

**THE ROLE OF STRATEGIC PLANNING IN THE GROWTH OF SMALL AND
MEDIUM ENTERPRISES: A SURVEY OF MANUFACTURING SMALL AND
MEDIUM ENTERPRISES IN MERU MUNICIPALITY**



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ABSTRACT

Manufacturing Small and Medium enterprises have been identified as an integral Component of the Kenya's initiatives to be a globally competitive and prosperous nation by year 2030. To be globally competitive these enterprises must embrace the new technology and develop superior quality products, markets and customer care through proper planning for the future. Manufacturers need to address their internal weakness by upgrading technology and labor retrained. Research has consistently shown that most SMEs do not engage in strategic planning. This is at odds with much of the strategy literature that dictates that enterprises "must actively plan for the future" to compete effectively and survive and by neglecting strategic planning, SMEs may not achieve their full performance and growth potentials, and their survival could be placed at risk. This research employed descriptive research design which answered the questions of where and how strategic planning affects the growth of SMEs. The target population was all the manufacturing SMEs in Meru Municipality and all the manufacturing SMEs contained in the Ministry of Industrialization Meru data base formed the sampling frame. A stratified random sampling technique was employed that ensured equal representation in the three sub-sectors of this industry. Both primary and secondary data was used where primary data was collected through questionnaires and interview schedules. Cronbach's alpha method was used to test reliability and content validity tested the validity of the questionnaire. The data was analyzed using descriptive and analytical statistics and a computer based program, that is, the Statistics Program for Social Sciences (SPSS) version 15. The study found out that strategic planning has a role in the growth of SMEs. Education level attained, having a mission statement, the number of years in the business, setting of long term objectives, handling of consumers' complains, having an organizational structure, subordinates not taking decisions without consulting their managers, and staff having the right skills were found to be of great significance to majority of the firms surveyed. A binary logit model ascertained that factors contained in the independent variables namely: management styles, marketing strategies, human resources strategies, finance strategies, and research & development strategies were all significant to the growth of the SMEs which reported growth. The study recommends that small firms need to develop their internal organizational structure in ways that enables the leader of the firm to delegate responsibility for operational tasks to become more focused on strategic level functions. The SMEs need to be keen to their approach to product and market development. The entrepreneurs should develop high-potential employees that can perform multiple roles under various stages of organizational growth and the matching of people to the organizational culture. The SMEs should be ready to finance and plan their growth. They should be ready to expand their products portfolio and market coverage. Due to the high rate of globalization the SMEs firms should undertake innovation through investing in R&D.