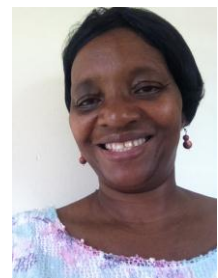




THE INFLUENCE OF STRATEGY IMPLEMENTATION ON THE PERFORMANCE OF MICRO ENTERPRISES IN RUIRU SUB COUNTY, KIAMBU COUNTY, KENYA

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ABSTRACT

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Two questions guide this research on the influence of strategy implementation to the performance of the micro enterprises in the Ruiru Sub County, Kiambu County, Kenya. The first is whether micro enterprises in Ruiru Sub County carry out strategic planning including strategy implementation. The second is whether strategy implementation has any competitive influence on their performance. Most literature and research on strategic planning is on big firms (Pearce and Robinson, 2007). In Kenya strategic planning is relatively new and less common in small enterprises. Micro enterprises ranking at the bottom of the pyramid of businesses in Kenya are more likely to ignore it. Although they contribute heavily to service delivery and job creation many of them are handicapped in growth and expansion. Data was collected on a sample drawn from 737 micro enterprises from 3 different industries in Ruiru Sub County using descriptive research design. Stratified random sampling was used with a 20% sample size which was 147 elements. Data was collected from the micro enterprises' owner-managers by use of self-administered or interview administered questionnaires. Data was analyzed using descriptive and inferential statistics with computer software. The findings conclude that micro entrepreneurs in Ruiru Sub County make business strategies and implement them and strategy implementation significantly influences the performance of these micro enterprises. For the micro entrepreneurs who engaged in strategy implementation the average rate of success on the three performance variables of profits, business turnover and market positioning was 75% while those who did not implement strategy was 25%.

Contribution/ Originality: This study contributes to the importance of strategy implementation and its contribution to the performance of micro enterprises. The empirical evidence provided shows that where strategy implementation is carried out, there is a strong positive relationship between it and performance variables of profits, business turnover and market positioning.

1. INTRODUCTION: STRATEGY IMPLEMENTATION

Strategy Implementation is defined by as the activity performed according to a plan in order to achieve an overall goal. The plan set so as to achieve the overall goal is the strategy. Strategy is the link between goals and

objectives or the bridge between policy and tactics, between ends and means (Nickols, 2012). Strategy Implementation therefore is the translation of the chosen strategy into organizational action so as to achieve goals and objectives (Favaro, 2015). Businesses could formulate great strategies but if those strategies are not well implemented the business may not be successful in realizing its goals and objectives. Strategy implementation is according to Wheelen and Hunger (2012) the sum total of all the activities and choices required for the execution of a strategic plan. All the necessary actions to implement the strategy should be identified and organized and the responsibility for these actions should be allocated. Edinger (2012) has articulated three Cs of implementing strategy as clarifying, communicating and cascading strategy.

In line with the Theory of Generic Strategies that was developed by Michael Porter, every firm must choose between cost leadership, differentiation and focus strategies as the three basic choices for firms (Porter, 1980). Ruiru Sub County is strategically positioned for micro enterprises to thrive but many do not. The Sub County's main town, Ruiru, is 3km off the Nairobi City boundary, is served by the Thika super highway and the Eastern by-pass, is 5 minutes from Kenyatta University's main campus, hosts a branch of the University and hosts Zetech University main campus. Given the circumstances, all the 134,108 businesses (KNBS) in Ruiru Sub County ought to be successful in their performance if they made strategies and implemented them among other factors. The 'natural' state of most small firms is learning by doing, inventing their future on a daily basis (Mazzarol, 2003).

1.1 Hypotheses of the Study

H₁: Strategy implementation has an influence on the performance of micro enterprises in the Ruiru Sub County.

H₀: Strategy implementation has no influence on the performance of micro enterprises in the Ruiru Sub County.

2. STRATEGIC PLANNING IN MICRO ENTERPRISES

Literature on strategic planning for micro enterprise is scanty as majority of writers have made a concentration on small enterprises which are considered higher than the focus of this study. However, Action Africa Inc (2014) have written about African women in rural villages, including rural Kenya who "plan for the survival of their extended families including those yet to be born", by buying and selling from one village market to another. According to Borgens and Collings (2014) these women micro entrepreneurs spread across many nations in Africa, do not keep records of any strategic or operational plans for their businesses; training on record keeping is shelved for as long they are not servicing a loan.

3. ORGANIZATIONAL PERFORMANCE

Performance represents the multiple outcomes of the strategic planning process (Dumler and Skinner, 2005). One factor that is measured in performance assessment is financial profitability which will be the sum of all revenue minus all the expenses. Another factor is operational turn over which is the business output recorded at a set operational period. The market positioning is the third factor. It is the measure of the enterprise's market share in relation to other businesses in the industry.

4. CONCEPTUAL FRAMEWORK

The study assumed a cause and effect relationship between strategy implementation and performance. The independent variable is strategy implementation which is expected to have a positive relationship with the overall performance of the enterprises. Once the company has selected and implemented the right strategy its performance is expected to thrive. The dependent variables to be influenced by strategic implementation are profits, business turnover and market positioning. This information is shown in the conceptual framework in Figure 1

Independent variable Dependent variable

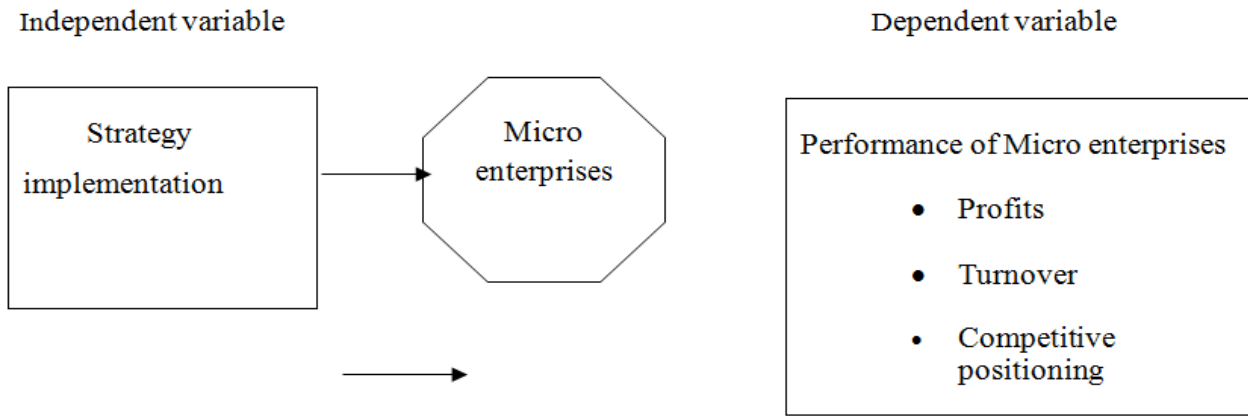


Figure-1. Conceptual Framework

5. METHODOLOGY

Descriptive Research Design of cross-sectional nature was applied using questionnaires as data collection instruments. The target population from which a sample was selected was the micro enterprises from three different industries in the Ruiru-Sub County. The meat retail businesses had 91 players, the beauty shops (excluding hair dressers) had 364 players and the mobile phone/mpesa enterprises had 282 players listed in the Kenya Business Directory (2015). This information on population is presented in Table 1 below.

Table-1. Sample size

Industry	Number of players	Main Business line	20% sample size
Butcheries	91	Meat (beef, goat, poultry) retail	18
Beauty shops	364	Beauty products, beauty arts	73
Cell phone/mpesa shops	282	Cell phones, Air time, phone accessories, mpesa transactions	56
Total players	737	Total sample size	147

Stratified sampling was used. Gay and Diehl (1992) recommend the minimum sample size to be 10% of the population (Owuor, 2014; Ducharme et al., 2015). This study used a 20% (147 elements) sample size which was considered essential for a confidence level of 95%. Coded questionnaires were keyed into computer software for data analyses. The relationship between variable can be explained using the regression analysis formula $y=a+bx$.

6. THE FINDINGS

6.1. Strategic Planning

The researcher sought to find out how many entrepreneurs started their businesses with well formulated and specific long term plans. One hundred and three (103) respondents answered yes to that question while 39 answered no. These figures represent 73% and 27% of the respondents respectively. Furthermore, the entrepreneurs claimed to do regular planning with the majority of them preferring monthly planning (49%) followed by annual planning at 24%. A further question enquired whether the entrepreneurs had put the plans down in writing. The positive responses were 53 (37%) while the negative responses were 89 or 63%.

6.2. Implementation versus Performance

The researcher sought to know whether the micro enterprises have implemented or made use of the business plans which they had made in the past. One hundred and thirteen (113) or 80% had implemented the plans while 29 or 20% had not. This data is presented on Figure 2.1

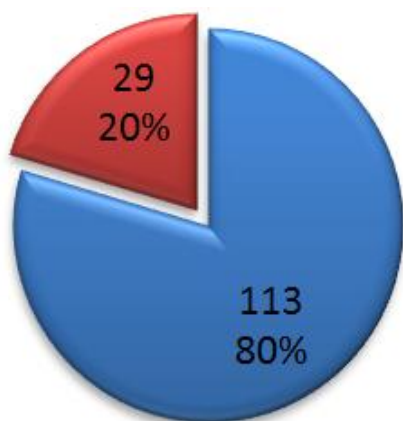


Figure-2. Implemented strategies

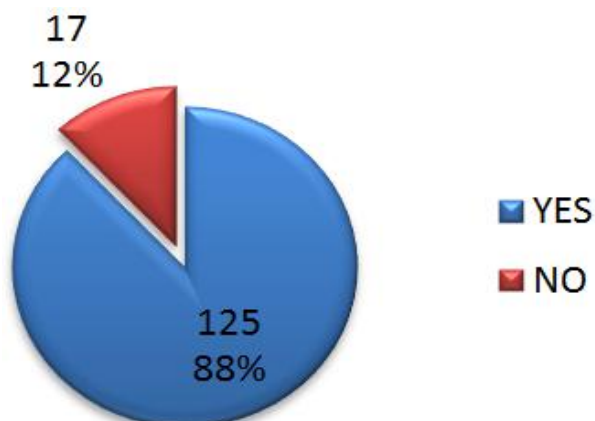


Figure-3. Made major changes

Figure 3 shows the effects and influence of implementing strategies. There had been major changes since the inception of the business either in the line (type) of business or in the products and/or services for 125 (88%) entrepreneurs. Those who have remained in the same line of business with the same products or services since inception of their business are 17 entrepreneurs who make up 12% of the total entrepreneurs interviewed.

Implementation versus profits

The micro enterprises that had implemented their business plans described themselves as follows: The very successful were 12(8%), the fairly successful were 40(28%) and the average in success were 55(39%) in terms of profit rating. Three (3) entrepreneurs or 2% among those who have implemented their business plans reported declining profits.

The micro enterprises that had not implemented their business plans described themselves as follows: The very successful were 3(2%), the fairly successful were 5(4%) and the average in success were 18(13%) in terms of profit rating. Two (2) entrepreneurs or 1% among those who had not implemented their business plans reported declining profits. Plans implementation versus profits analysis is in Table2 and Figure 4

Table-2. Plans implementation versus profits

Implemented plans	Very Successful	Fairly Successful	Average	Declining	Very poor
Yes	12 8%	40 28%	55 39%	3 2%	0
No	3 2%	5 4%	18 13%	2 1%	0

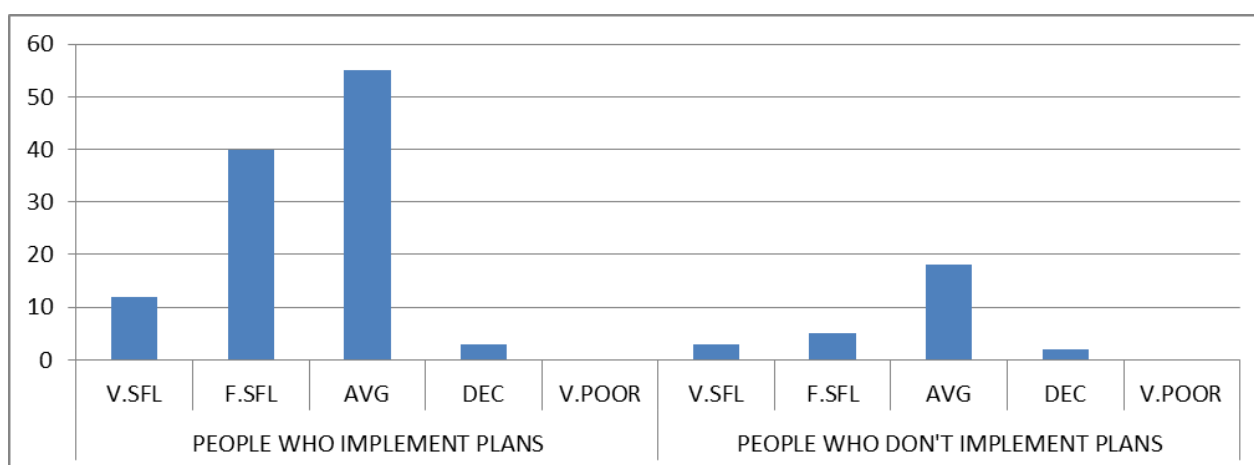


Figure-4. Plans implementation versus profits

6.3. Plans Implementation versus Business Turnover

The micro enterprises’ report on their performance in business turnover is as follows. The micro enterprises that had implemented their business plans were, the very successful 14(10%), the fairly successful 33(23%) and the average successful 58(40%) in terms of business turnover. Four (4) entrepreneurs or 3% among those who had implemented their business plans reported a declining business turn over.

The micro enterprises that had not implemented their business reported their business turnover rating as follows. The very successful was 1, the fairly successful were 8(4%), the average were 14(13%). One entrepreneur reported a declining business turnover. Analysis of implementation versus business turnover is presented on Table 3 and Figure 5

Table-3. Plans implementation versus business turn over

Implemented plans	Very Successful	Fairly Successful	Average	Declining	Very poor
Yes	14 10%	33 23%	58 40%	4 2%	0
No	1 2%	8 4%	14 13%	3 1%	1

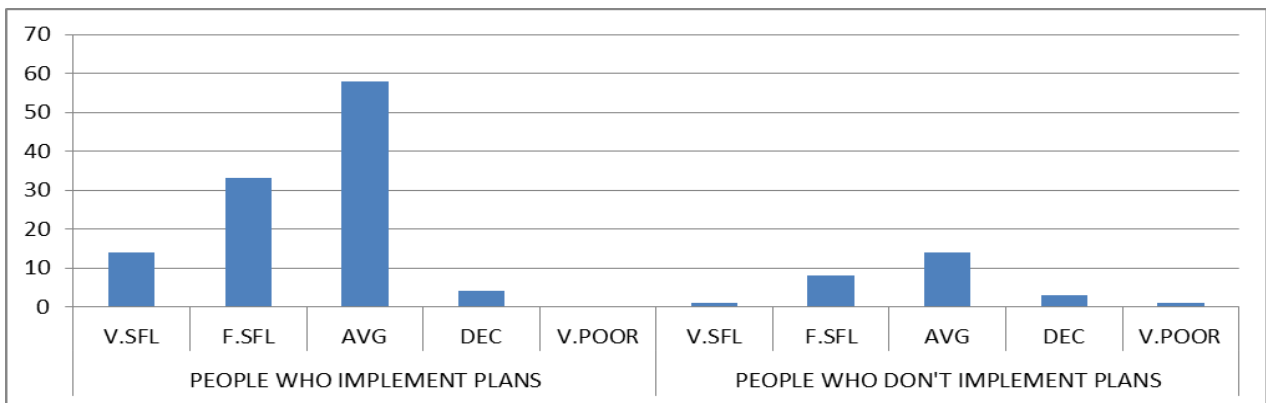


Figure-5. Plans implementation versus business turnover

6.4. Implementation versus Market Position

The third element of performance that was taken into consideration was the market positioning of the micro enterprise which is a description of the market share the entrepreneur holds. The micro enterprises that had implemented their business plans described themselves as follows, the very successful were 21(15%), the fairly successful were 32(22%) and the average successful were 56(39%) in terms of market positioning. Three (3) entrepreneurs or 2% among those who had implemented their business plans reported a declining market positioning.

Table-4. Plans implementation versus market position

Implemented plans	Very Successful	Fairly Successful	Average	Declining	Very poor
Yes	21 15%	32 22%	56 39%	3 2%	0
No	0	9 6%	14 10%	1 1%	3 2%

The micro enterprises that had not implemented their business plans had this description of themselves. None of them was very successful, the fairly successful were 9(6%), the average in success were 14(10%) in terms of market positioning. One (1) entrepreneur among those who had not implemented their business plans reported a

declining market position while 3 entrepreneurs or 2% reported very poor market positioning. The report on plans implementation versus market positioning is analyzed in Table 4 and Figure 6

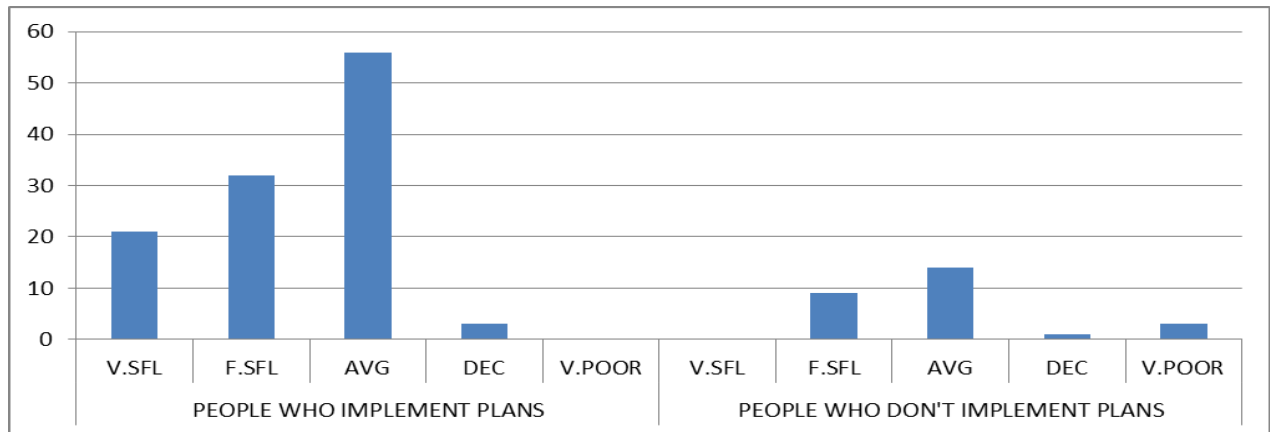


Figure-6. Plans Implementation versus market position

6.5. Summary of the Findings

The 113 micro entrepreneurs who formulated and implemented strategies reported higher performance than the 30 who had not. For the micro entrepreneurs who engaged in strategy implementation the average rate of success on the 3 performance variables that were studied was 75% while those who did not implement strategy was 25%. See Table 5 below.

Table-5. The influence of strategy implementation on performance

	Strategy implementation		Profits		Business Turnover		Market position		Average %
Planned	113	79%	107	75%	105	74%	109	76%	75%
Not planned	30	21%	32	25%	40	26%	38	24%	25%

There is a cause and effect relationship between the independent variable of strategy implementation and the dependent variables of performance which are profits, business turnover and market positioning. These rates signify that the H₁ hypothesis in this study is correct.

H₁: Strategy implementation has an influence on the performance of micro enterprises in the Ruiru Sub County.

7. DISCUSSION AND CONCLUSION

Although 80% stated they had fully implemented their strategic plans, only one third or 37% of them claimed to have put their plans in writing. First, every strategy needs to be evaluated for validity and relevance during the process of implementation. Secondly, the people charged with the responsibility of strategy implementation need a road map with checks and balances which act as guides to be used during the implementation progress. If strategies are not written down, it would be difficult to know whether or not they have been understood and implemented successfully. The researcher concludes that strategy could not have been effectively implemented without a guiding document. This argument agrees slightly with Anyieni (2014) when he says strategic planning in Kenya is new or non-existent.

8. RECOMMENDATIONS

The researcher recommends to the micro entrepreneurs to engage in long term planning for better realization of their dreams and to put these plans in writing for reference during implementation.

The micro entrepreneurs indicated they would like to be very successful in all the performance variables in the next 5 years. The County Government of Kiambu should prioritize training in strategic planning for micro entrepreneurs because they contribute significantly in job creation and revenue.

Further research can be carried out on the reasons behind gender inequality with more women than men in the micro enterprises. Another study could be on the influence of strategic planning skills training to performance.

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