

## GROWTH STRATEGY AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KENYA

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### ABSTRACT

*The paper purposed to examine the influence of growth strategy on performance of small and medium enterprises in Kenya. An overview of selected small businesses within central business district of Nairobi, Kenya was done. Its specific goal being to assess the influence of growth strategy on performance of small enterprises in Kenya. The paper was anchored on resource-based view theory. The author utilized descriptive research approach that targeted 868 small enterprises in Nairobi. Stratified random sampling techniques were employed to select 273 small owner managers to provide primary data through questionnaires. Questionnaire data was systematically analyzed to extract inferential statistics through regression, and descriptive data were expressed in term of frequencies and percentages. Based the analysis, the research findings indicate that growth strategy exhibited a positive and significant association with performance of smaller businesses. The study concluded that growth strategy possessed a positive and significant association with performance of small enterprises. Among recommendations, the authors suggested that all smaller enterprises should implement suitable growth strategies-that include penetration of the market, development of new market, diversification and development of new products - that fit their business models in order to penetrate the markets and possibly gain a larger share of the market. The study results are expected to aid owner managers of small business as they will be able to comprehend and appreciate the effective business strategies that enable firms to achieve sustainable growth and institute remedial action to counter these hurdles and enhance effective execution of organization's strategies. They will also aid the government to understand the challenges facing small enterprises and this will help them to come up with new policies and legislations that will seek to support the SMEs sector. Finally, the findings will serve as secondary source to future researchers and scholars in their studies on small enterprises. To boost small enterprises, further studies have been suggested on effect of innovation initiatives on performance of smaller business entities.*

**Key words:** Small and medium enterprises, Growth strategy, Resource-based view theory

## **INTRODUCTION**

Small enterprises are turning to be one of the global most dominant economic forces that accounts for the largest share of job creator and GDP (IFC, 2011). They fulfil a key function in human's life in term of social and economic activities are supported by small enterprises. Globally, Governments acknowledge the significant role of small entrepreneurs in promoting economic stability, growth, and job creation in the country (Marom & Lussier, 2014; SBA, 2014). In addition, small enterprises are the key instruments of economic growth and innovation incubators. The emergence of small enterprise has greatly bolstered both economic and social aspect in many parts of the globe. The owners of these enterprises perform a critical function that support country's economy as job creator and source of innovation.

In 2018, statistic showed that 99.9% of the enterprises were considered to be small firms, creating close to 47.5% of the employment, resulting to a net of 1.9 million new jobs, and accounted for 287,835 exporters (Small Business Administration, 2019). The performance and sustainability of small business is critical because they lead to jobs creation, raise tax revenues for the government, functional products, technological growth, and social benefits to the society (Chaganti, Brush, Haksever, & Cook, 2015; Hettihewa & Wright, 2018). Statistics show that smaller enterprises accounted for nearly 99.7% of firms in US, providing 48.5% of all job, and 98% of the firms that export goods (SBA, 2014).

### **Growth Strategy**

Growth usually serves a very important function in a business's cycle as it enables a business to identify a strategy and establish how to attain its goals (Gibcus & Kemp, 2003). Growth strategy is a key element of the change management process that can influence business' functional scope and commercial goal (Skalik, 2016). Growth strategies enable firms to secure new markets; grow geographically; and acquire latest technology, complementary skills, and key competencies relatively quickly. Growth strategy enhances shareholders' or investors' value. The strategic management offers small enterprises with tools to create a distinctive market position that help them to attract new clients and maintain the current ones through delivery of value to the

customer (Warren, 2008). This also build business' capacity to effectively compete so as to attain organization predetermined goals. A growth strategy is one of the deliberate initiatives deployed by entrepreneurs determined to increase the size and scope of their enterprises. Irvin et al. (2003) observed that enterprises should invigorate growth by identifying for synergies among various areas of their enterprises. Instead of acquiring new business opportunities and market channels, managers identify new opportunities within the existing business, and strengthen the poor performing business line into more synergistic business.

### **Concept of Small and Medium Enterprises**

The concept of Small and Medium enterprises cannot be precisely defined as there exists no standard and generally agreed definition. The categorization of enterprises into various strata cannot be objectively and quantitatively determined. Different scholars and practitioners have used criteria such as yearly sales and the size of workforce and size of asset to classify these enterprises into suitable classes. In USA, Britain, and Canada, SMEs are defined based on annual sales and the size of the force. For example, in Britain SMEs is an industry with yearly revenue below £2 million and workforce fewer than 200 staff. Similarly, in Japan, SMEs are classified based on the type of industry, capital employed and size of the workforce. In Germany, the standard interpretation caps SMEs to 250 workers while in Belgium, any business with 250 workers is considered as SMEs.

According to Kenya Association of Manufacturers (2019), the SME sector plays a significant role in driving economic development and accounts for 40% of the GDP with more than 7.41 million SMEs operating in the country. However, the contribution of SME to production and manufacturing is fairly low. According to SBA (2016) a small business owner can be defined as the business person who operates and manages a firm engaging less than 500 workers. Nonetheless, there seem to have no precise definition of a small-business as different authors define it differently. The SBA (2012) defined a small business as non-dominant independent business entity that is owned and managed, established for profit reason. Small business is also interpreted as a self-reliant business entity of little importance in the sector where the number of employees does not exceed a 100 in head count.

Nairobi is one of the smallest counties and the largest city that houses the capital of Kenya. According to 2019 census, the city has an estimated population of 4,397,073 and the metropolitan region has a dense population of 9,354,580. The administrative area of Nairobi is approximately 696 square kilometers. Nairobi has continued to experience highest growth rates in Africa, with the rate of growth of Nairobi being 4.1% annually. It is also home to thousands of both large and small enterprises and slightly over 100 major firms and organizations.

### **Performance of Small and Medium Enterprises**

Performance of the business is one of the primary interests of every entrepreneur who wants to see the firms grow into sustainable business in the long term. Performance is the degree of organization's ability to transform inputs in a most proficient and effective way to attain organizational goals. Ringim, (2012) defines performance as the actual output and outcome of the business compared against the inputs. Performance can be viewed as the results obtained from work. It offers a crucial linkage to the strategic objectives of the firm, customer experience and financial outcome. Performance can be expressed in term of both financial aspect and non-financial aspects.

Financial performance mainly captures aspect related to financial efficiency of the business, or the financial outcomes stemming from management action and the implementation of those actions by the concerned stakeholders. It is considered as the key determinant of the organizational effectiveness domain and usually expressed using net profit margin, return on investment and equity and profitability ratios (Adeoye, 2015). Non-financial performance relates to market-based aspects that include growth in market share, diversification, among others. The main indicators for non-financial measures consists customer fulfilment, growth in sales and employee base, and market share (Sidik, 2012). Market expansion is a series of tasks by the firm geared towards serving a larger market population while the product diversification refers to the expansion of the existing product range or leveraging on existing markets to expand the market being served in the firm.

### **Statement of the Problem**

Presently, it has become important to proactively strategize because the strategies that have been successful in the past cannot guarantee sustained success. The report by Deloitte Kenya, (2018) revealed that more than 46% of SMEs in Kenya fail within a year with another 15% failing in the subsequent year. De Massis et al., (2018) argue that small enterprises are quickly being turned to be drivers of innovation. Large enterprises generally have adequate business resources to invest in research and development and protect innovations. However, smaller enterprises suffer from resource deficiency and thus must strive to develop distinct ways of implementing innovations. Given the changing macro-environment, small firms motivated to initiate creative strategies that lead to successful production and uptake of their products (Porter & Kramer, 2019). Correspondingly, market uncertainties that permeate business environments motivate smaller business owners to identify new market opportunities, create new offering and develop new opportunity for both survival and improved results.

### **Research Objective**

The key aim of this paper was to examine the effect of growth strategy on performance of small and medium enterprises in Kenya.

### **Significance of the Study**

The findings are significant to owner managers of small business as they will be able to comprehend and appreciate the effective business strategies that enable firms to achieve sustainable growth and possibly institute corrective action to counter these hurdles and ensure business strategies are successfully implemented. The government will benefit from understanding of the challenges facing small enterprises and this will help them to come up with new policies and legislations that will seek to support the SMEs sector. Finally, the findings of the study will be important as it will serve as secondary source data to future researchers studying small business performance.

## **Scope of the Study**

Based on content and time, this study was restricted to the investigation of the influence of growth strategy on the performance of small enterprise in Kenya located in CBD Nairobi County. The study began on June 2021 and ended on Nov 2021. The study geographically targeted owner managers of small enterprises operating in central business district of Nairobi County. This choice of this geographical scope came in handy in militating against financial and time limitation.

## **LITERATURE REVIEW**

### **The Resource-Based View (RBV)**

The root of this popular resource-based view theory can be tracked down from the works of Penrose (1959), who opined that the assets owned, utilized and employed by the firms are critical compared to industry structure. Later on, Wernerfelt (1984) conceived the phrase 'resource-based view' to develop the theory by asserting that a firm constitutes a bundle of assets or resources deployed to the firm. Furthermore, the RBV has turned to be an important theory in the study of competitive advantage (Furrer et al. 2008). Prahalad and Hamel (1990) postulated the concept of primary competencies, also regarded as a critical group of assets – a enterprise' capabilities. Barney (1991) also observed assets possessed by enterprise acts as its primary source of competitive edge. Early researches in the field of strategy management such as Ansoff, 1965) simply categorized enterprise's resources into three group: physical, financial, and human capital. The resources can be further categorized into different types that are organizational resources and technology resources (Hofer & Schendel, 1978).

The resource-based view (RBV) focuses on the internal assets owned by an enterprise as a primary enabler for competitive position and stressed that resources allow business to compete effectively in the market. The theory considers the enterprise's internal structure taking into account assets and capabilities as the fundamental elements that steer business towards attaining competitive edge. Amit and Shoemaker (1993) suggested a substitute classification that involved tangible, human and

technological assets and capabilities. Miller and Shamsie (1996) grouped firm's asset into two main classes: tangible assets and knowledge. Furthermore, Barney (1991) submits that a part from the common resources owned by a company, they also own additional resources that include physical resources, resources in people and organizational resources. The resources can be considered to be tangible or invisible (Ray et al. 2004).

Barney (1991) in his summary stated that 'all resources, capabilities, internal processes, organization attribute, proprietary information, expertise etc., managed by an organization allow it to develop and execute plans that bolster its efficiency and effectiveness. In the long run, enterprises that are able to take advantage of its resource base to undertake a 'benefit creating strategy' that are not practiced by present or potential competition easily enjoy unmatched competitive advantage. RBV theory places premium on the strategically important and critical resources and competencies to provide the much-needed sources of competitive edge (Barney 1991). Different authors have devised variety of terms to describe these strategically valuable resources and competencies, which are in effect source of potential competitive edge, for instance, like Barney (1991), and Prahalad and Hamel (1994) denote them as core competencies, Papp and Luftman (1995) define them as distinctive competencies and strategic resources, Amit and Shoemaker, (1993) define them as strategic assets.

### **Empirical Literature Review**

This section examined past literature that was deemed important and appropriate to the study. In this case, the study examines strategic initiatives and performance of small businesses in CBD Nairobi County in Kenya.

A growth strategy describes a plan of action implemented by management with the objective of increasing a firm's business. Enterprises implement growth strategies so as to enable it to expand and consequently derive the benefit of larger firms such as survival, economies of scale, profitability, and prestige and market power. Growth strategy is regarded as one of the best options than improving efficiency of operations in a competitive environment. Pearce and Robinson (1989) state that growth strategy

is a combination of the internal and external growth that encompasses product and market diversification, concentration, vertical integration and joint projects.

Ansoff, (1957) state that product matrix and market growth matrix are internal-based strategy of accelerating enterprises' growth. The business can either diversify, penetrate the market further, develop a new product or create a new market. The marketing activities plays a critical function in expanding market and product penetration through accelerating innovation, and by managing marketing activities through the various stages of product cycle. Diversification strategy involves a departure from an enterprise's present operations. It entails launching of new products or penetrating into new markets with current goods. Thompsn and Stricklnd (2003) opine that related diversification entailed onboarding business entities with value chain closely related to the existing business while Johnon and Scholes (2004) stated that unrelated diversification involves a complete different line of business that does not fit value chain of the present business, industry, as well as its competencies. This strategy is considered risky because it involves introducing new operations and venturing into unfamiliar markets.

Market penetration is strategy where enterprises make deliberate effort expand its market share using current product range; this is aimed at ensuring existing consumers to buy more of the present product, increase usage, or to find new usage. On the other hand, product development involves introducing modified or new products to current market. In market development, the companies launch current products in a totally new market However; diversification involves creating new products and new markets away from the present position. Firm use market penetration by introducing the present product in a new market. New products are a form of innovations. Innovative product is a good or service that is viewed as new by a potential customer. The current products can be altered through modifying product or changing packaging. The role of product development is to disguise products to be perceived as new and dissimilar from the current product.

Mwilu, and Njuguna, (2020) purposed to investigate growth strategies and performance of selected savings and credit cooperative societies in Nairobi City County, Kenya. The aim of the study was to establish the effects of market expansion,

diversification strategies and acquisition strategies. The target of the study involved 41 registered SACCOs in Nairobi County. The researcher collected primary data using 'drop-and-pick' questionnaires which were given out to 41 operations managers' workings in the targeted SACCOs. The research concluded that market expansion, diversification strategies and acquisition strategies as growth strategies positively and significantly influenced the performance of SACCOs.

Githiaka (2018), the author of this paper focused to investigate strategies deployed by Top Hundred SMEs operating in Kenya. The author embraced a descriptive research design to establish relationship between growth strategies and growth attained. For this study, cross sectional survey involved Top 100 SMEs. The study carried out a census of all 36 firms where primary data was collected via questionnaire. The study outcomes showed that SMEs grew between 5 and 20% annually. The findings also indicated that diversification and market development were the most popular strategies used and that SMEs changed the growth strategy so as guarantee survival.

Yogo (2013) sought to investigate growth strategies employed by smaller and medium-sized firms operating in Homa Bay County. The research employed a descriptive research design. The researcher choose SMEs domiciled in Oyugis town. The study picked a sample size of forty enterprises using simple random sampling technique. The research obtained data by way of questionnaire. The study established that majority of the SMEs had adopted growth strategies- including pricing strategy, penetrating the market- that positively led to growth in annual sales, growth in assets as well as increasing the firm's competitiveness in the market.

Kioko, Wasike, & Ndiao (2019) undertook a study to examine growth strategies and product performance: a case of M-pesa. This study utilized mix of descriptive and correlational research where survey approach was employed to collect data. The research targeted 160 top and middle management of Safaricom Company based at Head offices. A total of 114 respondents were extracted from the main population via stratified random sampling technique. Moreover, primary data was gathered using questionnaires, and secondary information was extracted from industry reports and annual reports. The study indicated that Safaricom had adopted market penetration,

product development, and market development and diversification strategies for M-PESA service. The results further showed a statistically significant positive association between growth strategies and product performance.

### Summary of Research Gaps

The empirical review primarily focused on major aspects of growth strategy and its influence on performance of small firms. The study involved an in-depth review of growth strategy on performance of small enterprises in order to identify the research gap. From the review, the study concluded that there is a close relationship among the variables as depicted in the conceptual relationship.

### Conceptual Framework

A conceptual framework is an important component of research that attempts to demonstrate how ideas, assumptions, beliefs and theories are linked to explain and informs research. Miles et al. (2014) defined conceptual framework is graphical or virtual representation that clearly show the relationship between the main variables to be studied. For this study, conceptual framework depicts the association between the growth strategy and performance of businesses of the study, as follows:

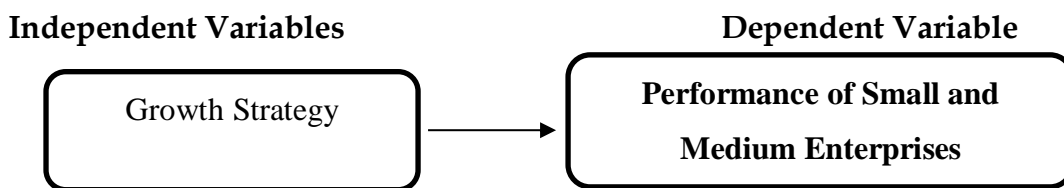


Figure 1: Conceptual Framework

### Operationalization of Variables

The section highlights the operational definition of key constructs related strategic initiatives and performance of small enterprises. Operationalization is a system that is used to define and measure variables. The process helps to highlight operations that express values of variables in a study.

**Table 2: Operationalization of Variables**

| Variable               | Indicators   | Measurement Scale                       | Tools of Analysis   |
|------------------------|--|---|---|
| <b>Growth Strategy</b> | <ul style="list-style-type: none"> <li>• Creating new market</li> <li>• Increase product usage</li> <li>• New product Development</li> <li>• product diversification</li> <li>• New outlets</li> </ul> | Inferential and descriptive statistics. | Frequencies, percentages, and multiple linear regression. |
| <b>Performance</b>     | <ul style="list-style-type: none"> <li>• Increase in profits</li> <li>• Sales growth</li> <li>• Number of customers</li> <li>• Customer satisfaction</li> <li>• Growth in outlets</li> </ul>           | Inferential and descriptive statistics. | Frequencies, percentages, and multiple linear regression. |

## RESEARCH METHODOLOGY

### Research Design

Kothari (2014) stated that research design is employed to establish approach or strategy to be used to achieve study objectives. The paper employed descriptive research approach to fulfill study objectives that aims at identifying features, frequencies, trends, and categories. This design is employed in circumstance or phenomenon where little is known about the problem. The research design was considered appropriate in determining the influence of growth strategy on the performance of small and medium enterprises in domiciled in CBD Nairobi County.

### Target Population

Bayley (2014), defined population as any category of institutions, individuals or things that having common features. According to Mugenda and Mugenda, (2013) a

population is a whole group of events or objects that portrays specific observable characteristic that bear similarities. The study targeted all formally registered small enterprises in Nairobi County domiciled in CBD. The enterprises are retail shop, cafe and beverages shops, clothing retail outlets, hardware, glassware, pharmacies, and beauty shops. The list of the target enterprises was obtained from ministry of trade at Nairobi City County (NCC) as per records of December 2019. The research also interviewed proprietors / owner or agents as the study's respondents. The target population consisted of about 868 small enterprises. For this study, the population was small enterprises operating in CBD Nairobi.

**Table 3: Target Population**

| <b>Category</b>                        | <b>Population</b> |
|--|-------------------|
| <b>Boutiques</b>                       | 86                |
| <b>Eateries</b>                        | 213               |
| <b>Electronics &amp; Computer</b>      | 120               |
| <b>Retail Shops</b>                    | 89                |
| <b>Hard wares</b>                      | 82                |
| <b>Agent Banking &amp; Mpesa Agent</b> | 136               |
| <b>Wholesalers</b>                     | 89                |
| <b>Pharmacies</b>                      | 53                |
| <b>Total</b>                           | <b>868</b>        |

### **Sample and Sampling Technique**

Cooper and Schindler, (2014) defined sample as a fairly smaller part of the persons, objects or items are picked for the purpose of analysis and drawing generalization about whole population. The research used stratified random sampling; the basis of this choice is in its ability to assemble the sample by increasing the probability of each stratum being represented in the final sample. The study classified small enterprises in different categories ranging from wholesale shops, clothing, pharmacies, restaurants, butcheries to retail shops.

This research employed Yamane (1967) formula to determine suitable the sample of the small enterprises using the below;

$$n = \frac{N}{1 + N(e)^2}$$

Where :

n = sample size

N = population size

e = the level of precision (0.05)

1 = Constant

The above formula assumed a degree of precision of 0.5, and a confidence interval of 95%.

The sample size of study, n was

$$n = 868 / (1 + 868(0.05)^2)$$

$$= 273$$

The 273 enterprises were grouped into appropriate strata using stratified sampling to reflect the weight of each of the strata in the final sample. Table 4 outlined the sample of the smaller enterprises.

**Table 4: Sample Size**

| Category               | Population | Working     | Sample Size |
|------------------------|------------|-------------|-------------|
| Boutiques              | 86         | 86/868*273  | 27          |
| Eateries               | 213        | 213/868*273 | 67          |
| Electronics & Computer | 120        | 120/868*273 | 38          |

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|   |            |             |            |
|---|------------|-------------|------------|
| <b>Retail Shops</b>                     | 89         | 89/868*273  | 28         |
| <b>Hardware's</b>                       | 82         | 82/868*273  | 26         |
| <b>Agent Banking &amp; M-pesa Agent</b> | 136        | 136/868*273 | 43         |
| <b>Wholesalers</b>                      | 89         | 89/868*273  | 28         |
| <b>Pharmacies</b>                       | 53         | 53/868*273  | 17         |
| <b>Total</b>                            | <b>868</b> |             | <b>273</b> |

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### Data Collection Instruments

Research Questionnaires was employed to solicit primary data from business owners and their managers found at the business premises. The questionnaire comprised of five different parts. The questionnaire was developed with closed-ended questions in order to limit the kind of responses to be obtained from the respondents. A questionnaire is an instrument that is typically a series of questions that respondents are needed to answer them. The questions were clear and unambiguous so as to ensure respondents understand the questions and hence quality responses. Moreover, Likert scale based questions were adopted as this allowed the respondents to give quality responses without struggling to write in detail; Likert scale questions allowed the interviewee to select the best response that support their opinions.

### Pilot Study

According to Kombo and Tromp (2009) a pilot testing is preparatory trial undertaken prior to the main study. It is a small-scale activity carried out in readiness of the large-scale study. The reason for piloting is to create acceptable level of precision and appropriateness of the research instrument (Saunders, Lewis & Thornhill, 2012).

A piloting was implemented to determine the validity and reliability of the research instrument to be employed to obtain data required to address study purposes. The study was guided by the rule of the thumb recommended by Cooper and Schilder, (2014) that 5% - 10% of the sample is good enough for pilot testing. Therefore, the research adopted a 10% of the sample for purpose of pilot testing and thus selected 26 respondents to be part of the pilot testing. However, the participants of the pilot testing were not considered in the main study.

## **Validity**

Validity determines the precision with which an instrument genuinely assess what it ought to measure or how accurate is the research results. Validity of the instrument is a measurement of its accuracy (Saunders et. al., 2012). In order to observe content validity, the supervisor thoroughly reviewed the questionnaire and assessed the relevance of statements making up the questionnaire and thereafter recommended appropriate actions that enabled to eliminate ambiguity and to achieve high quality responses.

## **Reliability Test**

Reliability measures consistency of estimation, or the consistency of an instrument to yield same results each time the test is done. It impliedly shows the correctness and accuracy of the measurement procedure (Kothari, 2014). To carry out this crucial activity, the research randomly distributed 20 questionnaires to respondents who were automatically disqualified in participating in the main study. The most popular technique for determining internal constancy is by computing Cronbach's alpha. Furthermore, (Drost, 2011) noted that alpha coefficient greater than 0.7 is deemed acceptable test of reliability.

## **Data Collection Procedure**

The data collection exercise kicked off upon obtaining NACOSTI's letter of authority, together with an introductory letter from the University. The study contacted business owners and managers to book appointment for data collection. The respondents were informed of the importance of the inquiry and the possible benefits of the study to the business. The respondents' anonymity and confidentiality were also observed. The research also provided a copy of letter of authority to the informants as a form of guarantee that the data collected was to be used for academic use only. To counter the challenges associated with Covid-19 pandemic and in particularly complying with Ministry of Health and WHO guidelines, the questionnaires were administered through emails and in some limited cases, through drop and pick later strategy.

## **Data Analysis and Presentation**

For data to yield some value, it must be processed and analyzed to produce and convey important meaning. The respondents submitted duly completed questionnaires and thereafter sorting, coding, organizing and analyzing were conducted. The purpose of data editing is to improve the quality of data analysis. The object of carrying out analysis is to interpret and make conclusions from large mass of data (McDaniel & Gates, 2004). Measure of central tendencies were used to present descriptive statistics and inferential statistics were presented by way of correlation and linear regression analysis (Wagner, Halley & Zaino, 2011). The regression model aided to analyze relationship between the two variables. The study utilized SPSS software version 27.0 to analyze the data. Moreover, tables and charts were also used to simplify results of the study to ease understanding.

The study statistical model expressed both independent variables and dependent variable.

The model assumed the expression:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon_i$$

Where: Y = Performance

$X_1$  = Growth Strategy

$\beta_0$  = the intercept (value of Y when X = 0)

$\varepsilon_i$  = error term

## **RESEARCH FINDINGS AND DISCUSSION**

### **Response Rate**

The researcher targeted to collect 273 interviewees who were issued with questionnaires to fill and 232 questionnaires were returned upon completion.

**Table 5: Return Rate**

| <b>Response</b> | <b>Frequency</b> | <b>Per cent</b> |
|-----------------|------------------|-----------------|
| Response        | 232              | 84.98           |
| Non response    | 42               | 15.12           |
| <b>Total</b>    | <b>273</b>       | <b>100.0</b>    |

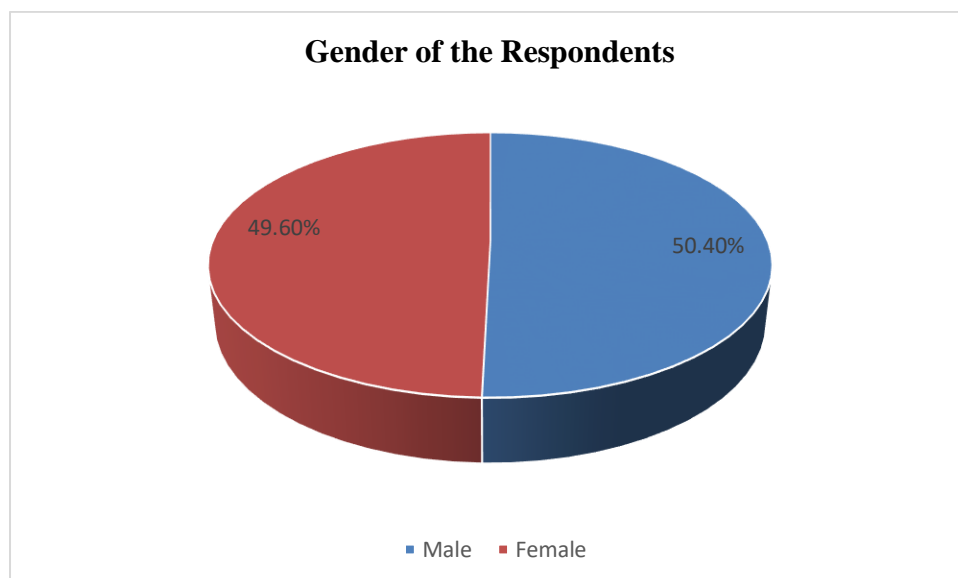
The study obtained 232 valid responses that translated to a response rate of 84.98% (N=232). The study non-response was affected by most respondent's fear of infectious Covid 19 and challenges observing Covid-19 guidelines such as shelter-in place and social distancing. Another reason for non-response was as result of non-availability of business owners in their work place. The response of 84.98% was justified as best as per recommendation of Nulty (2008) who stated that a success rate of between 30% and 60% is adequate for quantitative analysis and the outcomes can be employed to make inference of the population under the study.

### **Demographic Information**

The section analyzed interviewees' personal data that included gender, age, education level, and the period of working in the business.

### **Gender of the Respondents**

This part captures information relating to the gender of the interviewees who voluntarily provided the most needed data for this study. The outcomes are illustrated in Figure 2.



**Figure 2: Gender of the Respondents**

The study results captured in Figure 2 showed that 50.40% of the interviewee were male while 49.60% were female. The outcome impliedly means that there is balance or gender parity in terms of men and women venturing in business.

### Age of the Respondents

The research was interested to determine the age category of the interviewee who provided the much-needed data for the study. Age is a critical consideration that influences how well a person understands issues and is able to arrive at a reasoned judgment. The findings are presented in Table 6

**Table 6: Age of the Respondents**

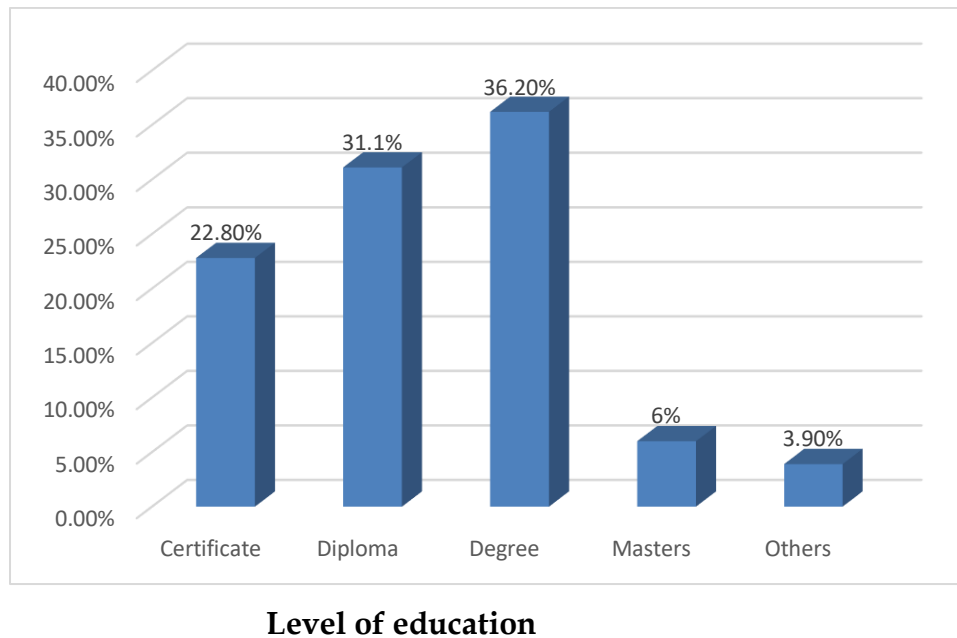
| Age Bracket    | Frequency  | Percent      |
|----------------|------------|--------------|
| 18-25 Years    | 15         | 6.50         |
| 26-30 Years    | 24         | 10.30        |
| 31-35 Years    | 87         | 38.5         |
| 36-40 Years    | 19         | 8.20         |
| 41-45 Years    | 79         | 34.10        |
| Above 46 Years | 8          | 3.40         |
| <b>Total</b>   | <b>232</b> | <b>100.0</b> |

The findings obtained showed that nearly half the respondent of the study 45.70% were aged 31-35 years, 34.1% were aged 41-45 years, 10.30% were between 26-30 years,

8.2% were aged between 36-40 years while 6.50% of the respondents were aged between 18-25 years. Moreover, just paltry 3.40% were aged above 46 years.

### Level of Education

The study also required to determine the educational level of the study participants. The outcomes are outlined in Figure 3.



The analyzes of the respondents' education, the findings revealed that 36.20% of the interviewees were degree holders, 31.10% possessed diploma, 22.80% had certificate education while 3.90% had either primary or secondary education. Furthermore, 6% had attained masters' level as the highest level of education. The findings are a strong indication that respondents who willingly provided important responses had basic education needed to manage business.

### Duration in Business

The study participants were required to indicate their duration in running the business and the findings are highlighted in Table 7.

**Table 7: Period of working in the Organization**

| <b>Duration</b> | <b>Frequency</b> | <b>Percent</b> |
|-----------------|------------------|----------------|
| 1 to 3 years    | 48               | 20.70          |
| 4 to 8 years    | 135              | 58.20          |
| 9 to 12 years   | 32               | 13.80          |
| Above 13 years  | 17               | 7.30           |
| <b>Total</b>    | <b>232</b>       | <b>100.0</b>   |

As outlined in Table 7 above, 58.2% of the respondents indicated that they had been running the business between 4 to 8 years, while 20.7% of the study respondents had indicated duration of 1 to 3 years. On the other hand, 13.8% of the interviewees revealed they had run the business between 9 to 12 years and a small number equivalent to 7.3% reported that they had been in business for more than 13 years.

### **Position of the Respondents**

The researcher also purposed to determine the position of the participants in the enterprise and the findings are as shown.

**Table 8: Position of Respondents in the Business**

|              | <b>Frequency</b> | <b>Percent</b> |
|--------------|------------------|----------------|
| Owners       | 97               | 41.8           |
| Manager      | 83               | 35.8           |
| Supervisor   | 31               | 13.4           |
| Subordinate  | 21               | 9.1            |
| <b>Total</b> | <b>232</b>       | <b>100.0</b>   |

As outline in Table 8 showed that 41.8% of the study interviewees were owners and 35.8% of the respondents were managers. The study further indicates that 13.4 % of the respondents were supervisors while only 9.1% of the respondents were subordinates. The composition of the interviewees' shows that respondents held different responsibilities in the business and therefore the responses/views obtained was expected to be of high quality.

### Growth Strategy and Performance of Small and Medium Enterprises

The paper purposed to investigate the influence of growth strategy on performance of small and medium businesses.

**Table 9: Growth Strategy Adopted by Small Enterprises**

|                              | N   | Min  | Max  | Mean   | Std. Dev |
|------------------------------|-----|------|------|--------|----------|
| Product development strategy | 232 | 1.00 | 5.00 | 4.2414 | 1.0075   |
| Market penetration strategy  | 232 | 1.00 | 5.00 | 4.3707 | .9024    |
| Market development strategy  | 232 | 1.00 | 5.00 | 4.2931 | 1.0236   |
| Diversification              | 232 | 1.00 | 5.00 | 4.2759 | .9810    |
| Valid N (list wise)          | 232 |      |      |        |          |

From the outcomes in table 9, most of the participants agreed that the small business had implemented market penetration strategy (M=4.3707, SD=0.9024), Market development strategy (M=4.2931, SD=1.0236), diversification (M=4.2759, SD=0.9810) and product development strategy (M=4.2414, SD=1.0075).

### The Effects of Growth Strategy on Performance of Small and Medium

The author further assessed the influence of growth strategy on performance of small and medium enterprises. The finding revealed agreement that the businesses had penetrated the markets to seize a bigger share of the market using the current products (M=4.280,SD=1.133), the firm have enhanced its products through branding, labelling and packaging in order to appeal customers and grow sales(M=4.228,SD=1.214),and that the firm fostered client satisfaction and loyalty by offering high quality products (M=4.120,SD=1.270).Additionally, the study findings further indicated that majority of the participants agreed that business offer attractive pricing to the customers to retain existing and attracting potential customers through networking (M=4.189, SD=1.212), the business have introduced the existing products to different market segments to increase product sales (M=4.146,SD=1.301) and that the business have

attained high growth by selecting new consumers for its new but related products(M=4.047,SD=1.358).

The study findings partly reinforce the findings of Wainaina and Oloko (2016) who stated that that all the market penetration strategies are prerequisite for business growth and that pricing and distributions strategies supplements each another and should form part of the marketing plan for firm intending to grow its market share and business growth. The result of the study further agrees with that of Mbithi, Muturi & Rambo, (2015) that the market development strategy influences a business' capacity utilization.

### Organizational Performance

The study needed to analyze the effect of growth strategy on the performance of small and medium enterprises in Kenya and the findings are as recorded below.

**Table 20: The influence of Growth Strategy on Business Aspects**

|                  | <b>N</b> | <b>Min</b> | <b>Max</b> | <b>Mean</b> | <b>Std. Dev</b> |
|------------------|----------|------------|------------|-------------|-----------------|
| Business growth  | 232      | 1.00       | 5.00       | 4.012       | .723            |
| Financial growth | 232      | 2.00       | 5.00       | 4.047       | .774            |
| Market position  | 232      | 2.00       | 5.00       | 4.112       | .614            |

The respondents indicated the extent of their concurrence with statement related to growth strategy and performance of small enterprises. On the aspect of growth strategy, the study revealed that participants agreed growth strategy influenced market position (M=4.1121, SD=0.614), growth strategy influenced financial growth (M=4.0474, SD=0.774), and that growth strategy influenced business growth (M=4.012, SD=.723).

### Regression Analysis Results

The study also performed regression analysis specifically to determine the relationship among the independent variable (growth strategy) and the dependent variable (performance of small enterprises) with of the use of SPSS program Version 25.0. The findings of the model were illustrated in Table 22.

**Table 22: Model Summary**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .796 <sup>a</sup> | .633     | .626              | .45126                     |

a. Predictors: (Constant), Growth Strategy,

R square is the coefficient of determination which reveals how best the model can accurately predict the results. The regression output in table 22 showed that the R value of 0.796 demonstrated that growth strategy exhibited strong and positive correlation with performance of small enterprises. Moreover, the R square value of 63.3% indicates that regression model of the study was suitable for the study. The adjusted R square is 0.626; this show 62.6% of the variability in performance of business is explained by growth strategy. Apart from these independent variables covered by the study, there are others factors representing 37.4 % that were not covered by the study.

**Table 23: Summary ANOVA Test**

| Model |            | Sum of Squares | Df  | Mean Square | F      | Sig.  |
|-------|------------|----------------|-----|-------------|--------|-------|
| 1     | Regression | 19.922         | 1   | 19.922      | 97.656 | .000b |
|       | Residual   | 46.225         | 230 | .204        |        |       |
|       | Total      | 66.147         | 231 |             |        |       |

a. Dependent Variable: Performance of business

b. b. Predictors: (Constant), Growth Strategy

As displayed in Table 23, the results revealed that the model was statistically significant because the p-value (p=0.000) was essentially lower than the alpha value (p=0.05). This statistically means the predictor variable accurately determined performance of small business which is the dependent variable of the study.

**Table 24: Coefficients**

| Model |                 | Unstandardized |            | Standardized | t     | Sig. |
|-------|-----------------|----------------|------------|--------------|-------|------|
|       |                 | Coefficients   |            |              |       |      |
|       |                 | B              | Std. Error | Beta         |       |      |
| 1     | (Constant)      | 1.543          | .288       |              | 5.363 | .000 |
|       | Growth Strategy | .193           | .033       | .253         | 5.881 | .000 |

a. Dependent Variable: Performance of Business

Based on the analysis of Table 24, the study generated the below equation.

The model took the following form:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon_i$$

Based on the analysis of Table 24, the study generated the below equation

$$Y = 1.543 + 0.193X_1$$

At 5% level of significance, the study established that growth strategy indicated a positive and significant association with performance of small enterprises as depicted by  $\beta = 0.193$ , and  $p = 0.000$  which is lower than 0.05.

## SUMMARY, CONCLUSION AND RECOMMENDATIONS

### Summary of Findings

First, the research identified the demographic features of the respondents and four key research objectives. The study indicated that 232 respondents successfully participated in the data collection and posting a response rate of 84.98% %. The study also established that there was equal representation of female and male were equally represented and majority of these interviewees aged ranged between 31years and

45years. In addition, a sizeable chunk of the interviewees indicated they had worked for the enterprise for at least 8 years.

The primary objective assessed the influence of growth strategy on performance of small and medium businesses and the regression results proved that growth strategy exhibited a positive and significant relationship with performance of small firms. The study findings indicated that the small enterprises have implemented different growth strategies that comprised of market penetration, market development, diversification and product development. Moreover, the study found out that the firm had penetrated the markets to seize a bigger share of the market using the existing products, the businesses enhanced its products through branding, labelling and packaging in order to appeal customers and grow sales, and that firms enhanced client satisfaction and loyalty by offering high quality goods. Additionally, the study revealed that business offer attractive pricing to the customers to retain existing and attracting potential customers through networking, the business have introduced the existing products to different market segments to increase product sales and that the business have attained high growth by selecting new space for its new but related products.

### **Conclusions**

On the aspects of growth strategy, the study concluded that growth strategy positively and significantly influenced performance of small enterprises. The study also concluded that smaller business had implemented different growth strategies that consisted of market penetration and development strategy, diversification just to mention a few. Moreover, the study concluded that the firm had penetrated the markets to expand its market share using the current products, the firm have enhanced its products through branding, labelling and packaging in order to appeal customers and grow sales, and that the firm enhance client satisfaction and loyalty by offering high quality products. In addition, the study concluded that firms offered attractive pricing to the customers to retain them and attract potential customers through networking, the business have introduced the existing products to different market segments to increase product sales and that the business have attained high growth by selecting new markets for its latest but related products.

## Recommendations

Based on the findings and discussions in the previous chapters, the study can authoritatively extract the following recommendations; that all smaller enterprises should implement suitable growth strategies- penetrating the current market, market developing new market, diversification and developing brand new products- that fits their business model in order to penetrate the markets and possibly gain a larger share of the market. Small enterprises can achieve this objective by enhancing its products through branding and labeling, offering attractive pricing to entice new clients while locking in the existing customers.

## Suggestion for Further Research

The research study primarily proposed to identify the influence of strategic initiatives on performance of small and medium enterprises in Kenya. To enrich this study, another research study has been suggested on effect of innovation initiatives on performance of small and medium businesses.

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