FACTORS INFLUENCING EFFECTIVE ADOPTION OF STRATEGIC PLANS AMONG SMALL AND MEDIUM REAL ESTATE FIRMS IN NAIROBI

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ABSTRACT
Effective adoption of strategic plans is important to the success of organizations. The adoption of strategic plans determines the competitiveness of organizations. Organizations are guided by plans, which are formulated by top management to provide a guideline to employees and stakeholders on service delivery and operations. The adoption of plans does not always lead to organizational growth due to failure in the alignment of strategic plans to the organization structure and overall vision. This study sought to examine the factors influencing effective adoption of strategic plans among SMEs in Kenya, a case of Real Estate firms in Nairobi. The specific objectives were to establish how Access to finance, management styles, organizational structure and ICT influence effective adoption of strategic plans. This study used descriptive design with questionnaire as the instrument for data collection. The target population was 220 managers of registered real estate firms. The sample size was 142 managers. Multiple regression analysis was used to make a prediction of a dependent variable in relation to the independent variables. Correlation results revealed that organization structure influences effective adoption of strategic plans among SMEs in Kenya positively. The results also indicated that there was a positive and significant correlation between ICT and effective adoption of strategic plans. Furthermore, the study indicated that management styles influences effective adoption of strategic plans positively. Additionally, the study indicated that access to finance effective adoption of strategic plans positively and significantly. The study recommends the SMEs in Kenya to embrace departmentalization and centralization of organizational structures. Further, the study recommended the SMEs in Kenya top management team to practice more use of autocratic, democratic as well as transactional management style. There is also need for effective delegation of operations. The study also recommends for participative decision making process to be put in place. Finally, the study recommends for a more affordable access to financial plans to SMEs in Kenya. There is also need for affordable loan repayment plans.

Key Words: ICT, Organizational Structure, Access to Finance, Management Styles
Introduction

According to Yepwi (2007) a strategic plan is a comprehensive statement of an organization’s mission, objectives and strategies, adding that it is a detailed road map that an organization intends to follow in conducting its activities in the pursuit of its goals. Strategic planning has attracted the minds of many scholars over the decades and is widely recognized as important ingredient that influences the attainment of high organizational performance (Armstrong, 2006; Robert & Peter, 2012; Alaka, Tijani&Abass, 2011; Patel, 2005). Armstrong (2006) contends that strategic plans call for an explicit process of determining the firm’s long range objectives, procedures for generating and evaluating alternative strategies and a system for monitoring results of the strategies being implemented.

According to Poister (2010) a strategic plan takes a ‘‘big picture “ approach that blends futuristic thinking, objective analysis and subjective evaluation of values, goals and priorities to chart a future direction and courses of action to ensure an organizations effectiveness, competitiveness and ability to add public value. Kenny (2013) elucidates that a strategic plan provides a mechanism for enhancing communication between various units of an organization on its strengths and weaknesses in the pursuit of a common set of objectives. This would enhance the ability of a firm to anticipate and prevent or adapt to changing environment. In fact, Fehnel (2010) aptly notes that a strategic plan provides a systematic process in which an organization assesses its basic reason for being, what its strengths and weaknesses are, and what opportunities and threats it might face in the immediate and foreseeable future. The organization then uses this assessment to decide whether or not to make changes in what it does, how it does it and with whom it interacts in order to fulfill its purpose.

According to Allen (2013), there are frequent reports on collapse of SMEs due to absence of effective adoption of strategic plans and a firm’s lack of a well-defined organizational structure that supports the strategic plan. Brink, Cant, and Lighthem (2012) conducted a study of 300 SMEs engaged in the service sector which are spread across Europe and found that 9 out of 10 strategic plans failed to be adopted successfully and that less than 5% of employees had basic understanding of the company’s strategy which led to stagnation or death of these businesses and massive loss of jobs. Allen (2013) concluded that SMEs engaged in manufacturing in United States of America which were unable to successfully adopt effective strategic plans could not anticipate changes in the external environment or compete successfully against their competitors.

Statement of the Problem

The SME sector is widely regarded as the driving force in Economic growth and job creation in both developed and developing countries (Sunter, 2000). The informal sector constitutes of over 80% of total employment in Kenya and yet it only contributes to 18.4% of the GDP (ROK, 2011). Bridges business consultancy (2012) report on Strategy adoption in small and middle level companies found that 9 out of 10 strategic plans fail to be adopted successfully while only 2% were confident that they could achieve 80% to 100% of their strategy objectives. The study also found that less than 5% of employees had basic understanding of the company’s strategy. The Economist (2013) report on why good strategies fail concluded that more than 70% of the firms struggled to bridge the gap between strategy formulation and its day to day implementation while more than 82% of the firms lacked personnel with the right business skills and leadership talent to drive strategy implementation. The failure of small and medium size enterprises is estimated to be between 70% and 80% (Brink, Cant, & Lighthem, 2003).

Although the small business sector has been growing rapidly over the past few decades, statistics show that the death or stagnation of these businesses is equally high (Rigito, 2010).
Empirical studies conducted on unsuccessful adoption of strategic plans (Okumus, 2001, 2003; Dooley et al, 2000; Thorpe & Morgan, 2007) concluded that failure in adoption of strategies resulted from a lack of appropriate management styles that can exploit the organization’s capabilities and resources to enable effective adoption. The limited access to finance is a factor inhibiting successful adoption of strategic plans, as it impedes the progress that comes from timely application of resources (Rwigema & Venter, 2004). According to Nyaga (2010) and Waihenya (2011) who examined factors affecting adoption of strategic plans by small and medium hardware and manufacturing firms concluded that the lack of resources and use of outdated technology led to failure of successful adoption of their strategic plans.

Effective adoption of strategic plans is of concern to managers of SMEs: how to successfully anticipate and manage the changes that will be experienced as the strategic plans are being deployed (Miller, 2004). While strategic frameworks emphasize on the importance of context and process they do not give details of which factors are important and their role and impact in the adoption of strategic plans. Of the studies done in the area of strategic management on SMEs, none seems to have explored factors necessary for effective adoption of strategic plans this study sought to fill the gap by investigating factors influencing effective adoption of strategic plans among real estate firms in Nairobi.

Research Objectives

i. To determine how information and communication technology influences effective adoption of strategic plans among SMEs in Kenya

ii. To establish how access to finance influences effective adoption of strategic plans among SMEs in Kenya

iii. To examine how organizational structure influence effective adoption of strategic plans among SMEs in Kenya

iv. To find out how management styles influence effective adoption of strategic plans among SMEs in Kenya

LITERATURE REVIEW

Diffusion of Innovation Theory

Rogers (1962) developed the diffusion of innovation theory to explain how, why, and at what rate new ideas and technology spread. Diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system (Rogers, 2003). Rogers states that there are four main elements of diffusion: Innovation; the idea, practice or object that is developed that is the focus of the adoption, Time; the acceptance rate of the innovation over time, Communication channel; how the innovation is introduced or how it is marketed to an individual, Social system; the elements (such as individuals, groups, organizations and/or subsystem) that are involved in the adoption of the innovation and their impact on each other. When assessing the influence of ICT, focus needs to be placed on the technology itself; in particular, do ICTs offer greater benefit over existing tools and methods? In addition do managers see a need to change their way of doing things? Also it is necessary to consider where ICT is in its adoption cycle? The way in which ICT is communicated and encouraged by the social system will also play a role. The managers will be the main players in introducing ICT tools.

Administrative Management Theory

Administrative Management Theory was developed by Henry Fayol in 1916. It is also called Fayol Administrative Theory. This theory is about business management as well as general
management. Its main focus is management. He introduced six functions and fourteen principles of management in his theory (Grey, 2005; Shaik, 2008; Onkor 2009). Primary six functions of management are as under: Forecasting, Planning, Organizing, Commanding, Coordinating and Monitoring (Grey, 2005; Shaik, 2008; Onkor, 2009). Fayol proposed 14 principles of management he argues that Division of work, Authority, Discipline, Unity of Command, Unity of Direction, Subordination of Individual Interests to the General Interests, Remuneration, Centralization, Scalar Chain, Order, Equity, Stability of Tenure of Personnel; Initiative and Espirit de Corps (Koontz, 1980; Onkar, 2009; McNamara, 2011). When authority is assigned to any one, responsibility is also assigned to them also (Shaik, 2008 and Grey, 2005).

There should be unity of command in organization so that workers should receive orders from only one person, managers should divide work among individuals and groups to ensure that effort and attention are focused on special portions of the task and enforce discipline in organization because the success of organization requires the common effort of all workers. Management should encourage worker initiative. There are some workers in an organization who are innovators and they take step to perform the task with new and additional activity through self-direction (Koontz, 1980; Onkar, 2009; McNamara, 2011).

**Contingency Theory**

The term ‘contingency theory’ was first mentioned in the literature by Lawrence and Lorsch in 1967, in the context of organizational structure. Unfortunately, the exact date of the concept’s origination is unknown (Donaldson, 2001). Contingency theory is an organizational 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. Different contingent leaders effectively apply different styles of leadership to the right situations. The term was coined by Lawrence and Lorsch (1967) in 1967 who argued that the amount of uncertainty and rate of change in an environment impacts the development of internal features in organizations. The contingency theory presently provides a major framework for the study of organizational design (Donaldson, 2001). However, contingency theory supposes that under different circumstances different solutions may prove effective the theory tries to demonstrate that different circumstances require different organizational structures (Dobák–Antal, 2010).

**Transaction costs theory**

The primary transaction costs model utilized in this study is drawn from Oliver Williamson (1985) and describes the transaction costs economics (TCE) at a micro level. In general, the transaction costs theory involves a paradigm focused on the design of efficient mechanisms for conducting economic transactions. The main assumption on which the paradigm is built is that economic transactions have potential costs associated with them including writing, negotiating, monitoring and enforcing contracts. On the other hand, transaction costs economics views a transaction as the basic unit of analysis and places emphasis on governance structure as a component of industrial organization that matters in economizing transaction costs (Romano, 1992). The most critical factors influencing transaction costs arising from opportunistic behavior of agents in financial exchange are: the degree of asset specificity, the level of uncertainty associated with exchange and the degree of ease with which performance measurement of loan officers can be effected (Klein, et al., 1978; Williamson, 1985). The theory supports this study by providing an in depth understanding of the costs associated with accessing external finance. It is evident that access to finance influences the effective adoption of strategic plans in an organization.
Conceptual Framework

**Information and Communication Technology**
- ICT software
- ICT skills
- ICT policy

**Access to Finance**
- Affordability
- Flexibility
- Grace period

**Effective adoption of Strategic Plans**
- Market Share
- Increased revenue
- Operational costs

**Organizational Structure**
- Departmentalization
- Centralization
- Specialization

**Management Styles**
- Autocratic
- Democratic
- Transactional

**Independent Variables**

**Dependent Variable**

Figure 2.1: Conceptual Framework

**Information and Communication Technology**

ICT integration is one of the most difficult and elusive processes to manage today, judging by the failure rate of successful ICT integration (between 60% and 90% depending on the market context and product types). Although the failure rate is quite substantive, the pursuit of effective ICT adoption is still considered as a holy grail in organizations (Damanpour, 2011).

According to Damanpour (2011) organizations continue to invest in ICT with the intention to enhance their efficiency and/or effectiveness. However investment in ICTs is expensive, and its impact largely un-researched and easily exaggerated (Khalil, 2007). According to Khalil (2007), many of the assumptions underpinning current thinking on ICTs in development are based on intuition rather than analysis – and on limited evidence from a narrow range of pilot projects rather than large-scale impact assessments. The danger is that, without better understanding of the real impact of ICTs on both national economies and community development, the pursuit of over-ambitious, unrealistic goals may mean that resources are misapplied and worthwhile objectives missed.

**Organizational Structure**

Organizational structure refers to the clustering of tasks and people into smaller groups. According to Hill and Jones (2008), the way labor is divided within an organization influences how strategic plans will be implemented. Therefore organization structure is of both strategic and operational advantage in the adoption of strategic plans.
Hrebiniak (2006) stated that organizational structure is a strategic imperative. This simply means that major or radical shifts in organizational design reflect changes happening in the wider social, economic, political and technological environment. Organizations must be able to respond rapidly to external changes if they are to survive, and that the necessary internal restructuring is likely to be strategic or 'mould breaking'. The mould that needs to be broken is the rigid, autocratic, bureaucratic approach to organization and management. The new organizational framework required appears to be one that emphasizes flexibility, creativity and participation.

Flexibility has further been emphasized as essential in dealing with many uncertainties in the environment. Mintzberg, Quinn and Ghosal (2006) observe that successful organizations actively create flexibility. This requires active horizon scanning, creating resource buffers, developing and positioning champions, and shortening decision lines. Companies need to be innovative to ensure their existence. Hrebiniak (2006) states that small and medium companies cannot afford to fall into the classic traps that stifle innovation by widening the search for new ideas, loosening overly tight controls and rigid structures, forging better connections between innovators and mainstream operations, and cultivating communication and collaboration skills, strategic plans involve ideas that create the future.

**Access to finance**

Financial analysis and planning are important features that support strategic plans, they are nonetheless virtually non-existent in micro and small enterprises, which impose a constraint on the kind of action SME managers, can take. Access to finance represents a path to achieve effective adoption of strategic plans and maintain business competitiveness. Financial strategies are goals, patterns or alternatives designed to improve and optimize financial management in order to achieve successful implementation of strategic plans Patel (2005).

Access to finance consists of three interrelated kinds of decisions: investment, funding and working capital decisions (Roberts & Peter 2012). Investment decisions relate to the allocation of capital to carry out investment opportunities that are valuable (bring value) to the company, taking into account the magnitude, opportunity and risk of the future cash flows of investment. Funding decisions concern the specific mix of long-term debt and capital that the company uses to finance its operations, i.e., optimal capital structure. Working-capital decisions include the management of short-term assets and liabilities in a way that ensures the adequacy of resources for company operations. Assuming the corporate aim is to maximize profits, it is important for businesses to seek the optimum combination of the three kinds of financial decisions.

**Management styles**

As mentioned by Miller, Hickson and Wilson (2008) managers are supposed to have a set of diverse skills and abilities that allow them to make strategic decisions effectively. They should also be able to conduct a wide dialogue aimed not only at specifying the details of the strategy, but also at maintaining the consistency of the activities (Getz & Lee, 2011). Meldrum and Atkinson (2008) suggest that when implementing the strategy, it is important to have a set of meta-abilities, which include cognitive skills, self-knowledge, emotional resilience and personal drive. The management style of managers in the strategy implementation process should also concern the involvement of mid-level managers whose support for the implementation of the development concept is often essential.

Hutzschenreuter and Kleindienst (2006) underline, inter alia, the need to analyze their impact on the actions preceding and following the actual process of making strategic decisions. In the
literature, mid-level managers are often referred to as agents of changes, i.e. the persons who use both internal and external social relations to support strategic plan implementation (Shi, Markoczy, & Dess, 2009). As proved also by Rouleau and Balogun (2011), their role and importance increase significantly, if an organization decides to implement expansive strategic plans.

**RESEARCH METHODOLOGY**

The study employed a descriptive design. The target population was 220 registered real estate firms in Nairobi according to EARB (2017) report. The study used Yamane 1967 formula to calculate the sample size.

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

\[
n = \text{sample Size, } N = \text{Total Population (220), } e = 0.05 \text{ significance}
\]

\[
n = \frac{220}{1 + 220(0.05)^2}
\]

\[
n = \frac{220}{1.55}
\]

\[n = 142\]

This study utilized a questionnaire to collect primary data. Data was analyzed using SPSS version 21 by inferential analysis which is correlation and regression. The regression model used was:

\[Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon \text{ where } Y = \text{Effective adoption of Strategic Plans, } \beta_1, \beta_2, \beta_3, \beta_4 = \text{Coefficients of determination, } \beta_0 = \text{Constant, } X_1 = \text{Information and Communication Technology, } X_2 = \text{Access to Finance, } X_3 = \text{Organizational Structure, } X_4 = \text{Management styles and } \epsilon = \text{Error term}\]

**RESULTS**

**Demographic Characteristics**

This part presents the description of the population based on the gathered information. The research asked the respondents to indicate their working department, number of years worked and age.

**Table 1 Demographic Characteristics**

<table>
<thead>
<tr>
<th>Demographic Characteristics</th>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education Level</td>
<td>College</td>
<td>52.5%</td>
</tr>
<tr>
<td></td>
<td>University</td>
<td>47.5%</td>
</tr>
<tr>
<td>Years of Experience in the</td>
<td>Below 2 Years</td>
<td>13.3%</td>
</tr>
<tr>
<td>Real Estate Industry</td>
<td>Between 2 and 5 Years</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>Over 5 years</td>
<td>11.7%</td>
</tr>
<tr>
<td>Age of organization</td>
<td>Below 2 years</td>
<td>31.7%</td>
</tr>
<tr>
<td></td>
<td>Between 2 and 4 years</td>
<td>32.5%</td>
</tr>
<tr>
<td></td>
<td>Over 4 years</td>
<td>35.8%</td>
</tr>
</tbody>
</table>
Organizational Structure

The study sought to determine the type of the organizational structure in the real estate industry. The results of the study revealed that majority, 72% of the firms had centralized organizational structures while only 18% had decentralized organizational structures. This could be due to the fact that majority of the business owners are often key experts in the business' operations.

Figure 2 Type of Organizational Structure

The findings revealed that 44.2% of the respondents indicated that they strongly agreed that departmentalization has been embraced in the organization, 30.8% indicated agree, those who neither agreed nor disagreed were 18.3% while only 6.7% indicated disagree. The study findings also showed that 80.2% of the respondents strongly agreed that the organizational structures are centralized while only 19.2% neither agreed nor disagreed. Moreover, 85% of the respondents strongly agreed that organizational structures highly encourage specialization while only 15% neither agreed nor disagreed. Further, the results of the study revealed that 15% of the respondents strongly agreed that the organization has flexible structures such as cross-functional team structures, 27.5% of them indicated agree, those who neither agreed nor disagreed were 39.2% while 6.7% of them disagreed and only 11.7% of the respondents strongly disagreed. Finally, the results of the study showed 13.3% of the respondents strongly agreed that the organizational structures allows for experimentation and creativity, 30.8% indicated agree, those who neither agreed nor disagreed were 23.3% while only 18.3% indicated disagree and 14.2% of them strongly disagreed.

The implication of the results is that majority of the respondents indicated that they agree with the statements on organizational structures as shown by a mean of 4.00. The responses given by the respondents had little variation (Standard Deviation=0.90). The findings are of the study are consistent with the results of a study by Hill and Jones (2008) which concluded that strategic managers also turn to restructuring as a means of implementing strategic change aimed at improving performance.

Table 2 Organizational Structure

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departmentalization has been embraced in the organization</td>
<td>0.0%</td>
<td>6.7%</td>
<td>18.3%</td>
<td>30.8%</td>
<td>44.2%</td>
<td>4.13</td>
<td>0.94</td>
</tr>
<tr>
<td>The organizational structures are centralized</td>
<td>0.0%</td>
<td>0.0%</td>
<td>19.2%</td>
<td>0.0%</td>
<td>80.8%</td>
<td>4.62</td>
<td>0.79</td>
</tr>
<tr>
<td>Statements</td>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
<td>Strongly agree</td>
<td>Mean</td>
<td>Std Dev</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
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<td>---------</td>
<td>-------</td>
<td>----------------</td>
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<td>---------</td>
</tr>
<tr>
<td>The organizational structures highly encourages specialization</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>15.0%</td>
<td>85.0%</td>
<td>4.85</td>
<td>0.36</td>
</tr>
<tr>
<td>The organization has flexible structures such as cross-functional team structures</td>
<td>11.7%</td>
<td>6.7%</td>
<td>39.2%</td>
<td>27.5%</td>
<td>15.0%</td>
<td>3.28</td>
<td>1.16</td>
</tr>
<tr>
<td>The organizational structures allows for experimentation and creativity</td>
<td>14.2%</td>
<td>18.3%</td>
<td>23.3%</td>
<td>30.8%</td>
<td>13.3%</td>
<td>3.11</td>
<td>1.26</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>4.00</strong></td>
<td><strong>0.90</strong></td>
<td></td>
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</tr>
</tbody>
</table>

**Information and Communication Technology**

The study sought to establish the approximate expenditure towards improvement of the ICT infrastructure for the last five years in the real estate industries. The results of the study showed that the initial expenditure on ICT infrastructure in 2012 was approximately KShs 47.6 million which consequently reduced to 38.2 and 35.2 million shillings in 2013 and 2014 respectively. However, the expenses on ICT infrastructure increased to approximately KShs 46.8 and 63.1 million in 2015 and 2016 respectively probably due to the adoption of better and improved technological systems.

![Figure 3 Approximate Expenditure](image)

The findings showed that 25% of the respondents strongly agreed that the organization has a well-functioning ICT software system; 28.3% agreed, 11.7% of the respondents neither agreed nor disagreed while those who indicated disagree were 22.5% and 12.5% of them strongly disagreed. Moreover, 45% of the respondents strongly agreed that organization has a well-functioning ICT hardware system, 19.2% neither agreed nor disagreed while 24.2% disagreed and only 11.7% of them strongly disagreed. Further, the results of the study revealed that 57.5% of the respondents strongly agreed that organization has adequate number of technological gadgets, 12.5% of them indicated agree, those who neither agreed nor disagreed were 8.3% while 13.3% of them disagreed and only 8.3% of the respondents strongly disagreed. Also the results of the study showed 28.3% of the respondents strongly agreed that the organization has a well-structured ICT policy, 13.3% indicated agree, those who neither agreed nor disagreed were 27.5% while only 15.8% indicated disagree and 15% of them strongly disagreed.

The implication of the results is that majority of the respondents indicated that they agree with the statements on ICT as shown by a mean of 3.47. The responses given by the respondents
were varied (standard deviation=1.38). The findings are of the study are consistent with the findings of a study by Mwai (2016) which concluded that SMEs focusing on implementing both marketing and sales strategic plans of its products and services in the target market and expansion of market coverage are inclined to adopt ICT which increases the organizations efficiency of their operations.

Table 3 ICT

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organization has a well-functioning ICT software system</td>
<td>12.5%</td>
<td>22.5%</td>
<td>11.7%</td>
<td>28.3%</td>
<td>25.0%</td>
<td>3.31</td>
<td>1.39</td>
</tr>
<tr>
<td>The organization has a well-functioning ICT hardware system</td>
<td>11.7%</td>
<td>24.2%</td>
<td>19.2%</td>
<td>0.0%</td>
<td>45.0%</td>
<td>3.43</td>
<td>1.53</td>
</tr>
<tr>
<td>The organization has adequate number of technological gadgets</td>
<td>8.3%</td>
<td>13.3%</td>
<td>8.3%</td>
<td>12.5%</td>
<td>57.5%</td>
<td>3.98</td>
<td>1.40</td>
</tr>
<tr>
<td>The organization has a well-structured ICT policy</td>
<td>15.0%</td>
<td>15.8%</td>
<td>27.5%</td>
<td>13.3%</td>
<td>28.3%</td>
<td>3.24</td>
<td>1.41</td>
</tr>
<tr>
<td>There is frequent training of the employees to improve their ICT skills</td>
<td>13.3%</td>
<td>3.3%</td>
<td>29.2%</td>
<td>40.8%</td>
<td>13.3%</td>
<td>3.38</td>
<td>1.17</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>13.3%</strong></td>
<td><strong>3.3%</strong></td>
<td><strong>29.2%</strong></td>
<td><strong>40.8%</strong></td>
<td><strong>13.3%</strong></td>
<td><strong>3.38</strong></td>
<td><strong>1.17</strong></td>
</tr>
</tbody>
</table>

Management Styles

The study sought to determine the frequency of the top management training per year for the last five years. The findings of the study revealed the frequency of training per year since 2012 to 2016 has been irregular as shown in figure 4.

**Figure 4 Frequency of the Top Management Training per Year**

The findings revealed that 23.3% of the respondents strongly agreed that the top management team in the organization practices autocratic management styles, 32.5% indicated agree, those who neither agreed nor disagreed were 16.7% while 10.8% indicated disagree and 16.7% of
them indicated strongly disagree. The findings also revealed that 48.3% of the respondents strongly agreed the top management team in the organization practices democratic management style, those who indicated agree were 15.8%, those who neither agreed nor disagreed were 25.8% while those who indicated disagree were 2.5% and 7.5% of them strongly disagreed.

Moreover, 60% of the respondents strongly agreed that the organization encourages transactional management style by its top management team, 25.8% of them agreed, 6.7% neither agreed nor disagreed while 5% disagreed and only 2.5% of them strongly disagreed. Further, the results of the study revealed that 13.3% of the respondents strongly agreed that there is an effective delegation of operations in the organization, 60.8% of them indicated agree, those who neither agreed nor disagreed were 5% while 11.7% of them disagreed and only 9.2% of the respondents strongly disagreed. Lastly, the results of the study showed 39.2% of the respondents strongly agreed that there is participative decision making process in the organization, 30% indicated agree, those who neither agreed nor disagreed were 10.8% while 15% indicated disagree and only 5% of them strongly disagreed.

The implication of the results is that majority of the respondents indicated that they agree with the statements on management styles as shown by a mean of 3.81. The responses given by the respondents were varied (standard deviation=1.20). The findings of the study are consistent with the findings of a study by Merhabi et al (2013) which indicated that there are significant relationships between leader’s participative behavior and employee’s performance.

**Table 4 Management Styles**

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The top management team in the organization practices autocratic management styles</td>
<td>16.7%</td>
<td>10.8%</td>
<td>16.7%</td>
<td>32.5%</td>
<td>23.3%</td>
<td>3.35</td>
<td>1.39</td>
</tr>
<tr>
<td>The top management team in the organization practices democratic management style</td>
<td>7.5%</td>
<td>2.5%</td>
<td>25.8%</td>
<td>15.8%</td>
<td>48.3%</td>
<td>3.95</td>
<td>1.24</td>
</tr>
<tr>
<td>The organization encourages transactional management style by its top management team</td>
<td>2.5%</td>
<td>5.0%</td>
<td>6.7%</td>
<td>25.8%</td>
<td>60.0%</td>
<td>4.36</td>
<td>0.99</td>
</tr>
<tr>
<td>There is an effective delegation of operations in the organization</td>
<td>9.2%</td>
<td>11.7%</td>
<td>5.0%</td>
<td>60.8%</td>
<td>13.3%</td>
<td>3.58</td>
<td>1.14</td>
</tr>
<tr>
<td>There is participative decision making process in the organization</td>
<td>5.0%</td>
<td>15.0%</td>
<td>10.8%</td>
<td>30.0%</td>
<td>39.2%</td>
<td>3.83</td>
<td>1.24</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>3.81</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>1.20</strong></td>
</tr>
</tbody>
</table>

**Access to Finance**

The study asked the respondents to indicate the extent to which they think access to finance has influenced the adoption of strategic plans. The results of the study revealed that majority, 48% of the respondents indicated very great extent, those who indicated great extent was 34%, and those who indicated low extent were 12% while those who indicated very low extent were
only 6%. The findings imply that majority of the respondents believe that access to finance has influenced the adoption of strategic plans to a great extent.

Figure 5 Access to Finance

The results of the study revealed that 27.5% of the respondents indicated that they strongly agree that there is organization has access to affordable financial plans, 33.3% indicated agree, those who indicated neutral were 11.7% while only 15% indicated disagree and 12.5% of them indicated to strongly disagree. Majority, 80.8% of the respondents strongly agreed that county management encourages electronic tender evaluation, 19.2% neither agreed nor disagreed. The findings of the study also revealed that 79.2% of the respondents strongly agreed that the grace period of the loans available to the organization is friendly while only 20.8% of them indicated agree. Moreover, 58.3% of the respondents strongly agreed that loan default penalties of the loans available to the organization is not harsh while only 41.7% of them indicated agree. Finally, the results of the study revealed that 58.3% of the respondents strongly agreed that the interest charged on the loans available to the organization is manageable, 20.8% indicated agree while 20.8% neither agreed nor disagreed.

The implication of the results is that majority of the respondents indicated that they agree with the statements on access to finance as shown by a mean of 4.37. The responses given by the respondents had a small variation (standard deviation=0.77). The findings of the study are consistent with the findings of a study by Umar (2008) who argued that financial problems (lack of funds) constrained the development and growth of small enterprises, as many of them are unable to access the same kinds of growth funding often available to large enterprises.

Table 5 Access to finance

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Mean</th>
<th>Std dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organization has access to affordable financial plans</td>
<td>12.5%</td>
<td>15.0%</td>
<td>11.7%</td>
<td>33.3%</td>
<td>27.5%</td>
<td>3.48</td>
<td>1.37</td>
</tr>
<tr>
<td>The loan repayment plans affordable to the organization are flexible</td>
<td>0.0%</td>
<td>0.0%</td>
<td>19.2%</td>
<td>0.0%</td>
<td>80.8%</td>
<td>4.62</td>
<td>0.79</td>
</tr>
<tr>
<td>The grace period of the loans available to the organization is friendly</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>20.8%</td>
<td>79.2%</td>
<td>4.79</td>
<td>0.41</td>
</tr>
<tr>
<td>Statements</td>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
<td>Strongly agree</td>
<td>Mean</td>
<td>Std dev</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>-------------------</td>
<td>----------</td>
<td>---------</td>
<td>-------</td>
<td>----------------</td>
<td>------</td>
<td>---------</td>
</tr>
<tr>
<td>The loan default penalties of the loans available to the organization is not harsh</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>41.7%</td>
<td>58.3%</td>
<td>4.58</td>
<td>0.50</td>
</tr>
<tr>
<td>The interest charged on the loans available to the organization are manageable</td>
<td>0.0%</td>
<td>0.0%</td>
<td>20.8%</td>
<td>20.8%</td>
<td>58.3%</td>
<td>4.38</td>
<td>0.81</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.37</td>
<td>0.77</td>
</tr>
</tbody>
</table>

**Effective adoption of strategic plans**

The respondents were asked to indicate the approximate amount of revenue recorded in the organization for the last five years as a result of successful implementation of their strategic plans. The results of the study revealed unsteady trends in revenue generation in the organization. On average, there is no consistency in revenue generation in the industry which is an indicator of highs and lows in the sector revealing. The findings are consistent with a report by KNBS (2012) that performance of the real estate firms was unsteady to the extent of recording a 0.3% increase between 2010 and 2013.

![Figure 6 Trends in Revenue Generation](image-url)

**Figure 6 Trends in Revenue Generation**

The respondents were asked to indicate the approximate amount of operational costs used by the organization. The results of the study revealed a steady and gradual increase in the operation costs from 2012 to 2014 before a slight decrease in the year 2015 and an increase in the year 2016. The trends compliment the unsteady revenue generation results which reveal a struggling subsector.
Figure 7: Trends in Operational Costs

The study also sought to establish the percentage change in the market share of each of the companies for the last five years. The findings indicate that, contrary to unsteady revenue generation, there has been an increase in market share owned by the real estate firms on average, although the increase is unsteady. This reveals that the real estate industry in Kenya has been increasing due to high demand for housing especially in the urban centers as indicated by KNBS (2012) report.

Figure 8: Trends in Market Share as a percentage

The study also sought to establish the percentage number of retained customers over the study period from the year 2012 to the year 2015. The study findings revealed an unsteady trend in the percentage number of retained clients among the firms. The increasing and decreasing trends in the number of retained clients reveals high competition in the sector as well as low customer satisfaction and hence there is a need for adoption of strategic plans that can aim to improve customer satisfaction in the industry.
Figure 9 Trends in Customer Retention Rate

Correlation Results

The study carried out correlation tests to determine the relationship between the independent and dependent variables.

Table 6 Correlation Results

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Organizational Structure</th>
<th>ICT</th>
<th>Access to Finance</th>
<th>Management Style</th>
<th>Effective Adoption of Strategic Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Structure</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>-0.124</td>
<td>0.177</td>
<td></td>
</tr>
<tr>
<td>ICT</td>
<td>Pearson Correlation</td>
<td>-0.124</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to Finance</td>
<td>Pearson Correlation</td>
<td>0.148</td>
<td>-0.112</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Management Style</td>
<td>Pearson Correlation</td>
<td>0.270</td>
<td>-0.237**</td>
<td>.350**</td>
<td>1</td>
</tr>
<tr>
<td>Effective Adoption of Strategic Plans</td>
<td>Pearson Correlation</td>
<td>0.555</td>
<td>.308**</td>
<td>.258**</td>
<td>.378**</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>120</td>
<td>120</td>
<td>120</td>
<td>120</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

The findings of the study revealed that there was a positive and significant correlation between organizational structure and the effective adoption of strategic plans among SMEs in Kenya as shown by a Pearson coefficient of 0.555 and significance level of 0.000. This implies that embracing departmentalization in the organization, centralization of structures, structures that highly encourages specialization, availability of flexible structures such as cross-functional team structures and availability of structures allows for experimentation and creativity leads to a positive and significant effect in the effective adoption of strategic plans among SMEs in Kenya. The study findings are consistent with the results of a study by Pertusa-Ortega (2008) which revealed that the strategies which simultaneously emphasize high differentiation and low cost levels influence firm performance positively and that the possible organizational support needed to reach an appropriate hybrid strategy may be in the form of design of organic flexible organizations with mechanical components.

The results of the study indicated that there was a positive and significant correlation between ICT and the effective adoption of strategic plans among SMEs in Kenya as shown by a Pearson
coefficient of 0.308 and significance level of 0.001. This implies that ICT practices such as frequent training of the employees to improve their ICT skills, well-structured ICT policy, well-functioning ICT software system, well-functioning ICT hardware system and adequate number of technological gadgets leads to a positive and significant effect in the effective adoption of strategic plans among SMEs in Kenya. The study findings are consistent with the findings of a study by Mwai (2016) who concluded that SMEs focusing on implementing both marketing and sales strategic plans of its products and services in the target market and expansion of market coverage are inclined to adopt ICT which increases the organizations efficiency of their operations.

Furthermore, the results of the study showed that there was a positive and significant correlation between management styles and the effective adoption of strategic plans among SMEs in Kenya as shown by a Pearson coefficient of 0.378 and significance level of 0.000. This implies that management styles such as practicing of autocratic, democratic as well as transactional management style by the top management team, effective delegation of operations and participative decision making process leads to a positive and significant effect in the effective adoption of strategic plans among SMEs in Kenya. The study findings agree with the results of a study by Kombo, Obonyo and Oloko (2013) which established that effective delegation in organizations improves performance.

Lastly, the results showed that there was a positive and significant correlation between access to finance and the effective adoption of strategic plans among SMEs in Kenya as shown by a Pearson correlation value of 0.258 and a significance level of 0.004. This implies that an increase in access to finance practices such as access to affordable financial plans, affordable loan repayment plans, manageable interest charged on the loans available to the organization, friendly grace period of the loans available and availability of less harsh loan default penalties leads to a positive and significant effect effective adoption of strategic plans among SMEs in Kenya. The findings are consistent with the results of a study by Waihenya(2010) which established that interest rate, fuel cost, business skills and political instability were major factors found to influence SMEs growth into large business enterprises.

**Regression Results**

The study used a multivariate regression model to determine the effectiveness of adoption of strategic plans among SMEs in Kenya. The overall regression model of the study was $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$ Where; $Y$ = effective of adoption of strategic plans, $X_1$ = Organizational structure, $X_2$ = ICT, $X_3$ = Management styles, $X_4$ = Access to finance, and $\epsilon$ = Error term. The results for model summary are presented in Table 4.8.

The study findings revealed that Access to Finance, ICT, Organizational Structure, Management Style accounts for 57.2% of the variation in the effective of adoption of strategic plans among SMEs in Kenya. This is shown by a by an R-square value of 0.572. The regression results show that R was 0.756 which shows that the correlation between the independent variables and the dependent variable is positive.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.756</td>
<td>0.572</td>
<td>0.557</td>
<td>0.2777</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), Access to Finance, ICT, Organizational Structure, Management Style
The results of the study also showed that the overall regression model linking access to Finance, ICT, Organizational Structure, Management Style and the adoption of strategic plans among SMEs in Kenya was significant as indicated by a significant F (4, 115) statistic as indicated by (0.000) significance level which was less than 0.05 at 5% level of significance. F calculated is 38.377 while f critical is 2.451. F calculated is greater than the F critical (38.377 > 2.451), this showed that the overall model was statistically significant at 5% significance level. The results of the study are as shown in table 8.

Table 8 Analysis of Variance (Model significance)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>119</td>
<td>2.959</td>
<td>38.377</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>8.867</td>
<td>115</td>
<td>0.077</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>20.704</td>
<td>119</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a) Dependent Variable: Effective Adoption of strategic plans
b) Predictors: (Constant), Access to Finance, ICT, Organizational Structure, Management Style

The summary of the findings regression analysis are as shown in table 4.10 above. The results of the study indicated that organizational structure had a positive and significant effect on Effective Adoption of strategic plans ($\beta = 0.423$, $\text{Sig} = 0.000$). This implies that embracing departmentalization in the organization, centralization of structures, structures that highly encourages specialization, availability of flexible structures such as cross-functional team structures and availability of structures allows for experimentation and creativity leads to 0.423-unit increase in effective adoption of strategic plans among SMEs in Kenya. The findings agree with the findings of a study by Sentuya (2013) which demonstrated that more authority delegated had a positive effect on performance.

Moreover, the findings of the study also indicate that ICT had a positive and significant effect on effective adoption of strategic plans ($\beta = 0.23$, $\text{Sig} = 0.000$). This implies that frequent training of the employees to improve their ICT skills, well-structured ICT policy, well-functioning ICT software system, well-functioning ICT hardware system and adequate number of technological gadgets leads to 0.23-unit increase in effective adoption of strategic plans among SMEs in Kenya. The findings agree with the findings of a study by Bellamy (2015) who concluded that implementation of new technology influenced planning effectiveness; the effectiveness of deploying new technology also influenced organizational strategy, structure, and processes.

In addition, the findings of the study also revealed that that management styles had a positive and significant effect on effective adoption of strategic plans ($\beta = 0.154$, $\text{Sig} = 0.000$). This implies that practicing of autocratic, democratic as well as transactional management style by the top management team, effective delegation of operations and participative decision making process leads to 0.154 unit increase in effective adoption of strategic plans among SMEs in Kenya. The findings agree with the findings of a study by Kaval and Voyten (2010) which concluded that being more proactive in the decision-making process would help managers reach appropriate conclusions and prevent them from being caught in last minute decision-making, the nature of their culture and management style, determine which decision-making process is most effective.

Finally, the findings of the study also showed that access to finance had a positive and significant effect on effective adoption of strategic plans ($\beta = 0.423$, $\text{Sig} = 0.054$). This implies that an increase in access to affordable financial plans, affordable loan repayment plans,
manageable interest charged on the loans available to the organization, friendly grace period of the loans available and availability of less harsh loan default penalties leads to 0.131-unit increase in effective adoption of strategic plans among SMEs in Kenya. The findings agree with the findings of a study by Namusonge (2011) which concluded that availability and type of finance are key determinants of the growth performance of SMEs. Entrepreneurs’ attributes also have influence on growth performance.

### Table 9 Regression coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Variables</th>
<th>B</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>0.729</td>
<td>0.358</td>
<td>2.037</td>
<td>0.044</td>
</tr>
<tr>
<td></td>
<td>Organizational Structure</td>
<td>0.423</td>
<td>0.053</td>
<td>8.025</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>ICT</td>
<td>0.230</td>
<td>0.032</td>
<td>7.269</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Management Style</td>
<td>0.154</td>
<td>0.035</td>
<td>4.446</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Access to Finance</td>
<td>0.131</td>
<td>0.068</td>
<td>1.945</td>
<td>0.054</td>
</tr>
</tbody>
</table>

Dependent Variable: Effective Adoption of strategic plans

Thus the optimal multivariate Regression Model for the study is as indicated below;

**Effective Adoption of strategic plans = 0.729 + 0.423 Organizational Structure + 0.23 ICT + 0.154 Management Style**

### Conclusion

The study concluded that organizational structure positively and significantly influences effective adoption of strategic plans among SMEs in Kenya. Embracing departmentalization in the organization, centralization of structures, availability of structures that encourages specialization, availability of flexible structures and availability of structures that allows for experimentation and creativity positively influences effective adoption of strategic plans among SMEs in Kenya. Moreover, the study concluded that ICT positively and significantly influences effective adoption of strategic plans among SMEs in Kenya. An increase in frequency of employees training, use of well-structured ICT policy, use of well-functioning ICT software system, use of well-functioning ICT hardware system and adequate number of technological gadgets positively influences effective adoption of strategic plans among SMEs in Kenya.

Further, the study concluded that management styles significantly and positively influences effective adoption of strategic plans among SMEs in Kenya. More practice of autocratic, democratic as well as transactional management style by the top management team, effective delegation of operations and participative decision making process positively influences effective adoption of strategic plans among SMEs in Kenya. Finally, the study concluded that access to finance positively and significantly affects the effective adoption of strategic plans among SMEs in Kenya. More access to affordable financial plans, affordable loan repayment plans, manageable interest charged on the loans available to the organization, friendly grace period of the loans available and availability of less harsh loan default penalties positively influences effective adoption of strategic plans among SMEs in Kenya.

### Recommendations of the Study

The study recommends the SMEs in Kenya to embrace departmentalization and centralization of organizational structures. There is also need for SMEs to put in place structures that encourages specialization. The study also recommends for more flexible structures as well as structures that allow for experimentation and creativity. Moreover, the study recommends for
more frequent training of the employees. Since ICT adoption positively and significantly influence adoption of strategic plans, the study recommends that there is a need for well-structured ICT policy as well as well-functioning ICT software system. The study also recommends the SMEs to have a well-functioning ICT hardware system and adequate number of technological gadgets.

Further, the study recommends the SMEs in Kenya top management team to practice more use of autocratic, democratic as well as transactional management style. There is also need for effective delegation of operations. The study also recommends for participative decision making process to be put in place. Finally, the study recommends for a more affordable access to financial plans to SMEs in Kenya. There is also need for affordable loan repayment plans. The study further recommends for a more manageable interest charged on the loans available to the organization. There is also need for a friendlier grace period of the loans available to the organization. Lastly, the study recommends for of less harsh loan default penalties

ACKNOWLEDGEMENT

My sincere gratitude goes to Dr. Allan Kihara for his guidance in research methodology. I am also grateful to the managers of the Real Estate firms that participated, for their amazing cooperation in providing me with information necessary for my research exercise. I wish to convey sincere gratitude to friends and colleagues of JKUAT who inspired and gave me morale to undertake this study. I equally thank the management and lecturers of Jomo Kenyatta University of Agriculture and Technology (JKUAT) for their support during the study. God bless you.

REFERENCES


