

Corporate Strategy for Medium Scale Manufacturing Enterprises in Kenya

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Abstract - Sustainable Development Goals and Africa Agenda 2063 acknowledges Small and Medium Enterprises as critical in promoting sustainable global economic development. However, most studies on corporate strategy in Kenya have mainly examined micro, small and large enterprises creating a missing middle with inadequate empirical data on medium scale enterprises, including those in the manufacturing sector. Moreover, Kenya's big four agenda proposes support to the manufacturing sector so as to raise its GDP share to 15 percent by 2022 in support of the realization of Vision 2030. Unfortunately, growth in the manufacturing sector has stagnated at about USD 5 billion for over a decade and continues to lose market share and competitiveness internationally. This study therefore investigated corporate strategy and competitiveness of medium scale manufacturing enterprises in Kenya. Data was collected from 56 senior management staff. Mean responses received in a Likert scale of 1 – 5 for each of the tested item was calculated by summing up all the codes and getting the average of the 56 respondents. This study established MSMEs which are within the SME sector are on average performing below par on issues to do with business strategy. The results show that in 56.1% of the MSMEs, there is a clearly written business unit mission statement (mean response of 4.3). In 54.5% of the firms, the business unit strategy is not adequate in light of competitive pressure (mean response 2.5) and the business unit strategy is not appropriate for exploiting opportunities in the future. In 48.5% of the firms, the business unit strategy is not formulated carefully by all levels of management (mean response 2.7) and there is no clearly developed long term business unit strategy (mean response 2.9). In 39.4% of these firms, the business unit strategy does not adequately reflect the strengths of the business unit (mean response 2.8). The study concluded that lack of an effective business strategy to direct the efforts of human resources in the desired direction would result in inability to realize the set organizational objectives. This means these MSMEs are struggling to operate, manage and improve their businesses efficiency and effectiveness in order to deliver quality products and services consistently and on time. This has a negative effect on MSMEs performance as it implies internal inefficiencies, ineffectiveness and negative bottom line, reduced job opportunities and low contribution to the gross domestic product (GDP) in Kenya. The study recommended that the MSMEs should organise strategic focus workshops and use a combination of Porter's five force model components to plan, organise and formulate their business strategy mechanism after a comprehensive SWOT analysis. The MSMEs should periodically review their strategy in line with the prevailing competitive pressures using the following criteria to identify crucial strategic issues: (a) The impact they could have on their enterprises, (b) the likelihood that the identified issues would materialize, and (c) the time frame over which they could develop. The number of these issues needs to be limited to a manageable number (three to nine) to enhance the chances of securing the commitment and resources necessary to effectively act on them. The expected study output would be enhanced competitiveness of MSME and realization of Kenya's vision 2030.

Key Words: Business Strategy; Competitiveness; Manufacturing; Medium scale Enterprises

1. BACKGROUND INFORMATION

Small and Medium Enterprises (SMEs) are globally acknowledged as critical in promoting long-term business and industrial competitiveness of a country and indeed sustainable global economic development. In Kenya, sessional papers No. 2 of 1996 on Industrial Transformation; No. 10 on Kenya Vision 2030 recognizes SMEs as an agent of economic development through wealth creation, employment and poverty alleviation (RoK, 2012(a)[31]; 2012(b)[32]; 2916). However, most studies on competitiveness in many parts of the world and Kenya in particular have examined micro, small and large enterprises creating a missing middle with inadequate

empirical data on medium scale enterprises. Moreover, very few studies especially in relation to business strategy have been conducted involving medium scale manufacturing enterprises (MSMEs) that takes into account the unique nature of activities and challenges experienced by these types of firms. Yet, a business strategy influences survival and growth potential of firms and therefore inadequate studies on the same for MSEs counteracts sincere efforts in designing programs to enhance the efficiency and effectiveness of their operations. The implication to all the stakeholders in this sector is that there is a lot of ground to cover in as far as strategy formulation and effective implementation for MSEs is concerned. This lack of a modern MSME sector

in Kenya has not been accidental. Industrial development and macro-policies have historically been skewed towards the large firms. Hence, from the Sessional paper No. 2 of 1996 on Industrial Transformation by the Year 2020 and later vision 2030, have re-emphasized that industrialization, which includes the MSMEs is a prime mover of the Kenyan economic development (RoK, 2011).

Consequently, Kenya Government's big four agenda proposes support to the manufacturing sector so as to raise its GDP share to 15 percent by year 2022 as part of the realization of Vision 2030 and Africa's Agenda 2063, due to its strong forward and backward linkages with other sectors in the economy. The manufacturing sector in Kenya serves both the local and export market mainly in the East African region and is subdivided into twelve sub-sectors which are in processing and value addition. However, the manufacturing sector has had very minimal growth stagnating at about USD 5 billion for more than a decade, and continues to lose market share in East African and competitiveness in the international trade (RoK, 2018)[35]. For instance, Kenya held a dominant position supplying the region with manufactured goods with Uganda as the largest trade partner, though lately, Kenya's manufactured exports to Uganda and Tanzania dropped in year 2017 by 5.4 and 29.59 percent respectively as compared to 2013. Many manufacturing companies such as Procter and Gamble and Reckitt Benckiser have in the recent past relocated from Kenya to other regions citing high cost of doing business. As a result, the manufacturing sector's contribution to GDP over the last five years has been on a downward trend, contributing 10.7 percent of GDP in year 2013, though this progressively declined to 8.4 percent as at 2017. In 2019, the situation had still not improved with at least four Kenyan companies announcing plans to sack their employees before end of 2019. Among the companies that issued the dreaded memo to their staff include East African Portland Cement (EAPCC), Telkom Kenya, Stanbic Bank Kenya and Diageo Africa Business Service Centre (ABSC). East African Portland Cement for instance declared in August 2019 all positions redundant, citing massive losses and persistent financial woes as the reasons behind the painful decision.

At the international level, the Global Competitiveness Report (2018) ranks Kenya at position 93 out of 140 economies samples for the survey. Competitiveness Rank in Kenya averaged 96.92 from 2007 until 2018, reaching an all-time high of 106 in 2011 and a record low of 88 in 2007. This ranking shows that there is still work to be done in enhancing the business climate and the competitiveness of firms in the country. In view of this, and considering that strategy has interrelation with business success, the current study sought to examine Business strategy and the competitiveness of medium scale manufacturing enterprises in Kenya.

According to Dekkers, R. (2011)[11], strategy formulation involves the development and maintenance of

a strategic balance between an organisation's broader objectives, its capabilities and the changing factors in the environment. This involves establishing a clear mission statement, setting SMART (Specific, Measurable, Attainable, Relevant and Time bound) business objectives, designing a sound business portfolio and coordinating functional strategies (Dyer & Singh, 1998). The intention of strategy formulation is to find ways in which an enterprise can best use its strengths to take advantage of attractive opportunities and at the same time hedge itself from threats prevalent in the environment (Tuan & Takahashi, 2009)[38]. Though a business strategy involves the critical decisions a firm makes about how to match its resources and strengths with its environment to create an advantage over its competitors, a firm may alternatively implement a strategy geared towards preventing a competitor from gaining an advantage (Lunati, 2007).

Business strategy as expounded in enterprise objectives serve several purposes. A business strategy for instance provides a measure of performance and focuses attention on the direction of the efforts of its members (Brinkmann, Grinchnik & Kapsa, 2010)[6]. It also constitutes the premise upon which planning and management controls related to the activities of the organization are constructed (Dekkers, 2011)[11]. A business strategy also provides the basis upon which decision-making and justification for particular action is premised (Tuan & Takahashi, 2009)[38]. It also assists in developing commitment of individuals and groups to the activities of the enterprise, through focusing attention on the purposeful behaviour and providing a basis for motivation and reward systems (Liesch, Buckley, Simonin & Knight, 2012)[20].

The current world economic order signals the end of decades of commercial firms operating in a sheltered environment free from open and market driven competition (Jara & Escaith, 2012[15]; Kotler, 2007). This has resulted in the need for major transformations in trading and production systems for enterprises operating in a globalized business environment. The accompanying rapid advances in production and information technologies to keep up with the pace of globalization are accelerating the spread and intensity of competitive pressures on enterprises (Liesch, et al., 2012)[20]. This situation is much more complicated for firms in the SME sector because such firms are very different from large firms. Penrose (1995) uses the analogy that while caterpillars and butterflies are manifestations of the same creature, they cannot be meaningfully compared with each other as the differences are too great. Firms in the SME sector have to contend with the constraints that are three fold in nature. Some are inherent to being small, because small size per se imposes costs and innovative penalties in the areas of marketing and technology, for lack of economies of scale (Levratto, Tessier & Zouikri, 2010[19]; Yeboah, 2015)[42]. Some constraints are an offshoot of distortions in the market and institutions, while others are created by policy interventions. For

instance, providers of productive factors (credit, infrastructure, etc.) prefer dealing with a few large customers because they are more economically viable and safer as compared to a range of small and dispersed ones (Dawson, 1997). The argument is that SMEs are more difficult to collect comprehensive information on them, for instance, to facilitate credit rating. They are also said to be more difficult to monitor and the cost of enforcing contracts may be disproportionately large as compared to the size of the transaction (Yeboah, 2015)[42].

The very fact that the current business environment is faced with varying conditions, increasing changes and complexity, requires a business strategy that properly matches the strengths and resources of the enterprise with particular elements of its environment with a view to achieving a competitive advantage (Brinkmann, Grinchik & Kapsa, 2010[6]; Sainidis, Johnson, Whittington & Scholes, 2001). The harsh reality to the Kenyan MSMEs is therefore to implement measures on strategic thinking or perish. It is therefore necessary for MSMEs to clearly establish a Business Strategy for the enterprise if it is to succeed in the current harsh world economic order. This is simply because failure to clearly establish a business strategy may lead to a mismatch between the strengths and resources of the enterprise and/or pointless exhaustion of physical and human resources at worst. MSMEs should therefore strive to identify the appropriate mix for sustainable efficiency and effectiveness in the market place. Success lies with the entrepreneur's ability to manage change and be capable of responding with speed to the environmental drivers that necessitate alteration in strategy and organizational practices (Banjoko, Iwuji & Bagshaw, 2012)[4]. These change drivers include rapid technological development, changes in consumer tastes and preferences, deregulation, aggressive competition, increased globalization, and increased organizational complexity (Sinha, Akoorie, Ding & Wu, 2011). An MSME must therefore deal with a number of strategic issues as it seeks to create and or maintain an advantage over its competitors.

It is against this background that this study sought to examine business strategy for MSMEs being a reflection of how these kind of firms in Kenya it have configured their resources and strengths in pursuit of the advantages in the current globalized market place.

2. MATERIALS AND METHODS

The study adopted descriptive design to obtain data with respect to the identified variables arising from extensive review of relevant literature. The unit of analysis for this study were MSMEs with an employment level of between fifty one (51) and two hundred persons (200). The chosen MSMEs were from a cross section of the manufacturing or value addition sector. The employment level of between 51 and 200 was arrived at considering the definition of micro and small enterprises provided for in

the MSE Act of 2012 (RoK, 2012) and also the definition by the European Economic and Social Committee.

Nairobi City County in Kenya was chosen because it is not only the regional business hub, but also because over 80 per cent of the manufacturing or value addition enterprises are based there (KAM, 2019)[16]. The manufacturing sector was chosen not only because of its critical role towards Kenya's industrialization, but also because its output is often traded in local, regional and international markets than service output. The manufacturing firms are also more likely to be in direct competition with foreign firms attempting to develop substitute technology using similar processes and targeting the same customers. Moreover, the industrial sector in Kenya comprises of the manufacturing, quarrying and mining and construction activities, out of which the manufacturing activities accounts for the greatest share. In addition, industrialization (which includes manufacturing), has been hailed as the "engine for growth" for newly emerging economies in the world and that is why the Kenya Government recognises this as a core goal to the attainment of vision 2030 (RoK, 2011). The Chief Executive Officers, General Managers or Senior Management Executives of the MSMEs were identified because they would be in a better position to respond to questions touching on the overall competitiveness of their respective enterprises.

A Sampling Frame was prepared as per the list obtained from the Kenya Association of Manufacturers (KAM) and the licensing department of the Nairobi City County Government. This was done to ensure only the inclusion of legal business enterprises. It was also necessary to use both lists because not all MSMEs are members of KAM. The next step was to augment the list using data from the Kenya National Bureau of Statistics. As a result, 484 enterprises were identified from the various economic activities in the manufacturing sector as follows: Food Processing, Wood Workings, Fabricated Metal Products, Non-metallic products and Leather, Textiles and Garments.

Out of the 485 enterprises, 392 are located or have their offices within Nairobi City County which is the study's geographical setting. Of these 392 firms, only 90 fell within the required employment level of between 51 and 200 persons as per the study's definition of an MSME. The short-listed 90 enterprises were then classified into three (3) clusters based on employment level of 51-100, 101-150; and 151-200. In each of the clusters, the selected firms were further subdivided into five (5) substrata of Food Processing, Wood Workings, Fabricated Metal Products, and Leather, Textiles and Garments. This was done to ensure that the whole population was evenly covered to avoid biased representation (Oslo Manual, 2005). In addition, this method was deemed useful in three ways. First, it was conceived that each stratum would be homogenous internally but heterogeneous with other strata of the population. Secondly, stratification would be useful if there was going to be a need to study

the characteristics of certain sub-groups. Lastly, it was useful for the application of different methods of data collection where necessary in the different parts of the population (Saldana, 2011).

Using Krejcie and Morgan's (1970) table of determining sample size, 73 is the actual number of firms that is required to form a representative sample, out of a population of 90. The applicable formula is: $s = X^2 NP (1 - P) \div d^2 (N - 1) + X^2 P (1 - P)$, at a confidence level of 95% and a margin of error of plus or minus 5%, where:

s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

Having determined the required sample size to be 73 MSMEs out of 90, it was found prudent to add additional enterprises to cover for possible non responses from the respondents, and also increase the reliability of the findings. The residue MSMEs seventeen (17), though five (5) had already been used during the pilot study, thus unavailable for inclusion. Since the remaining twelve (12) firms were judged not to be many, it was found wise to include them in the study to act as a buffer zone for possible non responses. As a result, all the eighty five (85) available MSMEs were included in the study, thus making it unnecessary to establish the sampling fraction. The collected data was analysed using descriptive statistics.

3. REVIEW OF RELEVANT LITERATURE

3.1 The Manufacturing Sector in Kenya

More than eighty per cent of the manufacturing or value addition enterprises in Kenya are based in Nairobi City County which is the capital city and political seat of policy makers in the country. The rest of the value addition outfits are located in other major counties, including Mombasa, Kisumu, Kakamega Nakuru, Uasin Ngishu, Machakos, Nyeri and Kiambu (KAM, 2019)[16]. According to data from the Kenya National Bureau of Statistics (2016), the manufacturing sector in Kenya recorded a decelerated growth of 3.5 per cent from a revised growth of 3.6 per cent in 2015. The sector's growth remained stifled in 2016 mainly due to underperformance of other sectors such as agriculture and energy (electricity) that provide inputs for manufacturing activities. The near stagnation in the growth of manufacturing was also manifest in the slow uptake of credit from Kshs 290.1 billion in 2015 to KSh 276.7 billion in 2016. In year 2017, the manufacturing sector posted a marginal growth of 0.2 per cent compared to a revised growth of 2.7 per cent in 2016. The slowed

growth was partly attributable to uncertainties related to the 2017 general elections, high cost of inputs and stiff competition from cheap imports. Generally, most activities in the sector recorded significant decline leading to the slowdown experienced in 2017. The volume of food products manufactured declined by 10.8 per cent in 2017 compared to 1.9 per cent growth in 2016 (Kenya National Bureau of Statistics, 2019).

Kenya's manufacturing sector is considered essential to national development because it is expected to play a significant role in economic diversification and employment creation (Sessional paper No. 10 of 2012 on Kenya Vision 2030). This sector serves both the local and export market mainly in the East African region. It is subdivided into twelve sub-sectors which are in processing and value addition (KAM, 2019)[16]. The first one is Timber, Wood and Furniture Sector, which produces furniture and fixtures, lumber, sash, doors, windows and door frames, prefabricated wooded parts and structures, veneer, plywood, hard board and particle board, cooperage and other wood stock and excelsior.

According to KAM (2019)[16] Food and Beverage is another sub sector that manufactures Vegetable Oils, Daily Products, Alcoholic Beverages and Spirits, Juices / Waters /Carbonated Soft Drinks, Bakers and Millers, Cocoa / Chocolate and Sugar Confectionery. There is also the Leather and Footwear Sector which manufactures leather and products of leather, leggings, gaiters, footwear, fabrics, and other materials. Another sub sector is the Motor Vehicle which produces engines, brakes, clutches, axle, gears, transmissions, wheels and frames, assembly, rebuilding and major alteration of complete motor vehicles such as passenger automobiles, commercial cars and buses, lorries and truck trailers.

Plastics and Rubber is another sub sector that manufactures tyres and tubes, re-treading tyres, fabricating of plastic articles such as plastic dinnerware, kitchen ware, plastic mats, synthetic sausage casings, plastic containers and cups, laminated sheets, plastic components for insulation, plastic furniture, and plastic industrial supplies.

The manufacturers of tobacco products such as cigarettes, cigars, smoking chewing and homogenised tobacco and snuff, is another sub sector within the manufacturing industry. Others include: Chemical and Allied Sector - Manufacturers of basic industrial chemicals including fertilizers, pesticides, cosmetics, paints and resins; Paper and Board Sector - Manufacturers of pulp, paper and paperboard articles such as glazed, gummed and laminated paperboards, pulp plates and utensils, bottle caps, unprinted cards, envelopes and stationery, wall paper, towels, toilet paper, straws, mounts, publishing, and allied industries; Electrical and Electronics Sector - Manufacturers of electrical machinery, apparatus, appliances and supplies.

Other sub sectors in the manufacturing industry include the following: Textiles and Apparel Sector - Manufacturers of wearing apparel, weaving and finishing

textiles, knitting mills, carpets and rugs; Pharmaceutical and Medical Equipment Sector - Manufacturers of medical equipment, drugs and medicines; Metal and Allied Sector - Smelting and Hot Rolling, pipes and tubes, wire and wire products, general fabricators and allied industries (KAM, 2019)[16].

3.2 Theories of Competitiveness

Wang (2014)[39] posit that a theory is a set of systematically interrelated concepts, definitions and propositions that are advanced to explain and predict facts. Theories are therefore generalizations about variables and the relationships among them McGrath (2013)[21]. They narrow the range of facts needed in a study, summarise what is known about an object of study and state the uniformities that lie beyond the immediate observation (Powell, 2001)[27]. As such, it was necessary to review theories of competitive advantage that formed the framework of this study.

Competitive Advantage is a theory created by Michael E. Porter while seeking to explain key determinants that are necessary in creating and sustaining superior performance, in order to stay ahead of competition (Porter, 1996[26]; 1985). McGrath (2013)[21] concurs with Porter's proposition that competitive advantage is obtained when an organisation develops or acquires a set of attributes (or executes actions) that allow it to outperform its competitors. As explained by Wang (2014)[39], the theory of competitive advantage was created by Michael E. Porter starting from the actual economic reality which could no longer be explained on the basis of the model of comparative advantages. As elaborated by McGrath (2013)[21], Michael E. Porter analysed ten countries with important share in international commerce (Denmark, Germany, Italy, Japan, South Korea, Singapore, Sweden, Switzerland, Great Britain and USA), establishing the system of the determinants of the competitive advantage. As elaborated by Wang & Ghose (2006), Michael Porter started from the premise that the nature of the competition and the sources of competitive advantage are very different among industries and even among the segments of the same industry, and a certain country can influence the obtaining of the competitive advantage within a certain sector of industry. Porter (1990) also proposed that the globalisation of the competition and the appearance of the trans-national companies do not eliminate the influence of a certain country for getting the competitive advantage because a country can offer different competitive advantages for a company, depending on whether it is an origin country or a host country. Another proposition was that innovation has a role of leading force to ensure a company stays ahead of the competition to avoid elimination from the market (Powell, 2001)[27].

Starting from this premise, Porter (1990) identifies a system of determinants which is the basis for getting competitive advantages by the nations. The first one is the factorial determinant, which is the endowment of a

country with factors. The second one is the determinants of the demand, which relates to the features of the internal market. The next determinant is the up and downstream industries; and lastly, the strategy and structure of the companies and the rivalry among them (domestic competition). As further elaborated by Wang (2014), these four determinants are conditioned one to another, and are considerably influenced by others two factors: the chance and the governmental policy. The more complex and dynamic the economic environment of the country is, the more likely some companies could fail if they cannot capitalize in an adequate way the requests of this environment.

The classical economic theory identifies the labour, land and capital as the factors of production (Peteraf, 1993)[25]. Porter (1985) theory of competitive advantage demonstrates that, even though endowment with factors is obviously important, the critical element for a country to be competitive is to create new factors and to improve the existing ones. Hence, competitive advantage should be created because it is not inherited. Porter (1996)[26] therefore divides the production factors into several categories. These are; human resources (quantity, the level of instruction, the costs with the labour, the time of working, the attitude to working); natural resources (abundance, quality, accessibility, the costs with land, water, mineral resources, forest); knowledge resources (the supply of the scientific, technical and marketing knowledge used for creating and distributing goods and services); resources (the level and the cost of the capital available for financing the industry, determined by the saving rate of the economy and the structure of the financial national market); infrastructure (including the transport systems, post, communications, payment systems and the systems used to transfer money). Porter (1990) argues that these factors which are the most important for obtaining competitive advantage are created in time by an enterprise through important investments.

In addition to Government policy, Porter (1996; 1990) identifies three features of the domestic demand which influence the acquirement of the competitive advantage. These are the structure of the domestic market which determines the quality level of the goods; severe domestic buyers with sophisticated needs; and anticipatory needs of the domestic buyers. On the importance of governmental policy, he observes that this is so because it can influence the local market by subventions, investments in education, regulating the domestic market, creating a competitive infrastructure for reducing the accessing costs of the factors. The government is also an important buyer for certain industries, such as defence industry, aeronautics and telecommunication. It is therefore important is to approach the system of the competitiveness conditions with a coherent governmental action in order to create or improve the national competitive advantages.

Another theory of competitiveness is the Market-Based View (MBV) which proposes that industry factors and

external market orientation are the primary determinants of firm performance (McGrath, 2013)[21]. The sources of value for the firm are embedded in the competitive situation characterizing its end-product strategic position (Wang, 2014). The strategic position is a firm's unique set of activities that are different from their rivals. Alternatively, the strategic position of a firm is defined by how it performs similar activities to other firms, but in very different ways. In this perspective, a firm's profitability or performance are determined solely by the structure and competitive dynamics of the industry within which it operates (Adebisi and Gbegi, 2013).

In formulating strategy, firms commonly make an overall assessment of their own competitive advantage via an assessment of the external environment based on the five forces model (Porter 1996; 1985). The five forces under consideration consist of the following: barriers to entry, threat of substitutes, bargaining power of suppliers, bargaining power of buyers and rivalry among competitors (Porter 1985). In this perspective, a firm's sources of market power explain its relative performance. Three sources of market power are frequently highlighted: monopoly, barriers to entry, and bargaining power (Leahy & Montagna, 2008)[18]. When a firm has a monopoly, it has a strong market position and therefore performs better (Tuan & Takahashi, 2009)[38].

The five-force model enables organisation to analyse the current situation of their industry in a structured way. However, the model has limitations. Porter's model assumes a classic perfect market as well as static market structure, which is unlikely to be found in present-day dynamic markets. In addition, some industries are complex with multiple inter-relationships, which make it difficult to comprehend and analyse using the five force model (Wang 2014). Moreover, Bryson & Stephen (2009) stated that the most important determinants of profitability are firm-specific rather than industry-specific factors. Jara & Escaith, (2012)[15] suggested that competitive advantage based on resources and capabilities is more important than just solely based on products and market positioning in term of contributing to sustainable competitive advantages.

Another theory of competitiveness is the Resource Based View of the firm (RBV), which draws attention to the firm's internal environment as a driver for competitive advantage and emphasises the resources that organizations have developed to compete in the environment (Peteraf, 1993)[25]. Subsequently, researchers made important contributions towards developing the Resource-Based View of strategy. According to Powell, (2001)[27], the focus of inquiry changed from the structure of the industry, that is, Structure-Conduct-Performance (SCP) paradigm and the five forces model, to the firm's internal structure, with resources and capabilities (the key elements of the Resource-Based View). Since then, the resource-based view of (RBV) strategy has emerged as a popular theory of competitiveness (Wang, 2014). However, it has been

argued that the RBV ignores the nature of market demand and only focuses on internal resources. Therefore the concept of 'fit' was as a balancing act between the external and internal determinants (Nwankwo & Gbadamosi, 2010)[23].

As elaborated by Wang (2014), most researchers subscribing to the RBV regard knowledge as a generic resource. However, some researchers suggest that knowledge has special characteristics that make it the most important and valuable resource, hence their proposition for the Knowledge-Based view, as another theory of competitiveness (MaCarthy & Greatbanks, 2006). McGrath (2013)[21] concur that knowledge, know-how, intellectual assets and competencies are the main drivers of superior performance in the information age. MaCarthy & Greatbanks (2006) also suggest that knowledge is the most important resource of a firm. Evans (2003) pointed out that material resources decrease when used in the firm, while knowledge assets increase with use. Innovative knowledge gives the firm its competitive position over its rivals. The firm with innovative knowledge is able to introduce innovative products or services, potentially helping it become a market leader (Bigliardi, Colacino & Dormio, 2011[5]; Bos-brouwers, 2010)[7].

Transient Advantage is a more recent proposal on competitiveness that seek to overturn the hitherto assumptions about the temporal scope of the strategy formulation and execution processes (Wang, 2014; McGrath, 2013)[21]. Previously, organizational strategies for competitiveness would be formulated to guide the firm's behaviour for a number of years, before reformulation. However, the proposal on Transient Advantage argues that given the way the current business environment has evolved, opportunities for leveraging competitive advantage are transient. This observation has a repercussion on the way in which strategies are formulated, executed, monitored, evaluated and revised. An important implication is that the strategy life-cycle will need to be much shorter, and, necessitate fast reaction to changing market conditions. This is, arguably, most important for the market-based view, wherein market positioning responses would have to be much faster.

From a review of theories of competitive advantage, it is clear that there is no agreement in how strategy is conceptualised and in its units of analysis. There is also diversity on which of the various propositions is the correct one going into the future. Therefore the position adopted by the current study is a mixture of the various propositions.

4. RESULTS AND IMPLICATIONS

4.1 Response Rate

A total of eighty five (85) MSMEs from a different range of production units were included in this study. The study recorded 66.66% response rate which means that fifty six (56) Chief Executive Officers, General Managers or

Senior Management staff participated in the study. The non-response was due to a combination of factors including time constraint on the part of the interviewees,

unwillingness and/or inability to respond to items on the questionnaire. The response rate from the various clusters as presented in Table 1

Table 1: Response Rate

Stratum	Employment Levels			TOTALS
	51 – 100	101 – 150	151 – 200	
Food Processing	4	5	4	13
Wood Workings	5	2	2	9
Fabricated Metal Products	3	5	4	12
Non Metallic Products	2	3	4	9
Leather, Textiles & Garments	5	4	4	13
TOTALS	19	19	18	56
%	33.9	33.9	32.1	

The sizes of the firms were determined based on the number of employees in the respective enterprises. As presented in Table 1, the distribution of the number of employees in the firms showed that most of the Food Processing firms had 101 – 150 employees at 38.46%; Wood Working firms at 55.55% had 51-100 employees, while most in the Fabricated Metal cluster were at 41.66% (101 – 150). In the Non Metallic Products cluster, most firms at 44.44% had 151 – 200 employees as compared to the Leather, Textiles and Garments cluster where most of the firms had 51 – 100 employees. There was however, no significant difference in the sampled firm sizes ($\chi^2 = 1.721$, $P = 0.988$) since the responses were well distributed across the clusters in the target group.

4.2 Responses on Business Strategic Issues

When asked to respond to a number of strategy related items, in 54.5% MSMEs, the business unit strategy is not

adequate in light of competitive pressure (mean response 2.5). 54.5%: The business unit strategy is not appropriate for exploiting opportunities in the future (mean response 2.5). 48.5% MSMEs: The business unit strategy is not formulated carefully by all levels of management (mean response 2.7). 39.4% of the firms: the business unit strategy does not adequately reflect the strengths of the business unit (mean response 2.8). 48.5% MSMEs: There is no clearly developed long term business unit strategy (mean response 2.9). 75.7% MSMEs: The Business Unit Strategy adequately establishes priorities for managers (Mean response 4.0). 56.1% MSMEs: There is a clearly written business unit mission statement (mean response of 4.3). The mean responses on all the items are presented in Table 2

Table 2: Mean Responses on Business Strategy

Opinion on item	SD %	D %	NS %	A %	SA %	Mean response
There is a clearly written business unit mission statement	9.1	13.6	21.2	39.4	16.7	3.4
There is clearly developed long term business unit corporate strategy	16.7	31.8	12.1	27.3	12.1	2.9
The corporate strategy and business unit mission are communicated clearly to all levels of management	3.0	21.2	34.8	33.3	7.6	3.2
The corporate strategy and business unit mission are communicated clearly to the non-management workforce	4.5	18.2	33.3	42.4	1.5	3.2
The corporate strategy is adequate in light of competitive pressure	24.2	30.3	22.7	19.7	3.0	2.5
The corporate strategy adequately reflects the strengths of the business unit	18.2	21.2	30.3	27.3	3.0	2.8
The corporate strategy is appropriate for exploiting opportunities in the future	22.7	31.8	21.2	22.7	1.5	2.5
The corporate strategy is formulated carefully by all levels of management	15.2	33.3	27.3	18.2	6.1	2.7
The corporate strategy adequately establishes priorities for managers	6.1	9.1	9.1	34.8	40.9	4.0
The corporate strategy adequately establishes priorities for the rest of the workforce	9.1	24.2	25.8	34.8	6.1	3.0

To establish the level of performance of MSMEs in relation to the tested items, a One-Way Analysis of

Variance (ANOVA) was conducted on the mean response on the items tested. The findings in this study showed that

there was a significant difference in the firms level of performance ($F = 3.36$, $df = 12$, $P = 0.001$) tested at 95% confidence interval ($P \leq 0.05$) and the means separated

using Tukey test. The mean responses are as shown in Table 3.

Table 3: Mean Responses

Factor / Item	Number of Tested Items	Mean Response rate	Standard Deviation
Corporate Strategy	10	3.02	0.46

4.3 Implications

The study's findings show that MSMEs which are within the SME sector are performing below par on issues to do with corporate strategy. These findings are in agreement with others conducted in the East African region, Africa and internationally (Mochoge 2011; Ngugi, Gakure, Were & Kibiru, 2012; Simiyu, 2016[12]; Philip, 2011; Tuan & Yoshi, 2010; Singh *et al.* 2008; Small, 2013). These findings seems to suggest that MSMEs in Kenya tend to overlook some necessary and critical corporate strategies because application of such requires a host of expensive and time consuming adjustments both in the organizational culture and structure. This means these MSMEs are struggling to operate, manage and improve their businesses efficiency and effectiveness in order to deliver quality products and services consistently and on time. This has a negative effect on MSMEs performance as it implies internal inefficiencies, ineffectiveness and negative bottom line, reduced job opportunities and low contribution to the gross domestic product (GDP) in Kenya. The findings therefore portend major impediments to MSMEs' attempt to reposition themselves for competitiveness in a globalised business environment considering that corporate strategy has interrelation with business success. These findings also has an implication to Kenya's big four agenda and the realization of Vision 2030 in view of the significant role of MSMEs towards the realization of Kenya's quest to industrialise and achieve competitiveness at the global level.

5. CONCLUSION AND RECOMMENDATIONS

The study concluded that lack of an effective corporate strategy to direct the efforts of human resources in the desired direction would result in inability to realize the set organizational objectives. This means these MSMEs are struggling to operate, manage and improve their businesses efficiency and effectiveness in order to deliver quality products and services consistently and on time. This has a negative effect on MSMEs performance as it implies internal inefficiencies, ineffectiveness and negative bottom line, reduced job opportunities and low contribution to the gross domestic product in Kenya. The study therefore recommends that MSMEs should formulate and implement business strategies that seek to cushion the firms against environmental threats posed by heightened competition, as well take advantage of opportunities arising from globalisation. The MSMEs must out of necessity choose to position themselves

within the industry by developing a strategy that directs the energies of all the personnel towards enhanced value delivery to the customer in terms of product differentiation, quality, excellent service and competitive prices. In this regard, the MSMEs should organise strategic focus workshops and use a combination of Porter's five force model components (Buyer, Supplier, Substitute product, Industry Competition, Potential entrant) to plan, organise and formulate their business strategy mechanism in line with the firm's mission, after a comprehensive SWOT analysis. A comprehensive SWOT profile analysis can help the MSMEs better take advantage of its strength and available opportunities while at the same time minimize its weaknesses and hedging itself against possible strengths.

The formulated strategy should be communicated to employees at all levels in the MSMEs. The MSMEs should periodically review their strategy in line with the prevailing competitive pressures using the following criteria to identify crucial strategic issues: (a) The impact they could have on their enterprises, (b) the likelihood that the identified issues would materialize, and (c) the time frame over which they could develop. The number of these issues needs to be limited to a manageable number (three to nine) to enhance the chances of securing the commitment and resources necessary to effectively act on them. The expected output would upon successful implementation of the stated recommendations would be qualitative and quantitative growth of the MSE sector resulting in several benefits including increased employment, exports and foreign exchange earnings, in addition to enhanced competitiveness of MSMEs and possible realization of Kenya's vision 2030.

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