommends that the owners of the small and medium manufacturing firms give key focus to training on strategic planning to the senior managers as adoption is enhanced when the managers possess the right long term planning skills and competencies.



The manufacturing SMEs should also form strategic partnerships with the mature firms in the value chain that have been able to implement strategic planning for longer periods so as to gain from the advantage of benchmarking. This is because many firms in the current business world are ready and willing to upgrade the operations of other organizations in their value chain to gain from enhanced service levels. The small and medium manufacturing in Kenya can also aim at bench marking with large manufacturing multinationals such as Coca Cola Inc and Toyota Motors even if they are not in their relevant supply chains as these firms have been able to adopt and implement strategic planning with great levels of success.

The study also recommends that the government of Kenya gives more emphasis to adoption of strategic planning tool in the small and medium sized firms. The government of Kenya has been encouraging Kenyans to establish SMEs in a bid to create employment and generate more revenues to the national treasury and this can only be possible when it supports them to adopt strategic planning through such measures as; subsidizing the training costs by the strategic management experts through such measures as tax waivers, recognizing the SMEs that have excelled in strategic planning especially during annual events such as Company of the year (COYA) awards. The government should also liaise with management institutions such as Kenya Institute of Management (KIM) in training the managers in the manufacturing SMEs about the benefits of adopting strategic planning tool.

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### Appendix 1: Paired samples statistics for before and after adoption

		Mean	N	Std. Deviation	Std. Error Mean	t	df	Sig. (2-tailed)
Pair 1	Sales before adoption (%)	5.67	64	1.672	0.209	-		
	Sales after adoption (%)	7.28	64	1.419	0.177	7.168	63	0.000
Pair 2	Profits before adoption (%)	5.49	61	1.577	0.202			
	Profits after adoption (%)	7.34	61	1.413	0.181	-9.35	60	0.000
Pair 3	Employees before adoption (%)	5.32	63	1.564	0.197	-		
	Employees after adoption (%)	6.79	63	1.358	0.171	7.346	62	0.000
Pair 4	Market share before adoption (%)	5.54	57	1.337	0.177			
	Market share after adoption (%)	7.07	57	1.178	0.156	8.141	56	0.000
Pair 5	Before adoption (All in %)	5.4039	64	1.34759	0.16845	-		
	After adoption (All in %)	7.0677	64	1.28731	0.16091	8.505	63	0.000

### Appendix 2: Growth trends for before and after adoption

Measure	Before	After
Sales	6% – 10%	16 – 20%
Profits	0% - 5%	11 – 15%
Employees	0% - 5%	11 – 15%
Market share	6% – 10%	11 – 15%
Average	3% - 5%	12 – 17%