STRATEGIC FACTORS AFFECTING GROWTH OF MICRO, SMALL AND MEDIUM ENTERPRISES IN KENYA: A SURVEY OF SMES IN BOMET CENTRAL BUSINESS DISTRICT, BOMET COUNTY

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Abstract: Despite the vital role of SMEs in building a competitive private sector and contributing significantly to economic growth and job creation, SMEs are facing more challenges around the world in general and in developing countries in particular. The main objective of this study was to assess the strategic factors affecting growth of micro, small and medium enterprises in Bomet County. Data was collected using both open and closed ended questionnaires. In order to realize this purpose, this study adopted descriptive research employing the use of questionnaires, observation and interviews to collect data from a sample size of 52 SMEs in Bomet Central Business District which were selected using stratified random sampling. Data was subjected to coding for easier analysis. Data was then analyzed using descriptive statistics such as percentages, frequencies, figures and tables. The study found out that technology, access to finances, innovation and having a strategic plan all affect the growth of SMEs. It further established that investing in technology made business activities efficient and ability to fit in the dynamic business world where technology is evolving day and night, access to finances was also noted to be paramount in any business venture for restocking, salaries and wages and carrying out research and development, innovation was also viewed to put any business entity on the competitive edge as it was observed that those who engaged in innovation were seen to be doing better than those who did not engage in innovation, having a strategic plan also gave direction in running the business and aids in allocation of resources and persons responsible in executing the laid down tasks in order to meet the organizational objectives.

Key Words: Micro-small and medium enterprises, Entrepreneur, Innovation, Strategic planning

1. INTRODUCTION

Entrepreneurship all over the world is emerging today as an avenue for gainful employment, a means of helping entrepreneurs to assert themselves in the world of work, and a way of improving both their economic and social status. Small and Medium Enterprises (SMEs) are viewed as a key driver of economic and social development in the African context. They represent a large number of businesses in a country, generate much wealth and employment and are widely considered to be vital to a country's competitiveness. SMEs are hailed for their key role in promoting grassroots economic growth and equitable sustainable development (Pelham, 2000).
Small- and medium-sized enterprises (SMEs) are considered engines of growth in developing countries. In developed countries, SMEs have historically played a vital role in creating jobs, spurring innovations, and creating new products, and thus contributed to economic vitality and growth. Taking these experiences into account, African countries should not overlook the importance of promoting SMEs in the same regard. However, considering the situation of most African countries, there are several impediments that have to be removed in order for SMEs to flourish. Recently, the strong presence of Asian SMEs in Africa and increasing competition has negatively affected local SMEs (Hallberg, 1999).

Small and medium enterprises in Kenya's manufacturing sector are defined as enterprises with fulltime employees not exceeding 100 or annual sales turnover not exceeding Ksh 150 million. The development of competitive and resilient small and medium enterprises (SMEs) forms an integral component of Kenya's initiatives to be globally competitive and prosperous nation with a high quality of life by 2030 (GoK, 2007). The challenges posed by increased liberalization, new entrants to the market, increased standards requirements and technological developments require SMEs to raise efficiency levels, strengthen inter-firm linkages and respond timely to market changes. At the same time, greater integration into the global economy provides opportunities for SMEs to participate in the international value chain and supply chain networks. This will enable SMEs to move up the value chain and adopt new technologies, particularly information and communication technology (ICT). Only SMEs that are capable of harnessing technology and knowledge to develop high value-added products of superior quality will be able to compete globally (GoK, 2007).

The Micro and Small Enterprise (MSE) has been identified as the leading employment sector in the country employing over 11.8 million people. According to a report by a special committee working on the modalities of de-linking the Micro and Small Enterprise Authority (MSEA) from the Ministry of Industrialization, the sector contributes to over 80% employment in the country.

Small and medium enterprises are major contributors of employment creation and economic growth globally. It is observed that the health of the economy as a whole has a strong relationship with the health, nature and performance of the SMEs sector. For instance when the state of the macro economy is less favorable the opportunities for profitable employment expansion in SMEs are minimal. The significant role of small business in the Kenyan economy suggests that an understanding of their performance is crucial to the stability and health of the economy (Kioko, 2015).

Whereas starting and operating a small business includes a possibility of success as well as failure there is general consensus that smallness and newness cause immense difficulties for businesses. In Kenya today, over sixty percent of small businesses are estimated to fail annually. Judging by the performance of the informal sector in Kenya, not much progress seems to have been achieved despite numerous government efforts to promote SMEs activity. Due to their exposure to risks owing to their location and small size, a simple management mistake is likely to lead to sure death and closure of a small enterprise hence no opportunity to learn from its previous mistakes. Hence, not many SMEs grow to significantly contribute to employment creation and economic growth. Unfortunately, there is very little information on how the small business sector is managed, regulated and structured (Kioko, 2015).

Despite the vital role of SMEs in building a competitive private sector and contributing significantly to economic growth and job creation, SMEs are facing more challenges around the world in general and in developing countries in particular. Likewise, Kenyan SMEs face numerous and serious challenges to their growth for instance the cumbersome legal and regulatory constraints, lack of access to external financing, low human resources capacities, lack of management skills and training, and low technological capacities, lack of innovation amongst other challenges.

The numerous challenges posed by new market entrants, increased liberalization, increased standards requirements and technological advancements require SMEs to raise their efficiency levels, strengthen inter-firm linkages and respond timely to market dynamics in the business environment. Additionally, greater integration into the global economy provides opportunities for SMEs to actively participate in the supply chain networks and international value chain. This will enable SMEs to move up the value chain and utilize new and useful technologies, particularly information and communication technology (ICT). Only SMEs that are capable of taking advantage of emerging technology and knowledge to develop value-added products of high quality will be able to compete with other firms globally.

The general objective of this study was to examine the strategic factors affecting growth of Small and Medium Enterprises in Bomet Central Business District, Bomet County. The specific objectives were: to determine how technology affect growth of Small and Medium Enterprises in Bomet Central Business District, Bomet County, to determine how access to financing affects growth of Small and Medium Enterprises in Bomet Central Business District, Bomet County, to establish how innovation affects growth of Small and Medium Enterprises in Bomet Central Business District, Bomet County and to establish how strategic planning influence the growth of SMEs in Bomet Central Business District, Bomet County.

The research focused on 52 registered SMEs in manufacturing sector of Bomet Central Business District in Bomet County. The SMEs included enterprises engaged in tailoring, furniture making, boutiques, electronics dealers, vegetables and fruits vendors, bakeries and others in Bomet town because most of the SMEs in the area engage in these activities. The study participants were the owners and employees of the SMEs.

2. LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 The Balanced Score card (BSC)

BSC suggests managers to view organization's performance from four dimensions, customer perspective, internal perspective, innovation & learning perspective, financial perspective (Kaplan & Norton 1996). BSC incorporates financial and non-financial measures in one measurement system. The objectives and measures of BSC are derived from an organization's vision and strategy. The Balanced Scorecard provides executives with a comprehensive framework that translates a company's vision and strategy into a coherent set of performance measures.

According to Kaplan & Norton (1996) the balanced scorecard not only allows the monitoring of present performance, but also tries to capture information about how well the organization is positioned to perform in the future. Furthermore, the Balanced Scorecard has evolved to become a core management tool, in that it helps CEOs not only to clarify and communicate strategy, but also to manage strategy. In practice, companies use the BSC approach to accomplish four critical management processes, clarify and translate vision and strategy, communicate and link strategic objectives and measures, plan, set targets, and align strategic initiatives and enhance strategic feedback and learning.

2.1.2 Pecking Order Theory

In the theory of firm's capital structure and financing decisions, the Pecking Order Theory or Pecking Order Model was first suggested by Donaldson (1961) and it was modified by Myers and Majluf (1984). It states that companies prioritize their sources of financing (from internal financing to equity) according to the Principle of least effort, or of least resistance, preferring to raise equity as a financing means of last resort. Hence, internal funds are used first, and when that is depleted, debt is issued, and when it is not sensible to issue any more debt, equity is issued.

Pecking Order Theory starts with asymmetric information as managers know more about their company’s prospects, risks and value than outside investors. Asymmetric information affects the choice between internal and external financing and between the issue of debt or equity. There therefore exists a pecking order for the financing of new projects. Asymmetric information favours the issue of debt over equity as the issue of debt signals the board’s confidence that an investment is profitable and that the current stock price is under-valued (if stock price was over-values the issue of equity would be favoured). The issue of equity would signal a lack of confidence in the board and that they feel the share price is overvalued. An issue of equity would therefore lead to a drop in share price. This does not however apply to high-tech industries where the issue of equity is preferable due to the high cost of debt issue as assets are intangible. Tests of the Pecking Order Theory have not been able to show that it is of first-order importance in determining a firm's capital structure.

2.1.3 Schumpeter Theory

Schumpeter, as cited by Swedberg (2000), pointed out economic behavior is somewhat automatic in nature and more likely to be standardized, while entrepreneurship consists of doing new things in a new manner, innovation being an essential value. As economics focused on the external influences over organizations, he believed that change could occur from the inside, and then go through a form of business cycle to really generate economic change.

Swedberg (2000) set up a new production function where the entrepreneur is seen as making new combinations of already existing materials and forces, in terms of innovation; such as the introduction of a new product, introduction of a new method of production, opening of a new market, conquest of a new source of production input, and a new organization of an industry (Casson, 2002). For Schumpeter, the entrepreneur is motivated by the desire for power and independence, the will to succeed, and the satisfaction of getting things done. Swedberg (2000) conceptualized ‘creative destruction’ as a process of transformation that accompanies innovation where there is an incessant destruction of old ways of doing things substituted by creative new ways, which lead to constant innovation

2.1.4 Technology Acceptance Model (TAM)

Davis (1989) presented a theoretical model aiming to predict and explain ICT usage behavior, that is, what causes potential adopters to accept or reject the use of information technology. Theoretically, TAM is based on the Theory of Reasoned Action (TRA). In TAM, two theoretical constructs, perceived usefulness and perceived ease of use, are the fundamental determinants of system use, and 15 predict attitudes toward the use of the system, that is, the user’s willingness to use the system. Perceived usefulness refers to “the degree to which a person believes that using a particular system would enhance his or her job performance”, and perceived ease of use refers to “the degree to which a person believes that using a particular system would be free of effort” (Davis, 1989).

In these articles TAM was used in three different ways, namely to compare different adoption models, develop extensions of TAM, or replicate the model. For example, Davis et al. (1989) empirically compared the ability of TRA and TAM to predict and explain the acceptance and rejection by users of the voluntary usage of computer-based technology; Venkatesh and Davis (2000) developed and tested a theoretical extension of TAM, referred to as TAM2, which explains perceived usefulness and usage intentions with the help of social influence and cognitive instrumental processes, and Adams et al. (2002) replicated Davis’ (1989) study.

2.2 Empirical Literature

A number of studies have been conducted on microfinance and SMEs in Kenya. For instance, China Microfinance Industry Assessment Report provided by the China Association of Microfinance gives the definition of microfinance in China, and examines the impacts of microfinance development at macro, and micro levels, spanning over agricultural industry, financial markets, and social vulnerable groups such as women and farmers (He, Du, Bai & Li, 2009).

Many studies then have focused on each level specifically. Li (2006) concludes that microfinance has offered an effective finance method for the construction of new socialist rural regions and has won the support of agriculture and farmers. Dyar, Harduar, Koenig, and Reyes (2006) together examined the impact of microfinance on gender inequality in China and discovered that there are many benefits to providing microfinance to women, despite lack of conclusive evidence on significantly reducing gender inequality. Microfinance allows women to enjoy greater economic power, better living quality, and stronger social and political empowerment.

Park, Ren, and Wang, (2004) assess the potential role of microfinance for financial reform in China and suggest that China's financial reforms have yet to create an institutional space in which microfinance can operate, thrive, and expand. Therefore, expansion of microfinance will almost definitely have to await substantial further progress in creating a well-developed commercial, financial system. In the meantime, however, microfinance programs are competing with China's official financial institutions and levying pressure on the practice and reform of the rigid state-owned financial institutions.

In addition to research on reform, studies have also been conducted on the structure of microfinance. Sun (2008) studies the policy and legal framework for microfinance and suggests that governments will have to continue to focus on improving the legal and political environment for microfinance if the industry is to continue to grow and prosper. Park and Ren (2001) study the nongovernmental and governmental microfinance programs from cultural perspective and find that nongovernmental programs perform well in aspects of reaching the poor (targeting), guiding financial and operational performance (sustainability), and establishing program benefits (impact). Meanwhile, Tsai (2004) points out four reasons for the existence of informal microfinance service: the limited supply of formal credit; limits in state capacity to implement its policies; the political and economic segmentation of local markets, and the institutional weakness of many microfinance programs.

To study the development of SMEs, Chen (2006) gives an overview of the historical development and current status of SMEs worldwide and examines major political initiatives contributing to the development of SMEs. Liu and Yu (2008) look into the structure of Africa's financial system and argue that insufficient development of rural SMEs and regional divergence in SME development are important causes of urban-rural income inequality. Shen, Shen, Xu, and Bai (2009) further examine how bank size, discretion regarding credit, incentive schemes, industrial competition, and institutional environment could affect lending.

Previous studies have also shown that a number of factors hamper the growth of small businesses, including lack of capital or financial resources, however, the degree to which limited financial resources alone are a major obstacle to business development is still controversial. For example, findings show that additional capital is often not required to carry out a successful business activity and that lack of capital can be compensated through creativity and initiative (Hart, 1972; Harper and Soon, 1979; Godsell, 1991; Dia, 1996). In addition, Kallon (1990) found that the amount of capital needed to start a business is significantly negative when related to the rate of growth for the business. He also found that access to commercial credit did not contribute to entrepreneurial success in any significant way, and if it did, the relationship would be negative.

On the other hand, some researchers have argued that small businesses are under-capitalized. Many entrepreneurs tend to depend upon their own or their family's savings to start and operate a business; this means of capitalization is limited. Thus, access to capital remains a challenge. For example, Kallon (1990) found that 65.6 percent of the firms studied depended upon personal savings as their sole source of capital, 10.9 percent had access to family savings, 9.4 percent used commercial banks, and 7.8 percent drew resources from partners and shareholders and other sources. Keyser et al. (2000) found that in Zambia, a lack of starting capital was a common problem for entrepreneurs, as only 24 percent of entrepreneurs received a loan to start their business.

Another study by Koop et al. (2000) found that the amount of starting capital was positively related to business success. Research on the role of capital in determining the success or failure of small businesses in Africa is contradictory and, therefore, remains unclear. Overall, most small businesses cannot meet the requirements for commercial loans because they lack collateral, and those who meet the requirements still find them prohibitively expensive in terms of repayment.

Management problems, including accounting, finance, personnel, and management issues, have been cited as a major cause of business failure for small businesses. The findings of a study by Tushabomwe-Kazooba (2006) revealed that poor recordkeeping and a lack of basic business management skills are major contributors to small business failure in Africa. The lack of management experience often makes it difficult for business owners to succeed. Researchers have also identified other factors hindering the success of small businesses, such as poor bookkeeping, inexperience in the field of business and the lack of technical knowledge, poor managerial skills, lack of planning, and lack of market research (Lussier, 1996; Mahadea, 1996; Murphy, 1996).

Other acknowledged factors which negatively affect small business development include corruption, poor infrastructure, poor location, failure to conduct basic market research, and the economy (Kazooba, 2006; Mambula, 2002). For example, Kiggundu (2002) argued that the major challenges that face African businesses include, bribery, dishonest, and other illegal business conducts. These activities have hampered business entrepreneurial in sub-Saharan Africa in general and Kenya in particular. These unethical activities enable those in positions of power, control, and influence to make fast and illegal money. In general, corruption affects people in different occupations, including small businesses.

In addition to undermining the legal framework, national integrity, and regulatory system, it also undermines the trust and confidence of business owners (Langseth & Stapenhurst, 1977; Pop, 2002). Practically every African country has its own version of corruption at a great cost to entrepreneurs, the economy, public administration, and society at large. However, the impact of corruption on small business development still remains unclear from prior research. An understanding of the specific impact of corruption on small business development is, therefore, crucial in terms of developing strategies to address the issue.

The studies cited in this brief review have indicated that issues such as lack of finance, poor management, corruption, lack of infrastructure, and poor accounting/bookkeeping are major obstacles to small business development in Africa. However, it is important to point out that there are other factors that impact small business development in Africa that must be investigated. Such factors include low demand for products and services, and inability to use or acquire technology. One of the major contributions of small business ownership is that it allows people, especially the poor, to enter the economic and social mainstream of society (Harris & Gibson, 2006).

2.3 Research Gaps and Critique of Existing Literature

The literature reviewed included the balanced score card, technology acceptance model, the pecking order theory and the Schumpeter theory. These theories adequately explain the strategic factors influencing SME growth in the developed world since the supporting data collected and analyzed was from different areas in the United States of America and the United Kingdom. It is therefore clear that all these studies were conducted in countries outside the African continent and as such do not sufficiently capture the unique social, political and economic concerns that growing entrepreneurs have to encounter each day to ensure growth and sustainability of their ventures. Therefore, in this study we shall focus on strategic factors affecting growth of SMEs in the Central Business District of Bomet County, Kenya so that we are able to understand what needs to be done differently in order to ensure success of this sector.

Finance aspect is important in any business and most of the reviewed studies do talk about it. But it is notable that finance alone cannot make entrepreneurs successful. It must be in uniformity with the person's will to succeed in business and the training in the field in which the enterprise is set. The literature on factors influencing growth of SMEs has majorly focused on specific SMEs sectors like manufacturing which may not portray the image in general for all the sectors of SMEs across. Walobwa (2013) looked at the effect of innovation on the growth of SMEs in Kenya focusing on garment enterprises only in Jericho market. He found out that innovation is very critical for SMEs to become and remain competitive in the global market. Since it only focused on garment industries this leaves room for more research across SME sectors in order to bring out more findings.

Most of the methodologies adopted by researchers in the past studies have been focusing on innovative and non-innovative SMEs hence very difficult to distinguish between the two groups since a firm may be termed non innovative when it is really innovative. The existing literature has concentrated more on other general factors other than the ones in this study like a study by Nyagah (2013) which focused on non-financial constraints hindering growth of SMEs in Kenya. The factors in his study were business location, advertising, market competition among others and how they influence SME growth as measured by income and therefore not exhausting the entrepreneurial factors in details. The models that have been adopted by other researchers have been general in nature not focusing on specific parameters of growth as is the case in this study where focus is on growth as measured by sales revenue, customer increase and market expansion.

At the same time some of the past studies ignore the aspect of government as a regulator of the SME business environment and the fact that enterprises do not gain their full potential when they do not comply with set laws and regulations. This makes them target to harassment and exploitation by law enforcers which in the long term is expensive, disrupts business and affects its performance. SMEs continue to be hailed as a huge employer in the Kenyan economy. However, the entrepreneurs still continue to languish in poverty since most of them do the businesses for their survival. Many SMEs though operational stagnate at one stage for many years, performing dismally and employing only the owner. This means that such SMEs die when the owners die. No legacy and perpetuity is expected when performance in these SMEs is negligible.

3. METHODOLOGY

This study adopted a descriptive design because the study sought to answer the why, how and when of the problem under study. According to Mugenda and Mugenda (2003), a descriptive research design is flexible and it provides an opportunity to examine all aspects of a problem and it will capture all the characteristics of the target population.

Descriptive research involves field survey where the researcher goes to the population of interest to ask certain issues about the problem under the study. According to Owens (2002), survey research design has the advantage of uniqueness since information gathered is not available from other sources, having unbiased representation of population of interest and standardization of measurement as same information is collected from every respondent.

The target population comprised of business owners, supervisors and other members of staff. This is shown in 3.1 below:

Table 3.1: Target population

Category	**Frequency**
Tailoring	20
Furniture Making	30
Boutiques	80
Electronics Dealers	60
Vegetable and Fruit Vendors	50
Bakeries	20
Total	260

Since the researcher used survey design, stratified sampling technique was employed. Stratified sampling is a probability sampling technique where the researcher divides the entire population into different subgroups or strata, then randomly selects the final subjects proportionally from the different strata.

A sample size of 52 SMEs in Bomet Central Business District, Bomet County was used for the purpose of this study.

Table 3.2: Sample size

Category	Frequency	Sample Proportion	Sample Size
Tailoring	20	20%	4
Furniture Making	30	20%	6
Boutiques	80	20%	16
Electronics Dealers	60	20%	12
Vegetables and Fruit Vendors	50	20%	10
Bakeries	20	20%	4
Total	260	100%	52

To achieve the research objectives both primary and secondary data were used to answer the research questions. Questionnaires were used to collect primary data from the respondents. According to (Mugenda and Mugenda, 2003) descriptive data is typically collected through a questionnaire survey. Questionnaires consisting of structured and non structured questions will be used to collect data from the business owners, supervisors and other staff members. The structured questions were used to collect quantitative and qualitative data by analyzing the following variables; technology, flexibility and innovation, access to financing and strategic planning.

The researcher sought for permission to carry out the research from the SME owners in Bomet Town. The researcher's own opinion did not influence the respondents to answer questions in a certain manner. There was no verbal or visual clue to influence the respondent. The respondents only gave what was required and therefore remained relevant to the objectives of the study and therefore all the data given was useful to the researcher. The questionnaires were hand-dropped and picked later for analysis. Hand-dropping was deemed appropriate as the researcher was closer to the respondents. The researcher used one questionnaire with common questions to all the respondents. The respondents just needed to indicate the level they were working in the organization. The point of the data collection was the SMES in Bomet Central Business District, Bomet County.

In order to test validity of the research instruments, the researcher sampled ten questionnaires; picked 10 respondents of the target population before the actual research period for a sample study as part of the pilot test study. This helped the researcher to test how reliable the data collected by the questionnaires would be. To ensure that there was consistency in the data resulting from this study, measures such as isolating respondents to ensure that answers to specific questions are not discussed, were employed during data collection to limit interference with the integrity of the results.

Reliability was ascertained by pre-testing the questionnaire with a selected sample of employees from a few employees from the selected SMEs to eliminate likelihood of biasness. According to Ojo (2003), reliability is also referred to as the degree to which the instrument consistently measures what it intends to measure. This gave the researcher an assurance that the chosen instrument was fit to give the desired result.

Quantitative data was analyzed through the use of descriptive statistics. Tables, charts and percentages were used for data presentation through the help of Microsoft Excel package. A multiple regression analysis was conducted so as to determine the relationship among variables (independent) on the effect of strategic growth factors and performance of MSMEs. Objective data categorization methodologies were used to isolate and highlight relevant trends. Averages, dispersion frequencies and percentages served accurately this purpose. There was further processing for presentation of results in a variety of graphs and charts using Ms Excel. Conclusions were then drawn from the findings and recommendations made.

4. FINDINGS, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

4.1 Findings and Discussion

4.1.1 Demographic Information
This sub-section investigates on respondents' background information; mainly it includes; gender of the respondent, period of service in the business of the respondents.

4.1.2 Gender of the respondents
Respondents were asked to indicate their gender, with a view of establishing the gender distribution of the owners/managers of SMEs in Bomet Central Business District. This was done in view of ensuring fair engagement of respondents in terms of their gender. Results are show in table 4.1

Table 4.1 Gender of the respondents

Gender	Frequency	Percentage Frequency
Male	30	57.69
Female	22	42.31
Total	52	100.00

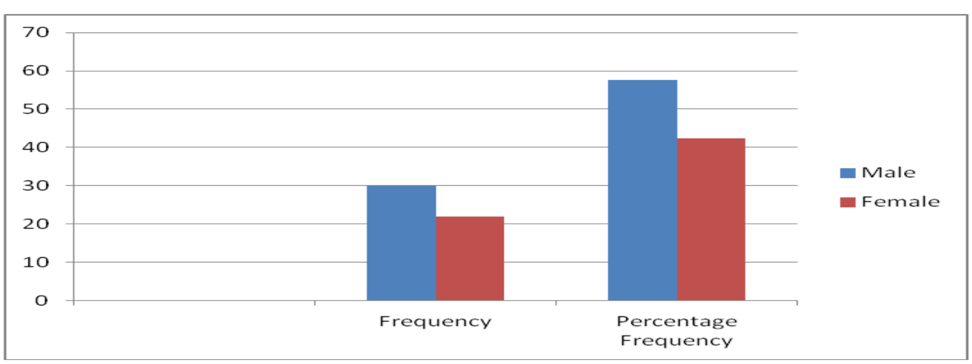

Figure 4.1:Gender of the respondents

From the research findings above, the study noted that majority of the respondents as shown by 57.69% were males whereas 42.31% were females. This shows that SMEs in Bomet CBD are mainly dominated by male gender. This call for conducting training through the relevant authorities at the grassroots so that all can embrace the spirit of Smes as a source of income and livelihood and that it can be successfully ran by anyone.

4.1.3 Period of service in the company

The respondents were asked to indicate the period of time they had managed the business or had been working there with a view of determining their ability to articulate issues pertaining their businesses and whether they had an in-depth understanding of the business operations. It is believed that the longer one serves in an organization the more one understands operations of the organization and higher are better equipped to tackle issues related to the business; the Table 4.2 below summarizes the responses.

Table 4.2 Years of business/working for the organization

Years of service	Frequency	Percentage Frequency
5 and below	25	48.0
6 to 10	17	32.7
11and above	10	19.3
Total	52	100.0

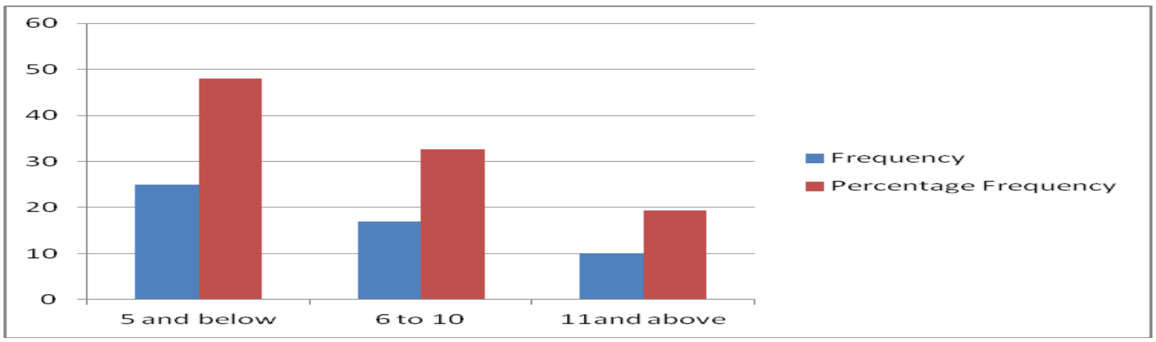

Figure 4.2: Years of business/working for the organization

The findings on the table above shows that the majority of respondents (48%) have managed their businesses for a period of 5 years and below, 32.7% have managed for a period between 6 to 10 years and 19.3% have managed the businesses for a period of 11 years and above.

4.1.4 Innovation

The study sought to know whether SMEs engage in innovation at any given time, the respondents were asked whether their flexible production method allows them to alter and modify their products quickly; table 4.3 below gives their responses

Table 4.3 Flexibility of production method

Flexibility of production Method	Percentage Frequency
Yes	20
No	60
Total	80

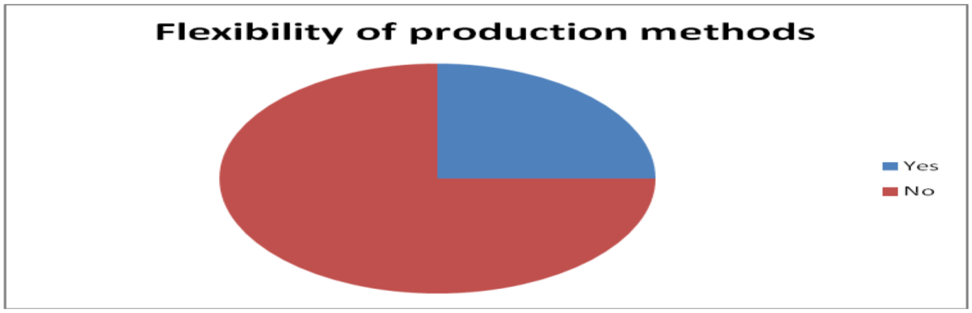

Figure 4.3: Flexibility of production method

Findings show that majority of the Smes' production methods do not allow them to alter or modify their products easily and quickly. The respondents were further asked to give reasons as to o why there is delay or no innovation; their responses were as tabulated in the figure below

Table 4.4 Obstacles in innovation

Obstacles in innovation	Frequency	Percentage Frequency
Lack of Time	5	9.61
Lack of money	10	19.23
Risk-averse culture	20	38.46
Unsuccessful past innovations	10	19.23
Company content with current position	7	13.47
Total	52	100

Some respondents stated other obstacles that included lack of a shared vision, purpose and/or strategy, Short-term thinking/focus, lack of spec time to develop new ideas and opportunities, leadership expects payoff sooner than is realistic, lack of a systematic innovation process, inadequate understanding of customers, unwillingness to change in the absence of a burning platform, unwillingness to acknowledge and learn from past "failures", politics – efforts to sustain the status quo to support entrenched interests, absence of user-friendly idea management processes.

4.1.5 How financing has affected your business

The study sought to establish the sources of funds as well determine finances contributed to the growth of the Msmes. The respondents were asked to state whether they have borrowed money from financial institutions. 40 out of the 52 respondents have ever applied for a loan from a financial institution while the other 12 got their seed capital from own savings, friends and own equity or from disposal of personal assets.

The respondents were asked to state how loan from financial institutions have affected their businesses. Their responses were as follows:

Table 4.5: Effects of financing on business growth

Response	Frequency	frequency percentage
Very Good	20	38.46
Good	15	28.84
Fair	10	19.23
Poor	5	9.61
Not at all	2	3.86

Total	52	100

Majority of the respondents stated that the loans have had a very good impact on the growth of their business since they were able to buy more stock as well as opening branches in other parts of Town. 15 of the respondents described the loan impact as good, 10 of them felt the impact was just average as they were able to make small profits 5 of them felt that the impact was poor as they stated that much of their profits go back to loan repayment.

The respondents were further asked to state how affordable the credit facilities at their disposal are. Their responses were as below;

Table 4.6: Affordability of credit facilities

Affordability	Frequency	Frequency Percentage
Very Affordable	15	28.84
Affordable	20	38.46
Not affordable	5	9.61
Don't Know	12	23.07
Total	52	100

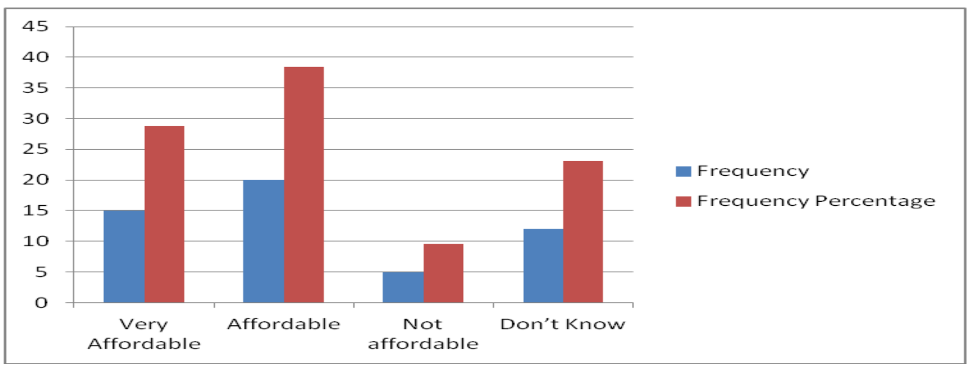

Figure 4.6: Affordability of credit facilities

From the findings above majority i.e. 38.46 % of the respondents felt that loans are affordable owing to the fact that business loans were offered at reasonable interest rates and flexible repayment periods since they had established a good rapport with the lending institutions owing to being repeat customers. Those with well established businesses felt that the loans were way vey affordable since they did not encounter hitches in the loan application processes and could even repay their loans within a very short period. 9% of the respondents felt that the loans were way too expensive since most of the profits were channeled towards loan repayment and therefore they felt the loans are more exploitative than beneficial. 23.07% of the respondents had not taken loans and therefore they didn't know how to rate the same.

4.1.6 Technology

The study was carried out to establish whether technology was in any way affecting the performance of Micro and small medium enterprises in Bomet CBD, Bomet County.The respondents were further asked to state how adoption of technology had affected their business operations. Their responses were as below

Table 4.7: How adoption of technology has affected business operations

Technology effect	Frequency	Frequency Percentage
Positively	37	71.15%
Negatively	5	9.61%
Not at all	10	19.24%

Total	**52**	**100%**

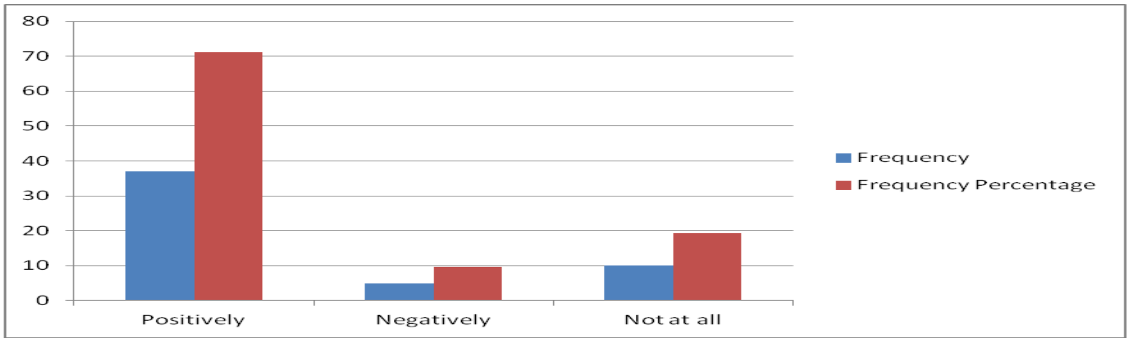

Figure 4.7: How adoption of technology has affected business operations

The nature of business at Bomet CBD was such that technology had to be used at all times and this was the reason why all respondents in the study employed technology as part of growth. Areas like tailoring, bakeries could not function without using relevant technology like sewing machines and ovens respectively.
On the other hand boutiques, furniture making, electronic dealers used technology mainly for marketing and taking orders; this is made possible through the use of facebook, twitter, websites, instagram to engage with the customers and the would-be-clients.

Majority of the respondents (71.15%) agreed that technology had positively affected their business owing to ease of communication and availability of gadgets that made operations easier. use of appropriate technology by the respondents was mandatory in order to produce quality competitive products for the market. Appropriate technology today embraces an approach to the management of technical change which was participative in use of resources, knowledge and skills of the people involved (Oketch et al, 2002).

Table 4.7: How introduction of Ict has affected the sales revenue

Effect of ICT on sales revenue	Frequency
Yes	42
No	10
Total	52

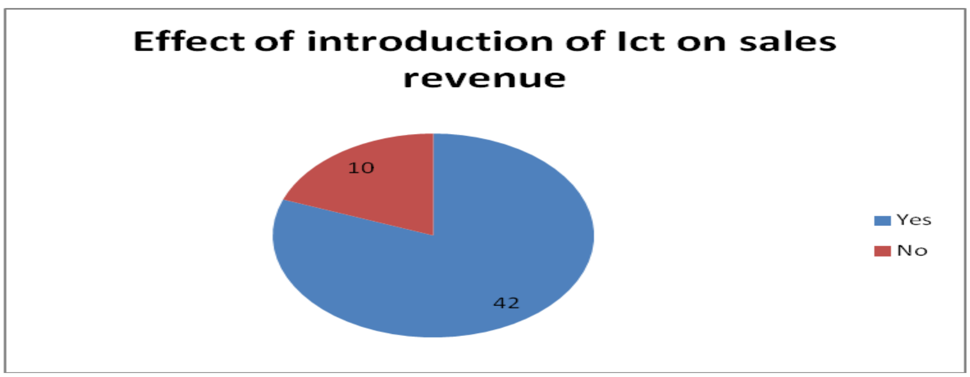

Figure 4.7: How introduction of Ict has affected the sales revenue

The respondents who stated yes in the above question were asked to further give how their sales revenues has been affected and their responses were as per the table below

Table 4.8: How Ict has influenced Sales Revenue

Effect of ICT on sales revenue	Frequency
Very Positive	20

Positive	10
Negative	7
Very Negative	5
Total	42

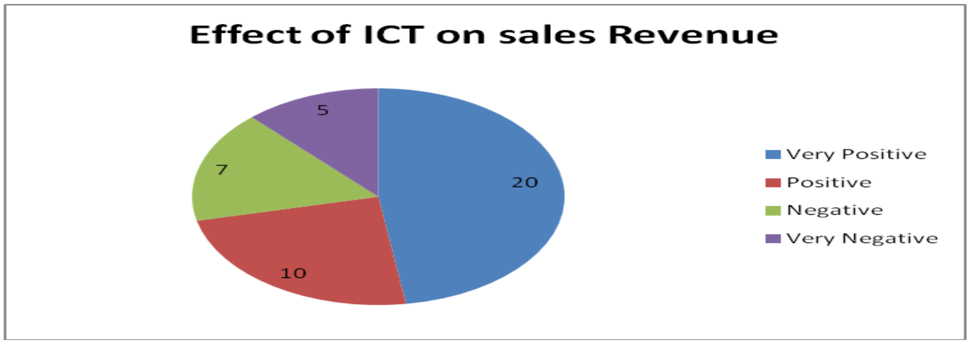

Figure 4.8: How Ict has influenced Sales Revenue

20 of the respondents ;this comprised of businesses that have been in existence longer others, stated that adoption of ICT had very positively affected their sales revenue since they were able to get more orders online and employed machinery that made their operations easier and thus translated into high revenues. 10 respondents stated theirs to be a positive effect since they had just adopted the same and they were still learning a few things here and there. 7 respondents felt that the effect was negative since at the initial stages they had to incur huge costs installing machines and making of websites and thus eating up their profits. 5 respondents responded that the effect was very negative since they lacked the knowhow on how to use ICT in their operations coupled with large amounts of capital that were used in the process.

4.1.7: Rating E-Marketing's effect on the business

The respondents were asked to rate E-marketing's effect on their businesses and their responses were as below

Table 4.10: E-Marketing's effect on the business

E-marketing Effect on business	Frequency	Frequency Percentage
Excellent	20	38.46
Good	15	28.84
Fairly Good	10	19.23
Poor	7	13.47
Total	**52**	**100**

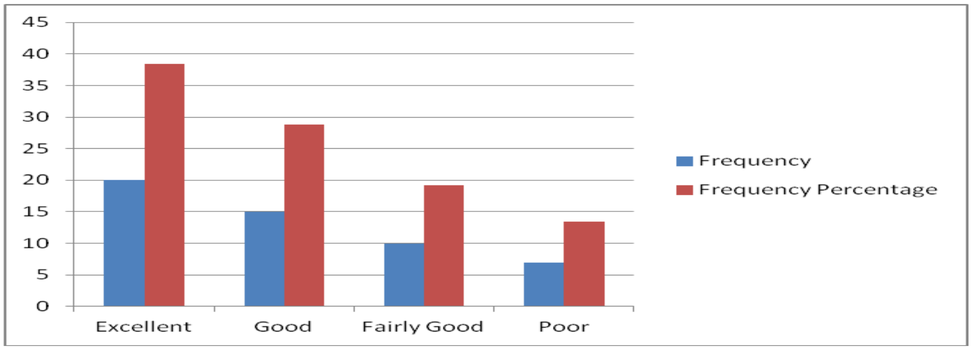

Figure 4.10: E-Marketing's effect on the business

Electronic procurement, commonly referred to as e-procurement, defines the automation of procurement and supply chain processes using internet based applications and technology. This expands the idea of enterprise resource planning (ERP) systems, allowing the automation of internal business processes, thus providing a platform that supports automation at a global level. It allows procurement professionals across the world to communicate information simply and efficiently, streamlining the global procurement process; reducing time and costs without compromising on standards and quality.

The respondents were asked to state how E-procurement has affected their businesses and their responses varied from; efficiency in operations, Shortened order and delivery time, increased customer base owing to online clientele, reduced costs of going round taking orders.

4.1.8: Strategic planning

The respondents were asked to state whether they had an existing strategic plan that clearly showed their goals, actions and identifies a responsible charged with carrying the allocated roles in order to achieve the organization's goals and objectives. Their responses were as tabulated below;

Table 4.11: Existing Strategic Plan

Existing Strategic plan	Response
Yes	30
No	15
Don't know	7
Total	**52**

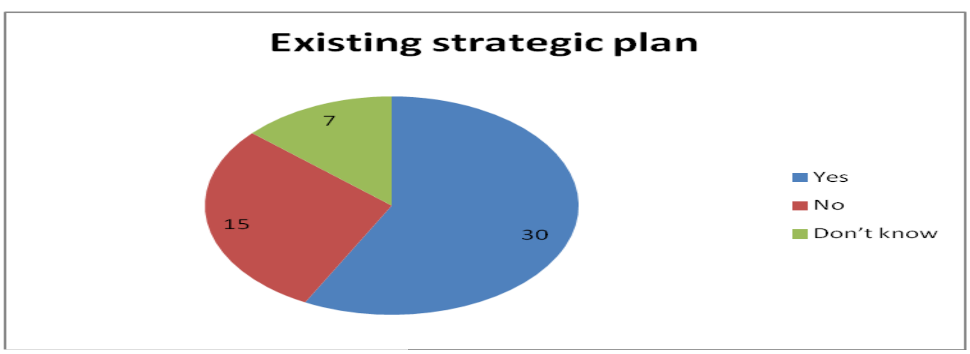

Figure 4.11: Existing Strategic Plan

The respondents were further asked to elaborate how the existence of a strategic plan has impacted on their business performance with a view of establishing whether the document was useful in any way. They responded as below;

Table 4.12: Impact of strategic plan on performance on the business

Impact on business	Frequency	Frequency Percentage
Positively	35	67.30
Negatively	12	23.07

Not at all	5	9.63
Total	52	100

Majority of the respondents (67.30%) stated that the existence of a strategic plan had aided in planning, allocation of resources, having clear objectives and working towards an existing vision and mission. They further stated that the strategic plans helped them to take stock of their actions and where there were deviations they would zero in on that and make necessary corrections. On the other hand 23.07% of the respondents felt that the strategic plans had not aided them at all since they were viewed as documents prepared but not adhered to, the preparation process did not also involve all users hence there was no ownership of the document. The other 9.63% of the respondent said that they have not seen any advantages of the document since they never understood how to go about the implementation of the strategies stated in the document since they lacked the required resources and skills.

4.1.9: Does everyone participate in the strategic planning process

The respondents were asked to state whether everyone in the organization participate in the strategic planning process. Their responses were as below;

Table 4.13: Strategic planning process participation

Participation in the process	Frequency
Yes	30
No	15
Somehow	3
Don't Know	4
Total	52

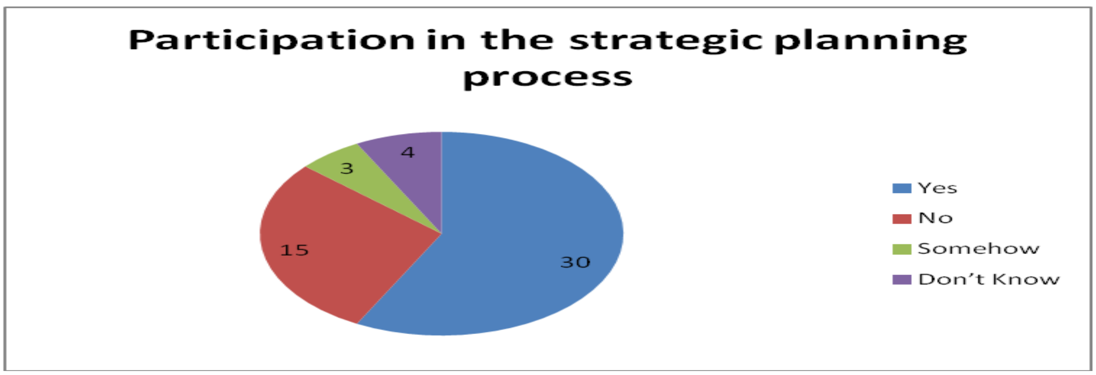

Figure 4.13: Strategic planning process participation

4.2 Summary of Findings

The study analyzed the strategic factors affecting growth of Micro, small and medium enterprises Kenya with a specific focus on Bomet CBD, Bomet County. The research used descriptive research design which enabled the researcher to analyze the strategic factors that affect growth of Smes. The research adopted descriptive research that made use of questionnaires, observation and interviews to collect data from a sample size of 52 SMEs in Bomet Central Business District which were selected using stratified random sampling. A total of 52 respondents to the questionnaires were analyzed. The researcher adopted survey method where a sample of the respondents in the population was interviewed. Data was collected using questionnaires entailing both closed and open ended questions. The collected data was analyzed using graphs, pie charts and tables where conclusions were drawn from the findings and recommendations were made.

The research sought to understand whether technology contributed in any way to the growth of Smes and it was found to be paramount as adoption of technology affected the growth of Micro and small enterprises because small business owners need to produce better quality products for the market so that they are able to compete. Most of the respondents agreed that since they adopted technology they have been able to reach out to more customers and prospects. 71.15% of the respondents agreed that technology had positively impacted on the performance of their businesses evident from ease of communication, efficiency and availability of gadgets that made operations easier.

With respect to accessibility to finances, findings showed that majority of the respondents had accessed loans from financial institutions to facilitate start-up or expansion of their SMEs. Further, the respondents who had never accessed credit were asked to list and briefly explain the reasons for their inability to access credit. The responses are summarized and presented follows: the main obstacles from the SME's point of view are; lack of information and advice from financial institutions, complexity and inconvenience related to the loan application process. Many documents are required by banks and the average loan application process takes longer than 30 days, inadequate qualification of SMEs, Expenses/fees and interest rate charged lack of collateral, Smes in most cases are viewed as risky entities.

The research findings proofed that most Smes rarely engage in innovation simply because they lack financial resources, inadequacy of management and marketing, lack of skilled workers, weakness in external information and linkages, and difficulty in coping with government regulations, risk averse culture, being content with the current situation, to name a few, and all these are factors that limit their competitiveness. This shows that more needs to be done to encourage innovative behavior amongst the Msmes.

Some respondents stated other obstacles that included lack of a shared vision, purpose and/or strategy, Short-term thinking/focus, lack of spec time to develop new ideas and opportunities, leadership expects payoff sooner than is realistic, lack of a systematic innovation process, inadequate understanding of customers, unwillingness to change in the absence of a burning platform, unwillingness to acknowledge and learn from past "failures", politics – efforts to sustain the status quo to support entrenched interests, absence of user-friendly idea management processes.

The study sought to establish whether Smes had an existing strategic plan, it was noted that almost all had the document but others were not using it as they were used to doing things the old way while those who used the document agreed that it had made work easier for them since goals and objectives were well stipulated and that it had reduced wastage as resources were well allocated towards achievement of goals and objectives. However, more has to be done to instill the strategic planning culture amongst the Smes in order to improve their performance and competitiveness in the business world.

4.3 Study Conclusions

Despite the vital role of SMEs in building a competitive private sector and contributing significantly to employment creation, innovation, and economic development in general, SMEs are facing more challenges around the world in general and in developing countries in particular. Likewise, Kenyan SMEs are hampered by several factors, which may differ from region to region within the country, between rural and urban areas, between sectors, or between individual enterprises within a sector. However, there are certain challenges that are common to almost all SMEs. These challenges arise from the interaction between external and internal factors.

The study found that adoption of technology had a positive impact on the growth and performance of a business. Respondents agreed that there was efficiency in operations, shortened order and delivery times, increased customer base owing to online clientele, improved communication and marketing, reduced costs of going round taking orders. It can be concluded that technology in Smes improves efficiency thus bringing about healthy competition

The study also found out that having a strategic plan aided so much in allocation of available and limited resources towards achievement of specific set goals and objectives. However more needs to be done to instill the practice of strategic planning amongst small scale businesses to improve performance and ability to compete for the limited market.

It was also concluded that for one to survive in today's market one must be innovative so that your products or way of doing business is different from your competitors and that customers have a reason to buy from you and not anyone else. It was also noted that there were so many hindrances to innovation in Smes and that more needs to be done both from the government and personal levels.

The study found out that finances are a key driver in the success of any business venture and Smes are not left out either. Access to finance means smooth business operations in terms of replenishing stock whenever it runs out, payment of salaries and wages on time. Further efforts should be undertaken to develop, expand, and promote a range of financial instruments for SMEs: a diversified array of financial instruments could benefit the SME sector and provide a way forward. In addition, special attention should be devoted to increasing young people's access to financing. It can be concluded that finances contribute towards growth and performance of the Smes.

4.4 Recommendations

4.4.1 Policy Recommendations

Based on the findings and conclusion of the study, it is recommended that; the government through the ministry of trade and ministry of labour should frequently organize training programmes to education the SMEs managers and their employees on strategic plan development, culture of innovation, importance of technology so that they are not rendered obsolete in the fast changing market. The government should also provide financial incentives to the Smes maybe through channeling of funds to an appointed bank so that the same can be loaned to Smes at subsidized interest rates. The managers should also initiate motivation schemes for their employees in order to encourage them to participate in strategic plan development and innovation in their respective SMEs.

Technology is an important aspect in any business venture and therefore Sme owners need to invest more on the same and be on look out for the constant changing technologies so that they are not rendered obsolete in their operations. Technology also makes work efficient and easier and goes a long way in improving communication between the business and its customers or prospects

One of the keys to any successful business is being able to come up with new ideas to keep operations, products and services fresh. The process of bringing those ideas to reality is called innovation. While thinking up new ideas is one step of the process, businesses have a much greater task in trying to turn that into an actual product or service that will benefit customers.

Creative ideas and innovative approaches can come from almost anywhere- from your partners, customers, target groups, employees. They can bring you fresh perspectives and ideas, so show them that you're listening and open to their feedback. That's why it is important an open exchange of ideas to be supported and encouraged by the company. It is therefore recommended that Sme owners should cultivate an innovation culture where all in the organization participate in bringing out ideas that they think are viable and will give them a competitive edge over their business counterparts.

Access to finance is essential to the survival and performance of any business enterprise. As it is the lifeblood of any business enterprise and no business no matter how well managed can survive without enough funds for working capital, fixed assets investment, employment of skilled employees and development of markets and new products and the availability of finances is therefore associated with productivity and growth. It is therefore recommended that funds be set aside by the government so that they can be loaned to Smes at subsidized interest rates.

5.4.4 Strategic planning

Strategic planning is important to an organization because it provides a sense of direction and outlines measurable goals. Strategic planning is a tool that is useful for guiding day-to-day decisions and also for evaluating progress and changing approaches when moving forward. In order to make the most of strategic planning, an organization should give careful thought to the strategic objectives it outlines, and then back up these goals with realistic, thoroughly researched, quantifiable benchmarks for evaluating results. It is therefore recommended that training be extended to Smes so that they embrace the importance of the strategic plan and also should taken through steps of preparing the same so that they are not wasteful is allocation of resources

4.4.2 Recommendations for Further Studies

The study also recommends further studies in the other counties within Kenya in order to establish whether the same conclusions will be arrived at. This will further affirm the theories underlying the study or even come up with new theories that will fill the knowledge gaps.

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