

An Assessment of Strategic Management Practices and Performance of Selected Small and Medium Scale Enterprises in the Construction Sector in Lusaka District.

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DECLARATION

I, Emmanuel Ng'andu, declare that this dissertation represents my work, and has not been submitted at this or any other University.

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APPROVAL

This dissertation of NG'ANDU EMMANUEL has been accepted as fulfilling part of the requirements for the award of the degree of Master of Business Administration of the University of Zambia and Zimbabwe Open University.

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DEDICATION

This research project is dedicated to my wife for her love, support, patience, encouragement and understanding.

ABSTRACT

The purpose of this study was to assess the influence of strategic management practices on the performance of selected small and medium scale enterprises in the construction sector in Lusaka District, from 2006 to 2016. The study adopted a descriptive research design. The target population for the study were SMEs in the construction sector in Kalingalinga, Buseko, Mtendere, Mtendere East, and Kabwata. These areas were chosen because they accommodate a lot of SMEs that are in the construction industry. Stratified and purpose sampling were adopted so as to give each item in the population an equal probability of being selected. The sample size for the study were 50 managers of SMEs, who were chosen purposively. The researcher used a questionnaire as a primary data collection instrument. The questionnaire collected qualitative and quantitative data. The questionnaire was administered through drop and pick method to the managers working in the selected SMEs. The questionnaire responses were checked, grouped into various categories to facilitate for analysis using descriptive statistics. Frequency distribution tables were used to summarise the data from respondents. The analysed data was presented in frequency distributions tables, pie charts and bar charts for ease of understanding and analysis.

The study established that SMEs in the construction sector in Lusaka District adopted moderate strategic management practices in relation to the strategic management model. The study also established that SMEs faced numerous challenges in the running of their businesses. The study further established that the adopted strategic management practices influenced performance of SMEs in the construction sector in Lusaka District. The study concludes that strategic management practices have an influence on performance of SMEs in the construction sector. The study recommends that owners of SMEs in the construction sector in Lusaka District and other organisations need to adopt best strategic management practices if performance of their enterprises were to improve. While adopting the strategic management practices, they should always make sure that the process is as inclusive as possible. It is also recommended that in order to reduce on high rate of business failures, SME owners need to develop interest in improving their managerial skills through regular training. Further, owner managers need to formulate superior strategic objectives that include adoption of technology and innovation, business efficiency and good customer service.

Further, SMEs need to have the right resources (financial and human), because the success of any business strategy depends primarily on the availability of resources.

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LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	:	Analysis of Variance
BEP	:	Break – Even Point
CSO	:	Central Statistical Office
GDP	:	Gross Domestic Product
GRZ	:	Government of the Republic of Zambia
MOF	:	Ministry of Finance
MCTI	:	Ministry of Commerce, Trade and Industry
MSME	:	Micro, Small and Medium Enterprises
NCC	:	National Council for Construction
SMEs	:	Small and Medium Enterprises
SBDC	:	Small Business Development Centre
SED	:	Small Enterprise Development
SID	:	Small Industries Development
SIDO	:	Small Industries Development Organisation
SMA	:	Strategic Management Accounting
SMCs	:	Small Scale Contractors
UK	:	United Kingdom
ZDA	:	Zambia Development Agency

CHAPTER ONE: INTRODUCTION

1.1 The Background of the study

For any country to register meaningful economic growth and development, the country needs to take deliberate steps in developing the Small and Medium Enterprises (SMEs) sector, as the sector is responsible for job creation, revenue generation, innovation and technological advancement (M.C.T.I., 2006). The sector is also important when it comes to raising the economic efficiency of a country because SMEs are a breeding ground for entrepreneurship, innovations and inventions, hence a reservoir for employment (Nyariki, 2013). Chibwe (2008) adds that “most countries depend on Small and Medium Enterprises (SMEs) to drive their economies forward”.

Research and empirical evidence support the above assertions, for instance, Adriana (2011) in his research entitled “Strategic Management Process in Small and Medium Sized Enterprises” revealed that, “SMEs play an important role in the economic and social development of any country. He adds that, this sector provides a significant share of GDP in any country, provides a significant number of jobs, generates a large proportion of technical innovation, ensures the creation of the middle class, create prerequisites for professional, economic, social and cultural achievement of the people.” In the European Union, statistics show that, as of 2003, SMEs were responsible for the creation of around 75 million jobs in the period 1995 to 2002. Wijentunge and Pushpakumari (2014) contends that SMEs represented 78% of all enterprises that played a central role in the European economy. In India, SMEs are estimated to be contributing about 70 percent towards Gross Domestic Product (GDP) (G.R.Z, 2009). Additionally, in Kyrgyzstan, there are thirty six (36) SMEs for every 1000 citizens, contributing 44% of GDP (GRZ, 2009). In South Africa, as of 2000, SMEs generated up to 70% of the country’s capital stock (Van Wyke, 2003).

In Zambia, categorical data is missing when it comes to the contribution of the SME sector towards GDP growth. This was confirmed by the Ministry of Commerce, Trade and Industry (2014) when it indicated that “there is limited information regarding the business activities of the SME sector and its contribution towards national development and economic growth. This makes it is difficult to estimate the total size of the SME sector in Zambia, because data from the Central Statistical Office (CSO) does not disaggregate national output in relation to enterprise size.” However, one sector with a significant number of SMEs in Zambia is the

construction sector. The construction sector has been contributing significantly towards GDP growth. For instance, in 2014 the sector contributed about 29%, towards GDP, with a marginal contribution coming from SMEs because of challenges and performance failures (Zambian Green Jobs Programme, 2014). The increased contribution of the construction sector was as a result of the boom in construction activities in the country, mainly driven by public and private projects such as roads, stadia, hospitals, schools, residential and commercial property. This in turn created opportunities and growth in SMEs involved in surveying, building, repair and maintenance, cement block production, window/door frame production, sand, metal and crushed stone supplies, timber input supplies, building materials trading, construction machinery and equipment supplies and electrical installation (Zambian Green Jobs Programme, 2014).

Even though the construction sector in Zambia has been growing steadily in recent years, many SMEs in the sector have been struggling when it comes to business performance, making them either fail or remain at the same stage of growth, infancy, as confirmed by the Parliamentary Committee report on Communications, Transport, Works and Supply of the National Assembly of Zambia (G.R.Z, 2014). The report indicated that “there were SME closures than expansions in the construction industry in Zambia”. For instance, in the period 2005-2013, about one thousand (1000) SMEs in the construction sector were reported to have failed (G.R.Z, 2014). The mass failure and closure of the SMEs in the construction sector is attributed to non-use of strategic management practices, a key requirement for business survival in a modern and dynamic business environment. Thwala and Mofokeng (2012) agree with the above assertion, when they indicated that “non-use of strategic planning in SMEs has been posited as one of the main causes of failure of small enterprises in the construction industry in many developing countries”. Bin Yahya (2015) shares Thwala and Mofokeng (2012)’s thoughts when he indicated that “SMEs in the construction sector have a higher failure rate than other types of organisations because many lack business and managerial experience. Kulemeka, Kululanga and Morton (2015) adds that “SMEs in the construction sector in Southern Africa were struggling to perform because many lacked business and managerial skills to analyse the internal and the external environment”. Therefore, for SMEs in the construction sector to compete and survive in a harsh modern business environment, they need to adopt superior strategic management practices, in that the adoption of strategic management practices leads to improved business performance. Koota (2003) writes that “in order to avert business failures, owners of businesses in the construction sector need to

develop a set of strategic strength areas that are important to the environment in which they operate”. Njeru (2015) posits that adoption of superior strategic management practices provide small firms with new tools for growth and maintaining a sustainable competitive advantage. Dansho (2005) also writes that strategic planning enables SMEs to be forward looking and vigilant, and be able to cope with circumstances.

In addition, SMEs who engage in strategic management planning, are more likely to be those that achieve higher sales, high returns on assets, high margins on profits, employee growth, growth in market share, and are less likely to fail (Nyariki, 2013). This is because, strategic management planning guards against fixing symptoms of performance but gives strategic direction to organisations, and help them address performance challenges (Kulemeka et al, 2015). Equally, for SMEs in the construction sector to improve on business performance in a dynamic, competitive and uncertain business environment, they need to embrace strategic management planning, that is, they need to have aspects of strategic thinking in their structures. This includes; formulation of a vision, mission, establishment of objectives, analysis of both the internal and external environment, crafting and implementation of the adopted strategies and monitoring and controlling the progress in strategy implementation (Sandada and Dhurup, 2014). Frazer and Stupak (2002) share the some thoughts when they indicated that “SMEs need to adopt strategic planning because it encourages the clarification of business goals, systematic gathering of information, prioritising of projects, teamwork, environmental responsiveness, communication of strategic intent to all stakeholders, and an improved performance.”

Although the above arguments support the adoption of strategic management practices as a tool towards improving business performance among SMEs, there are however, counter arguments on whether SMEs need to adopt strategic management practices (Nyariki, 2013). For instance, advocates of non-formalised strategic planning have argued that formal strategic management procedures are particularly inappropriate because SMEs have neither the management nor financial resources to indulge in elaborate strategic management techniques (Wijentunge and Pushpakumari, 2014). Some scholars argue that investment in strategic management practices involves erosion of small firm’s resources with no corresponding benefits (Njeru, 2015). They further argue that, strategic planning has a tendency of causing rigidity in a business organisation, which in turn minimises the firm’s ability to be adaptive to the dynamic and competitive environment (Ehlers and Lazenby, 2004).

Even though there is a debate regarding the benefits of adopting strategic management practices in SMEs as a tool towards improving business performance, the positive impact of using strategic management practices towards achieving sustainable and competitive advantage cannot be ignored (Nyariki, 2013). This is so because strategic management provides an operational framework that allows an organisation to enjoy competitive advantage and improvement on business performance (Njeru, 2015). However, in Zambia it is not known whether SMEs have been applying strategic management practices, as information regarding the existence of the relationship between strategic management practices and performance of SMEs is not readily available, especially among SMEs in the construction sector. This is so because little has been done as revealed by literature reviewed, there is therefore a research and knowledge gap. It is against this background that this research was undertaken so as to fill this research and knowledge gap. It is hoped that the conclusions and recommendations that have been made would be of help to SMEs in the construction sector and other organisations in the running of their businesses.

1.3 Statement of the problem

The problem is that SMEs in the construction sector in Lusaka District are plagued by high failure rates, closures and poor performance (G.R.Z, 2014), because of unending challenges that have characterised the construction industry in Zambia, namely; limited access to finance, poor project designs by consultants, poor engagement with the regulatory stakeholders ((Zambian Green Jobs Programme, 2014). Other challenges include managerial problems, limited tender opportunities, improper infrastructure, late payments for work done, competition from large corporations, rapid changes in technology, high interest rates and volatile exchange rates, low quality of products and services, collusion, corruption, bribery and incompetent human resource (Chibwe, 2006, G.R.Z., 2014). These challenges have had an impact on the growth and profitability of SMEs in the construction sector. However, the answer to solving the above performance failures and challenges lie in SMEs in the construction sector adopting superior strategic management practices, namely; situational analysis, formulation of a vision, formulation of mission statement, strategy formulation, strategy implementation and strategy control, because these strategic management practices enable firms to understand their strategic position in a volatile business environment through the systematic gathering of information, clarification of business goals, prioritising of projects and environmental responsiveness (Frazer and Stupak, 2002). However, in Zambia,

we don't know whether SMEs in the construction sector have been adopting superior strategic management practices as a way of solving performance challenges and improving performance because little has been done on this subject as indicated by literature reviewed. As such there is a research and knowledge gap. This research therefore fills this research and knowledge by assessing the influence of strategic management practices on the performance of SMEs in the construction sector in Lusaka District, from 2006 to 2016.

1.3. The purpose of the study

The purpose of this study was to make recommendations that would help SMEs survive the volatile business environment. It is hoped that SMEs in the construction sector will endeavour to implement the recommendations for them to survive the harsh business environment, and in turn improve their business performance.

1.4 Main objective

To assess the influence of strategic management practices on the performance of Small and Medium Enterprises (SMEs) in the Construction sector in Lusaka District.

1.5 Specific objectives

1. To establish strategic management practices undertaken by SMEs in the construction sector in Lusaka District.
2. To identify challenges faced by SMEs in the construction sector in Lusaka District.
3. To ascertain best strategic management practices and their effects on performance of SMEs in the construction sector in Lusaka District.

1.6 Research questions

1. What strategic management practices are undertaken by SMEs in the construction sector in Lusaka District?
2. What challenges are faced by SMEs in the construction sector in Lusaka District?
3. What are the effects of strategic management practices on the performance of SMEs in construction sector in Lusaka District?

1.7 Significance of the study

By assessing the extent and influence of strategic management practices on performance of SMEs in the construction sector, the study will be of help to various parties, who include:

SME managers, entrepreneurs, government and academicians. To the SME managers, and entrepreneurs in the construction sector, the findings will help them identify gaps that have been hindering them from coming up with superior strategies in order to adapt to the harsh business environment. The study will also help SMEs establish whether the adoption of strategic management practices are responsible for improved business performance through learning how other SMEs have performed elsewhere after applying the principles of strategic management. To the government, the findings will be of great value in that, the recommendations will act as a platform for coming up with policies regarding SME support. To the academicians, the study will provide insights regarding the adoption of strategic management practices on the performance of SMEs in the construction sector. Further, some academicians will use the findings as reference in their research activities.

1.8 Scope of the study

This study assessed how strategic management practices influence the performance of SMEs in the construction sector. The study covered areas such as adoption of strategic management activities by SMEs, the challenges SMEs face in the running of their businesses, and the influence of adopting strategic management practices on the performance of SMEs in the construction sector. However, the study restricted itself to SMEs in the construction sector in Lusaka District.

1.9 The Limitation of the Study

The study was faced with the following challenges which affected the research findings recorded in Chapter Four.

i) Data collection: It was difficult to obtain data from some organisations, more especially those owned by non-Zambians. For instance, some organisations were reluctant to accept questionnaires in the absence of the owners of the companies. The researcher also encountered difficulties where some respondents felt that the information required was too confidential to be disclosed. To mitigate these effects, the respondents were given an assurance that the findings would be made confidential and used only for the intended purpose.

Lack of sufficient finances hindered data collection due to the fact that the research was self-sponsored. This forced the researcher to collect more data from SMEs that were in one

location. Lack of financial resources also affected funding of the research logistics such as, transport and allowances for the research assistant to reach out to all the research sites. This effect made the researcher take a lot of time in data collection and data analysis.

(ii) Limited literature. There was limited literature on the application of strategic management on SMEs in the construction sector. This presented the researcher with a challenge in laying the foundation and structure for the literature review. To mitigate this, the researcher relied on literature on the application of strategic management on SMEs from other sectors.

1.10 Operation definition of terms

- **Enterprise-** an undertaking engaged in the manufacture or provision of services or any undertaking carrying out business in the field of manufacturing.
- **Medium- enterprise-** an enterprise whose total investment excluding land and buildings does not exceed K1, 000,000 (One million kwacha).
- **Micro- enterprise** - an enterprise whose total investment excluding land and buildings does not exceed K20, 000 (Twenty thousand kwacha).
- **Moderate practices-** practices that are average, not up to standard.
- **Performance-** improvement in product quality and service provision.
- **Small –enterprise-** an enterprise whose total investment excluding land and buildings, does not exceed K500, 000 (Five Hundred thousand kwacha).
- **Small Scale contractor-**A sole-proprietorship firm or a family owned business, with a few foremen and casual labour, employed on a need-to-need basis.
- **Strategic management activities** – activities a company utilises to develop and decide its mission and goals, explore the competitive environment and analyse any strategic alternatives it may be required to implement.

1.11 Theoretical framework

The guiding theories for this research are Potters’ Five Forces Competitive Model, Resources Based Theory and Ansoff Strategic Success Formula. The Porters’ Fives Forces Theory advocates for the analysis of the industry structure if the firm is to improve performance and remain competitive. The Resource Based Theory advances the argument that strategy by the firm is a function of the complement of the resources held and affects firms’ performance.

Lastly, the Ansoff Strategic Success Formula advocates that great firm performance is assured when the responsiveness of an organisation's strategy matches the turbulence in the environment and also the organisation's capabilities match the aggressiveness of its strategy. These theories are explained in detail in Chapter Two.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews existing literature on strategic management practices, challenges faced by SMEs and the relationship that exist between strategic management practices and organisational performance. The chapter begins by giving a contextual definition of SMEs, history of SMEs in Zambia, theories on which the study is anchored, review of literature on strategy, and empirical studies on strategic management practices. After that, literature on challenges faced by SMEs in the construction sector is reviewed. The chapter further provides empirical studies relating to strategic management practices and organisational performance.

2.2 Contextual definition of small businesses

What is understood by small business differs from country to country, the organisation defining it, the point in time, and the line of business at issue (Chitamya, 2006). According to Chitamya (2006), a study of the criteria used to identify small businesses reveals a multitude of qualitative (economic) and quantitative (statistical) criteria. However, the majority of definitions are based solely on qualitative criteria. Amongst the qualitative criteria, the following are commonly used; annual sales or turnover, number of employees in service and the total assets. For instance, the committee for Economic Development of the United States of America suggested that, a small business is characterised by at least two of the following key factors:

- 1) Management of the small business is independent, usually managers are also owners.
- 2) Capital is supplied and ownership is held by an individual or small group.
- 3) The area of operation is localised.
- 4) The relative size of a small business within its industry is small when compared with the biggest units.

The Bolton Committee of the United Kingdom (UK) identified three main characteristics of a small business. The following are the characteristics:

- 1) Relatively small share of its market.
- 2) Managed by its owners or past owners in a personalised way.
- 3) Independent in the sense that it does not form part of a larger enterprise, and that the owner managers are free from outside control in making their principal decisions.

From the Bolton viewpoint, a small business is a business that is independently owned, operated and controlled with a small share of the market (Chitamya, 2006).

The Small Business Development Centre (SBDC) of South Africa defines a small business in qualitative and quantitative terms. Quantitatively by the number of employees, and sometimes by market share and capital investment, qualitatively by a close link between management and ownership, for instance,

- 1) Independent decision making
- 2) Personalised management
- 3) Entrepreneurship /risk-taking behaviour

Therefore, according to SBDC, a small business is one which is privately owned or co-operatively managed, and does not form part of an enterprise employing more than fifty people, with total turnover of R2.8million.

The Small Enterprise Development Board of Zambia (SEDB) also defines a small business as one whose:

- 1) Amount of total investment, excluding land and building does not exceed, in the case of manufacturing and processing enterprises, K500,000 in plant and machinery. In the case of trading and service providing entrepreneurs K100,000.
- 2) Whose annual turnover does not exceed K50,000
- 3) Employing up to thirty (30) persons.

In the construction sector however, SMEs are defined according to their capacity to carry construction works. For instance, those construction companies that are graded four (4) to six (6) in Zambia are considered medium and small scale. The grades are based on turnover, value of fixed assets and number of professional technical and skilled staff (NCC, 2004).

For the purpose of this study, small and medium enterprises in the construction sector were defined as those that were privately and independently owned, employing less than 50 people and not more than 10 technical and professional staff, with annual turnover not exceeding K50,000 and total asset value of not more than K500,000. This definition was adopted because of the relative infancy nature of SMEs in the construction sector in Zambia as indicated by the history of SMEs in Zambia below.

2.3 History of Small and Medium Enterprises (SMEs) in Zambia

At independence in 1964, Zambia inherited a private sector driven economy dominated by the foreign-owned mining sector contributing almost 50% of GDP and even more of government revenues (Chibwe, 2006). However, in line with other newly independent African countries, the Government of Zambia (GRZ) transferred ownership of the economy into the hands of the state through a series of ‘Zambianisation’ reforms in the late 1960s. This meant the government controlling all aspects of the economy. As Chitamya (2006) writes “with no clear political ideology and policies, the government nationalised major industries and the mines. The nationalisation of the industries and mines changed ownership of the economy from foreign privately-owned to state owned”. The change of ownership had costly implications on the development of SMEs in the country, in that, the spirit of entrepreneurship was destroyed. Mbuta (2007) adds that “after independence, Zambia had no policy on the private sector development in particular the SMEs.” The reason was simple, it was because the country had no legal framework promoting the SMEs, since the country was enjoying high prices of copper thus ignoring the SME sector. Unfortunately, the copper prices collapsed in 1975, at the same time the oil prices soared. The two developments brought unbearable shocks to the economy because proceeds from the sale of copper were not forthcoming (Chitamya, 2006).

Therefore, with decreasing profitability in the copper business, the Zambian government thought of alternative ways of sustaining the economy. As such, in 1981 the government began to initiate policies that were aimed at promoting SMEs, hence the adoption of the Industries Development Act of 1981. Nuwagaba (2015) attests to this fact when he writes that “it was in the year 1981 that the government realised the vital role of the micro, small and medium enterprises sector in contributing to the social economic development of the country, and it recognised that they were operating under extreme financial difficulties leading to the enactment of the Small Industries Development (SID) Act of 1981 to make the sector more orderly and effective” Chibwe (2006) shares the same thoughts when he writes that “as early as 1981, the Zambian government recognised the importance of the MSME sector and its contribution to economic development. At the same time, the government recognised the challenges that the sector was facing, and through the Small Industries Development (SID) Act of 1981 it made an attempt to enhance the effectiveness of the sector’s contribution to the national economy by establishing the Small Enterprise Development Organisation (SEDO)”. Further, in support of the SID Act, provisions were made in the Fourth National Development

Plan of 1989 to provide infrastructure for operations of SMEs. Also, attempts were made to promote access to credit by SMEs with growth potential and to improve production capacities of SMEs with the view to increasing incomes and employment (Chibwe, 2006).

In order to attain the above objectives, the following strategies were adopted:

- 1) Provision of collective services, infrastructure, and specialised tools and equipment for common use by SMEs with growth potential.
- 2) Establishment of innovative institutionalised credit facilities tailored to meet the needs of SMEs.
- 3) Promoting the use of appropriate technology and of available local resources;
- 4) Encourage the formation of small cooperatives
- 5) Promote the upgrading of skills through formalised training schemes in terms of extension advisory services (M.C.T.I., 2006).

However, the above mentioned strategies did not quite succeed in facilitating growth and development of the SME sector partly because:

- 1) Specified targets to be achieved were not set and strategies to be employed to achieve those targets were not well defined.
- 2) The SME support institutions suffered from inadequate funding and poor management resulting in their inability to effectively and meaningfully service the sector.
- 3) Private enterprise to which the SME sector belonged was not proactively encouraged by the State (M.C.T.I., 2006).

Thus up to 1991, the number of SMEs in Zambia had not increased, because the legal framework and the business environment were not encouraging SME growth. However, after 1991, when the new government was ushered in, the economy was liberalised and private enterprise was encouraged, new laws were also enacted. This was evidenced by the establishment of the Industrial, Commercial and Trade Policy in December 1994, with pronouncements that government would:

- 1) Devise a strategy, with the participation of the private sector, to encourage the growth of small enterprises;
- 2) Encourage local governments to review their infrastructure services and licensing regulations so as to support small enterprises;
- 3) Provide legislation and incentives that promoted rapid growth of the SME sector;

- 4) Decentralize business registration to enable the MSME sector to operate efficiently and have access to incentives; and
- 5) Review and harmonise all existing laws and regulations with a view to identifying and removing impediments to the operations of the SME sector (M.C.T.I., 2006).

Thus, the ushering of the new government witnessed the growth of SMEs in Zambia, which to some extent was accelerated by retrenchments and restructuring that had befallen most parastatal companies. The Ministry of Trade and Industry (2009) support this thought when it indicated that “since the introduction of structural economic reforms and the country’s transition to liberalised economy in 1991, there was increased activity in the SMEs sector”. Chitamya (2006) adds that, “with the new government policy of privatisation and liberalisation at work, the spirit of entrepreneurship emerged. People formed companies while others became owners as a result of management buyout”.

In recognition of the growth of the SMEs, government in 1996 revised the SID Act and replaced it with the Small Enterprises Development (SED) Act. This was aimed at solving the challenges the SME sector was facing. Among the salient features of the SED Act were the incentives provisions which included the following:

- 1) Exemption from payment of tax on income for the first three to five years;
- 2) Operating a manufacturing enterprise for the first five years without a manufacturing licence required for such an enterprise under any law;
- 3) Exemption from the payment of licensing fees required for such an enterprise under any law;
- 4) Exemption from trading licence for an enterprise registered under the SED Act;
- 5) Exemption from payment of tax on income received from rentals on buildings or premises for use by micro and small enterprises;
- 6) Exemption from the payment of rates on factory premises;
- 7) Exemption from payment of tax on income or interest payable by any financial institution providing loan, or other financial relief or facilities to registered micro and small enterprises carrying on manufacturing activities;
- 8) Such institutions shall be allowed to maintain concessionary core liquid assets ratios and reserve requirements.
- 9) Expenditure incurred on training staff that specialise in micro and small-scale enterprise financing shall be treated as tax deductible for that purpose (M.C.T.I., 2007).

However, most of the above incentives were never implemented partly because the systems for their implementation were never put in place, and this had implications on the growth of the sector. Though this was the case, Government's efforts to develop the SME sector continued, as such in 2006 through the ZDA Act, the Small Enterprise Development Board was dissolved, and its activities were incorporated into the Zambia Development Agency (ZDA) under the SME Division (M.C.T.I., 2006). The Zambia Development Agency became responsible for monitoring the activities of SMEs in the country, and it also became responsible for their development like establishing strategic partnerships with different SME development organizations and building their capacity so as to improve their operational proficiency (Nuwagaba, 2015). With the new ZDA Act in place, the country witnessed the growth of SMEs in all sectors of the economy. For instance in the construction sector, the country witnessed the emergence of small businesses in civil and building, consultancy, manufacturing and supplies of construction materials (Mashamba, 1997).

Although the SMEs in the construction industry in Zambia have been growing with great potential for economic development, equitable wealth redistribution and poverty alleviation, the sector still faces many business constraints and challenges which have hindered its growth, and limiting its ability to contribute effectively to national economic development. The Ministry of Commerce Trade and Industry (2006) outlines the challenges and constraints as; limited access to markets, limited access to appropriate technology, machinery and equipment, limited access to suitable business financing solutions, inadequate business infrastructure such as roads and telecommunication facilities.

In addition to the above constraints outlined by MCTI, the SMEs in the construction industry also face the following constraints; limited technical and management skills, inadequate and unsuitable operating premises that can facilitate enterprise growth, inadequate regulatory systems and excessive competition from large construction firms.

The above business constraints and challenges usually manifest themselves in the failure by the SMEs to grow into viable bottom up development tool, and an effective contributor to national development as is the case with SMEs in economies like India, Central Asia, and South Africa (M.C.T.I, 2007). Therefore, for SMEs in the construction sector in Zambia to grow and later on improve their business performance, they need to adopt strategic

management practices. But the problem is that information is not readily available that might help them (SMEs) make sound decisions regarding the benefits of adopting strategic management practices, meaning there is a knowledge gap. It was because of this knowledge gap that this research was undertaken, and depending on the recommendations that have been made, our hope is that SMEs in the construction sector will embrace strategic management practices as a tool that would help them (SMEs) improve their business performance.

2.4 Theoretical Foundation

As stated earlier in Chapter One, this study is anchored on three theories; Porters' Fives Forces Model of Competitive Advantage, Resource Based Theory and Ansoff Strategic Formula Theory. These theories have evolved overtime, and have been at the centre of understanding the strategic management practices adopted by various firms. From the onset, it must be stated that the three theories are in agreement that strategic management practices influence business performance in both large and small firms. Although there is agreement on what the theories are propounding, there exists differences in each theory when it comes to understanding what is supposed to be done in order to achieve the required business performance.

2.4.1 Porter's Theory of Competitive Advantage

Gabriel (2006) wrote that some years back, Professor Michael Porter suggested some framework (five forces) which could help analyse the attractiveness of any industry/sector as well as its competitive positioning. This framework become known as 'Porter's Five Forces'. The competitive forces approach views the essence of competitive strategy formulation as relating a company to its environment as such the key aspect of the firm's environment is the industry or industries in which it competes (Nyariki, 2013). Thompson and Strickland (2004) share the same thought when they write that, the dominant paradigm in strategy at least during the 1980s was the competitive forces approach. It holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market. Therefore, according to the 'five forces model', industry structure strongly influence the competitive rules of the game as well as the strategies potentially available to firms (Thompson and Strickland, 2004).

In the competitive forces model, five industry level forces-entry barriers, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and rivalry among

industry incumbents usually determine the inherent profit potential of an industry or sub segment of an industry. This is the reason why the approach can be used to help the firm find a position in an industry from which it can best defend itself against competitive forces or influence them in its favour (Thompson and Strickland, 2004). Further, the ‘five-force’ framework provides a systematic way of thinking about how competitive forces work at the industry level and how these forces determine the profitability of different industries and industry segments (Nyariki, 2013). In addition, the competitive forces framework also contain a number of underlying assumptions about the sources of competition and the nature of the strategy process, because in the ‘five force’ model, competitive strategies are often aimed at altering the firm's position in the industry vis-à-vis competitors and suppliers. However, it must not be forgotten that industry structure plays a central role in determining and limiting strategic action (Nyariki, 2013). This is the reason why some industries or subsectors of industries become more 'attractive' because they have structural impediments to competitive forces (entry barriers) that allow firms better opportunities for creating sustainable competitive advantages. Therefore, it can be concluded that, this approach to strategy reflects the organisation’s incubation inside the field of industrial organization and in particular the industrial structure (Nyariki, 2013).The implication of this theory to the adoption of strategic management practices by SMEs in the construction industry is that, the knowledge of the five forces can help SMEs expand competitive analysis. This so in that, instead of focusing only on companies with which the organisation directly competes with, the focus may also be to current and potential competitors.

2.4.2 Resource Based View (RBV) Theory

The resource based view theory advances the idea that strategy of a firm is a function of the complement of resources held by an organisation. It assumes that an organisation’s resources are more important than industry structure in an attempt by an organisation to gain and keep its competitive advantage (Njeru, 2015).The argument is that it is the resources and capabilities of an organisation that determine how efficiently and effectively the organisation is functioning. Ehlers and Lazenby (2004) share the same thoughts when they write that “organisational resources have an impact on the management capabilities of the organisation, which in turn are the sources of core competencies that might ultimately lead to a competitive advantage”. The resources in question are physical, financial, experimental and human capital resources such as management experience, training judgement, intelligence, relationships, and individual manager insight. These resources can generate a competitive advantage which

eventually leads to superior firm performance (Njeru, 2015). Therefore, the adoption of strategic management practices will depend on above firm's resources. The implication of the theory to the study is that strategic management practices on SMEs in the construction sector will depend on the resources the SMEs have which more often than not is affected by SMEs size, legal formation and industry. Consequently, SME performance will depend on the strategic management practices adopted.

2.4.3 Ansoff Strategic Success Theory

According to Njeru (2015), the Ansoff strategic success formula of strategic management was proposed by Ansoff (1984) and advanced by Ansoff and McDonnell (1990). The Ansoff strategic success formula advocates that great firm performance is assured when the responsiveness of an organisation's strategy matches the turbulence in the environment and also the organisation's capabilities match the aggressiveness of its strategy. The theory states that organisation's performance potential is optimum when the following three conditions are met; aggressiveness of the organisation's strategic behaviour matches the turbulence of its environment; responsiveness of the organisation's capability matches the aggressiveness of its strategy; and the components of the organisation's capability is supportive of each other (Njeru, 2015). It can be therefore be concluded that the Ansoff tool of strategic diagnosis is a systematic approach used to determine the changes that have to be made to a firm's strategy and its internal capability in order to assure the organisation's success in its future environment. This diagnostic procedure according to Njeru (2015) is derived from the strategic success hypothesis. The implication of this theory to the study is that strategic management practices affect organisation performance only when all the conditions on adoption of the strategies are met.

2.5 Contextualisation of strategy in SMEs

Defining strategy is not simple, this is so because it is a complex concept that involves many different processes and activities within an organisation (Kazinguvu, 2016). According to Mintzberg (1987), strategy can be viewed as a plan, play, position, pattern and perspectives. These five ways of thinking about strategy are necessary for understanding what strategy is, but none of them alone is sufficient to master the concept. Though this is the case, there are scholars that have tried to give meaning to the concept. For instance, Johnson et al (2008) define strategy as the direction and scope of an organisation over the long term which achieves advantages in a changing environment through its configuration of resources and

competencies with the aim of fulfilling stakeholder expectations. Hall (1992) adds that strategy means defining where you want to get and then providing a road map to show how you are going to get there. For Mintzberg et al (2003), they define strategy as the creation of a unique and valuable position involving a different set of activities. Aosa (1992) in Kazinguvu (2016) posits that “strategy is creating a fit between internal characteristics of an organisation and its external environment.” He further writes that, “matching of strategy and the external environment is mainly achieved through developing core competencies and organisational strengths that correlate to the external environment well enough to overcome the threats posed and to exploit the available opportunities in the environment.”

Even though the above definitions give a clear meaning of the concept strategy, in real sense however, any business strategy has do with an overall plan of action which defines the competitive position of a firm (Nyariki, 2013). This is the reason why organisational strategy is frequently defined as a deliberate set of actions to achieve competitive advantage, giving coherence and direction to the organisation (O’Regan and Ghobadian, 2005). This same concept of strategy is at three different levels as described below.

2.5.1 Levels of Strategy

There are three levels at which strategy is practiced in organisations; corporate, business and functional levels. Corporate strategy looks at what the business should be and how the activities should be structured and managed. This strategy is responsible for defining the firm’s overall mission and objectives, validating proposals emerging from business and functional levels and allocating resources with a sense of strategic priorities (Hax, 2001). For Sadler (2003), he adds that at corporate level, fundamental strategic questions are asked such as:

- 1) What is the company’s mission or purpose, and what are the values and principles that should govern the behaviour of members of the organisation?
- 2) What are the desirable characteristics of the company’s culture?
- 3) What industries or market segments should it enter or leave?
- 4) What form of organisation structure and what kind of control systems would best support the strategy?
- 5) How can value be added through such things as brands, strength, image and reputation?

For SMEs in the construction industry, subcontracting and joint ventures (JV) are corporate strategies that could be used to grow and develop businesses (Ofori, 2009). SMEs in the construction industry may also decide to form a joint venture partnership with a larger established business. Further, many SMEs in the construction industry may use a joint venture as an opportunity for them to grow and develop their enterprises in the domestic market, and to win construction contracts, by means of the bidding process, that they would not normally win through the competitive bidding process if they were to rely on their own skills, experience and resources (Adendorff, et al, 2011).

Another corporate strategy is the diversification strategy. For example, when SMEs in the construction industry diversify, they could go into related markets such as property development, housing development, supplying building materials, plant and equipment hiring as well as mechanical and electrical engineering.

The second level of strategy is business strategy. According to Nyariki (2013), a business strategy is concerned with maintaining competitive advantage in each strategic business unit. Coulter (2008) adds that “business strategies or competitive strategies are concerned with how an organisation is going to compete in a specific business or industry”. This level of strategy also involves identifying correctly the critical success factors in a particular market and managing the business so as to meet the critical success factors more successfully than competitors. Among SMEs in the construction sector, this level of strategy could be practiced by SMEs through adopting generic strategies such as cost leadership, differentiation and focus.

According to Adendorff et al, (2011), when a business is able to differentiate its products along some attributes which customers value, and the cost of doing so is lower than the extra revenue envisaged, then differentiation strategy is an appropriate strategy to pursue. In other words, the customer feels that the cost to buy the product is well below the product’s value in comparison to other available alternatives (Pearce and Robinson, 2003). The purpose of the differentiation strategy, according to Adendorff et al, (2011) is to make the business’s product less price-sensitive. In other words, customers give less weight to the price in their buying decisions.

The third level is functional strategy or operational strategies. According to Ehlers and Lazenby (2004) functional strategies or operational strategies are the short-term goal directed decisions and actions of the organization's various functional areas such as marketing, operation, production, finance, and human resources. The company needs to maintain its competitive strategy from each functional area in order to support business and corporate strategy. The best form of functional strategy by SMEs is adopting a vigorous campaign of their products and services.

Although there are available options on strategies that could be adopted by SMEs in the construction industry as indicated above. There still exist some difficulties when it comes to the choice of strategy SMEs should apply because the literature on SMEs is still not clear. Ehlers and Lazenby (2004) agree when they state that "although it is difficult to make generalisations about the preferred strategy- making style of owner managers and entrepreneurs, the greater discretion afforded under the resource – based view, and the difficulties inherent in positioning within the globalised industry structures found in industrial organisational theory mean that many entrepreneurs tend to focus upon what is closest to home. Like competencies, capabilities and resources".

1) Competencies

These are activities the organisation can do well, often referred to as 'core' competencies. They are basically what employees in the organisation can do to make profit or create competitive advantage (MacGregor, 1999).

2) Capabilities

Capabilities are collections of competencies that are linked together systematically and synergistically to provide strategic outcomes, competitive advantage or superior profitability. The capabilities of organisation, in particular SMEs are often collections of competencies that are congregated around a skill or task. This skill or task usually emanates from the entrepreneur's concept of the 'right' core competence and is 'passed on' to other staffs that replicate the process, often with less enthusiasm than the entrepreneur. This builds capabilities, the multiples of which lead to enhanced profitability and growth (MacGregor, 1999).

3) Resources

These are those tangible (and increasingly intangible) aspects of the organisation's infrastructure that underpin and support the competencies and capabilities. Issues of resources for growing small businesses are crucial in that too little resources, means the business being

starved of the cash and assets required for sustaining its early development (MacGregor, 1999).

Therefore, based on the resource based view theory, the chosen strategy by SMEs is dependent on the competencies, capabilities and resources (both tangible and intangible) that are at the disposal of the owner, and to some extent the organisation.

2.6 Different Strategic Management Practices adopted by SMEs

Strategic management is a set of decisions and actions that result in the formulation and implementation of plans designed to achieve an organization's objectives (Pearce and Robinson, 2000), and relates to business performance (Porter, 1987). For Nag et al (2007), they define strategic management as a process of building "capabilities" that allows a firm to create value for customers, shareholders, and society. For Ehlers and Lazenby (2004), they define strategic management as the process whereby all the organisational functions and resources are integrated and coordinated to implement formulated strategies which are aligned with the environment, in order to achieve the long-term objectives of the organisation and therefore gain a competitive advantage through adding value for the stakeholders.

From the above definitions of strategic management, it can be concluded that whichever angle one sees strategic management, the models of the process (strategic management) are similar in that they consist of strategic vision formation, mission formulation, information analysis, objective setting, strategy formulation, strategy implementation, and performance evaluation (Thompson and Strickland, 2004). Abosede et al (2016) share the same thought when they write that "strategic management provides overall direction to the enterprise and involves specifying the organization's objectives, developing long-term policies and plans designed to achieve the stated objectives, and then allocating resources to implement the plans". Sandada and Dhurup (2014) concludes by stating that "strategic management involves the formulation of a vision, mission, establishment of objectives, analysis of both the internal and external environment, crafting and implementation of the adopted strategies and monitoring and controlling the progress in strategy implementation."

Worldwide, large and small organisations have used the above process to meander the harsh business environment. This is because strategic management practices as stated above are important as they enable firms to understand their business environment, and help them

identify how best they can make strategic choices for the future. In addition, applying strategic management is critical to the firm's performance (Njeru, 2015). Therefore, SMEs in the construction sector in Zambia need to adopt strategic management practices because there are benefits in doing so. The empirical case studies below support the above assumption.

2.6.1 Evidence from empirical studies done in developed economies

Green et al (2007) conducted a study among construction firms in the United Kingdom (UK) to understand how the construction firms operated within the constantly changing environment. Their findings indicated that construction firms in the United Kingdom were encouraged to adopt best practices prescription rather than to think of how the firm could adjust the organisational routines to the changing business environment. Though this study is in agreement that strategic management is applicable in the construction industry. It does not show the application of strategic management practices among SMEs in the construction sector.

Wang and Yang (2000) carried out a study which was aimed at proposing a business strategic model based on Porter's Generic Strategies (1980) for Austrian Construction Companies. The study established that, Australian construction companies adopted the following as strategies; market expansion, differentiation and focus differentiation. They further recommended strategic choices for the studied firms such as; strategic alliances through a market expansion overseas and differentiation as a generic strategy. This study is in agreement that strategic management is applicable among firms in the construction industry. However, it does not show that strategic management is also applicable among SMEs in the construction sector.

McDougall and Swimmer (1997) investigated the strategies for growth and competitiveness pursued by large firms and small and medium-sized enterprises (SMEs) in Europe. The authors further examined whether the strategies employed differed, and if so, whether the differences helped identify problems specific to SMEs. The results indicated that sound macro-economic policies and fair, efficient market framework policies favoured both large firms and SMEs, and made them more competitive and prosperous, in creating more jobs. However, some important differences between SMEs and large firm's business strategies indicated that some specific government interventions were warranted. This study is in agreement that strategic management is applicable in SMEs. However, the study was not done on SMEs in the construction industry.

Cheal et al (2007) conducted a study that combined Porter's resource and competence-based approaches among Chinese Construction firms. The study discovered that two competitive strategies, differentiation strategy and market/product diversification contributed directly to the firm's competitive advantage. This study is in agreement that strategic management was applicable in Chinese construction firms. However, the study does not indicate whether strategic management was also applicable in Chinese SMEs in the construction industry.

Zheng (2012) examined the innovation strategy of management concerning a number of small and medium-sized enterprises in China. The findings revealed that innovativeness did not only happen in high-tech industries, but also in traditional low-tech sectors. The study further revealed that SMEs in China had more flexibility in operations, and easily adapted to changing markets and executed attack quickly in the face of competition. The success factors of Chinese SMEs were therefore, predicated on the ability to access, transfer, and apply technology. This study is agreement that strategic management is applicable in SMEs. However, it did not show the application of strategic management among construction sector SMEs in China.

2.6.2 Evidence from empirical studies done in emerging economies

Pumula (2010) carried out a study on strategic management practices among SMEs in the construction industry in Indonesia. The results of the study provided empirical evidence in support of the notion that a competitive advantage was achieved via the implementation of a dynamic capability framework of strategic management practices. His findings indicated that there was application of strategic management among SMEs in the construction sector.

Betts and Ofori (1992, 1999) carried out a study of Porter's Framework of five competitive forces and generic strategies in the construction business in Indonesia. Their study suggested that a five level framework may be applied in the construction sector at the following levels: (1) National Construction, (2) Professional Institution, (3) Construction Enterprise, (4) construction Project and (5) Construction Product. Their findings indicate that Porter's Five Forces Model was applicable in SMEs in the construction sector.

Budiwibowo et al (2001) studied the competitiveness of the Indonesian construction industry. The study suggested that there was a low level of competitiveness among construction firms

due to the unsuccessful effort in developing relevant strategies and policies. The study further indicated that there was higher level competition among the construction firms due to the low barrier to enter the industry. This study is agreement that strategic management was applicable in construction firms in Indonesia. However, there was no mention of the applicability of strategic management in SMEs.

Izik, Arditi, Dikmen and Birgonul (2009) evaluated the impact of resource and capabilities on construction companies in Turkey. The study found that the performance of construction firms was determined by resource and capabilities, strategies, decisions, strong relationships and project management competencies. The study is in agreement that strategic management is applicable in construction firms, but it did not show the application of strategic management in SMEs.

Chiew (1998) evaluated strategic planning as a management tool for the small and medium enterprises in India with a view to help SMEs achieve a more predictable and stable growth, over the long term. His study found out that the usual framework of analysis, choice and implementation of strategy were followed. Though this was the case, emphasis was directed at the threat aspects of competition, which most SMEs had taken for granted. The conclusion which was drawn in the study was that, strategic management was largely relevant to SMEs. However, the study was not done among SMEs in the construction sector.

Kutllovci, Shala and Troni (2012) examined the relationship between strategic management and small and medium enterprises (SME) growth in Kosovo in terms of empirical analyses that included various strategic planning elements. The study established that SMEs in Kosovo were using strategic plan as an orientation document for long-term development of their businesses, which meant that they had a clear vision and mission of where they wanted to reach in a certain period (3-5 years). The study confirmed the application of strategic management in SMEs, but not among SMEs in the construction sector.

Manurung and Kosasih (2013) carried out a study on SMEs and strategic management accounting in Indonesia where statistics revealed that 9 out of 10 Indonesia's business were Small, Medium Enterprise (SMEs), and that the biggest foundation of Indonesia's Gross Domestic Product (GDP) came from the SMEs sector. The study submitted that there was use of strategic management accounting (SMA), in which pricing, cost, sales volume, and market

share of the competitor became the benchmark for the enterprises to gain competitive advantages in both the local and global market. The study confirmed the application of strategic management in SMEs. However, the study was not done on SMEs in the construction industry.

In the same vein, Hin, Kadir and Bohari (2013), examined the relevance of the formal strategic planning to SMEs and posited that the Wheelen and Hunger (2008) strategic planning model was applicable to SMEs in the Asian context. The Wheelen and Hunger (2008) strategic planning model provided a clear indication of the complexions and the linear approach that served as the ideal planning. It was a formal strategic planning suggested by western scholars to be adopted when SMEs were facing uncertainty as large corporations did since they were more vulnerable with less resources. The study was conducted after the Global recession of 2008-2009 and showed that SMEs planned and strategized in the aftermath of an economic downturn. Their findings showed that most of the SMEs had strategic planning that resembled the Wheelen and Hunger strategic planning model which was applicable to SMEs in Malaysia. However, the study was not done on SMEs in the construction industry.

Kee-Luen, Hiam-Yong and Seng-Fook (2013) examined whether by practicing strategic planning, the business performances of SMEs could be resilient and sustainable over the long term. The results indicated that manufacturing companies that had some form of strategic planning were more likely to perform better from the four perspectives of the balanced scorecard (BSC), namely, learning and innovation, financial, customer, and internal business processes perspectives. They also reported that SMEs were particularly concerned over their financial performances as well as customer's satisfaction of their products. The study confirmed the application of strategic management in SMEs, but not among SMEs in the construction industry.

2.6.3 Evidence from empirical studies done in developing economies

Waweru and Omwenga (2015) investigated the influence of strategic management practices on the performance of private construction firms in Kenya. The study indicated that private firms in Kenya applied the principles of strategic management. This study is in agreement that firms in Kenya applied the strategic management principles. However, the study did not indicate the applicability of the same principles among construction SMEs.

Amoah-Mensah (2012) studied the strategic resources that had influence on the performance of SMEs in Ghana for 101 firms. The findings suggested that some of the firm's internal and external resources were important strategic resources. He further opined that all the resources could be strategic depending on the type of firm and industry. However, the study did not indicate the application of strategic management among SMEs in the construction sector

Another study was carried by Lawal (2005) focusing on management practices of SMEs in Lagos State. The results indicated that SMEs operators were mostly autocratic and participative in leadership styles but were more autocratic than being participative. The author further reported that SMEs were increasingly embracing planning and control practices and were also actively involved in business ethics, urban and consumer affairs, but least involved in environmental affairs. However, the study was not done among SMEs in the construction sector.

Muogbo (2013) studied the impact of strategic management on organisational growth and development, and found that adoption of strategic management had significant effect on competitiveness and significantly increased organizational productivity. However, the study was not done on SMEs in the construction sector.

Nyariki (2013) studied strategic management practices as a competitive tool in influencing performance among Small and Medium enterprises in Kenya. The study found that some SMEs adopted strategic management practices as a competitive tool. Njeru (2015) studied strategic management practices and performance of small and medium sized enterprises in Kenya, the study found that SMEs that adopted strategic management activities had higher performance. However, the two studies were not done on SMEs in the construction industry.

2.6.4 Summary of strategic management practices in SMEs

It has been established that, worldwide SMEs have been applying strategic management practices, namely; vision formulation, analysis of the internal environment, mission statement development, strategy formulation, strategy implementation and strategy control or evaluation in order to enhance their business survival. However, most of the literature on the application of strategic management practices is not on SMEs in the construction sector. This clearly shows that little has been done to show the application of strategic management and

performance of SMEs in the construction sector. Therefore there is a research gap. So this research fills this gap.

2.7 Challenges faced by SMEs in construction sector, empirical studies.

The challenges faced by small and medium enterprises in the construction sector are many, they range from lack of finance, managerial capabilities, purchasing power, and right technologies to low productivity, and most of these challenges have led to undergrowth, and have also limited the ability of SMEs in the sector to contribute effectively to national economic development. Ogunlana (1996) posits that problems facing contractors in developing economies can be categorised into three areas: (1) problems of shortages or inadequacies in industry infrastructure, (2) problems caused by clients and consultants, and (3) problems caused by contractor's incompetence/inadequacies.

Further, Ogunlana and Olomolaiye (1989) indicated that the major problems faced by small contractors in developing countries have been classified as problems imposed by the industry's infrastructure, problems of inaccurate information and frequent changes in instructions and failure to meet obligations on the part of clients and consultants, and problems imposed by their own shortcomings. However these challenges are not uniform, they differ from country to country. For instance, some SMEs in the construction sector in developing countries face increased competition due to the long-term real decline in demand, and many of them have responded by shedding labour, while others are subjected to volatilities due to the geographic distribution of construction and peak workloads that characterise construction projects, which have further reduced their ability to build (Thwala and Phaladi, 2009). From the above, it is clear that Small and Medium contractors face different challenges, and these challenges have been revealed by different empirical studies that were done in various parts of Africa and Asia.

2.7.1 Evidence of empirical studies done in South Africa

The South African construction industry has a lot of large, small and medium sized contractors (SMCs). However, the industry is increasingly becoming more complex leading to little success by SMCs. A study done by Thwala and Phaladi (2009) entitled “an exploratory study of the problems facing small contractors in the North West Province of South Africa” attest to this fact when it established that the relative lack of success facing small contractors in South Africa was as a result of inadequate finance and inability to get

credit from suppliers, inability to employ competent workers, poor pricing, tendering, and poor contract documentation skills, poor mentoring; fronting for established contractors, lack of entrepreneurial skills, lack of proper training, lack of resource for either large or complex construction work, lack of technical, financial contractual, and managerial skills and late payment for the work done.

Another study done by Thwala and Mofokeng (2012) entitled “an exploratory study of the problems facing small and medium sized contractors in the Free State Province of South Africa found that lack of effective management of businesses during their early stages was a major cause of business failure for small and medium sized contractors, because owners managed their business themselves as a measure of reducing operational costs. The other factor was poor record keeping. This was not only due to the priority attached by new and fresh entrepreneurs, but lack of basic business management skills, because most business people ended up losing track of their daily transactions and could not account for their expenses and profit at the end of the month. For instance, the study established that during the early stages of some business start-ups, owners were unable to separate their business and family/domestic situations. Business funds were put to personal use and thus used in setting domestic issues. This had a negative impact on profitability and sustainability.

2.7.2 Evidence from empirical studies done in Swaziland

Thwala and Mvubu (2009) carried out a study entitled “Current Challenges and Problems Facing Small and Medium Size Contractors in Swaziland”. Their study came up with the following comments.

(a) Skills shortage in Small and Medium Contractors

Swaziland is characterized by a systematic under investment in human capital. This had resulted in a labour force with a skewed distribution of craft skills, career opportunities and work-place experience. While the promulgation of the Skills Development Act of 1997 was commendable, micro enterprises expressed concern about the administration costs of recovering levies in the form of grants for training. Furthermore, there were costs of designing a workplace training programme as an alternative to using external training institutions and the relatively high charges by private training institutions after the closure of the former industrial training boards which had been subsidized through levies from industry.

(b) Financial constraints

The high competition among emerging contractors contributed to increased failures in the emerging market, making the market unsustainable. Further, lack of access to finance both during preconstruction disqualified emerging contractors from meeting guarantee and performance bond requirements, and during construction which led to cash-flow problems, incomplete work and even liquidation. The inadequacy of external finance at the critical growth/transformation stages of micro enterprises deterred enterprises with growth potential from expanding.

(c) Late payment by clients

Small contractors run into problems due to late payments by the clients. Delays with interim and final payments, as well as onerous contract conditions faced by construction firms imposed huge constraints on the industry. Because of this, many construction firms suffered financial ruin and bankruptcy because of delays in payment, this was common with government contracts. The unlucky contractors failed to repay loans in a timely fashion as such their business were put into liquidation.

(d) Difficulties when running the businesses

The contractors did not seem to understand the nature of complexity and risk in contracting because many contractors lacked managerial skills, experience and tools to win profitable contract. Further, contractors were lacking own ready finance and access to affordable loan. Due to lack of collateral, any one that got credit from banks were subjected to high interest and financial risk management charges that made contracts unprofitable.

Therefore in wanting to grow big and make big profit, most of the SMCs took projects that they did not have the necessary skills and financial resources to execute. This had reputational damages as contractors did shoddy works. This was so because the contractors employed ill qualified workers (Ndulane, 2015).

2.7.3 Evidence from empirical studies done in Malawi

The construction industry, by nature, has many peculiar problems and requirements (Ofori, 2009). For instance studies done by Kapulula (2008), Kayanula and Quartey (2000), Ngoma (2006) and Ofori (2009) reported that the construction industry in Malawi had been dogged by many problems including mismanagement, skills shortage, corruption, lack of technology,

inflexible credit terms, late payments to contractors and difficulties in accessing finance. In addition dissatisfied clients had been complaining about the underperformance and shoddy workmanship, especially that of the SMCs (Ndulane, 2015).

2.7.4 Evidence from empirical studies done in Ghana

In Ghana, studies have been done regarding the challenges facing small and medium contractors. However, a summary of studies on the challenges faced by SMEs point to the challenges outlined below;

(a) Bribery and corruption

Bribery and corruption were discovered to be a big problem for both contractors and consultants in Ghana. Contractors often paid kickbacks to the people involved in a project. The total kickback amount was generally expressed around 10% (Ndulane, 2015). However, most of the contractors tried to negotiate this down to about 5%. One main problem identified with kick back was that it affected work quality. Ndulane (2015) posits that where kickbacks were paid, contractors tended to use low quality materials to recoup the amount lost and the consultant were forced to reject the work because it was substandard (Laryea, 2010).

(b) Financial

The contractors explained that the biggest problem they faced was payment. According to Ndulane (2015) payment-related delays meant that a contractor could not predict cash flows. The difficulty in predicting cash flows meant banks considering contractors as high risk borrowers, thus the interest on money borrowed by construction firms was higher. Thus, the cost of contractors acquiring capital was high.

(c) Design

The contractors indicated that most designs were often inadequate and poorly articulated to enable contractors to clearly understand what to build without several meetings with designers. This was so because drawings had no sufficient details. Right from the beginning, the client's requirements were not captured in the tender documents. As a result, there were a lot of variations in the construction phase, this impacted on cash flow, workflow, and duration/programme.

(d) Contractor classification

Many of the contractors explained that those who classified firms did not ensure that firms in the same category had the minimum requirements in practice. This scenario did not create real competition.

(e) Cumbersome payment procedures

Payment for work done was a big problem for contractors in Ghana. The reason being that jobs were more than what government could afford to pay. This payment problem was compounded by government source of funding for contracts. According to Ndulane (2015), the main funding for road projects in Ghana came from road tolls, the Consolidated Fund, and donor agencies. This complicated and bureaucratic structure of payment to contractors made the release of payment a problem. Even when government had given the approval for payment, Parliament was supposed to approve the total amount, before the Ministry of Finance (MOF) could disburse the money, every quarter. Meaning before the MOF disbursed the payment, it would ask the contractor to account for monies disbursed for the last quarter to ensure that it had actually completed the work. However it took time for the contractor to gather the documentation needed to prepare the accounts and also for the MOF to vet the accounts

2.7.5 Evidence from empirical studies done in Nigeria

Adams (1997) carried out a research on identifying constraints facing indigenous small scale contractors in Nigeria. The study found that the challenges facing the indigenous small contractors in Nigeria were emanating from uncertainties in supplies and prices of materials, obtaining interim payment, procuring work, access to capital, negotiating variation payment, access to plant and equipment, inappropriate contract conditions, maintaining plant and equipment, resolving contract disputes, meeting deadlines, design changes, incomplete contract documents, transporting materials and equipment, materials control in site, providing reliable tenders, communication with client/representatives, shortage of skilled labour, public image, accounting of financial management, inadequate supervision by client project planning and site management, technical know-how, commitment to construction, company organization, personnel management and providing quality workmanship.

2.7.6 Evidence from empirical studies done in Malaysia

In Malaysia, studies have been done regarding the challenges SMEs in the construction sector face. For instance, Wong and Thomas (2010) in their study established that construction organisations especially SMEs were particularly vulnerable to bankruptcy due to the fragmented nature of the industry, excessive competition, relatively low entry barriers, high uncertainty and risk involved, and unpredictable fluctuations in construction volume. Other factors for failure in SMEs in the sector were inexperienced management, poorly designed

business model and insufficient capital. Additionally, the failure was also closely related to poor management, owner or manager motivation, bad decision and performance. All these factors were strongly influenced by an inability of construction SMEs to respond to competitive pressures, rapid technological change, volatile markets, regulation and managers' own lack of foresight.

2.7.7 Evidence from empirical studies done in Indonesia

Suroji et al. (2007) in their study pointed out that many Indonesian construction SMEs were trapped in public procurement process which was characterised by inefficiency and high cost transactions, collusion, low competitiveness, low profitability and growth, and incompetent human resources. Sudarto et al. (2008) found low level capabilities which determined the firm's performance such as that of lack of marketing and entrepreneurship constraints, low competitiveness with foreign owned firms and low level of innovation.

2.7.8 Evidence from empirical studies done in Zambia

In Zambia, SMEs in the construction sector equally face challenges. The Ministry of Commerce and Trade in Zambia outlined some of the challenges faced by SMEs as limited access to markets, managerial skills, limited access to appropriate technology, lack of machinery and equipment, inadequate business infrastructure. Meanwhile the National Council for Construction (NCC) (2004) in its final report entitled "development of contractor registration Scheme with a focus on small scale civil work contractors" specifies the following as challenges faced by small scale contractors; limited work opportunities, late payments, competition from large corporations, lack of technical skills, limited access to Finance, credit, political interference, registration procedures, and misinterpretation of the NCC Act, choice of technology and contractor development framework.

2.7.9 Summary of literature on challenges faced by SMEs in the construction sector

From the literature reviewed, it is clear that SMEs in the construction sector face a number of challenges. These challenges have led to high rate of failure among SMEs in the construction sector. Though the above is the case, most of the literature is on contractors, and not on other SMEs in the construction industry. However, if SMEs in the construction sector were to survive the harsh business environment they need to embrace strategic management practices. However, in Zambia, little is known on whether SMEs in the construction sector have adopted good strategic management practices. This is so because no research has been

conducted, hence the existence of the knowledge and research gap. Therefore, this research intends to fill this research and knowledge gap.

2.8 Influence of Strategic Management Practices on SME Performance.

There is empirical evidence that suggests that adoption of strategic management practices has influence on the performance of SMEs in all sectors of the economy. For instance, Nyariki (2013) wrote that “Anderson’s empirical study (Anderson 2000) provides evidence that strategic managerial process is associated with higher performance in the industrial environments. Song (2011) concurs with Nyariki (2013) when he writes that “empirical evidence suggests that more strategic planning leads to new product development projects which in turn lead to better firm performance”. Rhyme (1963) echoes this thought when he writes that “firms with strategic planning systems more closely resembling strategic management theory have superior long-term financial performance both relative to their industry and in absolute terms”.

2.8.1 Evidence from empirical studies done in Netherlands

Heugens (2003) studied strategic management issues and organisational outcomes. In his study, he assessed whether strategic management activities contributed anything worthwhile to corporate performance by reporting two studies on the management strategies of Dutch food firms during the introduction of genetically modified ingredients. The study found that implementation of management activities by firms that were exposed to societal or political predicaments significantly and positively influenced organisational outcome variables. Though this study showed a relationship between adoption of strategic management activities and performance of firms. It did not show any link between strategic management and performance in SMEs in the construction industry. The reason being its focus was on big firms in the food industry.

2.8.2 Evidence from empirical studies done in Indonesia

Omsa, Ridan and Jayadi (2017) carried out a study entitled “the effect of strategic management practices on SME performance in Makassar, Indonesia. The study was aimed at measuring how strong the effect of the implementation of strategic management practices on the performance of SMEs in Makassar, Indonesia, especially the performance associated with sales turnover, break-even point (BEP), and profit. The results showed that the strategic management practices such as strategic planning, strategic execution, and strategic evaluation

had a positive and significant impact on sales volume, BEP achievement, and profits of SMEs, especially in medium-sized enterprises. This study is in agreement with the assumption that adoption of strategic management practices influence business performance in SMEs. However, the study was not done on SMEs in the construction sector.

Sudarto et al. (2007) completed an intensive research on the influence of external forces on the Indonesian construction enterprises. Some of the findings indicated that a number of external factors influenced significantly the performance of the firm in terms of the credit crunch with high interest rate loan. This study is in agreement with the assumption that adoption of strategic management practices influence business performance in SMEs in the construction sector.

2.8.3 Evidence from empirical studies done in Nigeria

There are several studies that have been done in Nigeria linking strategic management activities with performance of large firms and SMEs. For instance, recent studies of strategic management carried out in Nigeria by Oyedijo and Akinlabi (2004 and 2008); Nmadu, (2007) and Akingbade (2007) have found support for the strategic management and corporate performance hypothesis. These studies revealed that a SMEs corporate financial performance tended to increase with a unit increase in the level of practice of strategic management. The studies further revealed that the higher the overall level of strategic management practice by a SMEs, the higher the financial performance of the SMEs expressed in terms of earnings per share, profit before tax, return on capital employed, net asset, current or working capital ratio, increase in relative market share, continuing addition of new products and products lines, and total deposits. For all the financial performance indicators used, performance tended to increase significantly as the level (or degree of sophistication) of strategic management increased. In the SME sector, the role of management was always derived from the size of the organisation and the role of the owner, and the Primary importance of management was determined so much by the fact that management had unquestioned responsibility for the formulation and implementation of strategy because of the assumption that competitiveness is created or at least affected by all management activities. In large enterprises however, the responsibility for strategic management took the entire department of analysts and competent managers. This study agrees with the assumption that adoption of strategic management activities by SMEs leads to improved performance.

Another study by Dauda, Akingbade and Akinlabi (2010) entitled “strategic management practice and corporate performance of selected small business enterprises in Lagos Metropolis, revealed that strategic management practices enhanced both organisational profitability and company market share. This study agrees with the assumption that adoption of strategic management activities by SMEs leads to improved performance.

Akande (2012) used chi-square and ANOVA to examine the influence of strategic management skills on SMEs in Nigeria by applying questionnaires among 240 block making enterprises. His finding agreed with that of Oyedijo, (2012) that organisational strategies were highly positively correlated with performance in the sampled SMEs. This study also agrees with the assumption that adoption of strategic management activities by SMEs leads to improved performance.

Lawal et al., (2012) studied the effect of strategic management on organisational performance. The study found evidence that adoption of strategic management techniques improved organisational performance and improved relative standing of organisation that was with different societal and political issues. This study however never studied the SMEs and hence the findings were not representative of SMEs.

Yunus (2010) studied strategic management practice and corporate performance of selected small business enterprises in Lagos metropolis. The study established that strategic management had an effect on the market share of small enterprises studied. Also, implementation of strategic management was found to have had positive relationship with organisational profitability. However, for the positive effect to be felt, the study recommended that appropriate strategic planners, strategic situation, strategic analysis and choice needed to be put in place. This study also agrees with the assumption that adoption of strategic management activities by SMEs leads to improved performance.

2.8.4 Evidence from empirical studies done in Kenya

Njanja (2009) studied management strategies affecting performance of micro, small and medium enterprises in Kenya. The study found that globalisation factors and other factors external to the businesses such as incentives, regulation and policy issues, infrastructure had very high effects on the management structures, systems and other internal factors of the

firm. This study did not show the relationship between management practices and performance of SMEs which was the study's main objective.

Njeru (2015) in his research entitled "strategic management practices and performance of Small and Medium Sized Enterprises in Kenya" carried out a study to determine the strategic management practices among the top one hundred SMEs in Kenya and the influence strategic management practices had on organisational performance. The study found out that the top one hundred SMEs had adopted strategic management practices in relation to situational analysis, strategy formulation, implementation and evaluation. The study also found that adoption of strategic management practices influenced organisational performance. This study agrees with the assumption that adoption of strategic management activities by SMEs leads to improved performance.

Nyariki (2013) carried out a study entitled "strategic management practices as a competitive tool in enhancing performance of Small and Medium Enterprises in Kenya. The study established that majority of the SMEs had adopted strategic management practices. The study also found that strategic management had a positive relationship with competitive advantage of the organisations, and that SMEs adopted strategies in order to achieve competitive advantage. This study agrees with the assumption that adoption of strategic management activities by SMEs leads to improved performance.

Otieno (2013) studied strategic issue management practices by small and medium enterprises in Mombasa County using descriptive survey design and data collected from primary sources using a questionnaire. The study found that profitability was considered as the most important performance measure in SMEs, followed by market share, innovation and liquidity respectively. Further, majority of organizations perceived strategic management to be the future success of organization as very important and essential confirming that SMEs in Mombasa County were aware of the importance of strategic management in the success of an organization. The study also found that environmental as well as managerial factors influenced strategic issue management practices by SMEs in Mombasa County. This study agrees with the assumption that adoption of strategic management activities by SMEs leads to improved performance.

2.8.5 Evidence from empirical studies done in South Africa

Sandada, Pooe and Dhurup (2013) carried out a study entitled “strategic planning and its relationship with business performance among Small and Medium Enterprises in South Africa” The purpose of the study was to establish the relationship between strategic planning practices and business performance among SMEs in the Gauteng province of South Africa. Data were analysed from 200 useable questionnaires that were distributed to SME owners/managers. Factor analysis, correlations, and regression techniques were used to extract the dimensions of strategic planning and their relationships with business performance. Environmental scanning, business mission and vision, formality of strategic plans, evaluation and control, informing sourcing, strategy implementation incentives, employee participation, and time horizons emerged as strategic planning dimensions. The results of the study confirmed that strategic planning had a positive association and predictive relationship with the performance of SMEs. This study agrees with the assumption that adoption of strategic management activities by SMEs leads to improved performance.

Ladzan, Smith and Pretorius (2011) carried out a research entitled “using leadership and strategic planning functions to improve management performance: The progress made by small, medium and micro enterprises (SMMEs) in the province of Gauteng, South Africa” This study investigated the use of the leadership and strategic planning functions in improving the management performance of small, medium and micro enterprises (SMMEs) in the province of Gauteng, South Africa. The primary objective was to establish the extent to which SMMEs in the construction industry in the study area utilised leadership and strategic planning to achieve continuous improvement in management performance. The findings of study showed the necessity of educating the owner-managers of SMMEs concerning the use of appropriate management measurement tools and strengthening the implementation of the leadership and strategic planning functions in order to improve management performance. The findings further suggested that specific management function-focused courses should be designed and implemented and rewards be introduced for SMMEs that showed signs of continuous improvement. Though the study tried to link strategic management and performance of SMEs, the link did not come out clearly.

Adendorff et al, (2011) carried out a study that was meant to investigate how strategic management can be applied in order to address the problems faced by construction SMEs, and explore techniques and tools of strategic management that make a significant contribution to the SMEs. The study established that SMEs that practiced strategic

management performed better and that there were many advantages for SMEs that adopted strategic management principles at the organisational level.

2.8.6 Evidence from empirical studies done in Zambia

In Zambia, literature suggests that there are no studies that have been conducted to ascertain the relationship between adoption of strategic management practices and SMEs performance. Most of the research that have been conducted have focused mainly on improving the marketing and business environment of SMEs. For instance, Kashimoto (2006) focused on the marketing tools used in enhancing business growth in SMEs, whereas Chitamya (2006) focused on internal and external factors that are responsible for the failures of small businesses in Kitwe.

2.8.7 Summary of literature on strategic management and performance of SMEs

The study reviewed literature regarding the influence of adopting strategic management practices on SME performance. Empirical studies from various studies around the world have shown that strategic management practices have influence on performance of SMEs, though some studies could not give a clear relationship of the two variables. However, what was evident from the literature is that, wherever strategic management practices were applied, performance of SMEs improved. Also, what is clear is that very few studies have been carried out worldwide to establish the relationship between strategic management and performance of SMEs in the construction sector. This scenario applies to the Zambian situation. So there is a research and knowledge gap here.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that was adopted in this research with the aim of achieving the set objectives for effective interpretation of research findings. The chapter covers the research design, population of the study, sources of data, sampling procedure and sample size, data collection and data analysis.

3.2 Research Design

This study adopted a descriptive research design. According to Mugenda and Mugenda (2003), a descriptive research design determines and reports the way things are. As Creswell (2003) adds “a descriptive research design is used when data is collected to describe persons, organisations, settings or phenomena”. The descriptive design also has enough provision for protection of bias and maximized reliability (Kothari, 2008). Further, a descriptive design uses a pre-planned design for analysis (Mugenda and Mugenda, 2003). The reason for preferring a descriptive study was due to the vast nature of the SMEs and the limitation on time. Secondly, the researcher was dealing with events that happened and had no control over the variables in terms of being able to control or manipulate them; it is an ex-post facto design (Njanja, 2009). Further, it was not possible to determine the strategic management practices adopted by the SMEs in past years but was only possible to determine the same as at specific time.

3.3 Study area

The study areas included: Kalingalinga, Kabwata, Mtendere, Mtendere East, Bauleni and Buseko, all in Lusaka District. These areas were chosen because they have a concentration of SMEs involved in various activities that are part of the construction sector.

3.4 Population Study

Population study refers to the entire group of people or things of interest that the researcher wishes to investigate. Mugenda and Mugenda (2003) defines a population as an entire group of individuals or objects having common observable characteristic. The target population for this study were managers in SMEs that were in cement block production, window/door frame production, and sand, metal and crushed stone supplies, timber input supplies, building materials traders, construction machinery and equipment supplies and electrical installations.

3.5 Sample Size

A sample is a group hopefully representative of the population intended to be studied and from which one devices generalisation about the population (Bailey, 1994). Mugenda and Mugenda (2003) writes that “a sample size is the number of respondents selected for interview from a research population”. The sample size depends on the accuracy needed, population size, population heterogeneity whether the sample will be subdivided or not and resources available (Bailey 1994). For this study, the sample size was 50.

3.6 Sampling Technique

Since the target population was not homogenous, stratified and purpose sampling techniques were adopted to pick the 50 respondents. The respondents were purposively picked from the following sub-groups; cement block production, window/door frame production, and sand, metal and crushed stone supplies, timber input supplies, building materials traders, construction machinery and equipment supplies and electrical instillations. This was all aimed at getting responses from diverse respondents in the construction sector.

3.7 Data Collection

The study relied on primary and secondary data. Primary data was collected through structured questionnaires. The questionnaires were distributed to the study sites by the researcher. While secondary data was obtained from online journals. The target respondents were the managers who were usually the contact persons. The questionnaire consisted of four sections, the first section was background information, section two contained strategic management practices, section three, contained challenges faced by SMEs and section four was on influence of strategic management practices on the performance of SMEs.

3.8 Data Analysis

The questionnaire responses were checked, grouped into various categories. Frequency distribution tables were used to summarise the data from respondents. The analysed data was then presented in frequency distributions tables and figures for ease understanding and analysis. Further, correlation analysis was used to test the relationship between strategic management practices and the performance of SME organisations.

3.9 Ethical considerations

Since the research subjects were human beings whose rights needed protection and to be respected, ethical issues such as confidentiality, consent and respect were taken into consideration. This was aimed at avoiding injuring the study subjects emotionally, spiritually or any other way that might have offended them. Additionally, data collected was used for the research purposes and not for any other motive. Before entering the research field, clearance from the University of Zambia ethics committee was obtained (Ref #: 2018-JULY-011) so as to authenticate the research. In the field, consent was obtained before obtaining data from the respondents, this was meant for the respondents to answer the questionnaire willingly, while exercising confidentiality on the part of the researcher by using the data collected for the purpose it was intended for only, and not to be disclosed to unauthorized personnel, as this could have led the research subjects into conflict with the organisations they represented.

3.10 Summary

The study adopted a descriptive study design because of the nature of the topic. In terms of the study area, Lusaka district was picked because of the heavy concentration of SMEs in the construction sector. The target population were SMEs in the construction sector. From the targeted population, 50 respondents were picked purposively from the subgroups (strata). Data from the respondents was collected using a questionnaire which had both closed and open ended questions. The data collected was analysed and presented using pie charts, tables and figures. However, before going into the field, clearance was obtained from the University of Zambia ethics committee.

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS.

4.3 Introduction

This chapter presents findings of the study with respect to the objectives of the study. This was all aimed at establishing the influence of strategic management practices on the performance of selected SMEs in the construction sector in Lusaka District.

The study targeted fifty (50) Small and Medium Enterprises (SMEs) in the construction sector in Lusaka District. Primary data was collected through questionnaires. The questionnaires were self-administered and follow-ups were made through phone calls. The respondents were well informed on the importance of the study and the use of the information. This ensured the response rate of 100%. According to Mugenda and Mugenda (2003), a response rate of 50% is considered adequate, 60% good and above 70% very good (Njeru, 2015). For this study, a response rate of 100% was achieved, hence the researcher proceeded with data analysis.

4.4 Background Information

In this section, the study presents the general information of the respondents regarding their age, education level, highest qualification achieved, construction activities involved in, number of years their organisations have been in existence and the size of their organisations in terms of employees.

4.2.1: Age of Respondents

The respondents were asked to indicate their age; the results are shown in Table 4.1

Table 4.1: Age of Respondents

Age group	Frequency	Percentage %
25 – 34	10	20
35 – 44	19	34
45 – 54	16	32
Above 55	5	10
Total	50	100

Table 4.1 show that most of the respondents (34%) were between 35-44 years of age, while 32% were between 45-54 years of age. There was also a significant percentage of

respondents who were above 55. These constituted 10%. However, the study established that some of the organisations had young managers, as 20% of the respondents were between 25-34 years of age.

4.2.2 Highest Grade Reached and Highest Qualification Achieved

The respondents were asked to indicate the highest school grade reached. At the same time the respondents were asked to indicate the highest qualification achieved. The results are shown in Figure 4.1 and figure 4.2 respectively.

Figure 4.1: Highest school grade reached

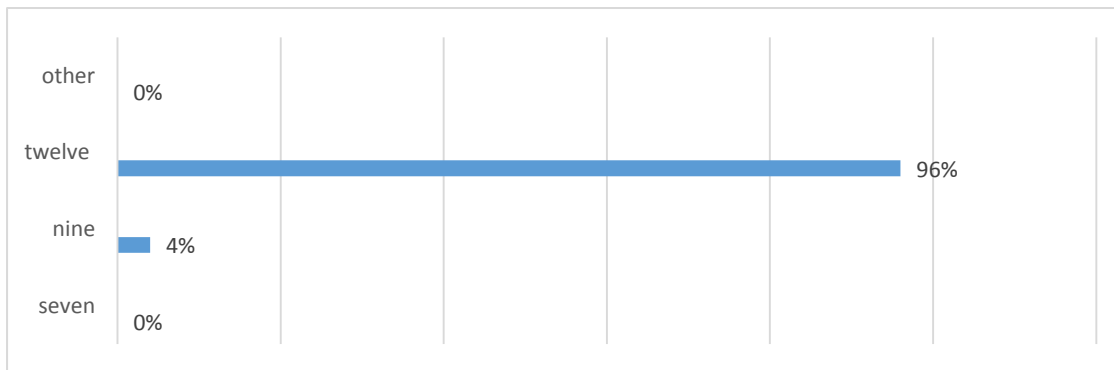
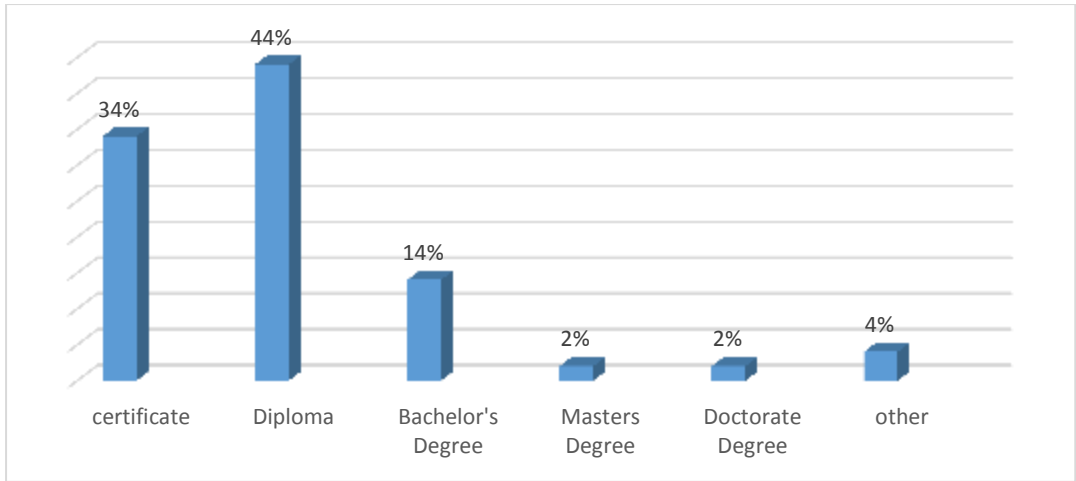


Figure 4.1 shows that most of the respondents (96%) reached grade twelve, while 4% reached grade nine. Of the respondents that had grade twelve certificates, 34% had obtained professional certificates, 44% had obtained diplomas, 14% had obtained first degrees, 2% had obtained masters' degrees, and another 2% had obtained PhD (doctorate degree) , while 4% had obtained other qualifications (Figure 4.2). The findings indicate that majority of the managers in sampled SMEs were relatively educated and this would translate into good understanding of strategic management practices for their organizations.

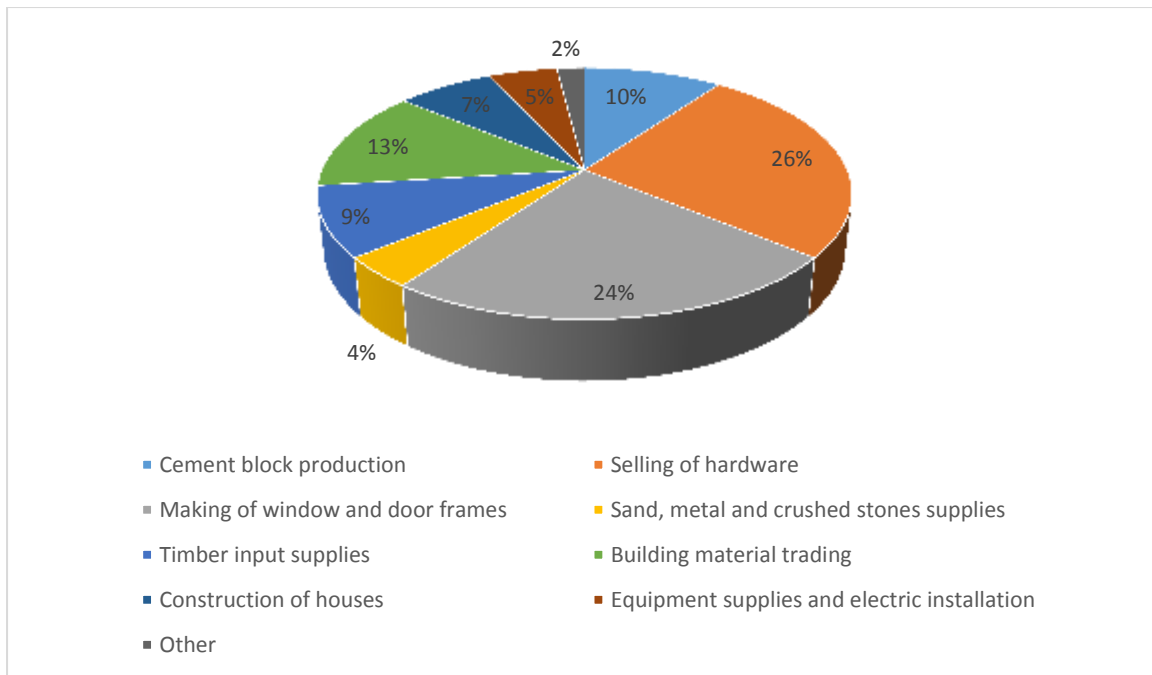
Figure 4.2: Highest qualification achieved



4.2.3: Activities of SMEs in the Construction Sector

Respondents were asked to indicate the activities that their organisations were involved in. Results of the study in Figure 4.3 show that 26% of the respondents were involved in selling of hardware, 24% were involved in making of window and door frames, 13% were involved in trading of building materials, 10% were involved in cement block production, 9% were involved in timber input supplies, 7% were involved in construction of houses, 5% were in involved in equipment supplies and electrical installations, 4% were involved in sand, metal and crushed stones supplies and 2% were involved in other activities. However, the analysed data indicate that majority of the sampled SMEs were involved in selling of hardware, making of widow and door frames, trading of building materials, cement block production and timber input supplies.

Figure 4. 3 Activities of SMEs in the construction sector in Lusaka District



4.2.4: Duration of Operation of Organisations

Respondents were asked to indicate how long their organisations had been in operation. As summarised in Table 4.2 , the study established that most of the organisations (48%) and (30%) were in operation for 1-5 years and 6-10 years respectively, while 12% of the respondents indicated that their organisations had been in operation for between 11-15 years . Further, some respondents indicated that their organisations had been in operation for over 16 years. The implication is that most of the organisations had been in operation for a short period of time, hence most managers had little understanding regarding the business environment, and this had an impact on the strategic management practices adopted by the organisations.

Table 4.2: Duration of Operation of the Organisations

Duration	frequency	percentage %
1- 5	15	30
6 -10	24	48
11-15	6	12
16 -20	4	8
21 and above	1	2
Total	50	100

4.2 4: Size of Organisations

The respondents were also asked to indicate the size of their organizations in terms of the number of employees. The results are as shown in Table 4.3

Table 4.3: Size of the Organisations in terms of employees

Range (No. of employees)	Frequency	Percentage %
1- 25	44	88
26- 50	5	10
51-75	1	2
76- 100	0	0
100 and above	0	0
Total	50	100

As shown in Table 4.3, the study established that most of the organizations had between 1-25 employees, as revealed by 88% of the respondents, while 10% of the respondents revealed that their organizations had between 26-50 employees. Only 2% of the respondents indicated that their organisations had between 51 - 75 employees. There was no organisation with more than 76 employees. This implied that the majority of the SMEs in this study were small sized firms and few medium sized firms.

4.3 Strategic management practices among SMEs in the construction sector

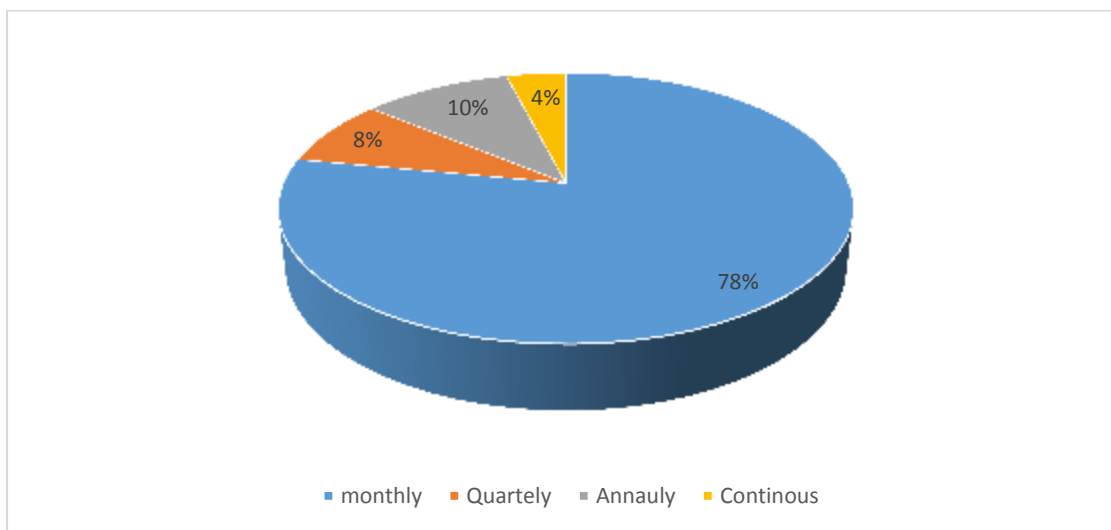
This section sought to determine the strategic management practices adopted by SMEs in the construction sector in Lusaka District. From the outset, it must be stated that Strategic management process consist of formulating a vision, developing a strategic mission, setting objectives, situation analysis, strategy formulation, strategy implementation and strategy evaluation. According to literature reviewed, the process of strategic management usually includes basic and periodically repeating a set of consecutive stages through which the companies create, implement and control achievement of long term business objectives. Though this is the case, the strategic management process is usually dynamic and continuous, meaning a change in one component can necessitate a change in the entire strategy. Further, strategy formulation entails consideration of economic, social, political, technological, and

ecological and industry environmental factors which include entry barriers, competitive rivalry, availability of substitutes, and bargaining power of buyers and suppliers.

4.3.1 Strategy Formulation

The study sought to determine the strategic management practices in terms of situational analysis put in place by the SMEs. This was done by requiring the respondents to indicate whether their organisations carried out situational analysis and the frequency of the same. The findings of the study are presented in Figure 4.4.

Figure 4.4: Frequency on carrying out situational analysis



The study established that 100% of the SMEs periodically gathered and analyzed data about the market and internal factors which affected their operations and businesses. According to Figure 4.4, the majority of the SMEs (78%) collected data on monthly basis, 8% quarterly, 10% annually and 4% continuously. Further, all the SMEs were found to have identified key strengths, weaknesses, opportunities and threats to their businesses by analyzing the internal environment. This meant that the majority of SMEs had adopted good strategic management practices in strategy formulation, specifically situational analysis. As a matter of good strategic management practices, situational analysis should be carried out regularly, hence SMEs that conducted situational analysis more regularly had adopted good strategic management practices.

Further, the study sought to determine the strategy formulation process adopted by SMEs in Lusaka District. This was done by asking the respondents to state whether their SMEs had

vision and mission statements. The study found that 100% of studied SMEs had vision and mission statements. However, 44% of the SMEs had their vision statements written while 56% had unwritten vision statements. Further, the study found that 36% of the SMEs had written mission statements while 64% had unwritten mission statements. This indicates that some sampled SMEs had no clear goals of where there were ‘going’ as their vision and mission statements were unwritten as such there were subject to change at any time. The practice of having unwritten vision and mission statements defeats the good strategic management practices, because written vision and mission statements describe what should be achieved by the organisation through strategies that are to be identified, implemented and evaluated.

Table 4.4: Vision and Mission statements

Question	Percentage	
	Yes	No
Does the company have a vision statement	100%	0%
Is the vision statement written	44%	56%
Does the company have a mission statement	100%	0%
Is the mission statement written	36%	64%

The study also sought to determine in whom the responsibility of developing vision and mission statements was vested. While the top management have the responsibility of defining the company strategy and envision the future of the company, involving all the employees in defining the company mission and vision is vital. This ensures that employees own and associate with the company, and channel their energy towards accomplishing the company vision and mission. However, in SMEs, the responsibility of formulating vision and mission statements is usually the preserve of the owner of the company. The findings of the study are presented in Figure 4.5 below.

Figure 4. 5: Responsibility of formulating vision and mission statements.

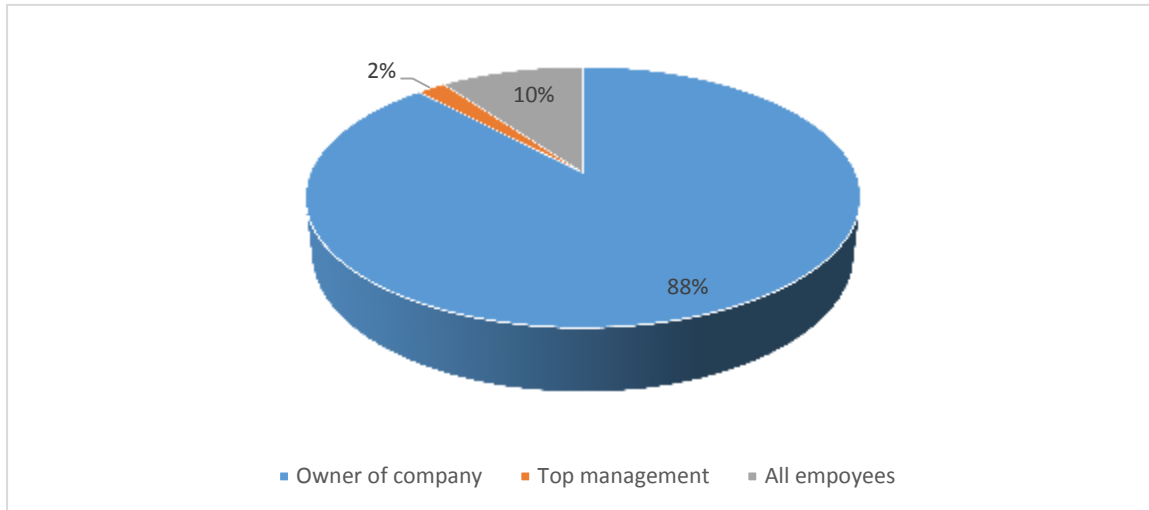


Figure 4. 5 show that majority of the SMEs, that is 88% had their mission and vision statements developed by owners of the businesses, 10% of the SMEs had placed the responsibility of developing mission and vision statements to all the employees, while 2% had placed the responsibility of developing mission and vision statements to top management. These findings are consistent with strategic management practices in SMEs where owner-managers take responsibility for developing vision and mission statements.

The respondents were also required to rate various statements relating to strategy formulation using a scale of 1 to 5, where 1 was to no extent, 2 small extent, 3 moderate extent, 4 to large extent and 5 to a very large extent. The findings are presented in Table 4.5.

Table 4.5: Descriptive statements on strategy formulation

Descriptive Statements on strategy formulation	1	2	3	4	5
	%	%	%	%	%
The company has deliberately set its strategic direction in form of vision statement, mission statement and core values	12	2	32	48	6
The company analyses/gathers information about its external environment to understand their implications	6	18	24	40	12
Owner take formal responsibility for the firm's strategic management plan	2	2	40	48	8

Strategic formulation is a top priority activity at your company	4	12	26	46	12
You hire the services of the consultant in the process of strategy formulation	18	32	20	22	8
Employees are briefed and taken through the strategic management plan before implementation	8	6	32	50	4
Your company has a planning department or committee that steer policy formulation	10	10	26	40	14
In strategy formulation all resources in your organisation are assessed	6	8	50	32	4
You identify competitors and determine the reasons for success in strategy formulation	2	12	58	22	6
Your company's strategy behaviour and choices are in line with environmental developments and this is incorporated in strategy formulation	2	18	28	46	6

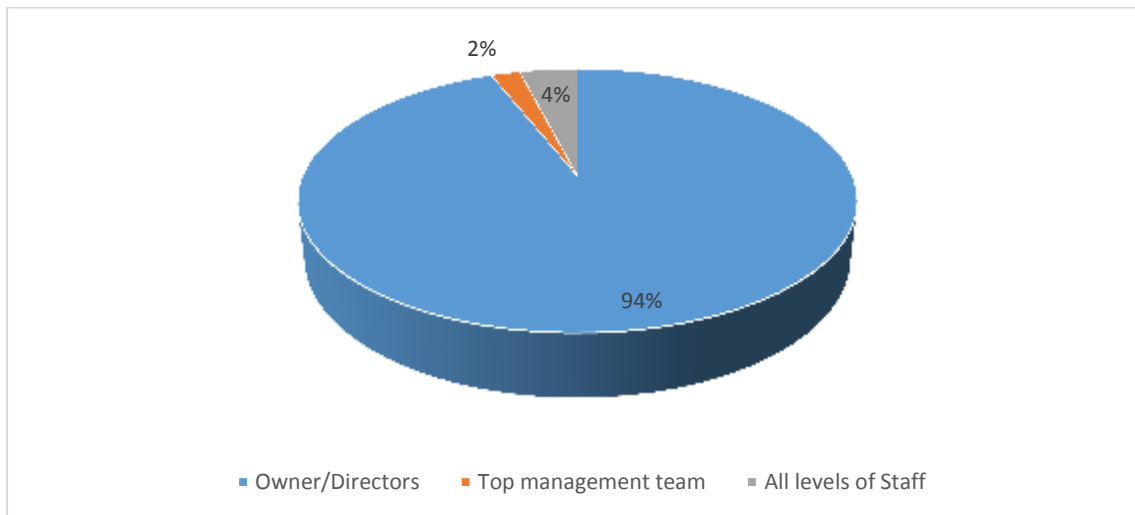
Table 4.5 shows that the majority of the respondents to a large extent indicated that their SMEs had deliberately set their strategic direction in form of a vision statement, mission statement and core values; the SMEs analysed/gathered information about their internal and external environment to understand their implications; SME's owners took formal responsibility for the firm's strategic management plan; Strategic formulation was a top priority activity in the SMEs; employees were briefed and taken through the strategic management plan before implementation; the SMEs had a planning department or committee that steered policy formulation and that the firms' strategic behaviour and choices were in line with environmental developments and this was incorporated in strategy formulation.

Further, to a moderate extent, the SMEs identified competitors and determined the reasons for success of competitors and considered this in strategy formulation. Also to a moderate extent, the respondents indicated that during strategy formulation, the SMEs assessed all resources (physical, financial, and human resources) in their organisations (in strategy formulation all resources in organisation are assessed) and some SMEs hired the services of the consultant in the process of strategy formulation.

4.3.2 Strategy implementation practices

Once long term objectives have been set and the appropriate strategy or strategies have been selected, the strategic management process moves into the next phase, that of strategy implementation. According to Ehlers and Lazenby (2004) strategy implementation or execution is the action phase of the strategic management process. This section therefore sought to determine the strategy implementation practices adopted by SMEs in the construction sector in Lusaka District. Respondents were asked on who was responsible for strategy implementation. The findings are presented in Figure 4.6

Figure 4.6: Responsibility of strategy implementation

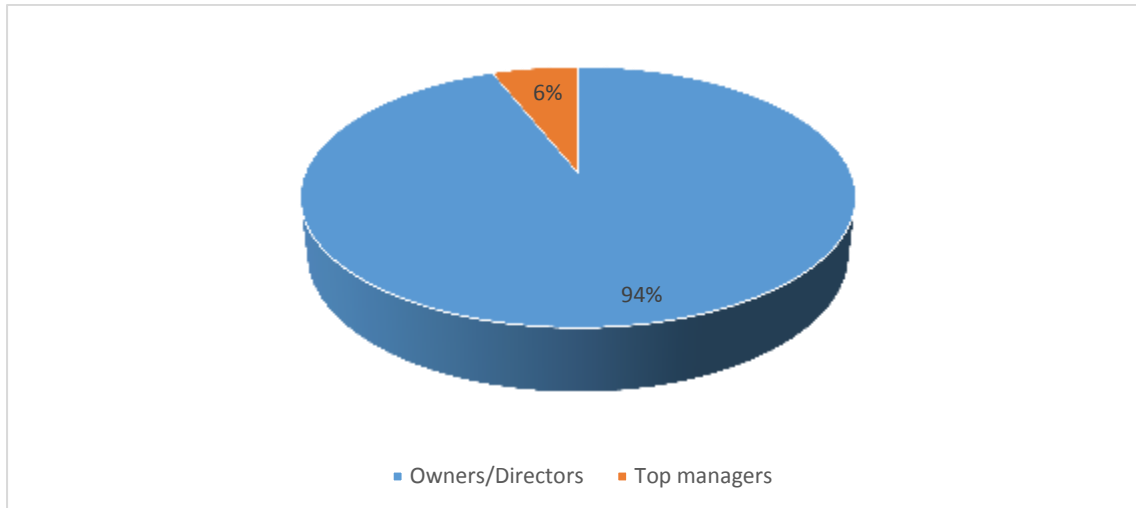


The study findings in Figure 4.6 above indicate that strategy implementation was being done by owners of the businesses as indicated by 94% of the respondents, 4% by all levels staff, and 2% by top management. The fact that majority of SMEs had the responsibility of strategy implementation by owners indicates that strategy implementation in the SMEs was not participatory.

For strategy implementation to be successful, someone must be responsible for the same. So respondents were asked to indicate who owned implementation and outcome of organisation strategy. The study established that the responsibility of the outcome of strategy implementation was found to be owned by owners of SMEs as indicated by 94% of the respondents in Figure 4.7, while 6% of the respondents indicated that top management were responsible for strategy implementation. However having all staff members involved in

strategy implementation would make employees develop a sense of ownership of the strategy, hence achieving success.

Figure 4.7: Ownership of Strategy Implementation and outcome



The respondents were also required to indicate the extent to which various strategy implementation practices were related to their organisations using a scale of 1 to 5. Where 1 was to no extent, 2 to a small extent, 3 to moderate extent, 4 to a large extent and 5 to a very large extent.

Table 4.6 below show that to a moderate extent, organisation strategies were implemented purely based on set objectives and expected performance; SMEs allocated adequate resources to strategy implementation, and organisation strategy was matched to organisational structure; there were motivational systems in place to ensure success of strategy implementation; company strategy was adequately and comprehensively communicated to members of staff and organisations were keen on implementing organisation strategy in a way that yielded highest performance. To a large extent, the study established that there were motivational systems in place to ensure success of strategy implementation.

Table 4.6: Strategy statements on strategy implementation

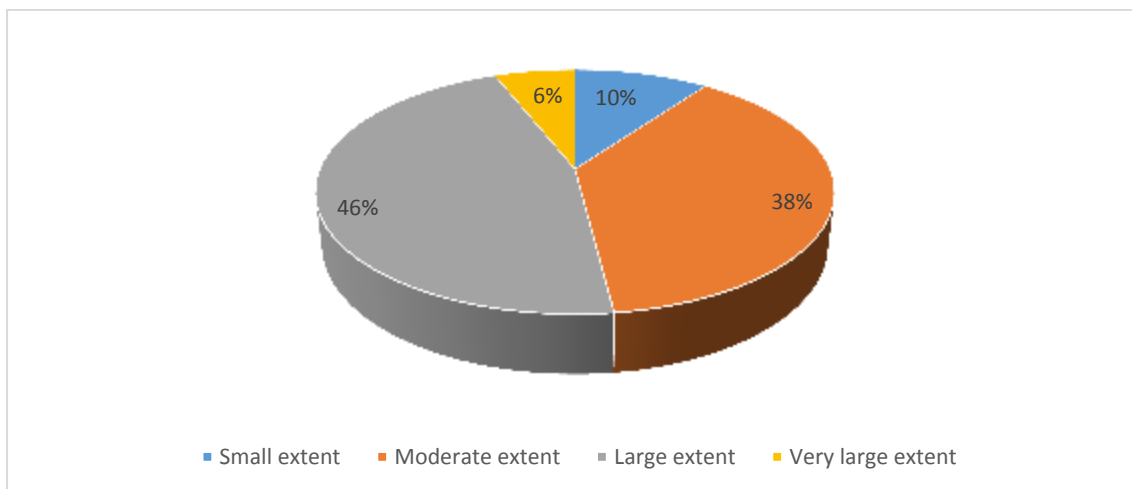
Strategy statements on strategy implementation practices	1	2	3	4	5
	%	%	%	%	%
Organisational strategy is implemented purely based on set objectives and expected performance	4	8	44	30	14

Resources are adequately allocated for strategy implementation	4	4	46	42	4
Organisational strategy is matched to organisational structure	2	10	44	36	8
Company strategy is adequately and comprehensively communicated to members of staff	2	19	40	38	2
Organisation is keen on implementing organisational strategy in a way that yield highest performance	2	8	40	44	6
There are motivational systems in place to ensure success of strategy implementation	6	4	34	40	16

4.3.3 Strategy evaluation practices

Once an effectively formulated strategy has been successfully implemented, organisations need to evaluate or review their strategic choices in order to remain competitive over the long term. This section therefore sought to determine the strategy evaluation practices adopted by the SMEs. In that case, respondents were asked using a five (5) point scale to an extent how the outcomes of the evaluation utilised in either their current strategic plan or future planning processes worked. The study established that 46% of the SMEs to a large extent carried out strategy evaluation, and outcomes were either in changing the current strategic plan or future planning processes. To a moderate extent, 38% of the respondents utilized evaluation to change the current and future strategies, while 10% indicated that they utilised evaluation to a small extent, and 6% to a very large extent. The findings are presented in Figure 4.8.

Figure 4.8: Extent of Utilisation of Evaluation



The respondents were also required to indicate the extent to which SME had developed the various set of key performance indicators as a means of tracking the success of the strategy initiatives using a scale of 1 to 5 where 1 was to no extent, 2 to a small extent, 3 to a moderate extent, 4 to a large extent and 5 to a very large extent. The findings are presented in Table 4.7

Table 4.7: Statements on strategy evaluation practices

Descriptive statements on strategy evaluation practices	1	2	3	4	5
	%	%	%	%	%
There is monitoring, evaluation and control of the implementation of strategy at your company	4	2	2	70	22
There is a clearly defined and measurable performance targets for each strategic management plan element	2	4	50	40	4
The company reviews its strategic management decisions	2	12	14	54	18
Strategy evaluation involves review of the process of strategy formulation and implementation	4	4	42	46	4
The success of strategy evaluation is done on regular basis and corrective action is taken on timely basis on the strategy for highest performance	2	12	26	50	10
There exists clear communication channels within the company to enable evaluation of strategy performance	2	4	38	40	16
The success of a strategy is implemented and evaluated at the end of implementation stage and corrective measures taken	2	6	36	48	8

Table 4.7 above show that to a large extent there was monitoring, evaluation and control of the implementation of strategy in SMEs; SMEs reviewed their strategic management decisions; in SME's, strategy evaluation involved reviewing the process of strategy formulation and implementation; the success of strategy evaluation was done on regular basis and corrective action was taken on timely basis of the strategy for highest performance; there existed clear communication channels within the organisations to enable evaluation of strategy performance and strategy performance comparison was done with other strategies implemented and the success of a strategy was implemented and evaluated at the end of implementation stage and corrective measures taken. To a moderate extent, respondents

indicated that there was a clearly defined and measurable performance targets for each strategic management plan element

4. 4 Section C: Challenges faced by SMEs in the Construction Sector

A lot of challenges characterise the construction industry in Zambia. The challenges emanate from internal as well as external forces. This section therefore sought to establish challenges SMEs faced in the construction sector in Lusaka District. As such respondents were asked to indicate challenges their SMEs faced in the running of their businesses. The findings are presented in Table 4.8

Table 4. 8: Challenges faced by SMEs in the construction sector

Challenges	Frequency	percentage%
Limited access to finance and credit	15	15.2
Competition from large corporations	47	47.5
Lack of managerial skills	7	7.1
Rapid change in technology	10	10.1
Limited work opportunities	2	3.0
Late payments	10	10.1
Lack of technical skills	5	5.0
Other	3	2.0
Total	94	100.0

Table 4.8 show that competition from large corporation at 47.5% was the biggest challenge that sampled SMEs faced, followed by limited access to finance and credit (15.2) %, rapid change in technology and late payments (10.1%), lack of managerial skills (7.1%), lack of technical skills (5.0%), limited work opportunities (3.0%) and other factors (2.0%).

4.5 Strategic management practices and performance of SMEs in the construction Sector

Adoption of strategic management practices is critical to firm’s performance because it conceptually enable firms to understand their strategic position and identify how to make strategic choices for the future and manage strategy in action and later on improve their performance. Pearce and Robinson (2007) support this thought when they wrote that “employing strategic management is critical to firm’s performance because strategic

management demands the development of efficient systems to counter unpredictable events and come up with strategies that can sustain operations and minimize the risks involved”

Therefore the study in this section sought to establish how various strategies adopted by sampled respondents helped SMEs improve performance in their organisations. As such respondents were also asked to indicate how the adopted strategies helped in improving performance and later on competitive advantage. The findings are presented in table 4.9

Table 4.9: Improved performance through adopted strategies

Adopted strategy	Frequency	Percentage %
Improved relationship with customers	46	41.8
Production of quality goods and services	34	30.9
Improvement in financial performance	17	15.5
Gain in market share	13	11.8
Total	110	100

Table 4.9 show that the adopted strategies in sampled SMEs had improved performance in SMEs through improvement in relations with customers as indicated by 41.8% of the respondents, improvement in the production of goods and services (30.9%), improvement in financial performance (15.5%) and gain in market share (11.8%).

The respondents were further asked to indicate whether they disagreed with the statements in table 4.10 using the scale 1 to 5, where 1 was strongly disagree, 2 disagree, 3 neutral, 4 agree and 5 strongly agree.

Table 4.10 below show that more than 82% of the respondents agreed that internal factors affected the SME’s strategic decision making; more than 78% of the respondents agreed that external factors affected SME’s strategic decision making; more than 88% of the respondents agreed that strategy management affected SME performance; more than 74% of the respondents agreed that SMEs reviewed their strategies every five years; more than 74% of the respondents agreed that lack of strategic planning had an influence on company performance. Further, 48% of the respondents strongly agreed that their organisations

adopted new strategies to achieve competitive advantage; 44 % of the respondents strongly agreed that SMEs did the external and internal analysis to know the strategies to adopt, and 48% of the respondents strongly agreed that SMEs were guided by their mission statement to achieve competitive advantage.

Table 4.10: Statements on organisational performance

Descriptive statements on organisational performance	1	2	3	4	5
	%	%	%	%	%
Internal factors affect the company’s strategic decision making	4	10	4	74	8
External factors affect the company’s strategic decision making	8	8	6	68	10
Your organisation adopts new strategies to achieve competitive advantage	4	0	8	40	48
The company does the external and internal analysis to know the strategies to adopt	4	4	6	42	44
Strategy management affects company performance	6	16	8	62	8
your company is guided by our mission statement to achieve competitive advantage	2	2	8	40	48
Your company reviews the strategies every after five years	8	8	10	46	28
Lack of strategic planning has had an influence on company performance	6	12	8	60	14

The respondents were further asked on overall to rate the extent to which the strategies they had adopted improved performance in their organisations using the scale to no extent, to little extent, moderate extent, to a great extent and to a great extent. The findings are presented in Figure 4.9.

Figure 4.9: Rating of strategies and performance

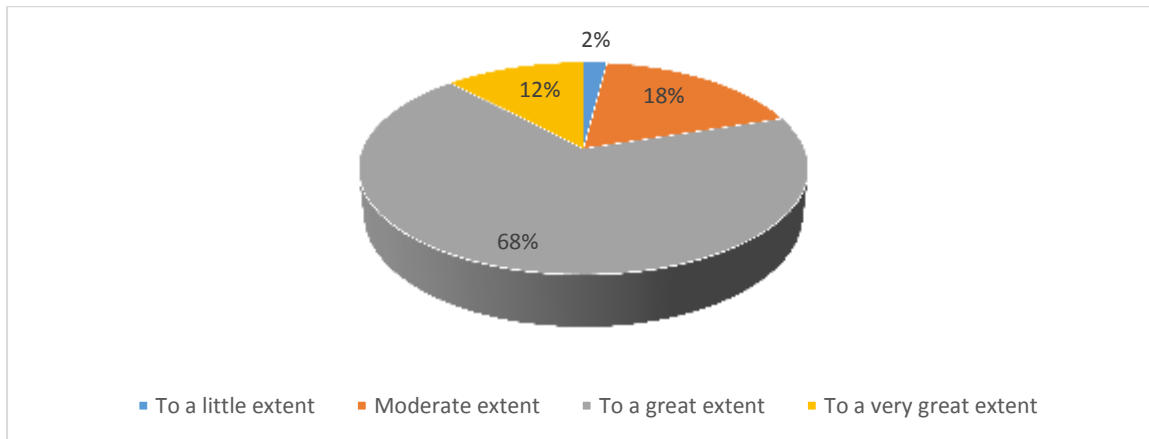


Figure 4.9 above show that to a great extent, strategies that were adopted by SMEs improved performance as indicted by 68% of the respondents, while 18% of the respondents indicated that strategies that were adopted by SMEs improvement performance to a moderate extent, and 12% of the respondents indicated that strategies that were adopted by SMEs improved performance to a very great extent.

4.6 Correlation Analysis

Correlation is a measure of the amount of association existing between two variables (Bird, 2003). In our case, the two variables that were measured were strategic management practice being the independent variable, whereas improved relationship with customers, improved quality of goods and services, improvement in financial performance and gain in market share being dependable variables. The strength of the relationship between the above variables was measured using the Pearson Product Moment Correlation Coefficient as indicated in Table 11 below.

(a) Improved relationship with customers

When it came to the influence of strategic management practices on improving the relationship with customers, a correlation coefficient of 0.534 was established depicting a positive relationship ($p < 0.001$) between the two at 99% level. This meant that there was a strong relationship between the application of strategic management practices by SMEs and improvement in customer relationship in the construction sector in Lusaka District.

Table 4. 11: Correlation Matrix

Pearson product moment Correlation		Strategic managem	improved relationship	improved quality of	improvement in financial	Gain in market
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		ent practice	with customers	goods and services	performance	share
Improved relationship with customers	Pearson Correlation	0.534**	1			
	Sig. (2-tailed)	0.001				
Improved quality of goods and services	Pearson Correlation	0.512		1		
	Sig. (2-tailed)	0.001		.		
Improvement in financial performance	Pearson Correlation	0.432*			1	
	Sig. (2-tailed)	0.001			0.002	
Gain in market share		0.116*				1
	Sig. (2-tailed)	0.001				0.002

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

*. Correlation is significant at the 0.05 level (2-tailed).

(b) Improved quality of goods and services

When it came to the application of strategic management practices and its influence on the quality of goods and services produced, a correlation coefficient of 0.512 was established depicting a positive relationship ($p < 0.001$) between the two at 99% level. This meant that there was a strong relationship between the application of strategic management practices and the quality of goods and services that were produced among sampled SMEs in the construction sector in Lusaka District.

(C) Improved financial performance

When it came to the application of strategic management practices on financial performance, a correlation coefficient of 0.432 was established depicting a positive relationship ($p < 0.001$) between the two at 99% level. This meant that there was also a strong relationship between the application of strategic management practices and financial performance among sampled SMEs in the construction sector in Lusaka District.

(d) Gain in market share

When it came to the influence of strategic management practices on gain in market share among sampled SMEs, a correlation coefficient of 0.116 was established depicting a low positive relationship between strategic management practice and gain in market share at ($p < 0.001$) between the two at 99% level. This meant that there was a weak relationship between the application of strategic management practices and gain in market share among sampled SMEs in the construction sector in Lusaka District.

From Table 4.11 above, the correlation matrix generally depicts a positive relationship between the application of strategic management practices and performance of SMEs in the construction sector in Lusaka District.

4.7 Summary

The study established that about 88% of the SMEs in the construction sector in Lusaka District were involved in selling of hardware, making of window and door frames, trading of building materials, cement block production and timber. In terms of challenges, it was established that limited access to finance, competition from large corporations, rapid change in technology, lack of managerial skills, lack of technical skills and late payments were the main challenges that SMEs faced. When it comes to strategic management practices, it was established that about 75% of the SMEs in the construction sector practiced moderate strategic management practices (not the best practices in relation to the model). When it comes to the influence of strategic management practices on the performance of SMEs, it was ascertained that there was a correlation between the practicing of strategic management and performance of SMEs in the construction sector, meaning the practice of strategic management had an effect on the performance of SMEs.

5.0 CHAPTER FIVE: DISCUSSION OF THE RESEARCH FINDINGS

5.1 Introduction

This chapter discusses the major findings of the study. It begins with discussing the general information and business strategies of SMEs in Lusaka, strategic management practices in the construction sector in Lusaka District, the challenges faced by SMEs in the construction sector in Lusaka District, and ends by discussing the influence of strategic management practices on the performance of SMEs in the construction sector in Lusaka District.

5.2 General information and business strategies of SMEs in Lusaka District.

The study established that 26% of the SMEs were involved in selling of hardware, 24% were involved in making of window and door frames, 13% were involved in trading of building materials, 10% were involved in cement block production, 9% were involved in timber input supplies, 7% were involved in construction of houses, 5% were involved in equipment supplies and electrical installations, 4% were involved in sand, metal and crushed stones supplies and 2% were in other activities. The results further indicated that the majority of the SMEs were involved in selling of hardware, making of window and door frames, trading of building materials, cement block production and timber input supplies. This finding was not surprising considering the minimal set-up requirements for these types of businesses and low barrier to entry in the construction industry in Zambia. Further, the majority of the SMEs were involved in the activities above considering the demand that was high in the market for building materials, hardware, sand, blocks, window and door frames and timber. This could have forced many entrepreneurs to venture into these activities. These findings are similar to those of the *Zambian Green Jobs Programmes Report (2014)* which indicated that majority of the SMEs in the construction sector in Zambia were involved in cement block production, door/ window frame production, sand, metal and crushed stones supplies, timber input supplies, building material trading and equipment supplies.

The other indication here is that most SMEs in the construction sector in Lusaka District had adopted more of corporate strategies than business strategies. For instance, diversification strategy was the most visible as most SMEs were involved in more than one activity as indicated in Figure 4.3, not the generic business strategies: differentiation, focus and low cost leadership. This finding is different from that of Adendorff et al (2011) who had indicated that “a small business is able to differentiate its products along some attributes that customers want, and the cost of doing so is lower than the extra revenue envisaged”.

The study also established that most of the organisations had between 1-25 employees, as revealed by 88% of the respondents, while 10% of the respondents indicated that their organisations had between 26-50 employees. Only 2% of the respondents indicated that they had between 51-75 employees. There was no organisation with more than 76 employees. Further, the study established that most of the organisations had been in operation for 1-5 years (48%) and 6-10 years respectively (30%), while 12% of the respondents indicated that their organisations had been in operation between 11 to 15 years. These findings are an indication that the majority of the SMEs in the construction sector in Lusaka District were in operation for a short period of time and many had few employees. The other indication is that many SMEs in the construction sector in Lusaka District were still in infancy stage. This the stage in which organisations are in their formative years. This finding agrees with the M.C.T.I (2007)'s brief history of entrepreneurship in Zambia that indicated the relatively young age of small businesses in Zambia. The underlying principle of this finding is that most of the organisations had managers who had little understanding regarding the business environment that there were operating in. This could be the reason why the failure rate of the SMEs in the construction sector was high. Therefore, for these organisations to survive the harsh business environment, they need to distinguish themselves through the adoption of growth strategies such as innovative product design, low cost manufacturing of products, superior quality and efficient after sales service.

5.3 Strategic Management Practices of SMEs in the Construction Sector in Lusaka

In the assessment of strategic management practices in SMEs in the construction sector, the study established that all the SMEs periodically gathered and analyzed data about the external and internal factors which affected their businesses. This was evidenced by the analysed data where 78% of the SMEs collected and analysed data on a monthly basis, 10% annually and 8% quarterly. Further, all the sampled SMEs had developed vision statements. Unfortunately the majority of the SMEs had not written their vision statements. In addition, all the sampled SMEs had formulated mission statements. However, the majority SMEs had not written their mission statements. The study further established that the majority of the SMEs (88%) had their mission and vision statements developed by owners of the organisations, 10% had placed the responsibility of developing mission and vision statements on all the employees, while 2% had placed the responsibility of developing mission and vision statements on top management. While the owners of businesses had the responsibility of defining the company

strategy and providing the vision for the company, involvement of all the employees in defining the company vision and mission is vital. This ensures employee participation. Once this is achieved, employees usually begin to associate with the company and channel their energy towards accomplishing the company mission. The above findings indicated that sampled SMEs had adopted moderate strategic formulation practices in relation to the model of strategic management. However, the finding that the SMEs in the construction sector had adopted strategic formulation practices are similar to those of Waweru and Omwenga (2015) who conducted a similar study in Kenya on the influence of strategic management practices on the performance of private construction firms and established that construction firms in Kenya practiced good strategic formulation practices. The findings are also similar to those of Tell (2010) who carried out a research in Sweden and concluded that managers in small, fast-growing firms were engaged in many different strategic management activities. Further, the findings are similar to those of Pumula (2010) who confirmed the existence of the application of strategic management practices among SMEs in the construction industry in Indonesia. However, the findings contradict those of Muogbo (2013) who concluded that strategy formulation was not a common business practice among small firms in Nigeria.

The study further established that the majority of the respondents to a large extent indicated that their SMEs had deliberately set their strategic direction in the form of a vision statement, mission statement and core values; the SMEs analysed and gathered information about their internal and external environment to understand their implications; SME's owners took formal responsibility for the firm's strategic management plan; Strategic formulation was a top priority activity in the SMEs; in some SMEs, employees were taken through a brief planning before implementation more especially in medium sized enterprises; few SMEs (Medium sized) had a planning committee that steered policy formulation and that the firms' strategic behaviour and choices were in line with environmental developments and this was incorporated in strategy formulation.

Further, to a moderate extent, the SMEs identified competitors and determined the reasons for success of competitors and considered this in strategy formulation. Also to a moderate extent, the respondents indicated that during strategy formulation, the SMEs assessed all resources (physical, financial, and human resources) in their organisations (in strategy formulation all resources in organisation are assessed) and some SMEs (Medium sized enterprises) did consult in the process of strategy formulation. The above findings are similar

with literature reviewed, where for any organisation to engage in successful strategy formulation, an organisation need to engage in environmental analysis using tools such as SWOT analysis and resource capability analysis (where an organisation needs to take stoke of the tangible and intangible resources, including its capabilities). The above strategy formulation activities fit well with the Resource Based View Theory where an organisation is required to analyse their internal strengths before it embarks on strategy formulation.

The study also established that strategy implementation in the majority of SMEs was found to be owned by owners or directors as indicated by 94% of the respondents, 4% by all levels of staff, and 2% by top management. The fact that the majority of SMEs had placed the responsibility of strategy implementation on the owners or directors indicated that strategy implementation in sampled SMEs was not participatory. This findings is similar to that of Lawal (2005) who carried out a study in Lagos State that established that leadership styles in SMEs were more autocratic than participative. The finding is not surprising as strategy implementation in many SMEs is done by owners of businesses. As Ehlers and Lazenby (2004) indicated “employing strategic management in SMEs is often the exception rather than the rule.”

Further, the responsibility of the outcome of strategy implementation was found to be owned by owners/directors as indicated by 94% of the respondents while 6% of the respondents indicated that top management took the responsibility. However, having all staff understand that they are responsible over success of strategy implementation would make them develop a sense of ownership of the strategy, and hence lead towards achieving success. These findings are similar to those of Lawal et al. (2012) who established that adoption of sound strategic management practices in terms of organisational structure, resource allocation, corporate culture, leadership, managing conflict and resistance to change ensured strategy implementation success and hence high organisation performance.

The respondents were also required to indicate the extent to which various strategy implementation practices were related to their SMEs. The study found that to a moderate extent, organization strategies were implemented purely based on set objectives and expected performance; SMEs allocated adequate resources to strategy implementation, and organization strategy was matched to organizational structure; there were motivational systems in place to ensure success of strategy implementation; company strategy was

adequately and comprehensively communicated to members of staff and organizations were keen on implementing organization strategy in a way that yielded highest performance. To a large extent, the study established that there were motivational systems in place to ensure success of strategy implementation. The findings are similar to those of Amoah-Mensah (2012) who concluded that the firm's internal and external resources were important in strategy implementation. The findings are also in agreement with Ehlers and Lazenby (2004) who wrote that "strategy implementation is the phase in which management aligns or matches leadership, organisational culture, organisational structures, reward systems and resource allocation with the chosen strategy or strategies".

The study further established that 46% of the SMEs to a large extent carried out strategy evaluation, and outcomes were either in changing the current strategic plan or future planning processes. To a moderate extent, (38%) of the respondents' utilised evaluation to change the current and future strategies, while 10% indicated that they utilized evaluation to a small extent, and 6% to a very large extent.

The study further established that to a large extent there was monitoring, evaluation and control of the implementation of strategy in SMEs; SMEs reviewed their strategic management decisions; in SME's, strategy evaluation involved reviewing the process of strategy formulation and implementation; the success of strategy evaluation was done on regular basis and corrective action was taken on timely basis of the strategy for highest performance; there existed clear communication channels within the organisations to enable evaluation of strategy performance and strategy performance comparison was done with other strategies implemented and the success of a strategy was implemented and evaluated at the end of implementation stage and corrective measures taken. To a moderate extent, respondents indicated that there was a clearly defined and measurable performance targets for each strategic management plan element.

5.4 Challenges faced by SMEs in the Construction Sector in Lusaka

The study established that competition from large corporations (47.5%) was the biggest challenge that sampled SMEs faced, followed by limited access to finance and credit (15.2%), rapid change in technology and late payments (10.1%), lack of managerial skills (7.1%), lack of technical skills (5.0%), limited work opportunities (3.0%) and other factors (2.0%). These finding are not surprising as many researchers have discovered similar problems. For

instance, the Ministry of Commerce, Trade and Industry (2009) and The National Council for Construction (2004) highlighted similar challenges. Further, Kulemeka et al, (2015) had similar conclusions when they wrote that “the SMEs in construction sector in Southern Africa were struggling to perform because many lacked business and managerial skills to analyse the internal and the external environment”. However, what is important is to know how to solve the above challenges using known tools such as strategic management, as Bin Yahya (2015) suggests when he writes “SME organisation should engage in strategic goals and planning activities in order to succeed in the competitive construction industry”. Some of the strategies that could be adopted that might help to address the above challenges include the following:

- (a) **Joint ventures-** SMEs in the construction sector in Lusaka District, can form partnerships for them to solve challenges such as limited access to finance and limited work opportunities. In the case of limited access to finance, the SMEs could venture into pooling (putting resources together). The SME has to identify a partner that has the necessary plant and equipment that could help to obtain a bank loan. In terms of limited work opportunities, SMEs in the construction sector can partner with established companies for bigger projects such housing estates when it comes to the award of big tenders.
- (b) **Strategic alliances-** SMEs in the construction sector in Lusaka District, can form partnerships for them to solve challenges such as limited technical skills.
- (c) **Innovation-** The best way of using innovation is by SMEs coming up quality products and services that could help them be competitive. For instance those SMEs involved in cement block production can come up with new blocks that are of high quality for them to remain competitive.
- (d) **Market development-** This strategy can work for SMEs if they introduced their products and services outside Lusaka District. For instance, SMEs involved in cement block production, selling of hardware, construction of houses and timber supplies can establish branches in new geographical areas. Market development might help solve the problem of competition and limited work opportunities.

5.5 Influence of Strategic Management Practices on Performance of SMEs in the Construction Sector in Lusaka.

Correlation analysis was used to determine the influence of the adoption of strategic management practices on the performance SMEs in the construction sector in Lusaka

District. As such computations were made using the product moment correlation. It was established that there was a positive correlation between strategic management and customer relationship (0.534), quality of goods and services (0.512), financial performance (0.432) and gain in market share (0.116). The study further established that there was improved performance in SMEs through improvement in relations with customers as indicated by 41.8% of the respondents, improvement in the production of goods and services (30.9%), improvement in financial performance (15.5%) and gain in market share (11.8%).

The respondents further agreed that internal factors affected the SME's strategic decision making; external factors affected SME's strategic decision making; Strategy management affected SME performance; SMEs reviewed their strategies every five years; lack of strategic planning had an influence on company performance. Further, respondents strongly agreed that their organisation adopted new strategies to achieve competitive advantage; SMEs did the external and internal analysis to determine the strategies to adopt; SMEs were guided by their mission statement to achieve competitive advantage. These findings were similar to those of Waweru and Omwenga (2015) who investigated the influence of strategic management practices on the performance of private construction firms in Kenya, where the study established the relationship between the adoption of strategic management practices and improved performance of firms in the construction sector. Pumula (2010) who carried out a study on strategic management practices among SMEs in the construction industry in Indonesia, where the study provided empirical evidence in support of the notion that a competitive advantage was achieved via the implementation of a dynamic capability framework of strategic management practices. Yunus (2010) who studied strategic management practice and corporate performance of selected small business enterprises in Lagos metropolis, where the study established, that strategic management practices enhanced both organisational profitability and company market share. Lawal et al. (2012) who found that adoption of strategic management techniques improved the performance and relative standing of an organisation. Otieno (2013) who found that organizations perceived strategic practices were very important to the future success of organisation and performance. David (1997) who concluded that companies that had successfully adopted strategic management practices had succeeded and improved their profit reports as well as increased their customer base and their market share. Further, the findings are also similar to those of Nyariki (2013) and Njeru (2015) who concluded that there was a positive association between adoption of strategic management practices and performance of SMEs. Last but not the least, the findings

are similar to those of Adendorff et al, (2011) who established that SMEs that practiced strategic management performed better, and that there were many advantages for SMEs that adopted strategic management principles at the organisational level.

However, performance in SMEs must be developed and measured by identifying and seeking out new opportunities, promoting the firm's products and services, including responsibility for technical reviews and supply of advice to customers on all aspects of the firm's business from procurement to final delivery (Adendorff et al, 2011). For Ward et al (1991), they wrote that "there are additional approaches or philosophies as measures of performance within the construction industry. These include business process re-engineering, total quality management, continuous improvement and business process management." As argued by Kagioglou et al (1998), when they wrote that "a holistic view of performance does not concentrate much on measure of success on the traditional pillars of cost, quality and time."

5.6 Summary

The study established that about 88% of the SMEs in the construction sector in Lusaka District were involved in selling of hardware, making of window and door frames, trading of building materials, cement block production and timber input supplies. The findings were not surprising considering the minimal set-up requirements for the above types of businesses and the low barrier to entry in the construction industry in Zambia. The study further established that about 75% of the SMEs in the construction sector in Lusaka District had not adopted the best practices in relation to the strategic management model. The study further established that limited access to finance, competition from large corporations, rapid change in technology, lack of managerial skills, lack of technical skills and late payments were the main challenges that faced SMEs. However, the above challenges could be overcome through SMEs adopting the following strategies; joint ventures, strategic alliances, innovation and market development. Furthermore, it was established that the application of strategic management practices had an effect on the performance of SMEs in the construction sector in Lusaka District. This was proved through the correlation analysis. However, if performance was to be improved in SMEs in the construction sector, the SMEs must always be identifying and seeking new opportunities, promoting the firm's products and services including technical reviews. There is also need for SMEs to adopt new philosophies as measures of performance like continuous improvement and total quality management.

6.0 CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS

From the findings of the research, the following conclusions have been made;

6.1 Strategic management practices of SMEs in Lusaka

The study concludes that SMEs had adopted strategic management practices in relation to situational analysis, strategy formulation, implementation and evaluation. However, about 44% of the SMEs had written mission and vision statements. Further, strategy formulation, implementation and evaluation were not participatory, meaning there were personalised by owners. This therefore means that, the strategic management practices that were adopted by SMEs in the construction sector in Lusaka District were moderate.

6.2 Challenges faced by SMEs in Lusaka

The study concludes that SMEs in the construction sector in Lusaka District faced challenges like competition from established companies, limited access to finance and credit, rapid change in technology and late payments, lack of managerial skills, lack of technical skills and limited work opportunities. However, some challenges that the SMEs were facing are not unique to the construction sector, meaning SMEs in other sectors encountered them. However, what is important is knowing how to solve the challenges so that the SMEs can remain competitive.

6.3 Influence of Strategic Management practices on performance of SMEs

The study concludes that adoption of strategic management practices influenced performance among SMEs in the construction sector in Lusaka District. This is seen through the positive relationship that was established between adoption of strategic management practices and performance of SMEs in customer relationship (0.534), quality of goods and services (0.512), financial performance (0.432) and gain in market share (0.116). This therefore means that adoption of strategic management practices lead to improved performance among SMEs in the construction Sector.

6.4 Recommendations

It is therefore recommended that:

- (i) SME organisations need to adopt superior strategies if they are to survive the harsh business environment. This can be done through carrying out a detailed and accurate situational analysis, involvement of consultants and all employees in strategy

formulation, ensuring implementation of strategy is participatory and continuously reviewing the strategies implemented by their organisations.

- (ii) SMEs should have written and clearly defined mission and vision statements. These statements should be communicated to employees or members of staff during the rolling out of strategy. This is important because vision and mission statements state where the firm is heading and what it would like to achieve in the future.
- (iii) SME owners should strive to make the strategic management process as inclusive as possible from the lower level employees to senior management. This creates a sense of ownership and ensures that employees feel part of the entire process since they are the ones to implement the strategy.
- (iv) Owners of SMEs should continuously be evaluating the progress of various strategies and take corrective measures on timely basis.
- (v) In order to reduce on high rate of business failure, SME owners must have interest in improving their managerial skills through regular training. Further, owner managers should develop superior strategic objectives which include technology and innovation, business efficiency and growth and good customer service.
- (vi) SMEs should always strive to have the right resources because the success of any business strategy depends primarily on the availability of resources (financial and human), value judgment, energy and skill of its managers and the strategic implementation within the context and parameter of the uncertainty and ambiguity of the environment subjected to volatility.

6.5 Suggestions for Further Research

This study has established that strategic management practices can be applied in SMEs in the construction sector to improve on business performance. However, the study recommends that a similar study be conducted outside Lusaka District to confirm the findings.

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Appendix I: Questionnaire

Dear respondent

Am a student from the University of Zambia, carrying out a research entitled “an assessment of Strategic management practices and Performance of Selected Small and Medium Enterprises in the construction sector” You have been randomly selected to participate in this study. You are therefore requested to answer all the questions in this questionnaire. The answers you will give will be treated with confidentiality.

SECTION A: Demographic Information

Tick or write where you are requested to do so.

1. What is your Age?

25 – 34 years () 35 – 44 years () 45 – 54 years () 55 and above ()

2. What is the highest grade you have reached?

Grade seven () Grade Nine () Grade Twelve ()

Any other specify.....

3. What is your highest qualification achieved?

Certificate () Diploma () Degree () Post Graduate ()

Any other specify.....

4. What activities is your organisation involved in?

a) Cement block production ()

b) Selling of hardware ()

c) Making of window and door frames ()

d) Sand, metal and crushed stone supplies ()

e) Timber input supplies ()

f) Building materials trading ()

g) Construction of houses ()

h) Equipment supplies and electrical instillations ()

Any other specify.....

5. How many years have this organization been in operation?
1 – 5 years () 6 – 10 years () 11 – 15 years () 16 – 20 years () 21 years and above ()

6. What is the size of your organization in terms of number of employees?
1 - 25 employees () 26 - 50 employees () 51-75 employees () 76-100 employees ()
Above 100 employees ()

Section B: Strategic Management Practices

Strategy formulation

1. Does your organisation periodically gather and analyse data about the market and other external or internal factors which affect its operation and business?

Yes [] No []

2. If yes, how often do you gather and analyse this data?

Monthly [] Quarterly [] Semi-annually [] annually [] Continuous [] other [] Please specify.....

3. Is the external or internal market analysis used to identify key strengths, weaknesses, opportunities and threats to your business?

Yes [] No []

4. Does the company have a vision statement?

Yes [] No []

5. Is the vision statement written or unwritten?

Written [] Unwritten []

6. Does your company have a mission statement?

Yes [] No []

7. Is the mission statement written or unwritten?

Written [] Unwritten []

8. Who develops your company's mission and vision statements?

Owner of the company [] Top management team []

All employees []

9. The following are descriptive statements about strategic management practices. Please indicate the extent to which each statement applies to your company. Use the scale below to tick [] as appropriate

1 – Not at all 2 – Small extent 3 – Moderate extent 4 – Large extent 5 – Very large extent

Descriptive statements on strategy formulation	1	2	3	4	5
The company has deliberately set its strategic direction in form of vision statement, mission statement and core values.					
The company analyses /gathers information about its external environment to understand their implications.					
. Owner take formal responsibility for the firm's strategic management plan.					
Strategic formulation is a top priority activity at your company					
You hire the services of the consultant in the process of strategy formulation.					
Employees are briefed and taken through the strategic management plan before implementation.					
Your company has a planning department or committee that steer policy formulation					
In strategy formulation all resources in your organisation are assessed.					
You identify competitors and determine the reasons for success in strategy formulation.					
Your company's strategy behaviour and choices are in line with environmental developments and this is incorporated in strategy formulation.					

Strategy implementation

9. Who does strategy implementation in your company?

Owner / Directors Top Management junior staff All levels of staff

10. Who owns implementation and outcome of organization strategy in your company?

Directors/Owner Top managers

All levels staff

11. The following are descriptive statements about strategic management implementation practices. Please indicate the extent to which each statement applies to your company. Use the scale below to tick as appropriate

1 – Not at all 2 – Small extent 3 – Moderate extent 4 – Large extent 5 – Very large extent

Strategy statements on strategy implementation practices	1	2	3	4	5
Company strategy is adequately and comprehensively communicated to members of staff					
Resources are adequately allocated for strategy implementation					
Organisational strategy is matched to organisational structure					
Organisational strategy is implemented purely based on set objectives and expected performance					
Organisation is keen on implementing organisational strategy in a way that yield highest performance					
There are motivational systems in place to ensure success of strategy implementation					

Strategy Evaluation

1. Using a 5 point scale, to what extent are the outcomes of the evaluation utilised in either changing the current strategic plan or in future planning processes

Please indicate the extent to which your company has developed the following set of key performance indicators as a means of tracking the success of the strategy initiatives. Use a 5 point scale where 1 – Not at all 2 – Small extent 3 – Moderate extent 4 – Large extent, 5 – Very large extent

Descriptive statements on strategy evaluation practices	1	2	3	4	5
There is monitoring , evaluation and control of the implementation of strategy at your company					
There is a clearly defined and measurable performance targets for each strategic management plan element					
The company review strategic management decisions					
Strategy evaluation involves review of the process of strategy					

formulation and implementation					
The success of strategy evaluation is done on regular basis and corrective action is taken on timely basis on the strategy for highest performance					
There exists clear communication channels within the company to enable evaluation of strategy performance					
The success of a strategy is implemented and evaluated at the end of implementation stage and corrective measures taken					

Section C: Challenges faced by SMEs in the construction sector

11. What are some of the challenges you face as a company?

- a) Limited access to Finance, Credit
- b) Competition from large companies
- c) Lack of managerial skills
- d) Rapid change in technology
- e) Limited work opportunities,
- f) Late Payments
- g) Lack of technical Skills

Any other specify.....

Section C: Strategic Management Practices on performance of SMEs in construction

6. Have the strategies you have adopted in the last five years related to the performance of your organization?

Yes No

7. If the answer to that above question is ‘yes’ how have the strategies you have adopted improved performance in your question?

- a) Has improved the relationship with customers
- b) Has made you produce quality goods and services
- c) Has made you improve in terms of finances
- d) It has made you plan for the future

9. To what extent do you agree with the following statements on strategic management practices and performance? Use a scale of 1-5 where 1 is strongly disagree, 2- disagree, 3- Neutral, 4- Agree and 5 strongly agree.

Descriptive statements on organisational performance	1	2	3	4	5
Internal factors affect the company's strategic decision making					
External factors affect the company's strategic decision making					
Our organization adopts new strategies to achieve competitive advantage					
The company does the external and internal analysis to know the strategies to adopt					
Strategy management affects company performance					
Our company is guided by our mission to achieve competitive advantage					
Our company review the strategies every after five years					
Lack of strategic planning has had an influence on company performance					

10. On overall, to what extent has the strategies adopted by your organization improved the performance of your business?

To no extent () to a Little extent () Moderate extent ()

To a great extent () to a very great extent ()

Thank you for your co-operation.

Appendix 2: **List of Selected Small and Medium Sized Enterprises (SMEs)**

1. Asya construction limited
2. Banda Investment
3. Beblous Hardware
4. Better Aluminium Hardware
5. Chizyuka Enterprises
6. Derick Enterprises
7. D.M Investments
8. ESCOM Enterprises
9. F.C Chama Hardware
10. Frank Investment
11. Galaxy Hardware
12. GEOTECH Exploration
13. H.T.C Enterprises
14. Inchi Electrical Hardware
15. Isaac Enterprises
16. Kabs Enterprises
17. Kakulu Investments
18. Kwelelo Enterprises
19. Lustec Hardware
20. LSO Contractors
21. Madalitso Enterprises
22. Maliti Investments
23. Mayungo Enterprises
24. Masamba Hardware Solutions
25. Mendaliton Enterprises
26. Micro Hardware
27. Mine Enterprises
28. Mukonda Enterprises
29. Mysterious Hardware

30. Omec Steel Investments
31. ORT Hardware
32. Phiri J Enterprises
33. Rockline Enterprises
34. Royal Hardware
35. Ron Hardware
36. Sekulu Enterprises
37. Shimbeza Enterprises
38. Shimbeza Investments
39. Shepard Steel and Timber Suppliers
40. Sihem Investment Ltd
41. Sikube Enterprises
42. T.C Bwembya General Dealers
43. Terotech Construction Limited
44. Thumbs Hardware
45. Truebuild Construction Ltd
46. Wameka Waluza Investments
47. Wheelers Investments
48. Yuwa Enterprises
49. ZAX Hardware
50. ZEMCO Enterprises