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The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com
Vol. 5, Iss. 4, pp 1661 - 1665, November 4, 2018. www.strategicjournals.com, ©Strategic Journals

EFFECT OF STRATEGIC MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KITUI COUNTY

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Accepted: November 3, 2018

ABSTRACT
Strategic management practices provide small firms with new tools for survival, growth and maintaining a sustainable competitive advantage. The general objective of this study was to examine an evaluation of strategic management practices on financial management performances of small and medium enterprises in Kitui County. The study concluded that the staffs were served with courtesy and professionalism. They also said that Positive customer experience impacts positively on performance of our firm because it results in repeat business. Others were delays and cancellations of orders do result to customer, ambience contributed to positive customer experience and complaints were opportunities that enabled the firm to improve on the services to customers. Operational risks can be mitigated using e-payment systems, shows that on the mitigation of misappropriation of funds, reduce on errors in calculating change from transactions, misappropriation or fraudulent financial reporting. They should look on the lack of transparency in transactions. On how to mitigate on single person dependency the study found that they should not fail to develop and retain high quality staff. They should also check on the loss of corporate expertise to competitors. Further they should ensure that there is no lack of employee succession plans. Further there should be no loss of expertise due to ageing workforce and failure to attract high caliber staff. The study concluded that customer focus account for financial performance of the SMEs in Kitui County. The general form of the equation to predict financial performance of SMEs in Kitui County holding the independent variable constant, financial performance of the SMEs in was predicted whereas customer focus improved financial performance of the SMEs.

Keywords: *Strategic, Performance, Enterprises*

INTRODUCTION

Adoption of superior strategic management practices provide small firms with new tools for survival, growth and maintaining a sustainable competitive advantage (Omerzel and Antoncic, 2008). SMEs use strategic planning as a tool to cushion them from the unstable business environments in order to ensure their survival and growth (Huang, 2006). Dansoh (2005) posits that strategic planning enables SMEs to be forward looking and vigilant to be able to cope with these circumstances. Small and medium enterprises, which engage in strategic planning, are more likely to be those that achieve higher sales growth, high returns on assets, higher margins on profit, higher employee growth, achieve international growth, and are less likely to fail (Wang, Walker and Redmond, 2007). Strategic planning provides an operational framework, which allows an organization to enjoy competitive advantages and improved business performance (Pillania, 2008). In order for SMEs to succeed and sustain their businesses, they need to adopt superior strategic management practices (Dansoh, 2005).

Strategic management is the process and approach of specifying an organization's objectives, developing policies and plans to achieve and attain these objectives, and allocating resources so as to implement the policies and plans. In other words, strategic management can be seen as a combination of strategy formulation, implementation and evaluation (David, 2005; Haim Hilman Abdullah, 2005; Mohd Khairuddin & Hashim, 2005; Zainal Abidin & Mohamed, 2005). Strategic management is grounded in the principle that companies need to proactively manage change by conducting not only internal audits but also external audits (David, 2013).Today more than ever21st century company survival, competitiveness, and financial viability hinges on businesses mastering the art of effectively managing change (Waterman, 2007).

Strategic Financial performance is a systematic key success factor for many large scale businesses that run around the globe. According to McKinsey quarterly report of March 2012 highlighted the fact that most companies allocate the same resources to the same business units year after year. That makes it difficult to realize strategic goals and undermined performance. Therefore, there is need to have strategic finance in helping to overcome this inertia and hence promoting long term growth and success to the businesses.

SMEs in Kenya's and not leaving those in Kitui county play an important role in employment and wealth creation, income distribution, accumulation of technological capabilities and spreading the available resources. SME's in the county are facing many issues in pertaining in their business line from lack of support from the county Government, Poor infrastructure. Also in continuing creating jobs they end up having inadequate knowledge skills and managerial skills. Rapid change of technology is getting toll to them, the big mountain to the SME's in the county.

Statistics have shown that many SME's collapse at the initial stage of their business life. Environmental concerns, economic downturn and also social concerns is also a threat to SMEs have to fight along and emerge upon survival. An evaluating strategic financial performance will act as a well-planned road map that will enable the SME to achieve and aid their financial objective goal. Thus, this research project was in dire need to evaluate strategic management on financial performance of SME's in Kitui County.

LITERATURE REVIEW

Strategic Fit Theory

This theory, also known as best fit strategic management or strategic decision theory, explains that there are no universal prescriptions of strategic management practices. Wright and Snell (2005) argue that the application of strategic management practices depends on the Organization's context, business strategy and culture. The proponents of this theory further observe that strategic management practices would be more effective only once they are rightfully integrated with specific institution and environmental understanding.

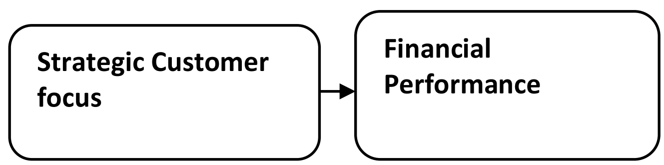
Contingency Theory

Contingency theory is a class of behavioral theory that claims that there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation. Several contingency approaches were developed concurrently in the late 1960s. They suggested that previous theories such as Weber's bureaucracy and Taylor's scientific management had failed because they neglected that management style and organizational structure were influenced by various aspects of the environment: the contingency factors. There could not be "one best way" for leadership or organization.

Mintzberg Theory

This theory was adopted from Henry Mintzberg's thesis on the nature of managerial work in 1973. Mintzberg's empirical research involved observing and analyzing the actual work habits and time management of Chief Executive Officers (CEOs). The theory postulates that the relationship between strategy and planning is a constant theme (Kumar, 2015). This theory provides potential answers to critical questions about current theoretical constructs in archival thinking.Management is incorporated into every aspect of an organization and involves different roles and responsibilities. Henry Mintzberg defined ten management roles within three categories namely interpersonal, informational, and decisional. Each of the three categories embraces the different roles

Conceptual Framework



Independent Variables **Dependent Variable**

RESULTS

Strategic Customer Focus

The researcher identified the items in table 1 where the respondents were asked to indicated the extent to which they affected financial performance of the SMEs.

Table 1: Strategic Customer Focus

Knowledge ICT by the Respondents	Mean	St Deviation
Positive customer experience impacts positively on	4.238	0.6734
performance of our firm because it results in repeat business	4.145	0.9341
Ambience contributes to positive customer experience	3.125	0.6845
Delays and cancellations of orders do result to customer	3.682	0.2346
Courtesy and professionalism by our staff enhance customer experience.	4.689	0.4567
Courtesy and professionalism by Our staff enhance customer experience.	2.612	0.0046
Complaints are opportunities that enable our firm to improve on the services to customers	3.050	0.2341
Management of Queues result in Positive Customer Experience	2.146	0.8941

The study found that they ensured that their staff served with courtesy and professionalism at a mean score of 4.689. They also said that Positive customer experience impacted positively on performance of our firm because it resulted in repeat business at a mean score of 4.238. Others were delays and cancellations of orders resulting to customer at mean of 3.682, ambience contributed to positive customer experience at a mean score of 3.125 and complaints were opportunities that enable our firm to improve on the services to customers at a mean score of 3.050.

CONCLUSION

The study found that they ensured that their staff served with courtesy and professionalism. They also said that Positive customer experience impacts positively on performance of their firm because it results in repeat business. Others were delays and cancellations of orders do result to customer, ambience contributes to positive customer experience and complaints are opportunities that enable our firm to improve on the services to customers.

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