

Influence of Strategic Planning on Growth of Women Owned Micro and Small Enterprises in Kibuye Market, Kisumu County - Kenya

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Abstract

Strategy content and process (strategic planning) is widely considered to be one of the factors that contribute to small firm's growth. Studying strategic processes in Micro and Small Enterprises (MSE) therefore contributes to our understanding of the growth process which on the other hand bears broader economic relevance in terms of MSE's being a major source of job creation. The study sought to establish the Influence of Strategic Planning on Growth of Women Owned Micro and Small Enterprises in Kenya. Specifically, the study sought to determine the influence of: Organizational envisioning, and strategic planning instruments on growth of Women owned Micro and Small Enterprises at Kibuye market kisumu county, Kenya. The study adopted a descriptive survey design. The target population included women owners/managers of enterprises at Kibuye market, Kisumu County, Kenya. Stratified random sampling technique was used to establish and access the study sample of 167 respondents of the targeted 295. Primary and secondary data was collected. Primary data was collected by structured questionnaires. Secondary data was collected from relevant government institutional documents and publications in referred journals. The collected data was edited, coded and entered into SPSS version 16.0 software for analysis. Data was analyzed using

descriptive and inferential statistics. In particular, Regression Analysis was used to investigate the relationships between hypothesized variables. Analysis of Variance (ANOVA) was used to investigate whether independent variables had combined effect on the dependent variable. The findings were presented using figures and tables. The study found out that MSE owners have a vision in their minds but not shared amongst organizational members. This is reflected in their lack of a well stated and communicated vision, mission and value statements. The study further established that about three quarter of entrepreneurs reported to not having any planning instrument. In conclusion, the study provides evidence that strategic planning does influence growth of MSE. The study recommends institutional support to this sector in the form of business development services to motivate this sector to grow. The study also recommends to MSE through their associations to build networks both within and without to help members learn best practices for sustainable growth.

Keywords: Strategic Planning; Micro and Small Enterprises; Growth

1.0 Introduction

Importance of strategic planning as a major activity of organizational management is being increasingly accepted by both academicians and professional managers. The literature on planning in small business has grown considerably over the past decades. With a few notable exceptions, many scholars have recommended that small firms need to use strategic planning as an essential tool for their improved performance.

Strategic planning consists of planning processes that are undertaken in firms to develop strategies that might contribute to performance (Tapinos, et.al, 2005). Key aspects of strategic planning are: a long-time horizon, formality, the use of planning instruments, and frequent control of plans. Strategic planning can contribute to performance by generating relevant information, by creating a better understanding of the important environment, and by reducing uncertainty (Hodgetts and Kuratko, 2001). Strategic awareness implies the ability to make an assessment of the total implications of any particular change. This means not only awareness of the immediate implications of any new development but also reflection on the longer term repercussions. In order to gain insights into strategic awareness of owner managers, who had projections about their strategic action, they were asked to talk about: the implications of their future projects on their time and life style; the firm's capital assets; employees; raw materials; and marketing.

Many studies have recommended that business failure is due largely to an organization's failure to plan. As Norman and Thomas (2003) noted, "Without a clearly defined strategy, a business has no sustainable basis for creating and maintaining a competitive edge in the marketplace." This view is shared by various empirical studies that show a link between strategic planning and firm success (Gibson et al., 2002). Strategic planning is therefore a very important research topic for organizational success. Studies have shown that the high failure rate among small firms, particularly among start-ups, can be attributed to the lack of formal business planning (Castrogiovanni, 1996)

Studies have generally shown that planning is not only important for large organizations but for SMEs as well (Rue and Ibrahim, 1998). Berman et al. (1997) found that firms that plan produce better financial results than firms that do not plan. Lerner and Almor (2002) contended that planning lays the groundwork for developing the strategic capabilities needed

for high performance. Planning does not guarantee business success. However, it is maintained that many of the contributing factors to business failures may be predicted and effectively address during the infancy of small business development when strategic planning is employed, thereby decreasing the failure rate for small business.

The term SMEs has been severally defined by institutions, regions and based on number of people employed, sales or assets. In Egypt, they are businesses employing between 5 and less than 50 people. In Vietnam, they are firms employing 10 and 300 employees. According to the World Bank, a venture employing up to 300 people with US\$15 million in annual revenue, and US\$15 million in assets is an SME. But to the Inter-American Development Bank, an SME is a business employing up to 100 employees and earning not more than US\$3 million in revenue (Dalberg Global Development Advisors, 2011). Furthermore, European Union defines SMEs as a venture that employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.' Small and medium enterprises are thus defined as firms with 10 to 250 employees, as and more than 10 million euro turnover or annual balance sheet total.

It is estimated that there are 7.5 million SMEs in Kenya, providing employment and income generation opportunities to low income sectors of the economy. The Sector has continued to play an important role in the economy of this country. The sector's contribution to the Gross Domestic Product (GDP) has increased from 13.8 per cent in 1993 to about 40 per cent in 2008. The Small Enterprise Sector or Informal Sector provided approximately 80% of total employment and contributed over 92% of the new jobs created in 2008 according to the Economic Survey of 2009 (Republic of Kenya, 2009). The sector therefore plays a key role in employment creation, income generation and is the bedrock for industrializing the Country in the near future. Due to their characteristics, SMEs in Kenya suffer from constraints that lower their resilience to risk and prevent them from growing and attaining economies of scale. The challenges are not only in the areas of financing investment and working capital, but also in human resource development, market access, and access to modern technology and information. Access to financial resources is constrained by both internal and external factors.

1.1 Statement of the Problem

The small and medium sized enterprises play an important role in the Kenyan economy. According to the Economic survey (2011), of the 503,000 jobs created in 2010, 80.6% or 440,400 were in the Small and medium Enterprise sector. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of statistics, 2007). Lack of planning, improper financing and poor management have been identified as the main causes of failure of small and medium enterprises (Longenecker *et al.*, 2006). Strategic planning as management tool has been used, with great success, in large organizations to manage uncertainties, exploit opportunities and to better their position for long term growth and performance. Given that the majority of research on strategic management has so far focused on large enterprises many scholars have recently noticed that there is a need to apply these concepts in the context of small businesses as well (Perry, 2001; Gibson and Cassar, 2005, Njoroge, 2015). Strategy is the most important determinant of firm growth (Weinzimmer, 2000). Strategy content and process (strategic planning) is widely considered to be one of the factors that contribute to small firm's growth (Kraus *et al.*, 2008). Studying strategic processes in growth-oriented firms therefore contributes to our understanding of the growth process which bears broader economic

relevance in terms of MSE's being a major source of job creation (Parker, 2004; Valliere, 2006). However, its acceptance and application by Small and Medium Enterprises in the country is still minimal. Therefore, this study sought to determine the influence that strategic planning have on growth of Micro and Small Enterprises.

1.2 Objectives of study

1. To determine the influence of Organizational Envisioning on growth of Women owned Micro and Small Enterprises at Kibuye market kisumu county, Kenya.
2. To determine the influence of Planning Instruments on growth of Women Owned Micro and Small Enterprises at kibuye market kisumu county, Kenya.

1.3 Research Hypotheses

1. H_0 : Organizational Envisioning has no significant influence on growth of Women owned Micro and Small Enterprises at Kibuye market- kisumu county, Kenya.
2. H_0 : Planning Instruments have no significant influence on growth of Women owned Micro and Small Enterprises at kibuye market- kisumu county, Kenya.

1.4. Significance of study

The Small Enterprise Sector or Informal Sector provided approximately 80% of total employment and contributed over 92% of the new jobs created in 2008 in Kenya according to the Economic Survey of 2009. The sector therefore plays a key role in employment creation, income generation and is the bedrock for industrializing the Country as envisaged in vision 2030 blueprint. This study will thus be critical to the various institutions mandated to drive the MSE agenda in Kenya (MSE Authority) as far as developing training materials and areas of focus for the group. In particular the study will provide the status report of the extent of use of strategic plans by Micro and Small enterprises in Kisumu in particular, and Kenya in general. The study will also form a body of knowledge as empirical evidence to future researchers in small enterprise development.

1.5. Scope of study

The study Sought to establish the influence of strategic planning on growth of MSE in Kenya. Particular emphasis was on those women owned MSE's registered by Kibuye Jua Kali Association under the Micro and Small Enterprise Authority (MSEA) in Kibuye Market, Kisumu County-Kenya. Kibuye market is the largest open air market for consumer goods within Kisumu County situated approximately 1km from Kisumu city CBD along the Kisumu-Kakamega road. The study was conducted within the month of October 2015.

1.6. Limitation of study

The study had some limitations.

First, the generalizability of the findings may be limited because data collection was conducted within one economy– Kisumu County, Kenya. However, cross cultural comparisons can reinforce current findings and bring new insights to future research.

Secondly, the focus of the study was predominantly on strategic planning, and did not include other strategic management elements, such as implementation and control issues, which would be of interest for future research.

2.0 Research Methodology

A descriptive survey was carried out to establish the influence of strategic planning on growth of women owned Micro and Small Enterprises in Kenya. The target population consisted of the owners/managers of MSE's at Kibuye market, Kisumu county-Kenya approximated at 400 entrepreneurs. The study population was 295 entrepreneurs who are duly registered with the

Kibuye Jua Kali Association. A Stratified random sampling technique was adopted to access the respondents. The study sample of 167 respondents from the four sectors of trade, metal fabrication, woodwork and other trades was arrived at through Krejcie & Morgan (1970) model. Primary and secondary data was collected. Structured questionnaires were used to collect primary data and were administered by face-to-face and telephone interviews. Secondary data came from Institutional Publications and referred journals. Data collected was analyzed by descriptive and inferential statistics. Descriptive statistics was used to summarize the survey data and provide immediate summary statistics for the various objectives. These included measures of central tendency and measures of relationships. In particular, Regression Analysis was used to investigate the relationship(s) that had been hypothesized amongst the variables of study. Analysis of variance (ANOVA) was also used to investigate whether independent variables had combined effect on the dependent variable. Content analysis was also conducted on the data that are of qualitative nature. Results were presented on frequency tables, and graphs.

3.0 Research Findings

3.1 Bio data

Out of the 167 questionnaires, 118 were filled and returned. This represented 71% response rate. This response rate is considered satisfactory to make conclusions for the study. Mugenda and Mugenda (2003) observed that a 50% response rate is adequate, 60% good and above 70% rated very good. The response rate of 71% is therefore very good. Majority of respondents were in the textile trade (53%), followed by other trades (20%), metal fabrication (18%) and lastly woodwork (9%). Most of the respondents at (82%) were enterprise owners, with only (18%) being managers. Majority of respondents were sole proprietors (89.8%), with businesses operating partnerships (9.3%), and cooperatives (0.8%). There was no limited liability company amongst the respondents. The average age of the majority of the respondents was 30-35 years (31.4%), followed by 35-40 years (28%), 25-30 years (27.1%), 20-25 years (6.8%), and those above 40 years (6.8%). From the findings, majority of the respondents indicated an average age of the business at 5-10 years (40.7%), followed by 0-5 years (36.4%), 15-20 years (14.4%), and above 20 years (8.5%). The education level for the majority of the respondents was secondary (50%), followed by primary (39%), and tertiary at a paltry 11%. From the findings, only 11% of respondents had professional skills in business management, 8.5% in entrepreneurship, and 4.2% in ICT. Majority had professional skills in other areas (76.3%). Majority of respondents had an average employee number of 0-5 at (96.6%), followed by 5-10 at (3.4%). This is a typical characteristic of a Micro Enterprise as defined in the study literature. From the findings, only 18.6% of respondents had a formal strategic plan with a larger population of 81.4% having no formal strategic plans.

3.2 Descriptive Analysis

The results of descriptive statistics were presented according to research objectives.

Table 3.1:

Organizational Envisioning

Statement	D	N	A
My business has a vision for its future	1.7%	0%	98.3%
My business has a well documented vision statement shared with employees	98.0%	0.8%	10.2%
My business has a mission statement explaining enterprise purpose	88.1%	0.8%	11.0%

My business has a well stated values that guide its behaviour	87.3%	0.8%	11.9%
My business has specific goals and objectives that guide action	61.9%	0%	38.1%

D= Decreased; N= Neutral; A= Agree

From table 3.1, majority of respondents confirmed that they had a vision for their business future (98.3%). However, 98% said that their business did not have a well documented vision statement shared with employees, 88.1% did not have a mission statement explaining enterprise purpose, 87.3% did not have well stated values that guide its behaviour in the market, and 61.9% of respondents did not have specific goals and objectives that guide action. These findings generally exhibit enterprises driven without vision, mission, goals and objectives and value statements. The relationship of Organizational envisioning and growth of MSE's has been supported by past studies. Arasa and K'Obonyo (2012) conducted a study in Kenya and reported in their findings that the correlation analysis results indicated the existence of a strong relationship between strategic planning and firm performance. The strategic planning steps of firm's corporate purpose were found to be positively related to company performance. Similar studies by (Bart and Hupfer, 2004; Hong and Park, 2010) have examined the relationship between mission statement and business performance. The findings show that mission statements do affect financial performance. Similar results were found in Strong's (1997), study whose findings from a study of the formulation of mission statements by UK organizations confirm a positive relationship between mission statements and firm performance.

Table 3.2:
Strategy Planning Instruments

Statement	D	N	A
My business has a written business plan	83.1%	0.8%	16.1%
My business uses the business plan for loan purposes	85.6%	0.8%	13.6%
My business uses business plan to operationalise its strategy	83.9%	0.8%	15.3%
My business uses business plan for other reasons	85.6%	0.8%	13.6%
My business has a marketing plan	75.4%	0%	24.6%
My business has cashflow projections	53.4%	0%	46.6%
My business has a financial plan	61.9%	0%	38.1%

D= Decreased N= Neutral A= Agree

From table 3.2, 83.1% of respondents confirmed lack of written business plan for their businesses, 85.6% do not use business plans for loan purposes, 83.9% of respondents do not use business plans to operationalize their businesses, 85.6% of respondents do not use business plans even for other reasons, 75.4% of respondents lack marketing plan for their businesses, 53.4% of respondents has no cash flow projections for their businesses, and 61.9% of respondents has no financial plan for their businesses. These finding confirms the unstructured and uncoordinated manner in which MSE's are managed. The findings also lack the support of scholars that concluded that business planning helped entrepreneurial managers to deal with larger amounts of information and to stretch their cognitive limitations (Gruber, 2007), allowed entrepreneurs to set specific milestones and specific action steps on the way to their business vision, impacted entrepreneurial persistence in building a business, securing access to necessary resources or help reduce the liability of newness (Liao & Gartner, 2006; Perry, 2001). Although there is some evidence that preparing business plans could primarily be a ceremonial issue (Honig, 2004), and that actual organizational behaviors could

become loosely coupled from those stated in the plan (Karlsson & Honig, 2009), failing to prepare a business plan may erode an organization's legitimacy in the eyes of its initial resource providers, potentially strangling performance or even threatening its very existence.

3.3 Regression Analysis

Objective One: To determine the influence of Organizational Envisioning on growth of Women owned Micro and Small Enterprises at Kibuye market kisumu county, Kenya.

Table 3.3:

Goodness of Fit Model Summary-Organizational Envisioning on Growth of MSE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.244 ^a	.059	.050	1.69064

a. Predictors: (Constant), EN

The goodness of fit model presented in table 3.3 involves Organizational Envisioning (X_1) as the only independent variable. The coefficient of determination (R square) of 0.059 indicated that the model explained only 5.9% of the variation or change in the dependent variable, with the remainder of 94.1% being explained by other factors other than Organizational Envisioning. Adjustment of the R square did not change the results substantially, having reduced the explanatory behaviour of the predictor to 5%.

Table 3.4:

Coefficients-Organizational Envisioning and Growth of MSE

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	10.073	1.323		7.615	.000
	EN	-.438	.173	-.244	-2.527	.013

a. Dependent Variable: GMSE

Table 3.4 presents the regression results of Organizational Envisioning on Growth of MSE's. With a constant (p-value = 0.000) of 10.073, the study concluded that even without Organizational Envisioning, MSE's seemed to display some form of Growth. The gradient coefficient of -0.43 indicated the extent to which a unit change in Organizational Envisioning cause a change in Growth. In this case, a unit change in Organizational Envisioning leads to 0.43 units of negative change in Growth of MSE's. This means that Organizational Envisioning was significant (p-value = 0.000) in influencing the Growth of Women owned MSE's at Kibuye Market.

Therefore, the Organizational Envisioning and Growth model can now be presented as follows: $Y = 10.073 - 0.43X_1 + \epsilon$.

Table 3.5:
ANOVA Analysis- Organizational Envisioning and Growth of MSE's

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.247	1	18.247	6.384	.013 ^a
	Residual	288.685	101	2.858		
	Total	306.932	102			

a. Predictors: (Constant), EN

b. Dependent Variable: GMSE

The Analysis of Variance (ANOVA) of the relationship between Organizational Envisioning and Growth of MSE's is presented in table 3.5. The results with a p-value of 0.013 being less than 0.05 for the model indicates that the model is statistically significant in explaining the relationship between Organizational Envisioning and Growth of MSE's. In this regard, we reject the null hypothesis (H_0) that Organizational Envisioning has no significant influence on Growth of women owned MSE's at Kibuye Market, Kisumu county-Kenya. Therefore, we conclude that there is significant positive influence of Organizational Envisioning on Growth of women owned MSE's at Kibuye Market, Kisumu county-Kenya

Objective Two: To determine the influence of Planning Instruments on growth of Women Owned Micro and Small Enterprises at kibuye market kisumu county, Kenya.

Table 3.6:
Goodness of Fit Model Summary- Planning Instruments and Growth of MSE's

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.422 ^a	.178	.171	1.75415

a. Predictors: (Constant), PI

The goodness of fit model presented in table 3.6 involves Planning Instruments (X_2) as the only independent variable. The coefficient of determination (R square) of 0.178 indicated that the model explained only 17.8% of the variation or change in the dependent variable, with the remainder of 82.2% being explained by other factors other than Planning Instruments. Adjustment of the R square did not change the results substantially, having reduced the explanatory behaviour of the predictor to 17.1%.

Table 3.7:
Coefficients-Planning Instruments and Growth of MSE's

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	8.299	.410		20.230	.000
	PI	-.183	.037	-.422	-4.990	.000

a. Dependent Variable: GMSE

Table 3.7 presents the regression results of Planning Instruments on Growth of MSE's. With a constant (p-value = 0.000) of 8.299, the study concluded that even without Planning Instruments, MSE's seemed to display some form of Growth. The gradient coefficient of -1.83 indicated the extent to which a unit change in Planning Instruments cause a change in Growth.

In this case, a unit change in Planning Instruments leads to 1.83 units of negative change in Growth of MSE's. This means that Planning Instruments was significant (p-value = 0.000) in negatively influencing the Growth of Women owned MSE's at Kibuye Market.

Therefore, the Planning Instruments and Growth model can now be presented as follows:

$$Y = 8.299 - 1.83X_2 + \epsilon.$$

Table 3.8:

ANOVA Analysis- Planning Instruments and Growth of MSE's

Model		Sum Squares	of df	Mean Square	F	Sig.
1	Regression	76.620	1	76.620	24.901	.000 ^a
	Residual	353.859	115	3.077		
	Total	430.479	116			

a. Predictors: (Constant), PI

b. Dependent Variable: GMSE

The Analysis of Variance (ANOVA) of the relationship between Planning Instruments and Growth of MSE's is presented in table 3.8. The results with a p-value of 0.000 being less than 0.05 for the model indicates that the model is statistically significant in explaining the relationship between Planning Instruments and Growth of MSE's. In this regard, we reject the null hypothesis (H_0) that Planning Instruments has no significant influence on Growth of women owned MSE's at Kibuye Market, Kisumu county-Kenya. Therefore, we conclude that there is significant positive influence of Planning Instruments on Growth of women owned MSE's at Kibuye Market, Kisumu county-Kenya.

Regression Analysis of the overall Model

The regression analysis of the overall model determined the influence of the independent variable-Strategic Planning on the dependent variable- Growth.

Table 3.9:

Goodness of Fit Model Summary- Strategic Planning and Growth of MSE's

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.308 ^a	.095	.077	1.66668

a. Predictors: (Constant), PI, EN

The significance of the model was reaffirmed by the goodness of fit tests in table 3.9 whereby the coefficient of determination (R square) of 0.095 confirmed that the model explained 9.5% of the variation or change in the dependent variable. The adjusted R square did not make any difference either, since the model now explained 7.7% of the variations.

Table 3.10:
Coefficients- Strategic Planning and Growth of MSE's

Model		Unstandardized		Standardized		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	10.625	1.333		7.968	.000
	EN	-.394	.172	-.220	-2.289	.024
	PI	-.933	.047	-.190	-1.981	.050

a. Dependent Variable: GMSE

The linear regression analysis presented in table 3.10 indicated that regression coefficients were significant in explaining the relationship between each of the four independent variables. It also confirmed the significant roles of the two variables in the growth of women owned Micro and Small Enterprises at Kibuye Market, Kisumu county-Kenya.

The interpretation of these results was that the contributions of the variables were negative. That is, there was a significant relationship between Strategic planning and Growth of MSE's. The model can be represented as follows:

$$Y = 10.625 - 0.394X_1 - 0.933X_2$$

Where X_1 = Organizational Envisioning

X_2 = Planning Instruments

Table 3.11:
ANOVA Analysis- Strategic Planning and Growth of MSE's

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.148	2	14.574	5.247	.007 ^a
	Residual	277.784	100	2.778		
	Total	306.932	102			

a. Predictors: (Constant), PI, EN

b. Dependent Variable: GMSE

The ANOVA analysis in table 3.11 presents the influence of all the independent variables on Growth of MSE's at Kibuye Market. The results with a p-value of 0.007, which is less than 0.05, indicated that the model was statistically significant in explaining the influence of strategic Planning on Growth of Women owned MSE's at Kibuye market, Kisumu county. It was, therefore, concluded that Strategic Planning had a significant combined influence on Growth of Women owned MSE's at Kibuye market, Kisumu county.

4.0 Conclusion and Recommendations

This study provides evidence that strategic planning does matter in MSE growth. Vision is an important element of strategic management, and as shown in this study, exact formulation of the vision statement can be beneficial for small firm growth. Interestingly, our findings indicate that MSE owners have a vision in their minds but not shared amongst organizational members. This is reflected in their lack of a well stated and communicated vision, mission and value statements. In addition to vision, planning instruments have also been shown to be crucial strategy driver of small firm's growth. We obtained also one puzzling result: about

three quarter of entrepreneurs reported to not having any planning instrument. This could be linked to their educational and professional skill levels that were secondary and others trades respectively. It may mean that entrepreneurs recognize the importance of education for the development of their enterprises, but that the efficiency of management and entrepreneurship education may be very low.

The study has practical implications. Entrepreneurs need to be aware that strategic planning practices, processes and techniques can be beneficial for growth of the firm. In order to enable their firms to grow, entrepreneurs may like to consider exactly formulating vision and develop for use planning instruments. All these strategic planning efforts need to be reinforced by practices that follow the key growth and market orientations, and have enterprise wide support.

The study recommends institutional support to be extended to the MSE sector to help build capacity of the owners/Managers as far as strategic planning is concerned. The recently created MSE Authority in Kenya should urgently provide this support as stipulated in the MSE Act of 2012. Secondly, the MSE owners/managers through their associations should encourage networking amongst its members in order to learn best practices which include developing strategic plans. The development partners in their efforts to spur entrepreneurship in Kenya should support programs that will create awareness and attitude change among entrepreneurs as to the benefits of strategic planning in business.

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