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EFFECTS OF SHARED VISION ON PERFORMANCE OF SMEs IN KENYA

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Abstract

Statistics from Small and Medium Enterprises authority shows that SMEs in Kenya are characterised by lack of resources, poor financial performance, and lack of expansion. The performance of SMEs in Kenya have been declining for the last two decades. The explanation for the decline in SMEs is however unclear. The specific objectives of the study were to determine the effect of shared vision on the performance of SMEs specifically the Baringo and Elgeyo-Marakwet counties which are part of 47 counties in Kenya. The data collected had an average reliability coefficient of 0.807. Principal components analysis extracted factors from the data and the results indicated that shared vision positively influenced SMEs performance, (β = 0.072, p-value =0.00), whereas social networking significantly moderated the relationship between shared vision, and SME Performance (β = 0.09, p-value =0.00). The results provide support for the hypothesis and reveals that shared vision is a critical and may be of help to SMEs in the two counties. These findings to be of interest to consultants and support agencies that aid in understanding the importance of Shared Vision, the greater is the insight on how firms, SMEs can develop competitive strategies to improve its performance in the selected counties in Kenya.

Keywords: Shared Vision, Social Networking, Competitive strategies, SMEs performance

INTRODUCTION

SMEs performance can be measured both subjectively and objectively using dimensional bundle of procedures of performances that consist of both financial and non-financial, which quantifies what has been achieved as well as predicting the future going forward (Alhyari, Alazab, Venkatraman & Alazab, 2013). SMEs have been touted as critical vehicles to lessen the deleterious effects of neo-liberalism, globalization, poverty reduction, income inequality, low growth, weak trade and investment (Sannajust. 2014: Narteh. 2013, Gagliardi et al., 2013; Briozzo & Riportella, 2012). Studies on SMEs reveal a host of factors that could potentially explain their poor performance. This often complicates the way in which the managers who own the business together with investigators recognize the causes of SMEs disappointment. Pretorius (2008) and de Vos (2006) proposed a triadic structure of causes: lack of resources (knowledge, information and assets) and opportunities; descriptions as a viewpoint of disaster (for instance, liabilities of failure and liabilities of newness); and multiple causes (arising from entrepreneur, organization, and environment). Therefore if SMEs can build and maintain a network of partners, SMEs can ameliorate such scarcities and obtain knowledge, support, and access to distribution of channels (Kiprotich, Kimosop, Kemboi & Chepkwony. 2015); Canta *et al*., (2010); Westerlund & Svahn, (2008) and Tata & Prasad, (2008).

The findings on studies concerning SME performance are contradictory (Jimenez-Jimenes & Cegarra-Navarro, 2017; Martinette and Obenchain, 2012). The moderation effect of social networks on the association between shared vision and the performance of SMEs is largely unknown (Naude, Zaefarian, Tavani, Neghabic & Zaefariane, 2014). However this study was set out to establish the effect of shared vision on performance by SME in Baringo and Elgeyo-Marakwet counties of Kenya. According to Hult (2016), showed that market-driven organizational learning strategy by Mexican firms helps domestic and international strategic business units improve customer satisfaction, commitment and performance. Hussain, Shah and Khan (2016), in an investigation of two hundred and thirteen SMEs that are owned by the manufacturing sector in Sialkot, Pakistan, found a positive and statistically significant association between learning orientation with organizational performance of the SMEs. Even though the gains from social networking, along with the employment of shared vision are widely studied, few studies have integrated the two theoretical concepts and how they relate to SMEs performance. Consequently, from the above discussion, this study is set out to establish the effect of shared vision on the performance of small and medium Enterprises in Baringo and Elgeyo-Marakwet counties of Kenya.

Significance of the Study

The findings could also be important to the Academic field by extending scholarly work in the discipline of entrepreneurship and strategic management. The findings from the study could similarly be an eye opener for advancing investigation in the same area of study.

EMPIRICAL LITERATURE REVIEW

Empirical evidence (Richard, Devinney, Yip, & Johnson, 2009; Herman & Renz, 1999; Forbes, 1998), showed that the association between Shared Vision and SMEs performance are positive, nevertheless problems of understanding SMEs performance have not been tackled yet**.** Shared Vision is a process that makes all the members, owners, managers and the stakeholders have a sense of purpose and direction to learn. Sulaiman and Salim (2011), the focus on shared vision is on internal communication that encourages all members and every other stakeholder of an organization who are determined to learn (Baker and Sinkula, 1999; Sinkula, 1997). According to Calantone *et al.,* (2002), shared vision increases the quality of learning.

Shared vision may help in the implementation of many creative ideas in organizations that are never done due to lack of a common direction (Baker, 2000; Sinkula, 2000). A shared vision results in an improvement in the quality of learning. Calantone and colleagues, 2002). It guides organizational learning and helps employees reach a common level of understanding. This fosters commitment and alignment with the organization's learning strategy (Husain et al., 2016). A shared vision inspires hope and success throughout the organization (Boyatzis & McKee, 2005). Managing with a shared vision can have a wide range of beneficial effects on an organization, including improving performance, promoting change, laying the groundwork for a strategic plan, motivating individuals, and providing context for decisions (Lipton, 1996). Other research indicates that shared vision is critical to the team innovation process (Pearce & Ensley, 2004), contributes to the promotion of extra-role or championing behavior during mergers and acquisitions (Clayton, 2009), and amplifies the impact of emotional intelligence in both IT team engagement (Mahon, 2008) and physician leadership (Quinn, 2012).

The contests are typically distinctive starting with those of large firms and, since many of the current methods of assessing performance are premeditated ultimately, a small number of apparatuses are accessible for the SMEs. Although SME performance is generally accepted to be a multidimensional construct, many studies continue to measure it with a solitary pointer and signifies the perception as one dimension (Glick, Washburn & Miller, 2005). Richard et al., (2009) advised that if there is many dimensions or ways, a researcher should select the one that is very necessary or important to his study and evaluate the results of this selection. According

to Neely, Gregory and Platts (1991), the measurement for performance if referred to as the way of putting quantity on efficiency of an accomplishment. This study adopts Griffins' (2006) viewpoint by defining SME performance as its capability to obtain and exploit its limited resources and valuables as promptly as possible while pursuing its strategic planning.

Empirical evidence posited that there is no consensus on what exactly is the correct measurement of SME performance; reasonably, every technique delivers one viewpoint on performance through strategic planning. Herman and Renz (1997) gave a suggestion that SME performance is formulated in a social way and that whichever measurement of performance is impacted by whoever questions. In the same way, assessments of SMEs performance need to change and stop depending on the suggestions of the team leaders alone. Therefore, the investigation of the way SME are performing is attained via development of a judicious set of measures (Nobbie & Brudney, 2003) and having several people who understand and who deal with mission or goal accomplishment to deliver their observations of activities of an organization.

The focus of the shared vision is on internal communication that encourages all members of an organization who are determined to learn (Baker and Sinkula, 1999; Sinkula, 1997). Shared vision leads to increase in the quality of learning Calantone et al., 2002). It provides direction to organizational learning and brings employees to a similar level of understanding. This engenders commitment and alignment with the learning direction taken by the organization (Husain et al., 2016). Managing through a common vision can improve performance, promote change, provide a framework for a strategic plan, motivate personnel, and provide a context for decisions (Boyatzis & McKee, 2005). (Lipton, 1996). The impact of emotional intelligence on both IT team engagement (Mahon, 2008) and medical leadership (Clayton, 2009) has been studied (Quinn, 2012).

Nohria (2012) and Korir (2012); described networks as a form of collaborative relationships that firms enter into with their partners for strategic reasons. Hagedoorn and Shakenraad (1994) on the other hand defined networks as flexible modes of governance. Carson *et al.,* (1995) further described networking in a small business context as "an activity in which the entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their surroundings". Additionally, the term network refers to a group of actors (individuals, departments, or businesses) and their strategic ties (family, community, finance, and business alliances) to one another (Johnsen & Johnsen, 1999). Social network analysis reveals the previously invisible network of social relationships between individuals and SMEs. The central tenet of social network analysis is that the causal engine for how people feel, believe, and act is found in the patterns of relationships between actors in a situation, not in the individual actors' attributes.

Coulthard and Loos (2007), on the other hand, defined networking as the exchange of friendship, information, benefits, and effects. However, for the purposes of this study, networks are defined as voluntary arrangements between firms aimed at providing participants with a competitive advantage. Barnir and Smith (2002) concurred that social networks are critical for small businesses because they provide additional resources, as well as emotional and support, whereas Gulati (1998) examined the theory that networks are governed by social context and the interaction of network actors, rather than economic factors. The importance of informal networks cannot be overstated. These can take the form of friendships, informal advice from various individuals, or casual conversation within and outside the global business world.

Hult, Hurley, and Knight (2004) and Verona (1999) defined shared vision as organizations that place a high premium on learning, emphasizing that organizations that lack shared vision and internal learning are less likely to be effective. Shared vision refers to the organization's members focusing exclusively on learning, which results in an increase in their energy, commitment, and purposefulness (Sinkula et al., 1997). A shared vision can assist organizations in implementing numerous creative ideas that are never implemented due to a lack of a common direction (Baker, 2000; Sinkula, 2000). Calantone et al., 2002) found that shared vision results in an increase in the quality of learning. It guides organizational learning and helps employees reach a common level of understanding. This fosters commitment and alignment with the organization's learning strategy (Husain et al., 2016).

According to Brown and Eisenhard (2002), great ideas are rarely translated into action in the majority of firms due to the organization's diverse interests. Thus, when organizational knowledge is implemented, a positive learning climate necessitates an organizational focus. A well-defined learning direction is likely to develop into an organizational strength or even a core competency. SMES lack direction because they lack shared visions and Tsai and Ghoshal (1998) defined shared vision as the embodiment of a group's collective goals and aspirations, as well as its shared sense of purpose and operating values (Senge, 1990). A shared vision is considered critical for proactive learning because it fosters group members' commitment, energy, and purpose (Tobin, 1993; Day, 1994). Similarly, Senge (1990) asserts that shared vision is necessary for learning to occur because it provides the "pull" toward goals necessary to overcome inertia forces.

A shared vision can help motivate teams (Van den Bossche et al., 2006); promote the sharing of perspectives and knowledge among members (Bunderson & Reagans, 2010); foster positive feelings and commitment among members (Boyatzis, 2008); increase organizational engagement (Mahon et al., 2014); and legitimize the acquisition and assessment of new knowledge (Lyles & Salk, 1996). When team members share common or cooperative goals,

they are more receptive to problem-solving approaches that enable them to learn from their mistakes (Tjosvold et al., 2004); competitive goals, on the other hand, have been found to negatively correlate with collective problem-solving approaches and to undermine group learning (Tjosvold et al., 2004). Tsai and Ghoshal (1998) asserted that SHV and collective goals are reflections of social capital's cognitive dimension. Toloie and Maatofi (2011) established a significant positive correlation between shared vision and innovation. However, small businesses can strengthen their employees' energy, commitment, and purpose through concentrated learning. As a result of the research findings, learning can be meaningless unless personnel can focus on something. They will, however, miss out on important information even if they are highly motivated to learn.

Further, Sulaiman and Salim (2011) showed that shared vision had a positive and significant relationship with both technological innovation and administration innovation, although its impact was less than that of commitment to learning. However, the same study indicated that shared vision did not affect market innovation. McLaughlin et al., (2004) found a positive and significant relationship between shared vision and SMEs performance in a study of 876 executives drawn from American Marketing Association. Extending the study of the relationship between the four components of LO with entrepreneurial performance, in which company commitment was a moderating variable for this relationship, Khlynovskaya, Hudson and Pesamaa (2014) found no significant relationship between shared values and company commitment.

Resource Based View Theory

The Resource-Based View Theory viewed businesses as collections and sets of resources. According to Wernerfelt (1994), firm resources are the primary determinants of organizational performance (Barney & Clark, 2007; Barney, 1991; Grant, 1991; Hall, 1992). The resources required to develop, choose, and implement strategies are likely to be distributed differently across organizations, which is posited to account for performance differences between them (Grant, 1991; Barney, 1991). According to the theory, the fundamental sources and drivers of firms' competitive advantage and superior performance are primarily associated with the characteristics of their resources and capabilities that are valuable and difficult to replicate (Barney 1991; Barney & Clark, 2007; Conner, 1991; Peteraf, 1993). Additionally, Barney and Clark (2007) argued that for a firm resource to have the potential to generate competitive advantage, it must possess four characteristics. To begin, it must be valuable in that it capitalizes on opportunities and/or mitigates threats in a firm's environment. Second, it must be uncommon among a firm's existing and prospective competitors. Thirdly, it must be

imperfectly imitable, and finally, it cannot have strategic equivalents. Due to isolating mechanisms such as causal ambiguity, time compression diseconomies, embeddedness, and path dependencies, resources frequently survive competitive imitation (Hall, 1991). The term "resources" refers to an organization's available factors of production that it owns or controls (Amit & Schoemaker, 1993).

Theory of social Networking

Entrepreneurial firms among them are SMEs should build good reputation to enhance better relationship with the external resource providers who are always ready and willing to share important information, new ideas, new technology and support. Birley et al., (1992) reported that entrepreneurs adopted social network theory since 1980s. This helps entrepreneurs to overcome their business challenges in outsourcing especially at the business start-up stage. Social network theory proposed three different types of network centrality measures for determining the advantageous position that shareholders, owners, and entrepreneurs typically occupy, namely degree, betweenness, and closeness (Freeman, 1979). Degree centrality quantifies the number of connections between and among individual small business owners in a network. Individual entrepreneurs with a high degree of centrality are more likely to become opinion leaders, as having more social ties enables them to receive and disseminate information more effectively (see Figure 1, black node). Betweenness centrality quantifies the frequency with which an individual node is connected to other nodes in the network via the shortest path. Individuals with a high betweenness centrality are more likely to act as a network bridge—a node that connects otherwise unconnected network clusters.

Moderating role of social networking

Dimovski and Skerlavaj (2011) examined how social networks could bring about learning in organizations. The study was conducted on 93 employees in three countries, Slovenia, Croatia and Serbia & Montenegro, working in a software company. Their core business is software development, IT & business consulting and maintenance & support. The study measured learning network by asking respondents about the people in their organization they learn the most from. Findings indicated that a relationship existed between social networking and the ability of a firm to learn. Specifically, the study found that the social network factors that increases the propensity of learning included the experience of the employee in a particular field, their physical proximity, level of expertise, complementarities in their personalities, network size and density and cohesiveness of member relationships.

Using social capital theory and social network analysis. Horton, Millo and Serafeim (2012) examined directors' connectedness and whether this connectedness was associated with their compensation levels and entrepreneurial performance. The study was conducted amongst a sample of 4.278 listed UK firms and constructed a social network consisting of 31.495 directors. The findings from the study showed that connectedness was positively associated with both compensation and the performance of the firm. The study concluded that directors do not use their connections to extract rent: rather the firm compensates them for the benefits they provide.

Powell, Koput, Smith-Doerr, and Owen-Smith (2006) examined the relationship between position in a network and performance of organizations. The study examined 400 firms in the human biotechnology industry in USA, drawing on data collected over a ten-year period (1988-1997). Three modes of panel regressions were used to analyze relationships between network structure, performance and patenting. Findings from the study showed that collaborations were pertinent in determining competitive advantage for firms in the study. The study also found decreasing returns to network experience and diversity, indicating there could be limits to learning that occur through networks.

RESEARCH METHODOLOGY

Study adopted a descriptive research design. Questionnaires were used to collect data. The questionnaire comprised of closed ended questions. Reliability of research items in a research instrument was calculated by Cronbach's' Alpha during pilot stage. The study selected 332 SMEs from Baringo and Elgeyo-Marakwet counties using systematic sampling. This study sampled every seventh SME in the sampling frame until the total sample size was attained. The data was transcribed into a computer spreadsheet and then exported into a statistical programs statistical package for social sciences (SPSS). Social networking was measured using a seven-item scale. This study adopted the egocentric method, as the SMEs in the study area may not have a list of prior relationships amongst owners/managers of the firms.

The factorability of the data (determining whether the data is suitable for factor analysis) was determined using several criteria. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was checked to see whether it is above 0.5 while the Bartlett's test of sphericity were checked to see whether it is significant (at $p < 0.05$), which would indicate that the correlation matrix of the original variables is not an identity matrix, thus suggesting that a factor model is appropriate. The diagonals of the anti-image correlation matrix were inspected to see whether they are all above 0.5, which show some underlying structure among the observed

variables. Principal Components Analysis (PCA) was used to extract the components or factors from the data. Regression model was used to test the relationship between variables.

FINDINGS

Shared vision as a measure of learning orientation, tests the significant effects on performance of SMEs. These were; total agreement on organization vision across all levels functions and division (0.89), all the employees in the firm are committed to the goals of the organization (0.95), all employees view themselves as partners in changing the direction of the business/organization (0.94) and there is a commonality of purpose in my organization (0.85). Table 1 presents a Chi-Square of 1165.61 and significance of 0.00. KMO sampling adequacy of 0.81 which is above the 0.7 implies the sampling was adequate and that the study proceeded for factor analysis.

Table 1: KMO for Shared Vision

Component Matrix[a]		
		Component
		1
There is a total agreement on our organizational vision across all the levels functions and division		.89
All the employees are committed to the goals of this organization		.95
All employees view themselves as partners in changing the direction of the business/organization		.84
There is a commonality of purpose in my organization		.85
Extraction Method: Principal Component Analysis		
a.1 components extracted.		
KMO and Bartlett's Test		
Kaiser Meyer Olkin Measure of Sampling Adequacy		.811
Bartlett's Test of Sphericity	Approximate Chi-square	1165.611
	Degrees of freedom	6
	Significance	.000

The items or constructs each had higher loadings exceeding 0.7. The first items that concerning the top level repeatedly emphasized on the importance of knowledge shared in the enterprise had factor loaded considering the component 1 of 0.92, Employees, managers and shareholders always analyse widely on unsuccessful business ventures and communicate the lessons learned among each other (0.94), We have specific mechanisms for sharing lessons in

activities of the organization from department to department (0.91), We always emphasize on sharing lessons and experiences within the organization (0.91) and there is a good deal of organizational conversation that keeps alive the lessons learned from history (0.87) as shown in Table 1 above.

Table 2: Factor Analysis Using Principal Component Analysis

Shared Vision				
Factor	**Eigenvalue**	**Difference**	**Proportion**	**Cumulative**
Factor 1	2.37	2.35	1.07	1.01
Factor 2	0.01	0.07	0.01	1.08
Factor 3	-0.06	0.05	-0.03	1.05
Factor 4	-0.11	.	-0.05	1.00

Table 3: Moderating effect of Social Networking on Relationship Between Shared Vision and Performance of SMEs

Variables	**Coef. (β)**	**Std. Error**	**t**	**P>|t|**
Intercept	3.63	0.38	9.59	0.00 ***
Shared Vision (sv)	-0.19	0.09	-2.07	0.04 *
Social Networking (sn)	-0.20	0.10	-2.02	0.04 *
Interaction (sv* sn)	0.09	0.02	3.95	0.00 ***

*Note: Significance level, * for 10%, ** for 5%, *** for 1%. Residual standard error: 0.54 on 327 df. Multiple R-squared: 0.23, Adjusted R-squared 0.22. F-statistic: 32.69 on 3 and 327 df. P-value: 0.00*

CONCLUSION

Small and medium enterprises within the two counties under this study, Baringo and Elgeyo Marakwet, are a combination of self-employment outlets and fast-changing firms engaged in many types of businesses which included accommodation and catering services, storage facilities, agricultural product services, traders' services. A few such small firms are sole proprietorships found to be female gender owned and a third of the businesses operate from homes. Firms which are female gender owned was found to start smaller and use less start-up capital, be it registered or unregistered, they had limited access to loans, slow growth, and more frequently operated from homes or less permanent structures thus constraining their performance. The study suggested for the two counties to diversify in their agricultural production to processing economies for value addition. This will spur development of the SMEs sector through better earning and creation of job opportunities.

This will contribute to promotion of Kenya export capacity from an overreliance on agriculture to a processing agricultural industries, the successful development of SME sector is crucial because of its ability to create job opportunities, and the need to position Kenya as an exporter of basic food items and industrial commodities in commercial quantities The performance of small and medium enterprises in Kenya is low due to several factors. The understanding of factors that underlie successful tenure of SMEs and their transition into bigger organizations is therefore crucial.

RECOMMENDATIONS

For recommendation, leadership of the two counties should to sensitize shared vision within the SMEs. This can appropriately start with the identification of factors that weakens SMEs performance within Kenya's economy, they should also strengthen the organizational learning which leads to improving the SME development, however organizational learning can be achieved by creating an open learning environment and promoting social networking which allows the exchange of ideas and opinions towards Kenya's economies diversification towards value addition of their products. The finding of the study recommends that shared vision needs to be articulated as it bonds organizational members together through a common desired future. Value-laden visions are associated with greater affective organizational commitment among SMEs. The aspirational nature of such a Shared Vision also directs the energy of the organization in a positive manner. A Shared Vision need to be looked at as it inspires the entire organization to optimism and success.

SCOPE FOR FUTURE RESEARCH

The study suggests for future studies to focus on entrepreneurs in the entire country since this research only targeted two counties. Furthermore, future research on a similar trend can be done in a different time zone. It has also been suggested that knowledge and invention capacities are not constant, and that they may improve as the environment evolves. As a result, people's knowledge and learning capacities can change throughout time. Researchers in the future research should do a long-term study on the spectrum described in this work.

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