STRATEGIC MANAGEMENT PRACTICES AND PERFORMANCE OF SMALL AND MICRO ENTERPRISES IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

Small and Medium Enterprises (SMEs) is an important sub sector for the Kenyan economy like many other developing countries since it employs about 85% of the Kenyan workforce (about 7.5million Kenyans of the current total employment). The current constitutional framework and the new Micro and Small Enterprise Act 2012 provide a new window of opportunity through which the evolution of SMEs can be realized through the devolution framework. However, the impact of devolution on SMEs development depends on the architecture of the regulatory and institutional framework inclined to support SMEs in an economy. Lack of access to credit is a major constraint inhibiting the growth of SMEs sector. The issues and problems limiting SMEs acquisition of financial services include lack of tangible security coupled with inappropriate legal and regulatory framework that does not recognize innovative strategies for lending to SMEs. The study sought to establish the influence of strategic management practices on the organizational performance of SMEs in Nairobi City County, Kenya. The specific objectives were to determine the effect of low cost leadership strategy, differentiation strategy, focus strategy and combination strategies on performance of SMEs in Nairobi City county.The study was anchored on the following three theories which include Porter's generic strategies model, resource-based view theory, and resource dependence theory. Empirical literature reviewed scholarly studies on the porter's generic competitive strategies which included cost leadership strategy, differentiation strategy,focus strategyand combination strategies and their influence on financial performance of SMEs. The study used a descriptive research design. The population of study wre youth owned SMEes in the 17 sub-counties in Nairobi City County that are operational. This consisted of 100 respondents who were the proprietors of the enterprises. A sample of 30 respondents was taken which formed 30% of the target population which was evenly spread across the sub-counties. The primary data was collected by use of self-administered semi-structured questionnaire. Data analysis was done by use of descriptive statistics such as frequencies, percentages, mean scores and standard deviation with the aid of SPSS and presented through tables, charts, graphs, frequencies and percentages. The study realized that the Michael Porter's generic strategies of competitive advantage used in the study which include low cost leadership strategy, differentiation strategy, focus strategy and combination strategy significantly influenced the organizational performance of SMEs in Nairobi City County, Kenya. The variables explained 85.11% of the changes in organizational performance of the SMEs. A unit increase in low cost leadership strategy adoption by SMEs led to a 0.655 increase in organizational performance of the SMEs, a unit increase in differentiation strategy adoption led to a 0.876 increase in performance of the enterprises, a unit increase in focus strategy transformed to a 0.945 increase in performance of the firms while a unit increase in application of combination strategy by the SMEs led to a

0.860 increment in their overall performance.

Key Words: *strategic management practices, performance, small and micro enterprises, Nairobi City County, Kenya*

INTRODUCTION

Strategic Management is a concept that concerns making decisions and taking corrective actions to achieve long-term targets and goals of an organization (Bakar et al, 2011). It is a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives (Pearce & Robinson, 2008). The business environment in which firms operate is dynamic and turbulent with constant and fast paced changes that often render yester-yearsstrategies irrelevant (Ofunya,2013). Strategies should therefore be put in place to cushion the businesses from the uncertainty that comes along with an unpredictable environment. Strategic management addresses the reason why some organizations succeed while others fail (Melchorita, 2013; Porter, 2001).Strategic management involves identifying the organization's current mission, objectives, and strategies, analyzing the environment, identifying the opportunities and threats, analyzing the organization's resources, identifying the strengths and weaknesses, formulating and implementing strategies and evaluating the results (Robbins & Coulter, 1996).

Strategic management practice consists of threebasicelements, strategy formulation, implementation, evaluation and control (Wheelen& Hunger, 2008). It is within these threeelements that strategic management practices are manifested and is also described as the strategic management process. The concept of organizational performance is core to businesses because the major objective of businesses is to make profits. Iravo et. al., (2013) state that one of the important questions in business has been why some organizations succeed and why others fail and this has influenced a study on the drivers of organizational performance. Awino (2011) asserts that for an organization to be successful it has to record high returns and identify performance drivers from the top to the bottom of the organization. Njihia et. al., (2013) highlight performance measurement as one of the tools which helps firms in monitoring performance, identifying the areas that need attention, enhancing motivation, improving communication and strengthening accountability.

Financial institution managers, like any other managers, can use the feedback on performance to make adjustments to policies and other modes of organizational operations (Wadongo et. al., 2010). Fwaya (2006) views performance as a formula for the assessment of the functioning of an organization under certain parameters such as productivity, employee' morale and effectiveness. Performance management and improvement is at the heart of strategic management because a lot of strategic thinking is geared towards defining and measuring performance (Nzuve and Nyaega, 2012). Odhiambo (2009) identified three approaches to performance in an organization which are the goal approach, which states that an organization pursues definite identifiable goals. This approach describes performance in terms of the attainment of these goals. The second approach is the systems resource approach which defines performance as a relationship between an organization and its environment. This concept defines performance according to an organization's ability to secure the limited and valued resources in the environment. The third approach is the process perspective which defines performance in terms of the behaviour of the human resource of an organization (Waiganjo et. al., 2012).

According to World Bank, (2013), SMEs are the main source of employment in developed and developing countries alike, comprising over 90% of African business operations and contributing to over 50% of African employment and GDP. The promotion of SMEs and, especially, of those in the informal sector is viewed as a viable approach to sustainable development because it suits the resources in Africa. In Kenya these businesses play a central role in the economy and are a major source of entrepreneurial skills, innovation and employment. However, many SMEs still remain outside the formal banking sectors yet they play a key role in the economy of many countries. They create employment, lead to increased participation of indigenous people in the economy, use mainly local resources, promote the creation and use of local technologies, and provide skills training at a low cost to society (ILO, 2009). This study therefore sought to establish the strategic management practices employed by microfinance institutions in Nairobi City County and how they influenced their performance.

Strategic Management Practices

According to Ansoff& McDonnell (2010), strategic management is concerned with broad, long-term future of an organization and the way it will prepare for change to the extent that change is perceived as being a necessary prerequisite of future continued success. Strategic decisions and plans are thus subject to greater uncertainty than either administrative or operational decisions. Strategic management has a coordination and integration role, seeking endorsement of the public sector and supporting strategies such as Human Resource (HR) workspace and Information Technology (IT) and assuring the appropriateness of strategic themes. The task of strategic management, in collaboration with government partners, is to manage the continuous processes of maintaining an appropriate relationship between the public sectors and its environment and preparing the government for an uncertain future (Abreu & Mendes, 2001). The development of the field of strategic management within the last two decades has been dramatic (Alexander, 2005) and it grows larger every day. Because of the nature of the strategy, it does not contain universal truths that can be documented through scientific theorems and proofs (Chinowsky& Byrd, 2001).

According to Forest &Kinser, (2007) a significant amount of the empirical studies in strategy were concerned about the scope of the firm and its performance implications. However, strategic management generally addresses the question of why some organizations succeed or fail, and it covers the causes for company's success or failure (Forest &Kinser, 2007). Studies on strategic management have shown that strategic management practice is concerned with deciding on strategy and planning how that strategy is to be put in to effect. It can be thought of as having three elements within it: there is strategic choice stage which is to do with formulation of possible courses of action, their evaluation and the choice between them. Finally, there is a strategic implementation stage, which is to do with planning how the choice of strategy can be put into effect (Kazmi, 2008).

Strategic planning usually involves all departments of an enterpriseorganization and is often a fundamental part of the strategic management process. Strategic planning often leads to major changes in the way the enterprise is managed and operated. This change is aimed at management excellence and an organization must exhibit such excellence in execution of strategy because, the results of the strategic planning can affect the well-being or the failure of the enterprise in its industry, (Thompson, 2007).Since no organization has unlimited resources, strategists must decide which alternative strategies benefit the firm most (Denton & White, 2006).Thus, a strategy “reflects managerial choices among alternatives and signals organizational commitment to particular products, markets, competitive approaches, and ways of operating the enterprise” (Thompson & Strickland, 1996). Furthermore, different organizations in different environments are likely to emphasize different aspects of the strategic management process (Thompson, 2007).

Small and Medium Enterprises in Kenya

Small and Medium Enterprises (SMEs) contribute greatly to the economies of allcountries, regardless of their level of development. About 80% of the labour force in Japan and 50% of workers in Germany are employed in the SME sector. With respect to developing countries and according to the ILO/JASPA (1998), the sector made a significant contribution to the gross domestic product of Uganda (20%), Kenya (19.5%) and Nigeria (24.5%). The term SMEs covers a wide range of perceptions and measures, varying from country to country and between the sources reporting SME statistics. Some of the commonly used criterions are the number of employees, total net assets, sales and investment level. However, the most common definitional basis used is employment, but, there is a variation in defining the upper and lower size limit of an SME (Ayyagari, Beck &Demirguc-Kunt, 2003).

An enterprise is considered to be any organized effort intended to return a profit oreconomic outcome through the provision of services or products to an outside group(Carland, Hoy, Boulton&Carland, 1983). The operation of an enterprise traditionallyrequires the investment of capital and time in creating, expanding or improving the operations of a business (Meredith, 2001). Small to medium enterprises are considered those enterprises which have fewer than 250 employees. In distinguishing between small and medium size enterprises, the small enterprise is defined as an enterprise which has fewer than 50 employees. These businesses are often referred to as SMEs and are associated with owner proprietors (Meredith 2001; Schaper&Volery 2004).

Mutula and Brakel (2006) argue that there is no universally accepted definition for small and medium enterprises (SMEs), the description of Small and Medium Enterprises (SMEs) varies from country to country. Most of the time the choice whether or not a company is an SME is based on the number of employees, value of assets or value of sales. In Kenya SMEs are described as any non-farm enterprise, formal or informal, with less than 50 employees, including sole proprietorships, part-time businesses, and home-based businesses (GoK, 2012).

As alluded to earlier in this chapter, In Kenya, SMEs operate in all sectors of the economy, including manufacturing, trade and service subsectors. Almost two-thirds of all SMEs in Kenya are located in the rural areas with only one-third found in the urban areas. The sector is perceived as the engine of growth as it is key in the generation of employment & income, provision of goods & services & as a driver of competition, industrialization and innovation. It comprises of about 75 % of all businesses, employs 4.6 million people (30%) and accounts for 87% of all new jobs and contributes 18.4 % of the GDP (GoK, 2009).

Despite the opportunities presented by globalization, the results have been unsatisfactory for SMEs in terms of their growth. This is evidenced by baseline survey; undertaken by Central Bureau of Statistics (2004) which indicated that there is high rate of failure andstagnation among many SMEs. The survey reveals that only 38% of the SMEs are expanding while 58% have stagnated and that more micro and small enterprises are most likely to close in their first three years of operation. This is confirmed by the study conducted by the Institute of Development Studies University of Nairobi on behalf of Ministry of Planning (2008) which used a sample of businesses operating in Central Kenya. The study revealed that 57% of small businesses are in stagnation with only 33% of them showing some level of growth. Although management and owners of SMEs develop new ideas and solutions, they rarely utilize a formalized logistical strategy, along with overall business objectives which can contribute to the success and the survival management of the enterprise. They therefore face critical constraints that inhibit their growth, competitiveness and performance (GoK 2008).

SMEs in Nairobi City County

The national baseline survey (National Baseline Survey, 1999) indicated that about 17% of the total SMEs are located in Nairobi. According to the licensing record provided by Nairobi county licensing office (2014) there were 825 SMEs based in Nairobi County operating in service and manufacturing sectors. The contribution of SMEs to job creation in the country is regarded as immense. Analysis by county shows that Nairobi County recorded a 5.4 increase in job creation in 2011 in the SMEs sector (Republic of Kenya, 2012). Like in any other part of the country SMEs in Nairobi have high mortality rates with most of them not surviving to see beyond their third anniversaries (RoK, 2005).

Despite limited knowledge, skills and capital base, the SMEs have not come up with strategies to ensure they remain aloft in the competitive business environment in the City. Those who have come up with strategies in making them competitive have ended up not implementing them well or lacking capacity to make them successful.

STATEMENT OF THE PROBLEM

According to Covin, (1991), there is a relationship between strategy and performance, while Chell, Haworth and Brearley, (1991) acknowledged that strategies which result in high performance are identified with activities that include emphasis on product quality, product and service innovations that meet changing customer needs are associated with market share increase arising from attracting new customers and retaining existing ones. Activities associated with high performing strategies also include emphasis on use of technologies, discovery of new markets, excellent customer service and support,extensive advertising, use of external finance, emphasizing cost effectiveness and concern with employee productivity (Vickery, Droge&Markeland, 1993). SMEs struggle to operate, manage and improve their businesses efficiently in order to deliver quality products and services consistently and on time. This is because in most enterprises the application of business strategies requires a host of expensive and time consuming changes both in the organizational culture and structure hence many owner / managers have had to overlook some necessary and critical business strategies. This has had a devastating negative effect on their performance as it has resulted in poor service delivery, increased internal inefficiencies and negative bottom line; and most importantly reduced contribution to the gross domestic product (GDP), creation of job opportunities and also the overall individual organization performance. The concept of business growth is still a grey area as there is yet to be a conclusive approach and definite indicators of business growth despite the fact that it is every entrepreneur’s wish to have their businesses grow. Thus the subject of business growth is a fertile area for a study in the Kenyan context (Kemei (2011). Reviews examining impacts of microfinance have concluded that, rigorous quantitative evidence on the nature, magnitude and balance of microfinance impact is still scarce and inconclusive. It is widely acknowledged that no well-known study robustly shows any strong impacts of microfinance (Aghion and Morduch (2010). Makena (2011) studied on the financial challenges faced by SMEs and found that inadequacies in access to finance are key obstacles to SMEs growth. Kemei (2011) studied on the relationship between strategic management practices and financial performance of SMEs. The findings were that positive and significant relationships have been established between MFIs loans and SMEs performance. Kimoro (2011) in a study on the impact of microfinance strategies onwomen empowerment found that microfinance has led to expansion of freedom of choice of women. A survey of the financial constraints hindering growth of SMEs by Koech(2011) found that the factors affecting growth were capital market, cost, capital access, collateral requirements, capital management and cost of registration. Coopper(2012) studied on the impact of strategic management practices on the growth of SMEs in Nairobi and found a strong positive impact. This study therefore sought to establish the influence of strategic management practices on the performance of SMEs in Kenya with a special focus on youth enterprises in Nairobi City County.

GENERAL OBJECTIVE

The general objective of the study was to determine the influence of strategic management practices on the performance of SMEs in Kenya.

SPECIFIC OBJECTIVES

1. To find out the influence of low cost leadership strategy on performance of SMEs in Nairobi County.
2. To determine the role of differentiation strategyon performance of SMEs in Nairobi County.
3. To establish the effect of focus strategy on performance of SMEs in Nairobi City County.
4. To assess the influence of combination strategieson performance of SMEs in Nairobi City County.

THEORETICAL REVIEW

Porter Generic Strategies Model

This model was described by Michael Porter in 1980. Porter's generic strategies describe how a company pursues competitive advantage across its chosen market scope. There are three/four generic strategies, either lower cost, differentiated, or focus. A company chooses to pursue one of two types of competitive advantage, either via lower costs than its competition or by differentiating itself along dimensions valued by customers to command a higher price. A company also chooses one of two types of scope, either focus (offering its products to selected segments of the market) or industry-wide, offering its product across many market segments. The generic strategy reflects the choices made regarding both the type of competitive advantage and the scope.

Porter wrote in 1980 that strategy targets either cost leadership, differentiation, or focus. These are known as Porter's three generic strategies and can be applied to any size or form of business ranging from SMEs to multinationals. Porter claimed that a company must only choose one of the three or risk that the business would waste precious resources. Porter's generic strategies detail the interaction between cost minimization strategies, product differentiation strategies, and market focus strategies of porters. Competition in an industry is influenced by various forcesin the business operating environment. Porter attempted to summarise these forcesasthe rivalry among existing firms, threat of new entrants, substitute products or services, increased bargaining power of suppliers and bargaining power of buyers.A firm’s products/services are affected by its suppliers, substitutes, buyers, potential entrants and industry competitors. For suppliers and buyers, these have a bargaining power on a firm’s products/services whereas the potential entrants and substitutes pose a threat to the firm’s products and services.

He further came upgeneric competitive strategies to counter these competitive forces (Barney, 2007 & Porter, 1998).Porter's generic strategies are useful in determining strategic positions at the simple and broad level of organisation scope. The basis for Porter's model was the industry structure and positioning within the industry. These strategies were cost leadership and differentiation, while the third strategy, focus was based on these two strategies. Focus is the firm's choice of competitive scope. This scope distinguishes between firms targeting broad industry segmentsand firms focusing on narrow segments.

Cost leadership as a strategy allows the firm to be a low-cost producer and thus making more profits than rivals due to low costs of production and economies of scale. This becomes an advantage for the firm, especially those that are first-movers or those that have ease of access to raw materials or factors of production. They usually focus on being the low cost producer in an industry for a given level of quality, and then sell these products at either the average industry price to earn profits higher than rivals or below the average prices in order to gain or increase their market share. These firms take advantage of their low cost of production to be able to sell at below-average prices (Barney, 2007; Porter, 1998). In case of price wars, such firms can maintain profitability when the rivals continue to suffer losses.

Cost leadership as a strategy, is used by firms that target broad markets. Firms undertaking cost leadership strategy acquire cost advantage by improving processes, increasing efficiency, and gaining access to lower production costs or material costs either through vertical integration or adopting optimal outsourcing (Porter, 1998, Johnson et al., 2005). Differentiation as the second generic strategy allows a firm to offer unique products or services at a premium price pegged on the value added. The value added is usually a perception of the products by the buyers. The added value and utility of that product as perceived by that buyer enables the product to be differentiated at a cost that covers the extra value or features in it.

Differentiation results from the way a firm‟s products or services and the related activities affect the buyers‟ activities. This strategy is incorporated with the value chain framework to strengthen its application in firms‟ activities. All activities in the value chain (actions or characteristics that add value to a product or service) contribute to the buyer value. The cumulative costs in the value chain determine the value cost that is usually a premium price charged for the product or service (Porter, 1998). Firms that successfully implement the differentiation strategy gain by increasing their internal strengths through highly skilled and creative product development teams as well as having access to the leading scientific research due to innovation. They also gain in improving their reputation for better quality and continued innovation. Differentiation strategy enables firms to achieve higher profits due to the premium prices charged for added value (Hax&Majluf, 1996; Porter, 1998).

The third generic strategy is focus which combines the above two generic strategies. This strategy is based on serving a certain clientele to the exclusion of others in the market. These are basically buyers with unusual needs as the target market and thus the firm offers to dedicate its services or products to serve them. Application of these strategies varies in firms and it is greatly affected by the industry characteristics (Porter, 1998). This strategy enables firms to concentrate on a narrow market segment to either achieve the above two strategies of cost leadership and differentiation. It is based on the assumption that the particular needs of the narrow group of customers can be better met by focusing entirely on this group (Barney, 2007; Porter, 1998).

Firms that adopt this strategy gain a high degree of customer loyalty, which in turn discourages competing firms from attempting to compete directly with them. This strategy may, however, make firms to achieve low volumes of production and customer numbers. It is characterised by lower bargaining power of suppliers though, and this means that the firm will tend to pass higher costs to customers since there is no much choice of substitutes for the product or service. This becomes disadvantageous to customers who have no choice but to buy at the price set by the firm (Barney, 2007; Johnson et al., 2005).

In summary, Porter argues that firms are able to succeed in adopting multiple strategies by creating separate business units for each of the above strategies since customers often seek multi-dimensional attributes of a product to derive maximum utility. These can be a mix of quality, convenience, price and style, among other features of a product or service (Barney, 2007; David et al., 2001). The application of this theory by SMEs is likely to steer their competitiveness to ensure they performance in whichever industry they are in.

Resource-Based View Theory

The resource-based view (RBV) of Wernerfelt (1984) suggests that competitiveness can be achieved by innovatively delivering superior value to customers. The extant literature focuses on the strategic identification and use of resources by a firm for developing a sustained competitive advantage (Barney, 1991). International business theorists also explain the success and failures of firms across boundaries by considering the competitiveness of their subsidiaries or local alliances in emerging markets (Luo, 2003). Local knowledge provided by a subsidiary or local alliance becomes an important resource for conceptualizing value as per the local requirements (Gupta *et al.*, 2011).

In strategic management research, RBV theory has emerged as one of the theoretical perspectives used to explain persistency in inter-firm performance differences (Barney and Griffin, 1992). According to RBV theory, firms have collections of unique resources and capabilities that are valuable, rare, inimitable and non-substitutable and which are able to provide them with a sustainable competitive advantage. Hence, resources are tangible and intangible assets that are either owned or controlled by a firm, whereas capabilities refer to its ability to exploit and combine resources through organizational routines in order to achieve its objectives (Amabile et al, 1996). For this study, by applying RBV theory, it is important to investigate how internal and external resources can be influenced by competitive strategy and enable an organization's capabilities to enhance innovation performance (Galbreath, 2005).

According to Nahapiet and Ghoshal (1998), the term "intellectual capital" refers to the knowledge and knowing capability of a social collectivity, such as an organization, intellectual community, or professional practice" , while social capital is defined as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit". Intellectual capital is a valuable resource in the form of accumulated knowledge which is embedded within an organisation, while social capital resides in the relationships firms have with their network partners. Nahapiet and Ghoshal (1998) argued that innovation is the ultimate outcome of the creation of new knowledge which results from the combination and interaction between intellectual capital and social capital of firms. SMEs also are endowed with these two sets of capital or resource that require effective and efficient management to ensure the enterprises competitive favourably and perform.

Resource Dependence Theory

The resource dependence theory was postulated by Pfeffer and Salancik in 1978. Organizational success in resource dependency theory (RDT) is defined as organizations maximizing their power (Pfeffer 1981). Research on the bases of power within organizations began as early as Weber (1947) and included much of the early work conducted by social exchange theorists and political scientists. Generalization of power-based arguments from intra-organizational relations to relations between organizations began as early as Selznick (1949). RDT characterizes the links among organizations as a set of power relations based on exchange resources.

RDT proposes that actors lacking in essential resources will seek to establish relationships with (i.e., be dependent upon) others in order to obtain needed resources. Also, organizations attempt to alter their dependence relationships by minimizing their own dependence or by increasing the dependence of other organizations on them. Within this perspective, organizations are viewed as coalitions alerting their structure and patterns of behaviour to acquire and maintain needed external resources. Acquiring the external resources needed by an organization comes by decreasing the organization's dependence on others and/or by increasing other's dependency on it, that is, modifying an organization's power with other organizations.

Although RDT was originally formulated to discuss relationships between organizations, the theory is applicable to relationships among units within organizations. RDT is consistent with ecological and institutional theories of organizations where organizations are seen as persistent structures of order under constant reinterpretation and negotiation, interacting with an indeterminate environment of turbulence and a multitude of competing interests.

Resource dependence theory has implications regarding the optimal divisional structure of organizations, recruitment of board members and employees, production strategies, contract structure, external organizational links, and many other aspects of organizational strategy.

The theory argues that organizations depend on resources, these resources ultimately originate from an organization's environment, the environment, to a considerable extent, contains other organizations, the resources one organization needs are thus often in the hand of other organizations, resources are a basis of power, legally independent organizations can therefore depend on each other and power and resource dependence are directly linked. Organizations depend on multidimensional resources: labor, capital and raw material. Organizations may not be able to come out with countervailing initiatives for all these multiple resources. Hence organization should move through the principle of criticality and principle of scarcity. Critical resources are those the organization must have to function. An organization may adopt various countervailing strategies like associating with more suppliers, or integrate vertically or horizontally.

Resource dependence concerns more than the external organizations that provide, distribute, finance, and compete with a firm. Although executive decisions have more individual weight than non-executive decisions, in aggregate the latter have greater organizational impact. Managers throughout the organization understand their success is tied to customer demand. Managers' careers thrive when customer demand expands. Thus customers are the ultimate resource on which companies depend. Although this seems obvious in terms of revenue, it is actually organizational incentives that make management see customers as a resource.

Resource dependence theory effects on nonprofit sector have been studied and debated in recent times. Scholars have argued that Resource dependence theory is one of the main reasons nonprofit organizations have become more commercialized in recent times. With less government grants and resources being used for social services, contract competition between private and nonprofit sector has increased and led to nonprofit organizations using marketization techniques used mainly in the private sector to compete for resources to maintain their organizations livelihood. Scholars have argued that the marketization of the nonprofit sector will lead to a decrease of quality in services provided by nonprofit organizations.

Simlarly to SMEs their resources emanate from the international sources, owners or proprietors, or externally who may include MFIs or donors. The stakeholders in either environments are key in ensuring the enterprises succeed. The proper utilization of the resources by SME owners most of whom are not informed and with limited management skills, tend to misuse them or not even identify them this works against their competitiveness. Strategic management practices therefore are meant to place the SMEs in a better position to remain aloft in the even growing and competitive business environment.

EMPIRICAL REVIEW

Adelekeet al. (2008) defines strategic management practice as the process of examining both present and future environments, formulating the organizations objectives, implementing and controlling decisions focused on achieving these objectives in the present and future environments. According to Thompson and Strickland (2003), strategic management practice is the process whereby managers establish an organization's long-term direction, set specific performance objectives, develop strategies to achieve these objectives in the light of all the relevant internal and external circumstances, and undertake to execute the chosen action plans.

Cost Leadership Strategy and Organizational Performance

Cost leadership is a concept developed by Michael Porter, utilised in business strategy. It describes a way to establish the competitive advantage. Cost leadership, in basic words, means the lowest cost of operation in the industry (Wikipedia, 2016). It is a strategy used by businesses to create a low cost of operation within their niche. The use of this strategy is primarily to gain an advantage over competitors by reducing operation costs below that of others in the same industry. Cost leadership is a business strategy that allows a company to become the lowest cost producer within an industry. The use of this strategy is primarily to gain advantage over competitors by reducing operation costs below that of others in the same industry. Sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors.

A firm pursuing a cost-leadership strategy attempts to gain a competitive advantage primarily by reducing its economic costs below its competitors. If cost-leadership strategies can be implemented by numerous firms in an industry, or if no firms face a cost disadvantage in imitating a cost-leadership strategy, then being a cost leader does not generate a sustained competitive advantage for a firm. The ability of a valuable cost-leadership competitive strategy to generate a sustained competitive advantage depends on that strategy being rare and costly to imitate (Robert, 2001). Beyond existing competitors, a cost-leadership strategy also creates benefits relative to potential new entrants. Specifically, the presence of a cost leader in an industry tends to discourage new firms from entering the business because a new firm would struggle to attract customers by matching or even undercutting the cost leaders' prices. Thus a cost-leadership strategy helps create barriers to entry that protect the firm and its existing rivals from new competition.

In many settings, cost leaders attract a large market share because a large portion of potential customers find paying low prices for goods and services of acceptable quality to be very appealing. The need for efficiency means that cost leaders' profit margins are often slimmer than the margins enjoyed by other firms. However, cost leaders' ability to make a little bit of profit from each of a large number of customers means that the total profits of cost leaders can be substantial (Anderson, 2014).

In some settings, the need for high sales volume is a critical disadvantage of a cost-leadership strategy. Highly fragmented markets and markets that involve a lot of brand loyalty may not offer much of an opportunity to attract a large segment of customers. In both the soft-drink and beer industries, for example, customers appear to be willing to pay a little extra to enjoy the brand of their choice. Lower-end brands of soda and beer appeal to a minority of consumers, but famous brands still dominate these markets. A related concern is that achieving a high sales volume usually requires significant upfront investments in production and/or distribution capacity. Not every firm is willing and able to make such investments.

Cost leaders tend to keep their costs low by minimizing advertising, market research, and research and development, but this approach can prove to be expensive in the long run. A relative lack of market research can lead cost leaders to be less skilled than other firms at detecting important environmental changes and trends. Meanwhile, downplaying research and development can slow cost leaders' ability to respond to changes once they are detected. Lagging rivals in terms of detecting and reacting to external shifts can prove to be a deadly combination that leaves cost leaders out of touch with the market and out of answers (Hudson, 2016).

Cost leadership strategies are only viable for large firms with the opportunity to enjoy economies of scale and large production volumes and big market share. Small businesses can be "cost focused" not "cost leaders" if they enjoy any advantages conducive to low costs. For example, a local restaurant in a low rent location can attract price-sensitive customers if it offers a limited menu, rapid table turnover and employs staff on minimum wage. Innovation of products or processes may also enable a startup or small company to offer a cheaper product or service where incumbents' costs and prices have become too high. An example is the success of low-cost budget airlines who, despite having fewer planes than the major airlines, were able to achieve market share growth by offering cheap, no-frills services at prices much cheaper than those of the larger incumbents. At the beginning low-cost budget airlines chose "cost focused" strategies but later when the market grow, big airlines started to offer the same low-cost attributes, and so cost focus became cost leadership. A cost leadership strategy may have the disadvantage of lower customer loyalty, as price-sensitive customers will switch once a lower-priced substitute is available. A reputation as a cost leader may also result in a reputation for low quality, which may make it difficult for a firm to rebrand itself or its products if it chooses to shift to a differentiation strategy in future(Gamble, 2010).

Differentiation Strategy and Performance

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions it to meet those needs.It is an approach under which a firm aims to develop and market unique products for different customer segments. Usually employed where a firm has clear competitive advantages, and can sustain an expensive advertising campaign. It is one of three generic marketing strategies that can be adopted by any firm (Porter, 1980).

A differentiation strategy is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy. These could include patents or other Intellectual Property (IP), unique technical expertise, talented personnel, or innovative processes. Successful differentiation is displayed when a company accomplishes either a premium price for the product or service, increased revenue per unit, or the consumers' loyalty to purchase the company's product or service (brand loyalty). Differentiation drives profitability when the added price of the product outweighs the added expense to acquire the product or service but is ineffective when its uniqueness is easily replicated by its competitors. Successful brand management also results in perceived uniqueness even when the physical product is the same as competitors (Hambuck, 1983).

Differentiation strategy is not suitable for small companies. It is more appropriate for big companies. To apply differentiation with attributes throughout predominant intensity in any one or several of the functional groups (finance, purchase, marketing, inventory etc..). This point is critical. For example GE uses finance function to make a difference. You may do so in isolation of other strategies or in conjunction with focus strategies (requires more initial investment). It provides great advantage to use differentiation strategy (for big companies) in conjunction with focus cost strategies or focus differentiation strategies.

A differentiation strategy calls for creating a product or service with sufficiently distinctive attributes that it sets your business apart from the competition. If your differentiation strategy works, you may be able to charge your customers a premium for your product or service. However, such a strategy may backfire without sufficient market acceptance. You also face other risks that can impact your bottom line.Every company would like to think that it stands apart from the competition in the eyes of its customers. A company that employs a differentiation strategy does so with the intention of creating a product or service that is valued and perceived by its customers as unique and better than the competition. Companies that succeed in implementing a differentiation strategy have one or a combination of the following attributes: leading scientific research, highly skilled and creative product-development personnel, a strong sales force and a strong reputation for quality and innovation (Kiechel, 2010).

One positive of a successful differentiation strategy is that the company may charge a premium for its product or service. The company does so with confidence because of a highly developed and strong corporate identity. The company can readily pass along higher supplier costs to its customers because of the lack of substitute or alternative products on the market. Having a loyal customer following helps stabilize the company's revenue and lessens the impact of market downturns because of customer loyalty in good times and bad.A company that succeeds in implementing a differentiation strategy must worry about competitors' copying its business methods and stealing away its customers. In addition, implementing a differentiation strategy is costly. It may take years before a company achieves a strong brand image that sets it apart. During that time, the company faces the risk of changing consumer tastes or preferences. In such a case, the company may not have sufficient customer demand to offset its higher costs, which may lead to a loss (Gamble, 2010).

A differentiation strategy may not be ideal for every company. It is difficult to maintain differentiation for an indefinite amount of time because of competition. Many companies attempt to find the right balance by competing on such things as price, service and quality, or on any combination of attributes that it believes are important to its customers to gain a competitive advantage. For example, a company that differentiates itself based on price may sacrifice quality to attract customers who are price sensitive. During market downturns, the company may enjoy higher sales than one that competes based on differentiation quality.

Focus strategy and Organizational Performance

This is a marketing strategy in which a company concentrates its resources on entering or expanding in a narrow market or industry segment. A focus strategy is usually employed where the company knows its segment and has products to competitively satisfy its needs. Focus strategy is one of three generic marketing strategies. See differentiation strategy and low cost strategy for the other two. Focus or niche strategy involves segmenting markets and appealing to only one or a few groups of customers or industry buyers. It is a marketing strategy in which a company concentrates its resources on entering or expanding in a narrow market or industry segment. Focus strategy identifies the market segments where the company can compete effectively. The strategy matches market characteristics with the company's competitive advantages to select markets where a focus of the company's resources is likely to lead to desired sales volumes, revenues and profits. The premise is that the needs of the group can be better serviced by focusing entirely on it and this enables the firm enjoy customer loyalty (Gamble, 2010).

Successful companies leverage competitive advantages in the marketplace to achieve high levels of performance. They either attain overall market leadership by differentiating themselves from competitors or dominate market segments where they focus their efforts. Focus strategy identifies the market segments where the company can compete effectively. The strategy matches market characteristics with the company's competitive advantages to select markets where a focus of the company's resources is likely to lead to desired sales volumes, revenues and profits. Low production cost is an effective competitive advantage, but it doesn't apply in all markets. The key is to segment your market into sections that you can reach at low cost and that are cost-sensitive. Once you have identified market segments in which consumers are looking for the lowest prices, you can use focus strategy to concentrate the company's resources there. Ideally, the cost of reaching those consumers is low, allowing you to maintain your price advantage while focusing on increasing sales.

Some consumers prefer to pay more to get better quality. If you have a superior design, more expertise or access to higher-quality materials, you may have a competitive advantage on product quality. In this case, you have to identify market segments that will buy your higher-priced products. Focus strategy lets you concentrate promotional resources on the sectors that match your quality advantage. Since you are no longer competing on low price, you can cover the higher costs involved in identifying and reaching these high-value segments. If your competitive advantage includes selling a well-known brand, you have to use focus strategy to make sure you are reaching the consumers who have a positive image of the brand, need the product and can afford to buy it. Some brands, such as detergents, cut across many market segments while others, such as sports-related brands, require more focus. Focus strategy for brands involves targeting promotional activities to let those consumers who are interested in the brand know that it is available from your company.

Companies can compete on service by emphasizing customer satisfaction. Focus strategy for companies that develop a service competitive advantage relies less on market segmentation and more on assigning resources to increase excellence in customer service. Customer service focused on high levels of customer satisfaction implies hiring employees with good people skills, training them in customer relations, training them on the products they are supporting and monitoring for rapid response times. Because such customer service is expensive, companies focused on customer service as a competitive advantage avoid the lowest-cost market segments but can do well in high-value sectors (Panayides, 2003).

This dimension is not a separate strategy for big companies due to small market conditions. Big companies which chose applying differentiation strategies may also choose to apply in conjunction with focus strategies (either cost or differentiation). On the other hand, this is definitely an appropriate strategy for small companies especially for those wanting to avoid competition with big one.In adopting a narrow focus, the company ideally focuses on a few target markets (also called a segmentation strategy or niche strategy). These should be distinct groups with specialised needs. The choice of offering low prices or differentiated products/services should depend on the needs of the selected segment and the resources and capabilities of the firm. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through product innovation and/or brand marketing rather than efficiency. A focused strategy should target market segments that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investment (Payadise, 2003).

Combination Strategy and organizational performance

The Porter Generic Competitive Strategies (1980, 1985) of overall cost-leadership, differentiation and focus on strategic management research cannot be overemphasized. Low cost and differentiation strategy may be compatible approaches in dealing with competitive forces (Allen & Helms, 2006; Miller, 1992; Spanos, et al., 2004), and postulated the pursuit of what has been termed ‘hybrid’, ‘mixed’, ‘integrate’, or ‘combination’ strategies (Kim et al., 2004; Spanos et al., 2004),These ‘hybrid’ strategies are the ones which combine low costand differentiation elements (Gopalakrishna& Subramanian, 2001; Proff, 2000).

A combination competitive strategy involving high level of emphasis on both cost-leadership and differentiation strategies simultaneously should be distinguished from “stuck-in-the-middle” strategy where a firm fails to successfully pursue both cost-leadership and differentiation strategies (Acquaah&Ardekani, 2006). A combination strategy has been shown to be viable and profitable (Kim et al., 2004; Miller &Dess, 1993; Wrightet al., 1991). Since cost-based and differentiation-based advantages are difficult to sustain, firms that pursuea combination strategy may achieve higher performance than those firms that pursue a singular strategy. Pursuit of a differentiation strategy for low-cost firms will help minimize.

Implementation of combination strategy based on porter’s model: success built on lost opportunity in industrial lubricants. PrakashR.Awadetheir vulnerability due to reliance on cost-based advantages only (Yasai-Ardekani& Nystrom, 1996). A hybrid strategy seeks simultaneously to achieve differentiation and low price relative to competitors. This success strategy depends on the ability to deliver enhanced benefits to the customers with low price while achieving sufficient margins for reinvestment to maintain and develop bases of differentiation. This is, in fact, the strategy Tesco is trying to follow (Explorer, 2010).

A best cost provider strategy giving customer more value for the money by offering upscale product attributes at a lower cost than rivals. Being the best cost producer of an upscale product allows a company to under-price rivals whose products have similar upscale attributes. This option is a hybrid strategy that blends elements of differentiation and low-cost in a unique way (Thompson et. al, 2012). According to Ireland (2011), most consumers have high expectations when purchasing a good or service. In general, it seems that most consumers want to pay a low price for products with somewhat highly differentiated features. Because of these customer expectations, a number of firms engage in primary and support activities thatallow them to simultaneously pursue low cost and differentiation. Firm seeking of using this use the integrated cost leadership/differentiation strategy (Ireland et.al, 2011).

This new, hybrid strategy, may become even more important-and more popular-as global competition increases. Compared to companies relying on a single generic strategy, companies that integrate the generic strategies may position themselves to improve their ability to adapt quickly to environmental changes and learn new skills andtechnologies. This would more effectively leverage core competencies across business units and product lines and would also help produce products with differentiated features or characteristics that customers' value and provide these differentiated products at a low cost, compared to competitors' products. This is because of the multiple, additive benefits of successfully pursuing the cost leadership and differentiation strategies simultaneously.

Differentiation enables the company to charge premium prices and cost leadership enables the company to charge the lowest competitive price. Thus, the company is able to achieve a competitive advantage by delivering value to customers based on both product features and low price (Learning. O, 2009). Acquaah&Ardekani (2006) justified that the implementation of a combined competitive strategy is not only feasible, but will also generate superior incremental performance over the implementation of single competitive strategies. The implementation of a combined competitive strategy results in multiple sources of competitive advantage for example, economies of scale and brand/customer loyalty, as compared to advantages gained through pursuitof single competitive strategies. Moreover, the pursuit of a combined competitive strategy, and each of the single competitive strategies will generate superior incremental performance over the inability to successfully pursue any of the singular competitive strategies.

Furthermore, firms that pursue a differentiation strategy may also be able to achieve a low-cost position by emphasizing efficiency in their value creating activities, thereby further strengthening their competitive position vis-a-vis their rivals. The success of Japanese companies such as Toyota, Canon, and Honda has been attributed to the simultaneous pursuit of cost leadership and differentiation strategies (Ishikura, 1983). Successful organizations adopt a combination of competitive aspects to build a Hybrid Strategy.

RESEARCH METHODOLOGY

Research Design

Research design is the basic plan that indicates an overview of the activities that are necessary to execute the research project. This research problem was studied through the use of a descriptive research design. According to Cooper &Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. This study was therefore able to generalize the findings to all the enterprises.

Target Population

A population is defined as a complete set of individuals, cases or objects with some common observable characteristics, (Mugenda&Mugenda, 2003). The population for this study were all the proprietors of SMEs in Nairobi County. The target population for the study was therefore 100 respondents.

Sampling Procedure

Sampling techniques provide a range of methods that facilitate in reducing the amount of data that needs to be collectded by considering only data from a sub-group rather than all possible cases or elements. According to Mugenda and Mugenda (2003), a sample of 25-30% is statistically significant to draw conclusions for a given study. The study therefore sampled 30 respondents from the population to inform the research findings which formed 30% of the target population. Stratified random sampling technique was used to to establish the sample.

Data Collection Procedure

According to Kothari (2004), data collection procedures are strategies employed in research to ensure credible, valid and reliable data is obtained to inform the research findings. The study administered the questionnaire individually to all respondents of the study. The study exercised care and control to ensure all questionnaires issued to the respondents were received and achieved this, the study maintained a register of questionnaires, which were sent, and those that were received. The questionnaire was administered using a drop and pick later method.

Data Analysis and Presentation

Quantitative data collected was analyzed by the use of descriptive statistics using SPSS (Version 22) and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of bar charts, graphs and pie charts and in prose-form. This was done by tallying up responses, computing the percentages of variations in response as well as describing and interpreting the data in line with the study objectives and assumptions through use of SPSS (Version 22) to communicate research findings. Content analysis was used to test data that was qualitative in nature or aspect of the data collected from the open ended questions. In addition, the study conducted a multiple regression analysis.The multiple regression equation was:

$$\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4+\varepsilon}$$

Where: Y= Peformance of SMEs; B_0 - intercept coefficient; ε_i – error term (extraneous variables); X1 –cost leadership strategy; X2– Differentiation strategy; X3–Focus strategy; X4 – Combination strategy; β_1,β_2, andβ_3 =regression coefficients

However, qualitative data was anlayzed using a likert scale of 1 to 5 based on weights for the degree of influence of independent variables on the dependent where 1 was for Not at all, 2 for Low extent, 3 for moderate extent ,4 for greater extent and 5 very greater extent

RESEARCH RESULTS

Low Cost Leadership Strategy and Organizational Performance

The study revealed that the most of the SMEs in Nairobi City County have employed the low cost leadership strategy to a significant level through reduction of operational costs aimed at reducing the price of their products, reducing consumer prices to gain competitive advantage, use of offers and promotions to gain market demand for their products, improved deliveries and accessibility of their goods and services to customers/and clients and also worked on reducing the cost of transport on their goods and resources to cut on the price of their final products. This indicates that the SMEs have all embraced low cost leadership strategy although on reduction of cost of transport of them have not significantly reduced it which has made their cost reduction efforts in vain.

Differentiation Strategy and Organizational Performance

The study revealed that the SMEs have significantly adopted the differentiation strategy aimed at making them unique in the ever competitive business environment. Most of them have adopted new information technology to give them an edge. The enterprises have also extended to new market areas that have not been reached by rivals, improved their products/services to fit client/customer needs, rebranded the prdoucts to improve market recognition and preference as indicated by a mean of 3.51, tailored their products to suit specific requirements of their clients, introduced used and new products into the market. However the enterprises have not done well in reviewing their product/service prices to match or be lower than their competitors nor ventured from traditional businesses to new or different ones. This indicates that the SMEs have strived to make their products unique and gain market share but have not worked on their prices which is a significant determinant of market demand.

Focus Strategy and Organizational Performance

The study realized that focus strategy is extensively applied by most SMEs in Nairobi City County. The proprietors indicated that they remained in same business and advanced in customer service at a high mean of 4.55, came up with product/service range to cater for all client categories, extended to locations where customers emanated from and enhanced efficiency and effectiveness in their operations. This indicates that the firms focused on their market segments and worked on their products and services to ensure they maximized the potential and demand of the market.

This strategy, according to the proprietors of the enterprises, proves to be effective since it promotes progressive development and growth of an SME from small, to medium to large. They have applied the strategy which has turned round their growth rate and general operational performance. However the strategy proves to be challenging if the market needs change and trends against the firm area of specialization. This calls for diversification and also a hybrid strategy either either differentiation or cost leadership

Combination Strategy and Organizational Performance

It was realized that the SMEs in Nairobi City County, sparingly apply the combination strategy to gain competitive advantage. The SMEs were however found to have improved customer service to gain customer loyalty given the competitive environment but failed to reduce prices relatively to their competitors and remain solvent, diversify to other businesses and remain profitable and also involve stakeholders in management, operations and decision making. The challenge in implementing this strategy is lack of balance on the two strategies merged given the limited skills andknowledge among the proprietors and also lackof cooperation from stakeholders and limited resources to help steer the implementation of the strategy.

REGRESSION ANALYSIS

The researcher conducted multiple regression analysis to establish the influence of strategic management practices on organizational performance of SMEs in Nairobi City County. The findings are indicated in subsequent sections;

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.899	0.851	0.811	0.595

Table 1 indicates the model summary. From the findings, R was 0.899, R square was 0.851 and adjusted R squared was 0.811. An R square of 0.851 implies that 85.1% of changes in organizational performance of SMEs in Nairobi City County, Kenya is explained by the independent variables of the study. There are however other factors that influence performance of SMEs in Nairobi City County, Kenya that are not included in the model which account for 14.9%. An R of 0.899 on the other hand signifies strong positive correlation between the variables of the study.

Table 2: ANOVA

Model	SS	df	MS	F	Significance
Regression	638.04	6	560.4	676.015	0.0912
Residual	281.40	341	0.950		
Total	919.44	347			

From the ANOVA table above, the value of F calculated is 676.015 while F critical is 489.465. Since the value of F calculated is greater than F critical, the overall regression model was significant and therefore a reliable indicator of the study findings. In terms of p values, the study indicated 0.000 which is less than 0.05 and therefore statistically significant.

Table 3: Regression Coefficients

Model	Unstandardized coefficients		Standardized Coefficients	t	Sig
	B	Std Error	Beta		
Constant	7.49	0.674		8.012	0.000
Low cost leadership strategy	0.655	0.022	0.811	14.15	0.00
Differentiation strategy	0.876	0.033	0.120	11.04	0.000
Focus strategy	0.945	0.029	0.127	1.15	0.000
Combination strategy	0.860	0.031	0.384	4.42	0.000

The resultant regression equation becomes;

$$\mathbf{Y = 7.49 + 0.655X_1 + 0.876X_2 + 0.945X_3 + 0.860X_4}$$

Where: Y is the organizational performance of SMEs in Nairobi City County, Kenya; β_0, β_1, β_2, β3 and β_4 are the regression coefficients and $X_{1,}$ X_2, X_3 and X_4 represent low cost leadership, differentiation, focus and combination strategies respectively.

This implies that when all the variables of the study are held constant, performance of SMEs in Kenya will be at the intercept which is 7.49. A unit improvement in low cost leadership strategy while all other factors held constant results in 0.655 increase in performance of the SMEs, a unit increase in differentiation strategy with other factors ceteris paribus leads to 0.876 increase in performance of the SMEs. Similarly a unit increase in focus strategy while other factor ceteris paribus, translates to a 0.945 increase in performance of SMEs in Kenya while a unit increase in adoption of combination strategy with other factors held constant leads to a 0.860 improvement in performance of SMEs in Kenya.

CONCLUSIONS

The study concluded that the Michael Porter's generic strategies of competitive advantage used in the study which include low cost leadership strategy, differentiation strategy, focus strategy and combination strategy significantly influenced the organizational performance of SMEs in Nairobi City County, Kenya. The variables explained 85.11% of the changes in organizational performance of the SMEs. A unit increase in low cost leadership strategy adoption by SMEs led to a 0.655 increase in organizational performance of the SMEs, a unit increase in differentiation strategy adoption led to a 0.876 increase in performance of the enterprises, a unit increase in focus strategy transformed to a 0.945 increase in performance of the firms while a unit increase in application of combination strategy by the SMEs led to a 0.860 increment in their overall performance. The focus strategy was applied to a greater extent by the SMEs in gaining competitive advantage followed by differentiation, combination and the least applied strategy was low cost leadership strategy which proved to be challenging to the start-ups and medium SMEs due to limited resources, vast market and free market economy system which could not favour them. Combination strategy had more challenge in application since it involved the hybrid of differentiation and focus strategy however the SMEs tried to focus on a given market, product, location and gain market share. This led to vast development and advancement in category of the enterprise from small to medium and ultimately large enterprises. The SMEs were found to fast adopting changes in technology, customer preferences, government policy and market trends to remain aloft in the ever growing and competitive market. The study further realized that the strategies need to be intertwined for excellent results.

RECOMMENDATIONS

It was recommended that in order to for the SMEs to grow in scale and profitability and also to compete favourably, they need to embrace Michael Porter's generic strategies of competitive advantage. However they need to be selecting and mix those that can work hand in hand. The focus strategy should be applied by most firms but also diversification of products, market and customers is key in risk management given the ever changing market niche and trend. The SMEs further need adopt with the changes in government policy, technology, customer needs and requirements, market trends and forces to amecably apply the strategies and compete fairly.

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