



Research Paper

## Assesing the Implication of Strategic Planning On Performance Of Small Sized Organizations: A Case Study Of Small Enterprises in Thika Town

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**ABSTRACT:** *The purpose of this study was to assess the impact of strategic planning on performance in small sized enterprises within Thika town. The study was guided by three research questions: what is the nature of the enterprises' strategic plan, how effectively have the organizations implemented strategic planning and what is the relationship between strategic planning and performance in the firms? The study was descriptive in nature. The population of the study was all the small sized enterprises within the central business district of Thika town. During the research, purposive sampling method was used to collect primary data where business owners, managers and employees from diverse industries, were issued with questionnaires. Quantitative data analysis techniques were used to analyze the findings of the study.*

*Major findings revealed there is a very small percentage difference between the enterprises that have a formal strategic planning process and those that have an informal nature. Lack of information, ineffective training and lack of time were cited as some of the major reasons for failure to formulate and effectively implement strategic planning. It also emerged that most firms do not have clear accounting or financial measures of performance based on the strategic plan. In addition to positive financial performance, other benefits of effective strategic planning that were stated included: customer satisfaction and loyalty, business growth, employee satisfaction, internal efficiency and timely achievement of organizational goals.*

*Based on the findings of the study it could be concluded that strategic management gives the companies a competitive advantage over its competitors. This was mainly from the indication of a positive relationship between the nature of the enterprise's strategic plan and its performance. However, in addition to strategic planning, other factors such as good customer and employee training need to be maintained in order to achieve good business performance.*

**Keywords:** Strategic Planning; Performance; Small Sized Enterprises

### I. BACKGROUND OF THE PROBLEM

Strategic thinking is essential for small firms in the time of global competition, technological change and increased dynamics in markets. Many entrepreneurs do not formulate business plans, the strategic planning and systematic decision-making although these factors are considered to be key determinants of survival and success for small firms (Skrt and Antoncic, 2004).

Due to global competition, technological change and increased dynamics in markets, strategic thinking has become a must for entrepreneurs. According to leading entrepreneurship textbooks (for example, Stevenson *et al.*, 1998; Hisrich and Peters 2001; Timmons and Spinelli 2003), the development of a business plan is an important element in the success of the entrepreneurial venture. However, most entrepreneurs and small businesses do not base their success on business plans, because they tend, to a large extent, not to formulate them (Bhide 1994). Despite these business plan formulation practices, strategic planning and systematic decision-making can be considered a key determinant of the survival and success of small firms (Zimmerer and Scarborough 1996)

The role and importance of small enterprise sector to economies of countries has been recognized and documented all over the world. This is mainly in terms of job creation, technological innovation and Gross National Product. Despite this central role of MSEs, the competitiveness and growth prospects of MSEs fall below the levels required to meet challenges of increasing and changing basis for competition, shifting patterns of legislation and regulations, tumbling trade barriers and fragmentation of markets (Moyi and Njiraini, 2005).

Further challenges posed by globalization and liberalization suggest that MSEs must be internally and internationally competitive to survive and grow (UNIDO, 2002).

Micro and small scale businesses are considered to be catalysts in the socio – economic development of any country. They are a veritable vehicle for the achievement of national macroeconomic objective in term of employment generation at low investment cost and enhancement of apprenticeship training. As argued by Kombo *et al.* (2011), micro and small scale entrepreneurs who include agriculture and rural businesses have contributed greatly to the growth of Kenyan economy. The sector contributes to the national objective of creating employment opportunities, training entrepreneurs, generating income and providing a source of livelihoods for the majority of low income households in the country accounting for 12-14% of GDP.

The number of small businesses is growing rapidly in Kenya as evidenced by the growing activities within (Namusonge, 2004). Each sector of operations has smaller operations such as textile industry, manufacturing, finance, security, food and hotels, transport, service sector, to mention a few. The business environment is highly turbulent characterized by external factors (political/legal, economic/demographic, socio-cultural, technological and globalization) as well as internal business factors (management expertise, resources, individual characteristics etc.). Small businesses are affected more than the large organizations in the dynamism and turbulence because the response to environmental changes is different in small businesses than in large companies (Hartshon and Wheeler, 2003), which may exit from one business area and have resources and strategic choices not available to small business enterprises.

The role of MSMEs in the promotion of national development in Kenya has been well- documented (Sessional Paper No. 2, 2005). Seventy two (72) percent of the total persons in employment were employed within the sector according to the 2006 Economic Survey. The sector contributes up to 18.4 percent of the country's Gross Domestic Product (GDP). The sector is a driver in promoting competition, innovation as well as enhancing the enterprise culture which is necessary for private sector development and industrialization besides providing goods and services.

Thika is a market town in Central Province, Kenya lying on the A2 Road and situated about 40 km north of Nairobi on the Thika River at 13 degrees south and 37.55 degrees east. The elevation of Thika is 1420 metres to 1550 metres above sea level, with an average temperature of maximum 25 degrees centigrade and rainfall average of 1020 mm per annum (Municipal Council of Thika, 2012).

According to the World Bank survey since 2008, Thika town is one of the leading towns in Kenya in terms of starting and registering a business. Doing business in Kenya Research Program undertakes an analysis in four key components namely, starting a business, dealing with construction permits, registering property and enforcing contracts. Thika records a 1,7,3,7 performance against 11 cities selected for the pilot phase of the World Bank Survey. This gives it number 3 only below Narok and Malaba border. It beats key towns like Nairobi, Kisumu, Nakuru, Mombasa and Nyeri hands down. Well in the Sub Saharan Africa region, Thika is ranked number 8 in the number of procedures required in starting a new business.

## **II. STATEMENT OF THE PROBLEM**

Performance implications of strategic planning have been a central area of investigation for researchers over the past three decades. There is a plethora of research findings on the relationship between formal strategic planning (FSP) and organizational performance, but many of these findings have proved inconclusive (Glaister, *et al.*, 2008). Despite the continued importance of performance objectives in the prescriptive literature, Greenley (1994) pointed out that attention has not been given to strategic planning and performance in empirical research. The main purpose of this paper is to re-ignite this area of research and provide new empirical evidence on the relationship between strategic planning and performance in small sized enterprises.

Previously, some studies have been conducted to evaluate the success of strategic planning in small and medium enterprises in other cities in Kenya. For instance Njanja (2009) conducted a research with the aim to investigate the management strategies affecting the performance of micro, small, and medium enterprises in Kenya. Additionally, Gakure and Kithae presented a research paper they had done on the effect of quality improvement practices on micro and small enterprise performance. This paper was presented in May 2011 during a business conference at the Kenyatta International Conference Centre. Moya and Njiraini (2005) carried out a research on the implication of formation of co-operatives by the government as a means through which MSEs would access information and support on technology, credit, input and markets. Other studies conducted in Kenya include (Nabi, 2003: 371-82; Berger, 2005:346 and the Kenyan Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises). Most of these studies focused on firms within Nairobi and other towns in Kenya. This study therefore attempts to have a specific focus on small firms in Thika town with a specific focus on how strategic planning affects their performance.

## **III. LITERATURE REVIEW**

A key factor of strategy is to unify and give direction to plans and thus influence the course along which a business is trying to go. A strategy can also be regarded as a game plan that management use for positioning the company in the chosen market arena to competing successfully satisfy customers and achieve competitive advantage over its competitors. Likewise, strategic planning is the overall planning that ensures the good management of a process. Strategic planning starts with writing the company's mission statement, analyzing its critical success factors and understanding its core processes (Gakure *et al.*, 2011).

The objective of the strategic planning processes is to design competitive strategies that enable the firm to find a position in the present environment, and to go beyond perceptions of the current situation to distinguish the enterprise into the future (Leon-Soriano *et al.*, 2010).

Strategic planning can be defined as an attempt to alter a company's strength relative to that of its competitors, in the most efficient and effective way (Sukley *et al.*, 2012). According to Sukley strategic planning focuses on the direction of the organization and actions necessary to improve its performance.

The management in small and medium enterprises is convinced that real entrepreneurs do not plan. Instead, it is assumed that they use their limited time resources more effectively for operational or sales activities. Additionally, formal planning is often regarded as limited to large enterprises and thus not transferable to the requirements of the fast-moving and flexibly-structured SMEs. Three major objections are expressed against the use of strategic processes in SMEs from an entrepreneur's perspective which includes strategic instruments limit the flexibility and the ability for improvisation; it is preferable to use the limited time resources for operational, sales or research and development activities rather than for strategy development processes; and that strategic management is too bureaucratic (Kraus *et al.*, 2007).

According to Balasundaram (2009), research indicates that strategic planning in small business is informal, unstructured, and irregular, supported by inadequate and ineffective information, usually obtained through informal sources, and reactive rather than proactive. Even though managers in small firms engage in strategic thinking, such deliberation is seldom formal. According to Balasundaram, many reasons such as lack of time, cost, expertise, information, training, education and skills of owner-mangers have been identified for the absence of formal strategic planning in small business. Furthermore, authors have suggested that a formal strategic plan may not be suitable for small business as they believe that high level of formality may often fade away important innovations and suppress creativity and spontaneity. Thus strategy may often emerge outside the formal process of planning and that the emergent strategies are often successful and may be more appropriate than planned strategies.

#### **IV. RESEARCH METHODOLOGY**

Having considered the various concerns, the study applied a descriptive research design. It also assisted to investigate the objectives of this study and generate the information required to meet the research objectives. The research design was considered appropriate as it had taken into account how and whom the findings of this study were meant to benefit.

The population target for this study was mainly small-sized enterprises in Thika town. According to the Kiambu County Council records, there are 1184 small sized enterprises that are duly registered and recognized by the office of the Registrar of companies of Kenya and also licensed to operate by the Municipal Council of Thika. Therefore, the population size for the study was 1184 businesses. These include small traders, shops and retail services, catering and accommodation services, small financial services, private education, health and entertainment services, industrial plants, transport storage and communications services and other informal sector operations.

The sample was determined using statistics. A stratified random sampling technique was used to select the sample in this study. This means that the population was divided into strata based on singular or multiple classification criteria. The strata was divided into two parts namely – manager/ business owners and general employees. This method allowed the researcher to divide the sample into appropriate strata and select respondents randomly. With a stratified random sample, the sampling is done separately and independently within each stratum. To arrive at a reasonable and representative sample, the size of the firm and its contribution impact were considered in the technique. This research employed convenience and purposive sampling technique where the sample selected covered 50 small sized organizations in Thika town. According to Cooper and Schindler (2000) purposive sampling design uses a non-probability sample that conforms to certain criteria. Additionally, a convenience sampling design uses non-probability samples that are unrestricted. It was preferable to use the purposive sampling technique since the respondents selected in each firm were likely to represent diversity.

Denscombe (2003) observed that in order to generalize from the findings, the sample must not only be carefully selected to be representative of the population, it also needs to include a sufficient number. Therefore, an adequate sample depended on several factors. Such factors included: the purpose of the study, population size, the risk of selecting a "bad" sample, estimated budget and the available time.

The critical considered was how well the sample design represented the characteristics of the population it intends to represent. In other words, it must be valid. Successful research was conducted with samples as small as 10 to 20 in size, and in most experimental research, the use of samples of 30 or larger is recommended. In this study the sample study was 50. In this study, a total sample of 50 respondents were targeted. Each respondent represented one firm. The respondents consisted of 18 managers and 32 non-manager employees.

The main data collection method used in the research was administration of structured questionnaires, having both closed and open-ended questions. This method of data collection was most preferred because it is a popular and a relatively economical way of collecting information from people. Furthermore, questionnaires were frequently used with sample survey strategies to answer descriptive questions.

## **V. RESULTS AND FINDINGS**

### **The Nature of the Organization's Strategic Plan**

Responses for this statement had a mean of 3.10 and this is close to 3 which is fair extent on the nature of organization' plan from likert scale. It has a small standard deviation of 0.144 which indicates that majority of the respondents accepted that there is a fair strategic plan in the organization.

### **Strategy Unifies and Gives Direction to the Business**

Responses for this statement had a mean of 3.10 and this is close to 3 which is fair extent on the nature of organization' plan from likert scale. It has a small standard deviation of 0.144 which indicates that majority of the respondents accepted that there is a fair strategic plan in the organization.

### **The Management/ Entrepreneur is Mainly Concerned with Operational and Sales Activities, and Does Not Engage in Planning Activities**

The responses had a mean of 3.40 and this is close to 3 which is fair extent on the management/ entrepreneur that is mainly concerned with operational and sales activities, and does not engage in planning activities from likert scale and it has a small standard deviation of 0.167 which indicates that majority of the respondents accepted that there is a fair the management/ entrepreneur is mainly concerned with operational and sales activities, and does not engage in planning activities strategic plan in the organization.

### **The Current Strategic Gives the Company a Competitive Advantage Over its Competitors**

The responses had a mean of 3.80 which is this is close to 4. According to the Likert scale, this is a large extent on the current strategic that it gives the company a competitive advantage over its competitors. It has a small standard deviation of 0.128 meaning that most of the respondents are close to the mean which indicates that majority of the respondents accepted that the current strategic gives the company competitive advantage.

### **All Management Processes within the Organization are Guided by the Strategic Plan**

The mean of responses was 3.60 which is close to 4. This is large extent on the all management processes within the organization are guided by the strategic plan from likert scale. It has a small standard deviation of 0.140 which indicates that majority of the respondents accepted that management processes within the organization are guided by the strategic plan.

### **The Current Strategic Plan Positions the Company Successfully to Satisfy Customers**

The mean of responses was 3.90 which is close to 4. This is a large extent on the current strategic plan positions that the company successfully satisfies customers from likert scale. It has a small standard deviation of 0.132 indicating that majority of the respondents accepted that the current strategic plan positions that the company has successfully satisfies customers.

### **The Current Strategic Plan is Relevant to the Current Business Trends**

A mean of 3.62 which on the likert scale indicates a large extent that the current strategic plan is relevant to the current business trends. It also shows a small standard deviation of 1.31 which indicates that majority of the respondents accepted that current strategic plan is relevant to the current business trends.

### **The Current Strategic Plan is Able to Distinguish the Enterprise in the Future**

A mean of 3.58 and this is close to 4. This represents a large extent that the current strategic plan is able to distinguish the enterprise in the future. The figure also shows a small standard deviation of 1.57 which indicates that majority of the respondents accepted that current strategic plan is able to distinguish the enterprise in the future.

### **Strategic Planning in SMEs Limits the Flexibility and the Ability for Improvisation**

A mean of responses was 2.52 indicating a fair extent on the strategic planning in SMEs that it limits the flexibility and the ability for improvisation from likert scale. The standard deviation of 1.44 indicated shows that most of the figures were close to the mean. This means that majority of the respondents accepted that strategic planning in SMEs limits the flexibility and the ability for improvisation.

### **Strategic Planning is Bureaucratic**

The mean of responses was 2.96 which is close to 3. This is a fair extent that the Strategic planning is bureaucratic from likert scale. The figure also shows a small standard deviation of 1.67 which indicates that majority of the respondents accepted that strategic planning is bureaucratic.

### **Business Plan Time Range**

26% of the respondents indicated that their business plan time frame ranged is below 1 year, 14 % between 2-5 years, and 60 % between 6 years and above. This shows that most of the business plan time ranged between 6 and above years in Thika town. This gives a commendable time frame for the study.

### **Business Plan Time Range**

#### **Business Life Cycle**

14% of the respondents indicated that their business life cycle was at introduction stage, 22% were at growth stage, and 64 % were at maturity level. This shows that most of the businesses in Thika town were at maturity level. This is important in the study because it ensures that the data used is from a mature business environment and is credible.

### **Formality of Strategic Planning**

54.0% of the respondents accepted that there is formal strategic planning while 46.0% said that there is an informal strategic planning in their organizations. The discrepancy between the two responses was small meaning that small businesses in Thika need formalize their strategic planning.

### **Strategic Planning as a Process**

The level of significance of the test is 5% (100% - 95%). The decision criterion is that if the p-value (Sig. (2-tailed)) is less than the level of significance, then the statement is positive. From the response it indicates that all statements were positive and that the respondents agree that to some extent that with the statements. The following statements are confirmed to be true about the small enterprises in Thika: the business owners / managers are strategically aware and realize the consequences of their decisions; the older the business, the less formal the strategic planning process; as environmental uncertainty increases, planning sophistication decreases; strategic planning in small business is informal, unstructured, and irregular, strategic planning in small business is supported by insufficient and ineffective information, usually obtained through informal sources; and that strategic planning in small business is reactive rather than proactive.

Additionally, the respondents indicated that a formal strategic plan may not be suitable for small business since it fades away important innovations and suppress creativity and spontaneity; strategy often emerges outside the formal process of planning; the emergent strategies are often successful and may be more appropriate than planned strategies; strategic planning in small business is reactive rather than proactive; a formal strategic plan may not be suitable for small business since it fades away important innovations and suppress creativity and spontaneity; strategy often emerges outside the formal process of planning; and that the emergent strategies are often successful and may be more appropriate than planned strategies. These conclusions are reached because their p-values (Sig. (2-tailed)) are less than the level of significance.

### **Reasons for Lack of Formal Strategic Planning in Small Enterprises**

The respondents gave views on the top three reasons for lack of formal strategic planning in small enterprises. The respondents gave the top three reasons for lack of formal strategic planning in small enterprises. 14.0% ranked their views as follows; the first was costs, lack of information then ineffective training, 16% cited lack of expertise, 12.0% ranked the issues as follow; lack of expertise, costs and lack of time, 2.0% cited lack of expertise, associated costs and lack of time in that order, 2.0% cited lack of expertise, lack of time and lack of information, 4.0% cited lack of time, lack of education and lack of information, 2.0% cited ineffective skills, lack of expertise and ineffective training, 2.0% cited lack of expertise, ineffective training and lack of information, 2.0% cited lack of expertise, ineffective training and lack of education, 6.0% cited lack of expertise, costs and lack of time, 12.0% cited lack of expertise, costs and lack of time, 4.0% cited lack of expertise, ineffective training and lack of information, 4.0% ranked the issues as follows; lack of expertise, ineffective training and lack of information, 8.0% cited lack of expertise, lack of time and ineffective training,

8.0 cited lack of time, lack of education and ineffective training. These findings are important because they help in drawing recommendations.

### **The Effectiveness of The Organization's Organizational Plan**

The respondents were asked to indicate whether they agreed or disagreed to a number of statements regarding the effectiveness of the organizational plan. The statement listed in the table are positive. The level of significance of the test is 5% (100% - 95%). The decision criterion is that if the p-value (Sig. (2-tailed)) is less than the level of significance, then the statement is positive. From the response it indicates that all statements were positive and that the respondents agree that to some extent that with the statements. The following statements are true about the small enterprises in Thika: the management is fully aware of the business environment; there exists a clear idea or formal documentation of a future strategic course of action; all members of the firm are aware of both short and long term implications of strategies; the current strategic plan has successfully attained the involvement and commitment of the principal stakeholders affected by the plan (employees, business owners, customers); the current strategic plan has succeeded in creating a best fit between the firm's resources and environment opportunities; the enterprise has clear methods of reducing its own weaknesses and mitigating external threats; the enterprise has successfully identified appropriate tactics for implementing the strategic plan; the enterprise has well established methods of measurement that the organization will apply over time to see whether or not the tenets of the strategic plan are leading to the desired results; the business management is aware of how strategic planning practices can benefit the firm; the enterprise has a well outlined vision and strategy; and that the management has clearly outlined the process of determining the mission, major objectives, strategies, and policies that govern the acquisition and allocation of resources to achieve organizational aims.

### **Formality of Strategic Planning**

From the research, as indicated by figure 4.9, 50.0% of the respondents classified their strategic planning as deliberate, 36.0% as not deliberate and 14.0% did not respond on classification of their strategic planning.

### **Strategic Planning Process in the Organization**

50.0% of the respondents classified their strategic planning as integrated, and 50.0% as top-down strategic planning experienced in their businesses. This implies that there is a fair balance between the firms that decision-making is a top-bottom concept and those firms where all levels in the organizations are actively involved in the decision-making process as well as planning.

### **Rationality of Strategic Planning**

62.0% of the respondents classified their strategic planning as rational, and 38.0% as irrational strategic planning. This was an indication that most firms make their strategic plans based on the information they have, and that the planning is directed towards achieving specific objectives. On the other hand, there are some firms that make decisions without a rational course.

### **Designing of a Cohesive Grand Strategy**

From the research, 44.0% of the respondents classified their strategic planning as cohesive strategy, and 56.0% as other aim strategic planning. This means that to most firms, their strategic planning process is not necessarily aimed at creating cohesiveness to the main grand strategy. Therefore, the aim differs based on other arising business needs. However, a fair number of firms have their strategic planning process aiming at strengthening a designed grand strategy.

### **Factors that the Management Puts More Emphasis On**

The respondents were asked to provide 2 factors that the management put more emphasis on. 6.0% of the respondents cited growth and profit margins, 4.0% cited growth and profits, 2.0% cited networking and market analysis, 2.0% networking and market analysis, 2.0% cited profit and growth, 14.0% cited profit margins, 10.0% cited profits and market analysis, 4.0% cited growth and market analysis, 2.0% cited growth and profit, 2.0% cited growth and profit margin, 6.0% cited growth and profit, 14.0% cited growth and profit, 8.0% cited growth and profits, 8.0% cited networking and market analysis, 8.0% cited profit and growth while 8.0% cited profits and market analysis.

### **Effective Implementation of Strategic Planning**

Most of the statements are true since their T-tests are significant (p-value < 0.05). From the response it indicates that all statements were positive and that the respondents agree that to some extent that the statements

in the table concern the effectiveness of implementation of strategic planning within of their organization. The following statements were reported to be true: strategic planning is based upon theoretical principles and not on the realities of management; an enterprise enjoys some significant benefits as a result of strategic planning; the existence of strategic planning is significantly positively correlated with an enterprise's (financial) success; strategic planning is more beneficial over the long term than the short term; the effectiveness of companies operations can be associated with the extent of implementation of aims, objectives, or targets; enterprises that plan strategically obtain better financial results; strategic planning activities can help to reduce the level of uncertainty in the company as well as promote long-term thinking; the process of (formal) planning itself already 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; strategic planning does not guarantee business success; and that many of the contributing factors to business failures may be predicted and effectively addressed if strategic planning is employed.

The respondents also agreed that strategic planning decreases the failure rate for small business; the survival rates of small enterprises that apply formal strategic planning are higher than those businesses that do not apply formal strategic planning; there exists an association between the failure of small firms and a lack in business planning; the survival rates of small enterprises that apply formal strategic planning are higher than those businesses that do not apply formal strategic planning; there exists an association between the failure of small firms and a lack in business planning; SMEs that engage in strategic planning are less likely to be those that fail; sustaining the performance of small enterprises is a big challenge; SMEs experience difficulties in adopting new and innovative managerial practices; there is a clear need to stimulate the development of managerial capability in SMEs; environment awareness and making timely changes are more important in small business than merely formalization of their thinking and awareness; the importance of the awareness of environment and that of strategy are crucial to the development and survival and growth of small business; strategic planning is generally more common in better performing SMEs and less common in poor performing SMEs; SMEs that engage in strategic planning (compared to those that do not) are more likely to be those that achieve higher sales growth, higher returns on assets, higher margins on profit and higher employee growth; and that SMEs that engage in strategic planning are also more likely to be those enterprises that are more innovative, that have more newly patented products, that employ new process and management technologies, and that achieve international growth

#### **Accounting or Financial Measures of Performance Based on the Strategic Plan**

From the research, 46.0% of the respondents agree that the organization has clear accounting or financial measures of performance based on the strategic plan, 46.0% strongly disagree and 8.0% were not sure. This means that the organizations need to introduce and improve their accounting performance measures.

#### **Clear Non-Financial Measures of Performance Based on the Strategic Plan**

From the research, 40.0% of the respondents agree that the organization has clear accounting or financial measures of performance based on the strategic plan, 60.0% said their organization does not have a clear one.

#### **Benefits of Effective Strategic Planning**

The respondents were asked to give some of the benefits, in addition to positive financial performance, which their organization enjoyed as a result of effective strategic planning. 40.0% gave no comments, 4.0% cited customer satisfaction, 4.0% cited growth, more sales and customer satisfaction, 8.0% cited increase revenue and more collections, 6.0% cited satisfaction and royalty, 2.0% cited broad marketing and employee satisfaction, 10.0% cited customer retention and achievement of goals, 8.0% cited customer satisfaction and growth, 2.0% cited profit and efficiency, 4.0% cited profit, referral of customers and growth, 2.0% cited business growth and stable customers, 2.0% cited good customer relationship while 8.0% cited good management.

#### **Relationship Between Strategic Business and Performance**

94% of the respondents indicated that relationship between strategic business and performance in their organizations is positive while 6 % said it has a negative relationship in their organization.

#### **Significant Factors that Determine an Enterprise's Success, Other Than Strategic Planning**

The respondents were asked to give their views on the other significant factors that would determine an enterprise's success, other than strategic planning. 32.0% gave no comments, 6.0% cited good customer and employee relationship, 2.0% cited customer satisfaction and high demand, 10.0% cited financial control and satisfaction, 2.0% listed networking and proper market analysis, 2.0% cited competition and location, 2.0%

cited customer care and staff awareness, 4.0% cited customer relationship, 10.0% cited customer satisfaction and environmental scanning, 6.0% cited location and economy, 6.0% cited location, economy and infrastructure, 2.0% cited sales and short term training, 2.0% cited after sales satisfaction while 6.0% cited good management.

#### **Financial Performance**

The responses had a mean of 3.90 which is close to 4 in the Likert scale. This means a large extent on financial performance. It has a small standard deviation of 0.149 meaning that most of the values are close to the mean. This indicates that majority of the respondents accepted that financial performance is one of the options that assesses the implication of strategic planning on performance of small sized organizations.

#### **Business Performance**

The mean of responses was found to be 3.80. On the Likert scale, this is close to 4 which means a large extent that business performance is could be sued in assessing the performance of small businesses. The small standard deviation of 0.140 shows that most of the figures were near the mean indicates that majority of the respondents accepted that business performance is one of the options that asses the implication of strategic planning on performance of small sized organizations.

#### **Organization Effectiveness**

A mean of 3.90 and this is close to 4 on the Likert scale. It also shows a small standard deviation of 0.152 indicating that majority of the respondents accepted that organization effectiveness is one of the options that assesses the implication of strategic planning on performance of small sized organizations in Thika.

#### **Organizational Performance**

A mean of 3.72 which is close to 4 on the likert scale. This shows to a large extent that Organizational Performance is uses in performance appraisal of small businesses in Thika. A small standard deviation of 0.137 indicates that majority of the respondents accepted that Organizational Performance is one of the option that asses the implication of strategic planning on performance of small sized organizations.

#### **The Relationship Between Strategic Planning and Performance Within Your Organization**

The respondents were asked to give their views regarding the relationship between strategic planning and performance within their organizations. The statements remain positive. The p-values are less than the 5% level of significance. All the statements in the table were accepted by the respondents. Therefore, the respondents greatly agreed that: strategic planning has a positive effect on the performance of small businesses; formal strategic planning provides a structure for decision making, helping small business to take a long term view; formal strategic planning enables organizations to better prepare for and to deal with the rapidly changing environments that most of them face; strategic planning reduces the uncertainty of companies operation; strategic planning improves coordination, communication and control activities in the organization; the results of the organization are correctly in line with the organization's objectives; there exists a relationship between formal strategic planning (FSP) and organizational performance; older and larger firms are more likely to have lower growth rates; and that formal strategic planning introduces rigidity and encourages excessive bureaucracy.

## **VI. DISCUSSION AND CONCLUSION**

### **Discussion**

#### **The Nature of the Enterprise's Strategic Plan**

From the findings of the study, most of the business in Thika town existed between 10 and 12 years. Half of the respondents had served the organization for between 3-6 years and these shows that they have interacted with their business for enough time hence can easily identify the type of strategic plan for their businesses. According to Balasundaram, many reasons have been identified for the absence of formal strategic planning in small business. These include lack of time, cost, expertise, information, training, education and skills of owner-mangers. Most of the business plan time range in Thika town was between 6 and above years. Strategic planning starts with writing the company's mission statement, analyzing its critical success factors and understanding its core processes (Gakure *et al.* 2011). Since most of the businesses have existed for more than 5 years then they had enough time for strategic planning.

The objective of the strategic planning processes is to design competitive strategies that enable the firm to find a position in the present environment, and to go beyond perceptions of the current situation to distinguish the enterprise into the future (Raul *et al.* 2010). Suklev and Debarliev (2012) define strategic planning as implies an attempt to alter a company's strength relative to that of its competitors, in the most efficient and effective way. These authors argue that the strategic planning focuses on the direction of the organization and actions necessary to improve its performance.

Many decision-makers in small and medium enterprises are convinced that real entrepreneurs do not plan. From the research it also indicates that 24% of the respondents indicated that their business was micro, 62% said that it was small with 6-10 employees, 14 % said that it was small but had employees between 11 and 15 and 12 % existed between 13-15 years. This shows that most of the business in Thika town had between 6-10 employees. Research studies and strategic management texts that examined the kinds of activities included in the planning process have generally identified the following eight areas: defining mission, setting objectives, external analysis, internal analysis, developing alternative strategies, strategy selection, implementation, and control. These activities also serve as indicators of the degree of formal business planning (Veskaisri, 2007) which can identify the business category. From the study, it categorizes the business by use of number of employees and majority had a team of 6-10 employees which can be effectively used in strategic business planning.

The respondents gave the top three reasons for lack of formal strategic planning in small enterprises. From the study 14.0% ranked their views as follows; the first was costs, lack of information then ineffective training, 16% cited lack of expertise, 12.0% ranked the issues as follow; lack of expertise, costs and lack of time, 2.0% cited lack of expertise, associated costs and lack of time in that order, 2.0% cited lack of expertise, lack of time and lack of information, 4.0% cited lack of time, lack of education and lack of information, 2.0% cited ineffective skills, lack of expertise and ineffective training, 2.0% cited lack of expertise, ineffective training and lack of information, 2.0% cited lack of expertise, ineffective training and lack of education, 6.0% cited lack of expertise, costs and lack of time, 12.0% cited lack of expertise, costs and lack of time, 4.0% cited lack of expertise, ineffective training and lack of information, 4.0% ranked the issues as follows; lack of expertise, ineffective training and lack of information, 8.0% cited lack of expertise, lack of time and ineffective training, 8.0 cited lack of time, lack of education and ineffective training.

### **Effective Implementation of Strategic Planning**

The respondents were asked to give some of the benefits, in addition to positive financial performance, that their organization enjoyed as a result of effective strategic planning. From the study, 40.0% of the respondents gave no comments, 4.0% cited customer satisfaction, 4.0% cited growth, more sales and customer satisfaction, 8.0% cited increase revenue and more collections, 6.0% cited satisfaction and royalty, 2.0% cited broad marketing and employee satisfaction, 10.0% cited customer retention and achievement of goals, 8.0% cited customer satisfaction and growth, 2.0% cited profit and efficiency, 4.0% cited profit, referral of customers and growth, 2.0% cited business growth and stable customers, 2.0% cited good customer relationship while 8.0% cited good management. Balasundaram (2009) notes that even though some studies have provided frustrating results as to the relationship between strategic planning and performance of small business, and that there is a tension between normative statements and the findings of empirical research, increasing evidence has confirmed that strategic planning has a positive effect on the performance of small businesses. He continues with the view that formal strategic planning provides a structure for decision making, helping small business to take a long term view.

Balasundaram (2009) supports other scholars who have claimed that formal strategic planning enables organization to better prepare for and to deal with the rapidly changing environments that most of them face. From the research, 50.0% of the respondents classified their strategic planning as deliberate, 36.0% as not deliberate and 14.0% did not respond on classification of their strategic planning. Also 50.0% of the respondents classified their strategic planning as integrated, and 50.0% as top-down strategic planning experienced in their businesses. These businesses most of them have a formal plan and hence can have a chance to positively increase their performance. From the research, 52.0% of the respondents accepted that their business had ever reported loss while 48.0 % said their business had never reported a loss. This shows that most of the business had experienced losses.

According to Suklev and Debarliev (2012) strategic planning consists of planning processes that are undertaken in firms to develop strategies that might contribute to performance. It also involves resource allocation, priorities, and actions needed to reach strategic goals. Since most business had experienced loss then it makes the business face difficulties in implementing strategic planning process. This also enables the organization unable to meet their creditors which is indicated from the study as 42.0% of the respondents accepted that their organization has ever been unable to meet its creditors, and 58.0 % said no. This indicates that quiet a big portion of business are unable to pay for its creditors and hence the need of effective strategic planning. From the research, 94.0% of the respondents classify planning process as most important, and 6.0% classify the plan as most important. The study indicated that the two main factors that the management put more emphasis on and the results were 6.0% of the respondents cited growth and profit margins, 4.0% cited growth and profits, 2.0% cited networking and market analysis, 2.0% networking and market analysis, 2.0% cited profit and growth, 14.0% cited profit margins, 10.0% cited profits and market analysis, 4.0% cited growth and market analysis, 2.0% cited growth and profit, 2.0% cited growth and profit margin, 6.0% cited growth and profit,

14.0% cited growth and profit, 8.0% cited growth and profits, 8.0% cited networking and market analysis, 8.0% cited profit and growth while 8.0% cited profits and market analysis. Since majority of the management puts more efforts in growth and profit, this shows that they operate efficiently with also of effectiveness in implementing strategic plan.

The study also indicates that 14% of the respondents indicated that their business life cycle was at introduction stage, 22% were at growth stage, and 64 % were at maturity level. This shows that most of the businesses in Thika town were at maturity level. Although strategic planning seems to provide companies with the necessary frame to increase long-term value, research on the relationship between financial strategic planning and organizational performance has proved inconclusive. It is recognized, however, that there may be non-financial consequences of strategic planning which provides benefits to the organization and therefore, organizations should have the adequate tools that allow them to measure these non-financial benefits in addition to the already measured ones. These systems are the performance management systems (Raul *et al.*, 2010). Since most of the businesses are at maturity then these small business has increased their long term value to support them come out with a good strategic plan for their operations. Since most of the businesses are at maturity then it shows that a lot of effectiveness in strategic planning had been exercised by management. From the research, 44.0% of the respondents classified their strategic planning as cohesive strategy while and 56.0% classified it as other aim strategic planning.

According to Balasundaram (2009) strategic planning is defined operationally by three elements of the strategic planning process: environment awareness, the existence of idea or formal documentation of a future strategic course of action, and awareness of both short and long term implications of strategies. Environmental awareness is a concept from business management by which businesses gather information from the environment, to better achieve a sustainable competitive advantage. To sustain competitive advantage the company must also respond to the information gathered from environmental scanning by altering its strategies and plans when the need arises. Strategic planning is also a process that any organization engages in to critically analyze its external and internal environment; formulate a plan of action based on creating the best fit between the firm's resources and environment opportunities; establish acceptable methods of reducing its own weaknesses and mitigating external threats; identify appropriate tactics for implementing the plan; and then establish methods of measurement that the organization will apply over time to see whether or not the tenets of the strategic plan are leading to the desired results (Suklev and Debarliev, 2012). Hence strategic plan is a collection of information from environment and creating awareness. This is also experienced by these businesses at Thika.

From the research it was found that 46.0% of the respondents agreed that the organization had clear accounting or financial measures of performance based on the strategic plan, 46.0% strongly disagreed while 8.0% were not sure. Barney outlines four major approaches to measuring performance: survival as a measure of firm performance, stakeholder approaches to performance measurement, simple accounting measures of performance, and adjusted accounting measures of performance. The accounting or financial requires to be clear for proper measurement to take place. Also clear non-financial measures of performance based on the strategic plan, 40.0% of the respondents agreed that the organization had clear accounting or financial measures of performance based on the strategic plan, 60.0% said their organization did not have a clear one. As suggested by Suklev and Debarliev (2012) it is reasonable for organizational effectiveness to be measured in two ways. First, by using accounting or financial measures, primarily due to these measures of performance they are the most popular in the research of organizational effectiveness, and secondary these measures are publicly available for many firms which are non-financial in this case. This indicates that a lot of system has been put in place to aid in effective strategic planning.

### **Relationship between Strategic Business and Performance**

From the research, majority of the respondents indicated that the relationship between strategic business and performance in their organizations was positive while 6 % said it had a negative relationship in their organization and 94% said it's positive. Balasundaram (2009) notes that there is a positive relationship between the existence of a more or less formal strategic planning system and the firms' growth and that there is a tension between normative statements and the findings of empirical research. Increasing evidence has confirmed that strategic planning has a positive effect on the performance of small businesses. There was a positive relationship which increases the performance of the business in Thika town.

The respondents were also asked to give their views on the other significant factors that would determine an enterprise's success, other than strategic planning. The results obtained gave 32.0% gave no comments, 6.0% cited good customer and employee relationship, 2.0% cited customer satisfaction and high demand, 10.0% cited financial control and satisfaction, 2.0% listed networking and proper market analysis, 2.0% cited competition and location, 2.0% cited customer care and staff awareness, 4.0% cited customer

relationship, 10.0% cited customer satisfaction and environmental scanning, 6.0% cited location and economy, 6.0% cited location, economy and infrastructure, 2.0% cited sales and short term training, 2.0% cited after sales satisfaction while 6.0% cited good management.

## **VII. CONCLUSIONS**

### **The Nature of the Enterprise's Strategic Plan**

The study concluded that most businesses engage in formal strategic planning activities and this gives the companies a competitive advantage over their competitors. Most of the firms also have well-written mission and vision statements which are clearly understood by all the employees. It was also evident that most of the firm's business activities are guided by the strategic plan and thus the businesses become relevant to the current market trends. There was also an indication that the current strategic plans will distinguish the firm from its competitors in future. However, most firms consider strategic planning to be bureaucratic and that it limits the flexibility and the ability for improvisation for most firms.

### **Effective Implementation of Strategic Plan**

From the study it can be concluded that there has been fair success for most small firms in attaining the involvement and commitment of the principal stakeholders (business owners, employees and customers) affected by the strategic plan. Additionally, having successfully identified appropriate techniques for implementing their strategic plans, the firms have been able to effectively create a best fit between their resources and environment opportunities. With time, there have been various financial and non-financial benefits that the firms have enjoyed as a result of implementing their strategic plans effectively.

### **The Relationship between strategic planning and performance in the firm**

From the study, it can be concluded that there is a positive relationship between strategic planning and business performance, both in the short term and in the long term. However, strategic planning is not the only factor that contributes to good performance of small firms. Formal strategic planning provides a structure for decision making thus giving the businesses a long-term view. Furthermore, strategic planning improves coordination, communication and control activities within small firms. It also helps organizations prepare for and deal with the rapidly changing business environment thus good performance.

### **Recommendations**

#### **The Nature of the Enterprise's Strategic Plan**

The companies need to invest more on improving strategic planning. The study was conducted for the reasons that lead to lack of formal strategic planning. From the study the respondents indicated that they failed to have effective strategic plans due to the associated costs, lack of information, ineffective training and lack of expertise. This shows the need to invest more to eliminate such factors that lead to lack of proper strategic planning. Although most firms have written mission and vision statements there might be need to constantly review the grand strategic plan of the enterprise to ensure that it is relevant to the business environment.

#### **Effective Implementation of Strategic Plan**

There are many benefits that are associated with effective implementation of the strategic planning. However, there was an indication that most firms were not so effective in coming up with a relevant strategic plan and implementing it. The enterprises in Thika should ensure that strategic planning is effectively put in place to reap the full benefits of effective implementation. This goes along with having structures that guarantee timely and sustainable implementation of the strategic plan. This might also suggest the need for more employee engagement in the strategic planning process. Additionally, the firms need to intentionally come up with ways of gathering information about the surrounding business environment, hence making informed choices. By being proactive in making some decisions, some firms can have an information advantage hence becoming business leaders in stead of being mere followers in the market.

#### **The Relationship between Strategic Planning and Performance of the Firm**

From the study, it was clear that businesses that have effective strategic plans in return report good performance. Therefore, the firms should put more conscious efforts to improve their strategic planning activities in order to reap its full benefits. This improvement has to be rational, integrated and continuous. Furthermore, there is need for the firms to come up with clear and reasonable financial and non-financial measures of measuring their performance. This will help the businesses have a good rating both in its financial aspects and non-financial aspects.

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