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FACTORS THAT DETERMINE ADOPTION OF STRATEGIC PLANNING BY SMALL AND MEDIUM SIZED MANUFACTURING ENTERPRISES IN KENYA

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***Abstract**: Globally, the business world has of late experienced fast and monumental environmental changes as a result of the fast evolving Political, Economic, Socialcultural, Technological and Legal (PESTEL) aspects. To survive in the highly competitive business environment, many firms constantly improve their performance through laying long term strategies. One common long term strategy adopted by many firms globally is strategic planning. The study aimed at establishing the factors that determine adoption of strategic planning by small and medium sized manufacturing enterprises in Kenya. The target population was the 260 SMEs that had been in operation for a minimum of three years. The sample for the study comprised 135 SMEs. Data was collected by use of questionnaires and analyzed by SPSS and Microsoft Excel software. The main sampling technique adopted was stratified random sampling method. The study used two types of research designs mainly exploratory and descriptive survey designs. The research found that adoption of strategic planning tool was determined by a variety of factors as outlined in the text.*

***Keywords**: Adoption, Strategic Planning, Small and Medium Enterprises, Manufacturing Sector*

1.1 Background Information

Strategic planning can be defined as the process of developing and maintaining consistency between the firm's objectives and resources and its changing opportunities (Robson, 1998). The term strategic planning originated in the early 1950s but 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).

The area of strategic planning has gained much attention in management literature since early 1960s. Many researchers have since then argued that strategic planning is a concept that should be reserved for large corporations. Small and Medium enterprises (SMEs) from this argument are too busy dealing with operational problems and events (Hanlon & Scott, 1995).

Strategic planning is practiced by 81% of the enterprises worldwide while 89% of the firms in the USA alone have adopted it (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).

Research studies have been done on the relationship between strategic planning and performance in the USA and the results have showed that strategic planning in small and medium high growth firms has positive influence on the firm's performance (Baker *et al*., 1999). 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).

Gathenya, Bwisa and Kihoro, (2011) have analyzed strategic planning in terms of entrepreneurial orientation, scanning orientation, scanning intensity, planning flexibility, planning scope and locus of planning.

In regard to classification of the SMEs, different methods of clustering have been adopted and some countries such as India and Pakistan cluster enterprises according to the invested capital and assets. In Kenya, classification of small and medium enterprises is primarily by 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 those that employ 5-49 workers and those with 50-99 workers are classified as small and medium sized enterprises respectively. Firms with more than one hundred employees are categorized as large firms.

Globally, SMEs are not just considered to be the driving force of economic development but they are also regarded as key contributors of growth in almost all the economies of the world (Garikai, 2011). 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 Kenya, 74% of all employees are employed in the SMEs and this sector contributes over 18% of the country's GDP (Republic of Kenya, 2005).

In Kenya, more than 90% of the firms 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 or 80% were created by the SME sector. Despite the crucial role that SMEs play in many economies, research shows that they have a myriad of challenges. Globally, more than one million SMEs are established every year. Out of these, 40% close within one year and statistics indicate that in a span of five years, 80% of them are out of business, while by the tenth year, 96% usually close down their operations (Geber, 2001).

In a bid to have a niche in their national as well as the international markets through production of world class products, many developing countries such as South Africa, Ethiopia and Kenya have adopted new industrial policies to ensure that they capitalize on their available strengths as well as take advantage of the available opportunities so as to be competitive in the global arena (Perez, 2009). One of the key policies that these countries have adopted is the growth of small and medium manufacturing industries as they have a myriad of advantages that are not existent in large industries.

Past studies have generally shown that strategic planning is not only important for large firms 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 enterprise 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).

While strategic planning has been widely adopted in large firms in the private sector and more recently in the public sector it appears not to have found much popularity in the SME sector (Bryson, 2011). In most of the SMEs that claim to plan, plans are frequently *ad hoc* and intuitive rather than formally written, and provide

little basis upon which business performance can be measured or analyzed (Kelmar & Noy, 1990). Various research studies have over the years found that SMEs that adopt and engage in strategic planning are less likely to fail in their operations as compared to those ones that do not (Gibson & Cassar, 2005).

1.1.1 Factors that determine adoption of Strategic Planning in small and medium sized manufacturing firms

In the past, various studies have been carried out in regard to the aspect of strategic planning and have been able to document various factors that affect adoption of strategic planning in small and medium firms. In his comparative studies, Lee (2008) found that while large firms have over the decades been developing the capabilities needed to achieve their bottom lines, SMEs often lack the knowledge, expertise skills, finance and human resource skills to make the desired change. The approach that the enterprises adopt is narrowly focused to specific features of the production process. Thus SMEs often have a limited view on the direction of future firm stance and tend to tackle competitive issues in an *ad hoc* manner (Nawrocka, 2008).

By their very nature, SMEs have limited human, material and financial resources (Vossen, 1998). Many SMEs focus on allocation of resources to achieve their maximum short term advantages, which frequently leaves them to respond to external influences as they occur rather than taking a proactive approach (McAdam, 2002). Hodges and Kent (2007) in their scholarly studies concluded that if SMEs managers want to be successful in their operations, they must be willing to obtain more knowledge on strategic planning.

Conventional strategic planning is uncommon in many SMEs in the developing world and this can be attributed to factors that influence its adoption such as: insufficient time and financial resources (Okpara & Wynn, 2007; McAdam, 2002), knowledge gaps in the field of strategic planning (King & McGrath, 2002), lack of a well developed administration (Karagozoglu & Lindell, 1998), managerial knowledge deficiency (Macpherson & Holt, 2007), environmental uncertainty or turbulence (Yusuf & Saffu, 2005) and perception that strategic planning is dependent on company size.

1.2 Statement of the Problem

Strategic planning is a management tool that successful firms ought to undertake if they are to work towards their future success paths. Studies have been done in the past and have found a positive relationship between adoption of strategic planning and improved performance. Comprehensive review of many SMEs globally show that a key determinant of business success lies in the presence or absence of strategic planning (McMinn & Lucio, 2002). Gibson and Cassar (2005) found that those SMEs that use strategic planning tool well usually perform better than those who merely react to circumstances.

Past studies of SMEs have indicated that strategic planning results in superior financial performance, measured in terms of generally accepted financial measures (Ansoff *et al*., 2001). 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, 2011).

SMEs have formed the base for industrial structures and facilitated the process of industrialization in most countries irrespective of their stage of development (Balasundaram, 2009). In spite of the critical role played by strategic planning, there is evidence that it is rare in most SMEs in Kenya and that they tend to orientate towards short term operations rather than long term strategic issues (Wang *et al*., 2007). In addition, the small and medium enterprises literature suggests that SMEs have not adopted strategic planning practices as quickly as the large firms (Beaver, 2003; Pearce & Robinson, 2011). In Kenya, SMEs have been the means through which accelerated economic growth and rapid industrialization has been achieved (Harris & Ogbona, 2006).

Globally, many governments are increasingly promoting and supporting SME growth as part of their overall national development strategies (Abdullah & bin Bakar, 2000). The Kenya government too 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 MDGs (Goverment of Kenya, 2007). In this regard, the more than 150,000 Kenyans who graduate from the universities every year are encouraged to establish SMEs and hence help in creating employment (Kaane, 2014). These key socio-economic objectives are however bound to be grossly affected by the low adoption of strategic planning tool in the Kenyan SMEs. The question that then arises is: why is there low adoption of strategic planning tool amongst Kenyan SMEs? It is evident that there is hardly any empirical literature that has outlined the specific factors that affect adoption of strategic planning in Kenya. This research study is meant to fill this pertinent area.

1.3 General Objective

This study sought to determine the influence of strategic planning on performance of small and medium sized manufacturing firms in Kenya.

1.3.1 Specific Objective

To establish the factors that determine adoption of strategic planning by small and medium manufacturing enterprises in Kenya.

1.4 Institutional theory

Institutional theory examines the adoption and diffusion of organizational forms and practices and goes to explain how different organizations understand and interpret social acceptance. One organizational practice that many SMEs have been adopting in the recent past is strategic planning. From the scholarly findings of Nauheimer (2007) organizations that adopt and diffuse institutional prescriptions can survive easily as compared to those that do not. The institutional theory is useful in understanding how other dynamics apart from technical efficiency are useful in explaining a firm's adoption of any innovation like strategic planning. A firm's interaction with other actors in its environment consequently leads to norms, standards and expectations that it seeks to meet in order to attain legitimization and support from the other entities.

In this study, the institutional theory will give weight to the fact that in the pursuit of adopting features that are considered legitimate in the wider institutional environment, many firms would opt to adopt and diffuse formal and informal procedures, rules, routines, conventions and structures. One of the management tools at disposal to the managers is the adoption of strategic planning as this would ensure that the firm is able to conform to the mandate of the institutional environment. The biggest impediment to this theory is that the term "institution" has different meanings to different scholars and thus some of the alternative approaches are not only different but even contradictory. A central question then is just how much of an impediment these internal differences are and what can be done to generate a more unified approach for the institutional theory (Kato, 1996).

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). The concepts that constitute a conceptual framework support one another, articulate their respective phenomena and establish a framework specific philosophy.

A conceptual framework helps the researcher to clearly see the proposed relationship between the variables in an easier and quicker manner (Mugenda and Mugenda, 2008). The framework is used in research to outline the possible courses of action or to present a preferred approach to an idea or thought (Berlin, 2006). This research study adopted a conceptual framework with the following independent variables; Availability of key resources, Organizational structure, Leadership style, Degree of innovativeness and Culture of the organization. The dependent variable was the adoption of Strategic Planning tool in the manufacturing SMEs. (See Figure 1)

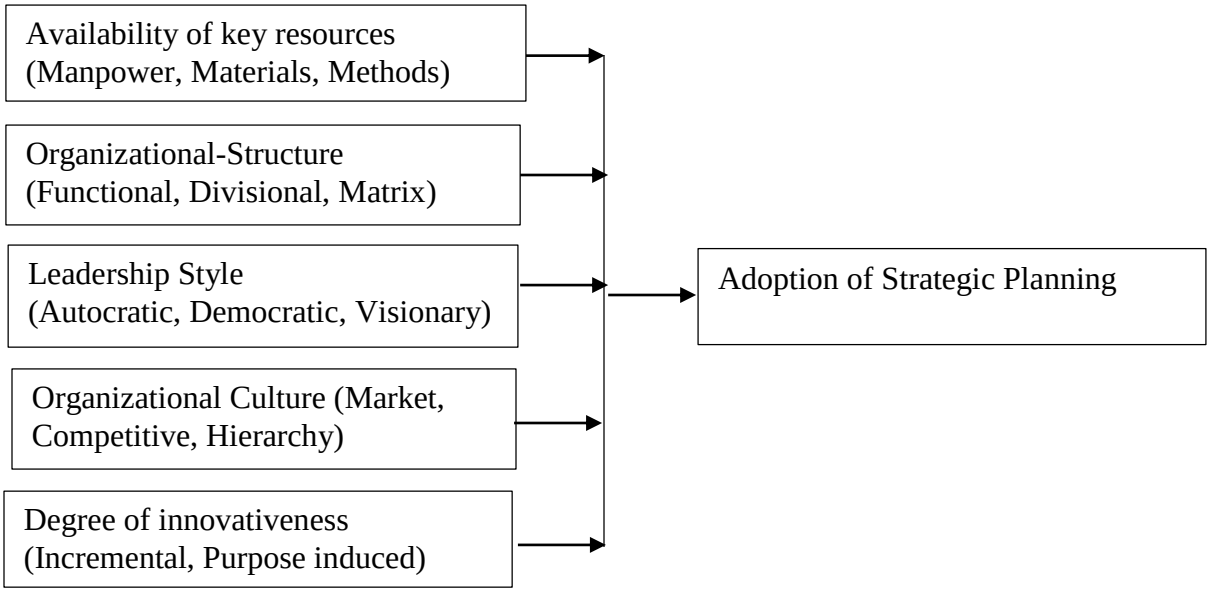

Figure 1 Conceptual framework for adoption of Strategic Planning

1.6 Methodology

The research study involved administering questionnaires as well as use of interview guides to the senior managers (mainly Managing Directors and Human Resource Managers) and owners of the manufacturing SMEs and adopted both qualitative and quantitative approaches. Data analysis was carried out by means of standardized statistical procedures.

1.7 Results of the Study

The respondents were asked to indicate by use of Likert-scale the degree to which some outlined factors determine effective adoption of strategic planning in the SMEs. The researcher outlined eight factors that had the possibility of influencing effective adoption of strategic planning and the respondents were to rate the factors in regard to the degree of importance. The most important factor was given a rating of 5 while the least important factor was given a rating of 1.

SPSS tool version 21 was then used to calculate the mean and the standard deviation of each variable and the percentage for each factor was determined. The importance of understanding these factors is that this is bound to allow “more careful and accurate encouragement” to other firms on how some barriers can be overcome thereby increasing the overall levels of strategic planning in the SMEs (Robinson & Pearce, 1984). It would thus enable enhanced adoption of the strategic planning tool in the small and medium sized firms with greater ease.

Table 1: Ratings of the Extent of Importance

Extent of Importance	Median score range
Most important	4.5 – 5.0
More important	3.5 – 4.49
Important	2.5 – 3.49
Less important	1.5 – 2.49
Least important	1.0 – 1.49

a) Availability of key resources

In regard to this factor, 60% of the respondents rated the availability of key as most important, 22% as more important, 9% as important, 5% as less important and 3% as least important as shown in table 4.2. This implies that the greater majority of the respondents (91%) considered this factor as important in the effective adoption of strategic planning in the manufacturing SMEs. The mean value for this factor was 4.30 which correspond to a "more important" rating implying that the factor is a key determinant as shown in table 4.1. Effective adoption of strategic planning in many firms world over would only be possible when the required resources are available in the right quantities and at the right time.

In regard to availability of resources and adoption of strategic planning in SMEs, Pushpakumari and Wijewickrama (2008) in their scholarly works argued that SMEs often do not have the means to ensure continuous and successful adoption and implementation of strategic planning as they maintain a lower level of resources, have limited access to human, financial and customer base as well as a less developed management capacity.

b) Organizational structure

The respondents were asked to indicate the importance of organizational structure in the adoption of strategic planning. In regard to this, 36% of the informants rated the factor as most important, 32% as more important and 23% rated it as important. Of the total respondents 6% and 3% respectively rated organizational structure as less important and least important respectively as shown in table 4.2. In total, 91% of the respondents rated organizational structure as important in the adoption of strategic planning. The mean for this factor was 3.91 and this means that the structure existent in the firm is "more important" in the adoption of strategic planning tool in the SMEs as shown in table 1.

The research outcome was supported by the earlier scholarly findings by Karagozoglu & Lindell (1998) who found that unlike large firms, most SMEs normally lack a very well developed administration system (organizational structure) and also maintain lower level of resources and limited access to human capital.

c) Leadership style

The study aimed at establishing the influence of leadership style adopted in the SMEs on the adoption of strategic planning. In regard to this factor, 33% of the respondents in the study rated it as most important, 35% as more important and 21% as important. In the research study, 8% of the respondents rated the leadership style as less important and 3% as least important as table 2 shows. Cumulatively, 89% of the informants indicated that the leadership style was an important factor in adoption of strategic planning. The mean for this factor was 3.88 and this means that most of the respondents on average rated this factor as "more important" as table 4.1 shows. This thus suggests that the leadership style adopted is a key determinant in the adoption of strategic planning tool in the SMEs. This research outcome is supported by Cater and Pucko (2009) who found

that lack of leadership participation among the SMEs is a key cause of firms failing to plan in the long term as well as failed strategic plans.

d) Organizational culture

Organizational culture dominant in a firm was rated by the respondents as more important by the majority (31%) and most important by 25% of the respondents. 23% of the respondents rated organizational structure as important, 15% as less important and 6% as least important as shown in table 4.2. Of the total respondents, 79% rated organizational culture as important in the adoption of strategic planning. The mean for this factor was 3.54 which is an indicator that majority rated organizational culture as "more important" as shown in table 1.

According to this research outcome, organizational culture is an important factor in determining the adoption of strategic planning in the SMEs. Organizational culture in many SMEs tends to orientate towards short-term operations rather than long-term strategic issues and decision making tends to be reactive rather than proactive (Mazzarol, 2004). This then partially explains why the adoption in most SMES is low compared to the large firms.

e) Globalization of markets

Majority of the respondents (26%) rated globalization of markets as an important factor in the adoption of strategic planning tool. As shown in table 4.2, 23% of the respondents rated globalization of markets as most important and another 23% as more important. 27% of the respondents rated the factors as important and the factor was rated as less important by 11% and least important by 16% of the respondents. Cumulatively, 72% of the respondents rated globalization of markets as important in the adoption. The mean for this factor was 3.26 and this corresponds to an "important" determinant as shown in table 1.

The research outcome is in tandem with Boje (2015) who carried out research works in regard to the external factors that determine adoption of strategic planning in SMEs and identified globalization of markets and the internationalization of business, government laws and regulations, occurrence of major political events and technological advancements.

f) Reward systems existent in the firms

The respondents were asked to rate the influence of the reward systems applicable in the firms on the adoption of strategic planning tool. Of the total respondents 13% rated reward system existent in the firm as most important, 19% as more important and 16% of the informants rated it as important. As table 2 shows, 25% and 27% respectively of the respondents rated the factor as least important and less important. In total 48% of the respondents rated reward system as important, more important or most important.

The research study thus found that in the adoption of strategic planning, reward systems put in place was not a very important determinant. Adoption of strategic planning was thus determined by other factors but not the reward systems applicable in the firms.

g) Degree of innovativeness in the manufacturing SMEs

The respondents were asked to categorize the degree of innovativeness in regard to adoption of strategic planning tool. The majority (32%) of the informants indicated that the degree of innovativeness was more important and 21% rated the factor as important. 24% indicated that the factor was most important and 19% rated it as less important as shown in table 4.2. Only 4% of the informants rated the factor as least important. In total, 77% of the interviewees rated the factor as important which suggests that the factor was a key

determinant. The mean of the sub-variable was 3.54 a value that corresponds to a "more important" rating as shown in table 1. This shows that innovativeness is a key determinant of the adoption of strategic planning tool in the SMEs. This research outcome is corroborated by Rogers (1996) who found out that the degree of innovativeness in a firm determines the manner in which a new technological idea migrates from the point of inception to the adoption.

h) Policies and regulations put in place by the government

The study aimed at determining whether the policies and regulations put in place influences the adoption of strategic planning. This was rated as most important by the majority (36%) of the respondents. 28% rated the factor as more important and 22% rated it as important. 10% rated the factor as important and 4% as least important respectively as shown in table 2. In total, 86% of the informants responded that the policies and regulations put in place was an important factor in the adoption of strategic planning.

The mean for this factor was 3.80 which correspond to "more important" in the factor ratings as shown in table 1. This was a clear indication that most interviewees considered government policies and regulations as an important factor in determining the adoption of strategic planning. This research finding is supported by Boje (2015), who carried out scholarly works in regard to the factors that determine adoption of strategic planning in SMEs and identified government laws and regulations, globalization of markets and the internationalization of businesses as some of the key factors.

Table 2: Factors that determine effective adoption of strategic planning

	Least important (%)	Less important (%)	Important (%)	More important (%)	Most Important (%)	mean	Std. dev
Availability of key resources	3	5	9	22	60	4.30	1.07
Organizational structure	3	7	23	32	36	3.91	1.05
Leadership style adopted	3	8	21	35	33	3.88	1.04
Organizational culture	6	15	23	31	25	3.54	1.20
Globalization of markets	16	11	26	23	23	3.26	1.37
Reward systems applicable	25	27	16	19	13	2.81	1.17
Degree for innovativeness	4	19	21	32	24	3.54	1.15
Policies and regulations	4	10	22	28	36	3.80	1.16

1.7.1 Association of the various attributes and adoption of strategic planning

After establishing the factors that the respondents indicated determine adoption of strategic planning tool, the researcher then proceeded to test the degree of association between various outlined factors and the adoption of strategic planning. To achieve this objective, the researcher used the Chi-square test. The existence of association between the outlined factors and adoption of strategic planning in the firms was determined by *p* value, a figure that was calculated by use of SPSS Version 21 tool. Any relationship that had a *p* value of 0.05

and less was considered as having an association between the respective factor and the adoption of strategic planning tool.

a) Nature of firms management and adoption of strategic planning

A test for association in regard to the leadership (management) of the enterprises and adoption of strategic planning was done and the results revealed that an association existed between the nature of leadership and the adoption of strategic planning, ($\chi^2 = 5.339$, df = 1, p = 0.021). In this regard, the degree of adoption of the strategic planning tool was higher in those manufacturing SMEs that were led by the managers (59.8%) as compared to the ones led by the owners (38.1%) as shown in table 3.

b) Gender and adoption of strategic planning

The next level of analysis aimed at determining if there was any association between the gender of the respondents and adoption of strategic planning tool in the manufacturing SMEs. In regard to this, the chi-square test results showed that the respondents' gender and adoption of the strategic planning tool were not related. ($\chi^2 = 0.91$, df = 1, p = 0.763). Out of the total male respondents who were interviewed, 51.5% had adopted strategic planning tool in their manufacturing firms and for the female respondents almost an equal portion (48.5%) had adopted as shown in table 3.

c) Respondents' age and adoption of strategic planning

In regard to age, the Chi square test results revealed that the respondents' age and adoption of strategic planning were not associated, ($\chi^2 = 4.738$, df = 4, p = 0.315). Of the respondents that were in the age bracket of 20-25 years, adoption of strategic planning tool as shown in table 3 was 47.1%, age 26-30 years adoption rate was 55.2%, 31- 40 years adoption rate was 61.0%, age 41-50 years adoption rate was 50% and for the respondents aged 51 years and above, adoption of strategic planning tool was 28.6%. This implies that the adoption of the strategic planning SMEs was not dependent on the ages of respondents.

d) Education level and adoption of strategic planning

In regard to education level, the Chi square test for association revealed that the respondents' highest level of education and adoption of strategic planning tool were significantly related, ($\chi^2 = 13.971$, df = 3, p = 0.003). For the owners and managers who had college certificates, 25% had adopted strategic planning tool, those respondents who had diplomas, 44.4% had adopted strategic planning, those respondents who possessed a first degree, 73.3% had adopted and for those respondents who had post-graduate qualifications, 61.9% of the respondents had adopted strategic planning tool in their firms as shown in table 3.

Table 3: Respondents' details and adoption of strategic planning

	Adoption Status		
	Yes	**No**	**Total Percentage**
Owners or manager			
Owner	16 (38.1%)	26 (61.9%)	42 (100%)
Manager	52 (59.8%)	35 (40.2%)	87 (100%)
Respondents gender			
Males	51 (51.5%)	48 (48.5%)	99 (100%)
Females	16 (48.5%)	17 (51.5%)	33 (100%)
Respondents age			
20 – 25	8 (47.1%)	9 (52.9%)	17 (100%)
26 – 30	16 (55.2%)	13 (44.8%)	29 (100%)

31 – 40	25 (61.0%)	16 (39.0%)	41 (100%)
41 – 50	15 (50.0%)	17 (50.0%)	32 (100%)
Over 51 years	4 (28.6%)	10 (71.4%)	14 (100%)
Highest level of education			
Certificate	4 (25%)	12 (75%)	16 (100%)
Diploma	16 (44.4%)	20 (55.6%)	36 (100%)
First degree	33 (73.3%)	12 (26.7%)	45 (100%)
Post graduate degree	13 (61.9%)	8 (38.1%)	21 (100%)
Motivation for starting the business			
Profits	38 (48.7%)	40 (51.3%)	78 (100%)
Growth maximization	21 (52.5)	19 (47.5%)	40 (100%)
Personal fulfillment	3 (37.5%)	5 (62.5%)	8 (100%)
Hobby	2 (66.7%)	1 (33.3%)	3 (100%)

e) Size of the manufacturing firms and adoption of strategic planning

The Chi square test results revealed that the size of the firms and adoption level of strategic planning were significantly associated. ($\chi^2 = 5.055$, df = 1, p = 0.025). For the small enterprises that employed between 5 and 49 employees, the adoption rate of strategic planning tool was 47.4% while the medium firms that employed between 50 and 99 employees, adoption rate was 75.0% as shown in table 4. The findings thus clearly revealed that the size of a firm is a key determinant of the adoption of strategic planning.

f) Legal form of manufacturing firms and adoption of strategic planning

Chi-square test for association revealed that the legal form of the different SMEs and adoption of the strategic planning tool were related ($\chi^2 = 6.036$, df = 2, p = 0.049). Of the SMEs that were owned by one person, 39.6% had adopted the strategic planning and for the ones that were operated as partnership firms, 55% had adopted the strategic planning as shown in table 4. For the limited companies that are in most cases owned by a group of shareholders, 62.7% had adopted strategic planning.

g) Business location and adoption of strategic planning

Chi-square test revealed that there was no association (relationship) between the location of the firms and adoption of strategic planning ($\chi^2 = 5.109$, df = 3, p = 0.164). For the firms that were located within the CBD area, adoption of strategic planning tool was 60%, those that were located 2 to 5 Kilometers from the CBD, adoption was at 61.3% and those firms that were located 6 to 10 Kilometers from the CBD, adoption rate was 39.5% as shown on table 4. Thus adoption was influenced by other factors but not the business location.

h) Years of business operation and adoption of strategic planning

The test results revealed that there was no association between the number of years the firms had been in operation and adoption of strategic planning, ($\chi^2 = 0.474$, df = 3, p = 0.925). Of those SMEs that had been in operation for between 1 to 10 years, adoption rate was 48.4%, 11 to 20 years, the adoption rate was 50.0%, 21 to 30 years adoption rate was 51.9% while those that had been in operation for over 30 years the rate was 56.7% as table 4 shows.

i) Motive of starting the business and adoption of strategic planning

The Chi-square test revealed that the key motive for starting the enterprises and adoption of strategic planning were not associated, ($\chi^2 = 0.977$, df = 3, p = 0.807). The respondents who had their firms established with

profits as the prime motivation had 48.7% adoption rate and those who had growth maximization as the motivation had 52.5% adoption rate of the strategic planning tool as shown in table 4. For those entrepreneurs who had personal fulfillment as the key motive for starting the SMEs, adoption rate tool was 37.5%.

j) Degree of advancement in technology and adoption of strategic planning

Chi-square test for association results revealed that the rate of the firms' advancement in technology was significantly associated with adoption of the strategic planning tool in the SMEs, ($\chi^2 = 11.306$, df = 2, p = 0.004). For those firms whose level of advancement was rated as low, the rate of adoption was 7.7%, those firms whose advancement was rated as medium, the rate of adoption was rated at 56.3% and those that had a high advancement, the rate of adoption was rated at 58.8% as table 4 shows.

k) Team work spirit and adoption of strategic planning

The Chi-square test for association revealed that the level of team spirit and adoption of strategic planning was highly associated, ($\chi^2 = 9.697$, df = 2, p = 0.008). Of those informants who rated their employees as having low team work spirit, the rate of adoption was 0.0%, those informants who rated their employees team work spirit as medium, the rate of adoption was 42.7% while those who rated the team work spirit as high, the rate of adoption was 66.7% as shown in table 4.

l) Investment in Research and Development and adoption of strategic planning

In this regard, Chi-Square test for association results revealed that investment in R & D in the SMEs and adoption of strategic planning were associated. ($\chi^2 = 5.762$, df = 1, p = 0.016). For those small and medium manufacturing firms that had not invested in R & D, the rate of adoption of the strategic planning tool was 45.0% while those firms that had invested in R & D, the rate of adoption was 66.0% as shown in table 4.

m) Firms annual sales and adoption of strategic planning

The Chi-test results revealed that the annual sales' levels and adoption of strategic planning were not related (associated), ($\chi^2 = 6.940$, df = 4, p = 0.139). For the SMEs that made annual sales of between 0.5 to 5 million shillings, the rate of adoption was 43.5%, those that had annual sales of between 5 to 20 million shillings the rate of adoption was 83.3% and those that had annual sales of between 20 to 100 million shillings the rate of adoption was 50% as shown in table 4.

n) Training on strategic planning and adoption of strategic planning

In this regard, the results revealed that there was a significant association between training on strategic planning and the adoption of the same in the manufacturing SMEs. ($\chi^2 = 13.478$, df = 1, p = 0.001). Of those respondents who had received some training, the rate of adoption of strategic planning was 73.8% while those who had not received any training the rate of adoption in their respective SMEs was 40.4% as shown in table 4.

Table 4: Firm attributes and adoption of strategic planning

	Adoption Status		
	Yes	**No**	**Total Percentage**
Size of the business			
5 to 49 employees	45 (47.4%)	50 (52.6%)	95 (100%)
50 to 99 employees	15 (75.0%)	25 (25.0%)	40 (100%)
Legal form			

Sole Proprietorship	21 (39.6%)	32 (60.4%)	53 (100%)
Partnership	11 (55.0%)	9 (45.0%)	20 (100%)
Limited company	37 (62.7%)	22 (37.3%)	59 (100%)
Business location			
Within CBD	3 (60.0%)	2 (40.0%)	5 (100%)
2 to 5 Km from CBD	38 (61.3%)	24 (38.7%)	62 (100%)
6 to 10 KM from CBD	17 (39.5%)	26 (60.5%)	43 (100%)
More than 10 Km from CBD	10 (47.6%)	11 (52.4%)	21 (100%)
Years of operation			
1 to 10 years	15 (48.4%)	16 (51.6%)	31 (100%)
11 to 20 years	18 (50.0%)	18 (50.0%)	36 (100%)
21 to 30 years	14 (51.9%)	13 (48.1%)	27 (100%)
Over 30 years	17 (56.7%)	13 (43.3%)	30 (100%)
Firms advancement in technology			
Low	1 (7.7%)	12 (92.3%)	13 (100%)
Medium	58 (56.3%)	45 (43.7%)	103 (100%)
High	10 (58.8%)	7 (41.2%)	17 (100%)
Team work spirit in firms			
Low	0 (0.0%)	2 (100%)	2 (100%)
Medium	32 (42.7%)	43 (57.3%)	75 (100%)
High	38 (66.7%)	19 (33.3%)	57 (100%)
Investment in Research & Dev.			
Yes	23 (66.0%)	12 (34.0%)	35 (100%)
No	45 (45.0%)	55 (55.0%)	100 (100%)
Firms' annual sales			
0.5 to 5 Million	27 (43.5%)	35 (56.5%)	62 (100%)
5 to 20 Million	5 (83.3%)	1 (16.7%)	6 (100%)
20 to 100 Million	11 (50.0%)	11 (50.0%)	22 (100%)
100 to 800 Million	9 (56.2%)	7 (43.8%)	16 (100%)
Over 800 Million	3 (100%)	0 (0.0%)	3 (100%)
Training on Strategic Planning			
Yes	52 (74.0%)	18 (26.0%)	70 (100%)
No	23 (40.4%)	34 (59.6%)	57 (100%)
Mode of communication in firms			
Meetings	23 (57.5%)	17 (42.5%)	40 100%)
Written	2 (50.0%)	2 (50.0%)	4 (100%)
Symbols	8 (88.9%)	1 (11.1%)	9 (100%)
E-mails	21 (60.0%)	14 (40.0%)	35 (100%)
Phones	15 (34.1%)	29 (65.9%)	44 (100%)

1.8 Summary, Conclusions and Recommendations

This section will focus on the major findings of the study and also draw conclusions and make recommendations that can be applied in other firms. It will also make suggestions for further research studies based on the findings of the study.

1.8.1 Summary of research findings

The study aimed at establishing the factors that influence adoption of strategic planning tool in the manufacturing SMEs in Kenya. In regard to the availability of key resources, the study found that this was a key determinant that influenced adoption of strategic planning in the manufacturing SMEs. The factor was rated as important by 91% of the respondents and the mean value for the factor was 4.30 which correspond to a "more important" rating in the Likert scale.

Organizational structure as a factor that determines adoption was considered an important factor by majority (91%) of the respondents. In the Likert scale, it had a mean value of 3.91 which corresponds to a "more important" rating. The way in which the leadership of an organization is structured was thus found to greatly determine whether a firm adopts strategic planning tool or does not. The research study also found that the leadership style adopted by the firm determines whether the firm would adopt the strategic planning tool. The factor was rated as important by 89% of the informants and the mean value for this parameter was 3.88 which correspond to a "more important" scale rating in the Likert scale.

The culture prevalent in the firm was also found to have an influence on the adoption of strategic planning in the Kenyan SMEs. The factor was rated as important by 79% of the respondents and the mean value for this was 3.54 which correspond to a "more important" rating in the Likert scale. Globalization of markets was another factor that the study found to have an influence on the adoption of strategic planning in the SMEs. 73% of the respondents rated the factor as important and in the Likert scale, the mean value was 3.26 which correspond to an "important" rating. The study found that the degree of innovativeness also affects adoption of strategic planning and the factor was rated as important by 77% of the informants. The mean value for the factor was 3.54 which correspond to a "more important" rating in the Likert scale.

The study also found policies and regulations put in place by the governments as another factor that determine adoption of strategic planning in the manufacturing SMEs. 86% of the respondents rated this factor as important. In the Likert scale, this factor had a mean value of 3.80 which corresponds to a "more important" rating in the Likert scale. In regard to the reward system existent in the firms, the study found that the factor was not a key factor in the adoption of strategic planning in the SMEs in Kenya. Only 48% of the respondents indicated this as an important factor and 25% and 27% of the informants rated the factor as less and least important respectively. This thus clearly showed that adoption of strategic planning in the manufacturing SMEs in Kenya is influenced by other factors apart from rewards.

1.8.2 Conclusions

The study found that a number of factors determine the adoption of strategic planning in the manufacturing SMEs in Kenya. The first factor that the study found that determines the adoption is the availability of key resources. Firms are dependent on the environment for their resources and these literally control the manner in which the firms do their long term planning. Organizational structure was found to be an important factor in determining the adoption of strategic planning in the SMEs. Many of the SMEs often do not have the means to ensure successful adoption of strategic planning tool because they maintain less developed organizational structure. The leadership style dominant in firms was another factor that the study found determines adoption of strategic planning. An effective leadership involves encouraging employees to perform better through communicating the value of the long term targets and providing a scope for the workers.

The organizational culture was another factor that the study found determines the adoption of strategic planning tool in the SMEs. This element will determine how much employees are aligned to the strategic plan, how

much they support it and thus the degree of its success. Globalization of markets was another factor that the study found determines the adoption of strategic planning in the manufacturing SMEs. This accompanied by the entry of cheaper end products in the developing countries has significantly changed market contexts and thus the way the SMEs do their long term planning.

The degree of innovativeness was another factor that the study found determines adoption of strategic planning. The research study found that the degree of innovativeness determines the ease with which the SMEs adopt strategic planning. Existence of policies and regulations put in place was another factor that the study found determines the adoption. Many governments usually design policies and regulations that have direct effect on the operations of the SMEs and this influences the manner in which the firms do their long term planning. However, the reward systems put in place by the firm's management was not found to be a key determining factor in the adoption of strategic planning tool.

1.8.3 Recommendations

In regard to the factors that determine adoption of strategic planning, the study recommends that managers should ensure that key resources are availed in their firms, nurtured and well protected. The top management in the SMEs should also ensure that proper organization structures are set up to ensure easy flow of communication. The study recommends that firms' management ought to adopt leadership styles that will encourage staff participation in long term planning decisions. The organizational culture in firms should also be adopted, modified and developed in such a way that it is aligned to the strategic plans.

Due to the competition that has been realized as a result of globalization, firms should develop products that will add value to the customers yet be in a position to compete in regard to price and value addition. The SMEs' managers should encourage all employees in their firms to be highly innovative as this is likely to lead to adoption of the current management tools such as strategic planning. The governments should also draft policies and regulations that will encourage firms to increase the adoption of management tools that have been proved to work in other countries. The governments should also encourage collaborations of local firms with large multinationals who over time have been able to develop long term planning tools.

The study also recommends that the managers employ highly competent managers to oversee the operations of their firms. The firm managers should also possess high academic qualifications as there is a positive correlation between academic qualifications and ability to plan in the long term. Entrepreneurs should also upgrade the size of their firms once they have been properly established as medium and large sized firms have better resources to adopt modern management tools such as strategic planning.

The study also recommends that firms should increase their levels of investment in R & D as this would increase the rate of adoption of other management tools. The levels of team work spirit in the SMEs should also be enhanced to ensure that all employees are properly aligned and work in unison. The top managers should also give focus to training in strategic planning to the employees as the degree of training has a positive correlation with the adoption of strategic planning. The modes of communication in firms also ought to be carefully selected to ensure fast, effective and convenient transmission of information. The mode that is fast, effective and convenient such as use of internet and symbols should be given special focus in small and medium sized firms.

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