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**STRATEGIC FACTORS INFLUENCING GROWTH IN SMALL AND
MEDIUM-SIZED ENTERPRISES**

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ABSTRACT

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<p>The strategies adopted by small and medium ,sized enterprises (SMEs) are the basic factors that determine the success of the business. The strategic choices of SMEs remain an important characteristic despite some obstacles, these strategic factors influence the growth of SMEs in one way or the other. However, there are two sides to it, the business either turns out successful or unsuccessful depending on the kind of strategies being implemented. The implementation of strategies is not enough for a successful business but there are other to be done to ensure success in SMEs.</p> <p>This research was aimed at identifying the strategic factors implemented by SMEs and how they influence the growth in SMEs, in addition, the challenges encountered by SMEs were being determined, challenges such as: access to finance, lack of the right leadership and so on. This research is based on previous literature reviews related to the topic, also a case-study of three SMEs, in order to determine the strategies adopted by real life SMEs and the influence on the growth of SMEs. Secondary data was absolutely utilized in this research due to the inability of the author to get direct contact with the SMEs.</p> <p>The narrative and descriptive qualitative method of research was used in this thesis. Previous researches on SMEs were taken into consideration as well as research on strategic factors. Customer satisfaction was proven to be a crucial differentiation strategy because it creates customer loyalty which in turn increases profitability. SMEs are generally known to be price takers thus putting it in a position where it has no control over its price, but SMEs can however have control over the quality of products and services provided to their customers. SMEs that prioritize customer satisfaction end up successful despite not being able to control the price. This study also found out that there are other significant strategies that can influence the growth of SMEs depending on the goal of the SMEs.</p>		

<p>Keywords Customer satisfaction, small and medium size enterprises, strategic factors, strategies.</p>

CONCEPT DEFINITIONS

Strategic factors: strategic factors are things a company or an organization needs to get right to succeed.

Strategy: strategy are the plans set down to achieve a goal

Competitive advantage: competitive advantage is when a company is in a favourable condition among its competitors.

Customer satisfaction: customer satisfaction refers to how satisfied the customers are with the product and services of an organization.

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CONCEPT DEFINITIONS
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1 INTRODUCTION

Businesses change frequently, and the changes can be in different forms, for example the location, the sales, or the kind of business. Strategic factors employed by companies influence their growth, most commonly, the small and medium-sized enterprises (SMEs) go through change at the early stage of the business therefore the strategy implemented determines their success.

Strategic factors are factors to be used to decide from the alternatives available in regards to a competitive area. They are those things that have to be gotten right in order to achieve success, and it involves developing new ways of thinking that influence success. (Graham, 2001.) In an organisation, strategic factors are the things the organisation needs to get right in order to succeed with their customers, stakeholders, employees and any other business unit or individual that aids the success of the organisation. They are factors that are used to determine the methods and plan the company uses to achieve success and to achieve competitive advantages over its competitors.

Small and medium-sized enterprises (SMEs) are firms with fewer employees, and they make up the majority of a country's business. More so, SMEs are relevant to the economy of a country, and most SMEs operate nationally; however, there are SMEs that operate internationally. According to the European Commission, SMEs represent 99% of all business in Europe (EU Commission 2016). The EU looks at SMEs from the perspective of employee numbers as one with fewer than 250 employees. According to the United States, there is no standard definition for SMEs; however, it is referred to as businesses that have less than 100 employees. (Ward 2018). Enterprises with less than ten employees are categorized as micro-enterprises.

New entrepreneurs come up every day around the world. Small and medium-size enterprises exceed large enterprises by a wide range, and they are significant to the economic growth. SMEs constitute about 90% of companies in general, and they contribute to more than half of the total value created by businesses. They mainly operate nationally although few small and medium scale enterprises operate across borders. (Edinburgh group 2012, 7). In any case, whether national or international enterprise, growing businesses have to change because change is inevitable. There is a constant increase of competition in the business sector; therefore for a business to survive the competition it has to develop, transition, change and improve. The strategy a business adopt is what enables it to be able to stand upright

and have a say in the competitive environment, and it is essential for a business to use reasonable strategies in all stages of transition because the strategies are success determinant.

The strategies that businesses use has a significant influence on the transition of the business, they determine the outcome of the business, how successful it will be and if they will survive the competitive environment. During the period of growth and transition of SMEs, they encounter several challenges however these challenges can be tackled by adopting proper strategies, problems related to the transition of SMEs are diverse.

Lévy and Powell (2004, 33) described in their book "Strategies of Growth in SMEs: the role of information and information system", that a combination of the entrepreneur and strategy determines the growth of the organization. (Soini & Veseli 2011, 13-15.). Information and knowledge are essential for business activities, and they are one of the strategic factors that influence the transition of businesses, they are essential for the growth of SMEs.

The primary aim of this thesis is to outline the strategic factors that influences growth of SMEs. The auxiliary aim of this thesis is to determine the challenges faced by small and medium-sized enterprises also to identify the factors that influence the decision of the SMEs in regards to the strategy they set. This thesis will resolve three questions which are “what are the strategic factors that influence growth in SMEs?”, “what challenges do SMEs face? ” and “ what factors influence the strategic decisions of SMEs? ”. Research, literature study and a few case study will be used as an approach to solving these questions.

To better analyse the above questions, this thesis will look at the theoretical frameworks of business strategies and strategic factors and then later study a few strategy that enhance the better growth of SMEs. The first section of this thesis focuses on introduction, objectives and aim of the study. The second section of this thesis will be based on the literature evaluation of strategic factors theories. Theoretically, it will introduce the concept of SMEs and the meaning, and the factors that influence the strategic choices of SMEs. Strategies implemented by SMEs will be discussed in the third chapter. The fourth chapter will focus on analysing the result of employing those strategic factors. This study will be based on theoretical frameworks of strategy and strategic factors after which, the growth stages of SMEs will be discussed. The last section is the discussion about the best strategies for SMEs to succeed and conclusion.

2 CONCEPT OF STRATEGIC FACTORS OF SMALL AND MEDIUM SIZED ENTERPRISES

Strategic factors are the things companies and businesses must get right in order to succeed with their partners, the partners could be their employees, stakeholders, suppliers, and customers, Strategy is one of the worlds most used business word, we have strategies for everything, from marketing to advertising to sale to logistics and many other aspects. Bruce Henderson has never stopped associating strategy and natural competition, together he found out that competitive strategy brings about to shift in the business and transition of the business. A competitive strategy also has an impact on business productivity, strategy aims at gaining victory and defeat over competitors (Stern & Deilmer 2006). Strategic factors involve the commitment and dedication of the whole enterprise or company, failure to commit to a strategy that has been set by a company can lead to the failure of the company.

A strategic factor is an abstract concept however it is not difficult to identify, and it is about developing an understanding of what makes an organization successful. It is what makes an organization unique, a winner and a survivor (Cunningham & Harney 2012.) Individual companies should have their unique strategies that create a sustainable competitive advantage, and it is a unique advantage that will still be obtained despite competitors attempt to replicate. The importance of strategic factors still comes down to constant improvement in performance and productivity of a company, a successful strategy creates a constant transition of the organization, and it changes form in the long run. Strategic factors are those things organizations focus on which leads to success, they provide the pathway to success, and they form the link between planning and performance (Graham 2001).

2.1 Small and medium sized enterprises

Small and medium-size enterprise are independent enterprises that have employees less than a given number, this number of employees can be different depending on the country about the European Union (EU) has classified SMEs as enterprises with less than 250 employees. There is no specific definition of small and medium-sized enterprises however, the European Union defined SMEs as enterprises that employ less than 250 people and has an annual turnover not more than 50 million euros (EU commission 2005). Generally, SMEs are defined in regards to their size. Small, and medium-sized enterprises are essential to the European economy, and are there for the engine of the economy. SMEs provide job

opportunities and new innovations they are essential to keep the competition alive and provide employment opportunities. There are other accepted definitions of SMEs:

SMEs can be defined by the number of employees, the annual turnover and the balance sheet. In regards to this basis, SMEs can be categorised into three groups, micro, small and medium-sized enterprises.

TABLE 1. The quantitative definition of SMEs according to the European Union (adapted from EU commission 2005).

Enterprise category	Headcount	turnover (EUR)	Balance sheet (EUR)
Medium-sized	<250	≤50million	≤ 43million
small	<50	≤10million	≤10million
micro	<10	≤2million	≤2million

According to the European Union, the categories of enterprises consist of medium-sized enterprises with employees less than 250 people, annual turnover less than or equal fifty million, and (or) annual balance sheet less than or equal 43 million. Small enterprises with employees less than 50 people, annual turnover less than or equal ten million and a balance sheet less than or equal 10 million. Micro-enterprises with employees less than 10, annual turnover less than or equal two million, and (or) annual balance sheet less than or equal 2 million.

TABLE 2. The quantitative definition of SMEs according to the World Bank (adapted from Berisha & Pula 2015).

Enterprise category	Headcount	turnover (EUR)	Balance sheet (EUR)
<i>Medium-sized</i>	<300	≤15million	≤ 15million
<i>small</i>	<50	≤3million	≤3million
<i>micro</i>	<10	≤100,000	≤100,000

2.2 Key factors that influence the strategic choice of SMEs

Various characteristics influence the small and medium-sized enterprise which determines the choice of strategy they use, but five key characteristics influence SMEs: market, innovation, personal influences, flexibility and independence (Levy & Powell 2005, 20).

SMEs face problems as regards to their size the kind of market that SMEs operate in influences their survival (Harvie & Lee 2005). The rate of SMEs market changeability is high because they usually have a smaller share of the market which makes them less able to influence prices within their market. In most cases, SMEs are the price takers where they cannot decide the prices of their product. However, SMEs that operate in a narrow market niche where there is little or no competition can determine prices and quality of products. For SMEs that sell to a single customer, they are on a high risk because the customer gives the price and the number of goods. When the SME single customer faces a downturn in its market, the SME might find it difficult to accumulate new resources which can lead to a reduction in their ability to take strategic initiatives (Levy & Powell 2005, 21 [Roper 1999]). It is therefore crucial for SMEs to understand the kind of market it is in to be able to apply the best strategy. SMEs need to develop capacity in its market to be able to recognise rising opportunities which support the identification of the right associates and strategy.

The management of a small firm is likely to be personified by the owner, and its attitude, the owner of an SME, is usually involved in every aspect of the business. Therefore the behaviour of the owner influences every decision in the business. Burn & Tetteh (2001) describes a small firm as one that has “two

legs, two arms and a giant ego". It is inevitable for the attitude of the business owner to reflect and have an influence on the business. New business owners generally do not know how to run a successful business, most of them believe that basic knowledge about the business operation is enough to run a business but in order to avoid difficulties in an extended run, training is required. Training is necessary for SMEs owners to improve productivity and quality of the business, likewise influencing effectiveness and employees motivation and efficiency. A well-trained entrepreneur will have what it takes to use the best strategies for their business, the higher the CEO's competency as regards to industrial skills, organisation skills, technical skills, and so on the more significant the growth of the business.

An essential factor of SMEs is flexibility; they can conform to a changing environment (Levy & Powell 2005, 22). Firms are always faced with the pressure of flexibility in developing and developed countries; the firms face pressure like changing market and technological changes. Due to the flexibility of SMEs, they tend to cope with the changing environment by employing specific strategic factors. SMEs generally are organisations that can respond quickly to market demand and customers. However, the flexibility of SMEs is dependent on other factors like technology.

Innovation is also an essential characteristic of SMEs. Innovation is being able to come up with new and creative ideas, it involves being able to improve existing product or service. Innovation comes down to the attitude of the owner towards flexibility, the ability to be able to come up with what the customers want within their niche. Most SMEs do not carry out substantial and extensive researches, but they can be more innovative than large firms. SMEs usually have a small range of products that make it easy to be flexible and innovative; however innovation could sometimes be difficult in SMEs due to an insufficient resource. Innovation is a positive characteristic that leads to the success of SMEs.

Independence is a characteristics of SMEs which means that SMEs are not to larger firms or institution for financing and decision making. SMEs do not depend on any other firm or institution for decision making or financing. In the cases of SMEs that have parent companies, the parent companies are not able to make decisions for the small business, and they only provide an additional source of fund to grow and promote the business.

2.3 Other factors that influence the strategic choice of SMEs

The location of a business should be easily accessible to its target market, customers and future customers. When choosing a location for a business various factors must be considered, factors such as the labour cost, language, transport, easy accessibility and even exchange rate.

Competition in an organisation, means seeking competitive advantage. Competitive advantage is crucial for the success of an organisation (Walley 1998, 186.) The presence of competition drives firms including SMEs to improve productivity and growth. It influences their decision regarding the implementation of a strategic factor in achieving the goal of competitive advantage over competitors.

In this era globalisation is a significant factor that affects many businesses, either directly or indirectly. Technology, political and economic integration has greatly promoted globalisation (Moekotte & Freye 2008, 9.). Transmission of information across countries has become comfortable and almost costless which makes it possible for nearly any business to buy and sell across the globe, also this result in the business having more market options. As a result of this SMEs has to see their business on an international level even though they do not want to globalise, an example of indirect globalisation is when new competitors enter a domestic market that was formerly protected. A fundamental strength of SMEs is the close their relationship with their customers and the ability to maintain that close relationship, however, in today's business environment SMEs have to consider globalisation as an essential factor while creating success strategy (Recklies 2001.).

TABLE 3. Effect of the Size of SMEs in relationship with globalisation. (adapted from Recklies 2001)

Characteristic	Advantages	Disadvantages
Dependence on a limited number of people (often owners and managers are the same persons)	<ul style="list-style-type: none"> • Long-term thinking, perspectives • Stability • No pressure for short-term success • High identification with the business, stable culture • High commitment 	<ul style="list-style-type: none"> • Static thinking, limited to the experiences and the knowledge of the owner(s) • Difficulties to adapt corporate culture to new situations and challenges • Potential conflicts between corporate objectives and personal objectives of the owner
Close relationships to customers and business partners	<ul style="list-style-type: none"> • Stable basis for further business • Ability to cooperate successfully for mutual advantage • Ability and willingness to enter partnerships 	<ul style="list-style-type: none"> • Risk to focus too much on existing basis of business
Simple structures	<ul style="list-style-type: none"> • High flexibility and adaptability • Short reaction times • Cross-functional communication and cooperation within the organization 	<ul style="list-style-type: none"> • In many cases not suitable for the intricate planning and implementing of international activities • Low willingness to introduce more sophisticated structures
Small size	<ul style="list-style-type: none"> • Basis for specialization, often successful with niche strategies 	<p>Limited resources (in terms of financial means and human resources):</p> <ul style="list-style-type: none"> • Limited funds to finance investments and initial operating losses for new activities • Spending's for market research, and market entry take a much higher proportion of total spending in SMEs than in larger businesses • Limited number of staff to take on additional tasks • Lack of internationally experienced employees

Majority of SMEs characteristic are determined by factors such as the size of the organisation, or the state of ownership that is if the owner and manager is the same person or not. In the process of globalisation, these characteristics lead to either disadvantages or advantages. SMEs are visible and increasing; therefore SMEs have to find a way to tackle the increase in competition caused by globalisation. An

openness to transition is required to make an SME global or international, and the business must be ready for change among the management, employees and the team in general. Globalisation does not happen spontaneously, and it takes careful planning, strategy and excellent leadership.

3 STRATEGIC FACTOR OPTIONS IMPLEMENTED BY SMALL AND MEDIUM SIZED ENTERPRISES

The transition that occurs in SMEs is influenced by the strategic factors that the company implements, however, the strategic factors could be internal or external strategic factors, in most cases of SMEs the company must implement both internal and external strategic factors. The internal strategic factors are the strategies set to control the internal activities of the company, and the external strategic factors are the strategies set to control the external activities of the company. The owners of the SMEs have a significant influence on the strategic factors and operation of the company, and they have the mantle of decision making in the company. The entrepreneur's nature, skills, and attitude will have a significant influence on the business strategy, various strategies can be implemented to manage the internal and external activities of the company. The choice of what strategies to be implemented belongs to the organisation and the owners.

DIFFERENT LEVELS OF STRATEGY:

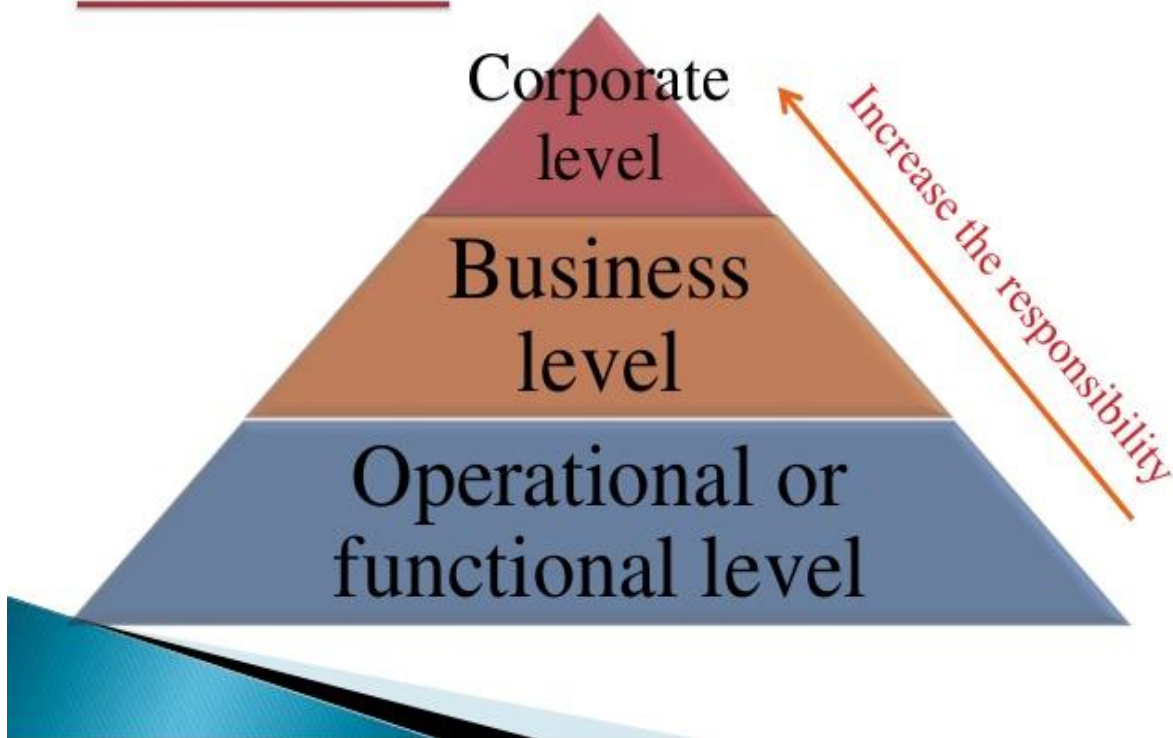


FIGURE 1. Different levels of strategy (adapted from Chitrangkumart 2013.).

The above figure displays three levels of strategies. The company must determine what strategic factors will be appropriate for the company, these strategies will determine the success of the company, and they are somewhat unique to each company.

3.1 Corporate-level strategy

These are the strategic factors that will determine the direction of the company. Corporate-level strategies involve high-level concern of the company for example, what kind of business should the company be into (Marios 2006, 135). The different kind of corporate-level strategies will be outlined.

Growth is necessary for long-term organisation health, there are many ways companies can choose to grow although not all the ways are right for all companies. The company must be sure of where and how it needs to grow. Where a company needs to grow should not be limited to the geographical location the company wants to increase its market share but also which area the company wants to grow. It could be building a relationship with its customers and supplier, or it could be increasing sales in a geographical area, it could be increasing the size of the company and so forth. How to grow also includes different categories, in general companies, there are two choices in the pursuit of growth: internal and external. (Marios 2006, 136-137.).

Internal growth involves expanding a company's expertise and product line. Internal growth occurs in SMEs after the beginning or first phase of the enterprise the company wants to improve its product line to keep its customers and their trust. They will seek to grow by innovations and adding new facilities to the already existing products like product continuity. It is not sure that it will be successful because competition among SMEs is increasing drastically there are thousands of new businesses every year. Becoming bigger is not enough to gain a competitive advantage in a business environment where there are thousands of similar companies, strategic approach is the key. (Marios 2006, 135.).

When it comes to external growth companies might decide to merge with other companies, acquire or go into joint ventures. Merging involves the combination of two companies to form a new company. Merger activity has been existing for a long time, the desire for a company to merge is driven by market dominance both locally and globally. The vital question that SMEs considered before merging is ``what do we hope to gain``? It turned out that what most SMEs wants to gain is market dominance, according to previous studies merging of two companies with different advantages that can complement each other is a good strategy for growth. (Marios 2016, 140.).

3.1.1 Acquisition

Acquisition means that a company purchases all or part of another existing company, an acquisition is like merging in some ways. The acquired company becomes part of the company that purchased it, and, in most cases, it retains the identity of the mother company. The acquisition allows the acquiring company to decide without the approval of the acquired company (Roger 2011). The acquired company may not continue to exist as a separate company.

In the concept of acquisition and merging the idea is to achieve a result where the whole is greater than the part. The equation can represent synergy: $2 + 2 = 5$, in some condition there, can be negative synergy: $2 + 2 = 3$. The companies can enhance positive synergies by doing their part of work in the right way. Synergy means working together, and it has many benefits, one of the benefits of working together is that the company becomes stronger. (Marios 2016, 139.).

3.1.2 Joint venture

Joint venture involves the combination of two or more companies that agree to put their resources together to achieve the same goal, they come together to produce new products or service to gain entrance into a market and to make profit. Joint ventures are mostly successful because the companies involved have individual benefits that benefit all the companies involved. In a joint venture, there is no permanent combination, and the cost is minimum. (Marios 2006, 147.).

3.1.3 Stability strategy

Stability strategy occurs when the company decides to maintain and continue the company without any changes, the company focuses on improving and using its resources to develop competitive strength in a market (Marios 2006, 149). Many companies may feel that their best strategy is to remain where they are and not try to grow; this strategy just as any strategic decision results from the comprehensive analysis of the company. In a company that implements stability strategy, after analysing the company, they might realise that the opportunities for growth are too expensive or risky to venture into, some SMEs decides not wanting to grow into a large company, they then implement the stability strategy. For SMEs that intend on growing into large companies, the stability strategy will be temporary for them because change will be inevitable.

3.1.4 Retrenchment strategy

Retrenchment strategy is used when a company wants to reduce the overall size and operation in order to cut expenses and reach a stable financial position. When a company is experiencing problems and challenges the company tries to reduce the outflow of cash at the same time increasing inflow of cash. It might include selling assets, withdrawing from some markets or stop production and sale of a product line. Retrenchment strategy aims at reducing the size of the company and make it easier to make a profit. The main types of retrenchment strategies are: turnaround, divestment, liquidation (Marios 2006, 150-160.).

A retrenchment via turnaround strategy is aimed at making the company more useful than it was. When a company realises it has made a wrong decision then it decides to implement the turnaround strategy, this strategy helps undone the past decision before it affects the profitability of the company. (Marios 2006.).

Retrenchment via divestment is another form of retrenchment strategy that involves reducing and cutting off some units of the business, the company sells off some part of its business. The poor performance of a company can leads to the company implementing the divestment strategy which is a restructuring plan. In the same vein operating the unit might be taking too much time or resources which makes it less profitable. The divestment is the opposite of investment (Marios 2006.).

Retrenchment via Liquidation strategy includes the company selling off its assets and closing the business. The thinking motivates liquidation that divestment or turnaround will not be a successful option for the company. Liquidation is mostly the last option for the company. (Marios 2006.).

3.1.5 Niche strategy

In niche strategy the company or firm focuses on the market area where its competitors do not address, after the company identifies the industry and product line in which they want to go into the company can identify a portion that its competitors are not focussing on, this portion is usually less competitive. Niche strategy focuses on a particular market subgroup of an industry. SMEs that engages in a niche strategy focuses on a small segment of an industry or product line, and they are relatively free from direct competitors since they focus on a small segment of the industry. Sales will generally be less than what they might achieve if they focus on the full industry; however, the profit margin might be more

significant with a niche strategy. Some SMEs maximises their operation within a particular niche as well as competing broadly with other competitors.

3.2 Business level strategy

Companies implement the business level strategy to answer questions such as “how we should compete” and “how we should manufacture our product” (Marios 2006, 166.). The business level strategy is an important strategy used by companies not excluding SMEs. The business level strategy focuses on satisfying customers’ needs and preference, these strategies gives the actions the company should take to provide value to customers and gain a competitive advantage over their competitors. The concept of business strategy addresses how the organisation will compete in its product line and market environment. It focuses on how to acquire, satisfy and keep customers (Neuronova 2012, 3.).

Porter's generic strategies are a series of competitive strategies that influence how companies compete, and these generic strategies are helpful for companies that want to compete successfully and profitably. Some strategies help companies to gain a competitive advantage over its rivals.



FIGURE 2. Porters' generic strategies (adapted from Manktelow 2018).

3.2.1 Cost leadership strategy

Cost leadership strategy is a strategy used by companies to reduce the cost of operation and product in order to gain customers and thereby gaining competitive advantage. Customers are always ready to go for a product that cost them less. Cost leadership strategy is dependent mainly on efficiency, SMEs that follow this strategy aims to achieve low-cost production, gain a wide audience and become cost leaders in their industry, these companies compete based on price. The company that adopts cost leadership strategy achieves low production cost and have ways to reduce cost in their company. SMEs uses cost leadership strategy to gain competitive advantage over their rivals; they reduce production cost and can provide products with lower prices to their customers. (Jones and Tilley 2003.). This cost approach puts the company's profit margin at stake, and the company will be vulnerable in times of stiff price competition in the same vain when there are technical problems that cause the shift in technology process the company will be vulnerable, this approach helps companies to remain profitable and still be cost-efficient (Jorgenson 2015.).

3.2.2 Differentiation strategy

To differentiate a product is to make it unique. Companies provide value to their customers through unique features of the company's product and services, the products that are differentiated can be sold for a higher price because in most cases they are products of value. Differentiation strategy targets high-

quality output rather than just being cost efficient for example high-quality design, high-quality technology, high-quality distribution and so on. SMEs that adopts differentiation strategy usually gain their customers' loyalty because their customers are sure to get a high-quality product that they cannot get elsewhere. For SMEs that are in a crowded industry, differentiation strategy is their go-to strategy because this enables them to solve particular problems (Neil 2018.). There can be an adverse effect of differentiation strategy if the business leaders take it too far. The main aim of a differentiation strategy is to develop a unique product that customers will find better than those of other producers. In most cases, companies that use a differentiation strategy approach often encounter high cost and successful differentiators remain profitable (Morozova 2014, 24.).

3.2.3 Focus strategy

An organisation following a focus strategy identify and satisfy a particular segment of the market, the segment can be geographical, demographical, product line or by groups of consumers. The company focuses its resources on expanding and being successful in a segment of its industry, it understands the needs of the customers within that segment and builds brand loyalty within their customers. SMEs that imports focus strategy identifies the segment in which they want to concentrate on. Once the segment is identified they can decide to focus on a product differentiation or cost, aside from cost focus or differentiation focus they add something extra because they are serving a specific segment. The idea behind focus strategy is to create, market and sell products to a niche of the market, and the goal is to become a competitive leader in the niche market by serving the consumers the best (Edwards 2012.).

3.3 Operational or functional level strategy

A functional strategy is a strategic factor that businesses import to go through day to day activities. For SMEs, the functional strategies or operational strategies are important because they tend to experience organisational strategy at the beginning of the business. The basis of functional strategy is common skills, resources, and organisation requirements. Operational or functional strategies include marketing strategies, research, and development strategies, production strategy, finance strategy, and human resource strategy. (Marios 2006, 182-183.).

3.3.1 Marketing strategy

Marketing in any company is an important function, it is one of the determinants of sales and profitability in a company. The primary goal of all firms is for the products that are produced to be desired and purchased by people, and this can be achieved by importing proper marketing strategies. Product positioning is how marketers determine how the consumers perceive their products, and their perception about the product use, attribute quality, advantages, and disadvantages, it is an essential element of marketing strategy (Rijsdijk & Hultink 2009.). While large businesses can afford to budget for big market research's, SMEs may not have the time or money for big market research, in such case, they can ask their immediate customers for their opinion. Marketers can determine which consumers group to focus on through the consumers' responses to the product. Sometimes these methods are more effective than basing opinions on potential customers because this situates on actual customers. The marketing strategy includes the distribution process and how the product will be available to the customers.

3.3.2 Research and development (R&D) strategy

Research and development (R&D) strategy deal with developing and improving a product, Identifying the use of a new product and identifying new ways of production. As the world is moving forward and things are changing the products must change, and the method of production must also change, which makes R&D an essential strategy for businesses that want to remain in the market and be successful. SMEs needs to continue to innovate to remain relevant because they are small and can be easily disestablished. R&D consists of two basic structures, the development by engineers that develop new products and development by researchers that deals with the development of future products and the improvement of product and production process (Kenton 2019.).

3.3.3 Product management strategy

This is an essential strategy that involves the means of transforming raw materials into finished products. Companies must focus on producing products that deliver the value that the consumers want, or else there will be a significant loss, every step of production must be coordinated and well organised. Increase in profitability is one of the importance of production and operation management strategy. Inventory control is an aspect of production management strategy, and it involves regulating the company's inventory to ensure that it matches what the consumers want and at the same time maximise profit. There will be decisions like increasing or decreasing the quantity of inventory produced. (Minh 2012, 12.).

3.3.4 Finance strategy

The finance function is for acquisition, gathering, recording and controlling of financial information that is used for business operations. It also involves acquiring fund to meet an organisation current and future need. When an SME or any business imports finance strategy the financial condition of the firm is being examined, and they are used to indicate the strength of the firm and enables the firm to create the financial ratio they wish to have. Finance strategy enables firms to make decisions like where and how to raise additional capital or whether they need to disinvest and make a decision on the dividend policy, which involves issues of the percentage that will be given to stockholder, and how stable the percentage will be (Calandro & Flynn 2007, 409-413.).

3.3.5 Human resource strategy

Human resource includes everything that has to do with the people working for the company, things that directly influence and affect the employees. Mainly human resource is responsible for making employees happy and thereby productive human resource strategy concerns planning and making decisions that will encourage the employees. HR strategy could be long-term or short-term plan aimed at achieving development of the organisation, when employees are treated with care and respect, they tend to be more productive (Zubova 2014, 6.). In most successful business they put their employees first and treat them with respect, just like the saying “employees first and customers second”. SMEs adopt the human resource strategy because they have small numbers of employees and can keep track of them easily and tend to compensate them, compensation does not necessarily mean giving them money, but it could be discount on products, training for higher levels, employees program and so on. Human resource strategy also covers hiring and recruiting activities, and this aims at taking the best candidate and firing those that are unfit for the business. The HR strategy focuses on adapting the qualification of employees with the work needs of the organisation. HR strategy is a great strategic direction for SMEs that want their employees to work with passion, and it is an effective way to ensure the company and employee`s growth. (Dempsey 2006.).

4 RESULTS FROM EMPLOYING STRATEGIC FACTORS

The primary objective of a goal is to outline what should be achieved and when it will be achieved, but they do not provide a plan for how it should be achieved. Goals are objectives that have to be achieved within a time frame. All organisations have many goals that they want to achieve, either long-term or short-term goals. More especially new enterprises set goals that enable them to transform from what they were when they started to what they want to be in the long run, these goals define their target, and these goals are called strategic goals (Mintzberg, Quinn, Ghoshal & Lampel 2002.). Strategic goals are achieved by employing strategic factors. A critical goal of any enterprise or organisation is to have a successful relationship with their crucial stakeholder- customer, employees, suppliers and all those who contribute to the success of the organisation, and this can be achieved by setting focused and clear strategy. Strategic factors provide direction for an organisation, and when employed successfully it moves the organisation towards achieving its goals and visions.

The strategic choices adopted by SMEs are influenced by their economic and social values (Gweh 2018, 6.). These strategic choices are what determine the condition of the enterprise during the transition. Small and medium-sized enterprises are characterised by high transition rate, compared to large enterprises, however not all SMEs survives during the period of the change, some SMEs end up on the other side of success during their transition process. Difficulties in applying the strategic factors might have led to their failure.

4.1 Challenges faced by small and medium sized enterprises

Creation of new businesses is a crucial factor for economic growth and transformation in any country. However, it can be difficult for SMEs to operate with factors such as globalization, disruptive technologies, sustainability and so on. Some SMEs, therefore, collapse after a few years of start-up due to some challenges which will be discussed below. (Ogunlana 2018, 5-7.)

Leadership in SMEs is an essential factor that determines the success of the business, there is no official study to be a leader of an SME nevertheless, due to the challenges of running a business many leaders of SMEs lose momentum because of inadequate skills (Dickinson 2006.). Managers of SMEs have to be equipped with the right skills and habits to be able to manage the business properly.

Finance is one of the most critical aspects of a successful business if money is not appropriately managed things can go wrong as time goes on. SMEs need to manage their finance properly by proper budgeting. Availability of financial capital has become necessary for the growth of small business. New SMEs without security against asset find it challenging to get a loan from banks, and these banks are reluctant to lend to new businesses that have no loan experience. Lack of financial capital is a big problem for upcoming businesses, only a few individual or groups are willing to invest in new SMEs.

Another challenge common among SMEs is the inability to find the right people to grow the business with. Building the right team is crucial for growing businesses and even big companies. For SMEs to grow effectively, there have to be team members that ensure all aspect of the business is delivered (Dickinson 2006.).

Some owners of SMEs go directly into starting the business without a precise business plan, one of the challenges facing SMEs is the ability to identify the critical strategies in which they should drive their business. For a business to be successful, there has to be laid out plans and goals to help the business focus on what matters. Setting the right strategy will enable the business to achieve their goals. Setting strategy is one thing, executing the strategy is another thing; meanwhile SMEs find it difficult to execute the strategies. Executing strategies expedite the success of the business.

Having a competitive advantage in a crowded market is a real challenge for SMEs. Most SMEs are price takers, the SMEs in the same market niche have the same price, and therefore the level of competition is high. The only way SMEs can be of competitive advantage among their competitors is to stand-out and be different. SMEs can stand out in various ways such as creating a better customer experience, changing the business approach, and so on. SMEs need to do everything they can to stand-out. (Simpson 2003, 263-264.).

4.2 Customer satisfaction as a key to survival for SMEs

A customer is someone who purchases goods or service from a supplier at a given price. The most essential element of an organisation are the customers, because without the customers the organisation will not exist. In the world of small businesses, the competition is high therefore, one of the most effective way of standing out is by achieving customers' satisfaction. The most successful SMEs focus on achieving great customer experience. (Sheth 2001.). A recent study by Walker suggests that in the next two years customer experience will be an essential brand differentiator. Customer experience is merely

the customers' impression of how a business treat them, and these impressions can create both positive and negative feeling towards the brand. Companies can improve their customers' experience likewise nurturing their loyalty by understanding the customers, and delivering personalised services. In the case of SMEs where the companies are the price takers the best way they can win their customers loyalty is by creating the best experience for the customers. There is no point in giving customers the experience they can get anywhere else. Differentiated customer experience is what stirs up an emotional response from the customers (Becker 2014). Customers do not base their loyalty on price and product any longer, they base their loyalty on the experience they get. Any business will lose customers if they cannot keep up with the customers' demand (kulbyte 2019 [Genesys 2018]). Recent studies show that buyers find brands with splendid customer experience to be a more influential advertisement, this proves that customers' perception toward a brand has a strong influence on the customers' loyalty.

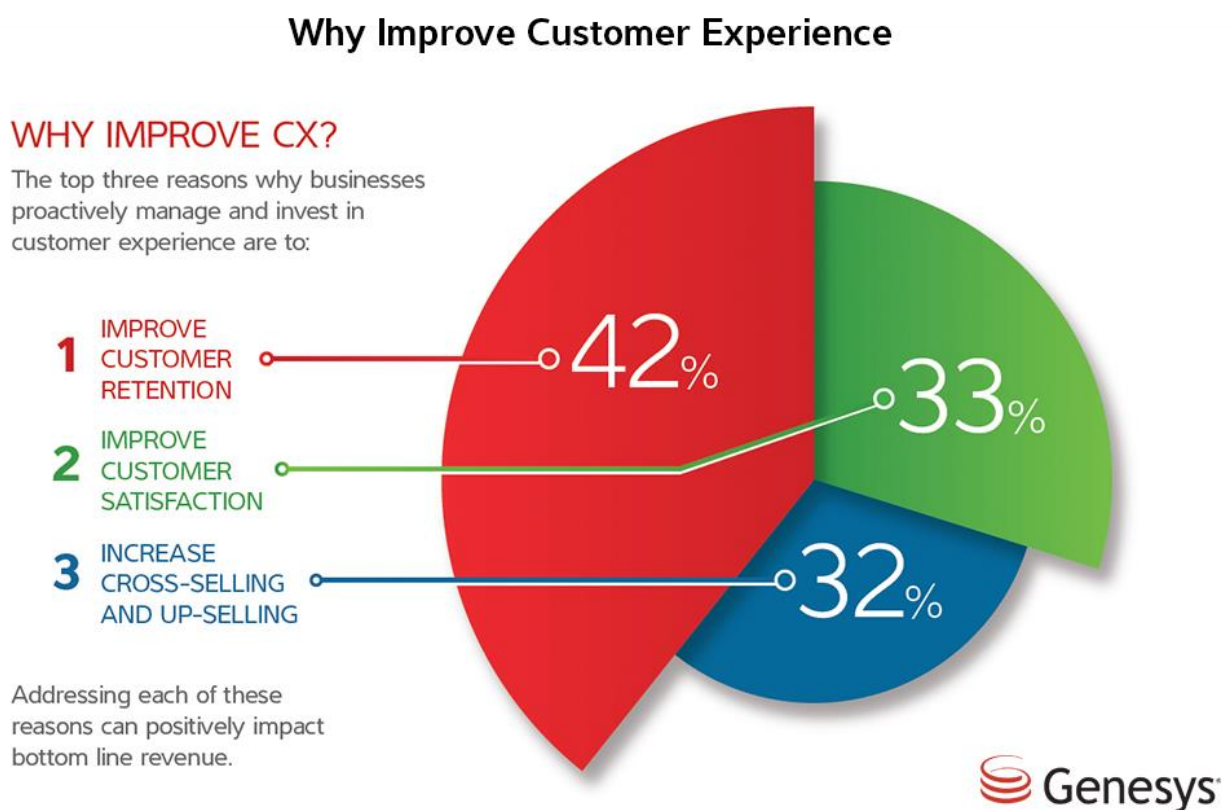


FIGURE 3. Reason to improve customers experience (adapted from kulbyte 2019 [Genesys 2018].)

Customers experience is the new best marketing strategy, SMEs that makes the customer experience their priority are likely to be in a more favourable and superior business position. Moreover great customers experience improves customers' retention.

Customer loyalty can be measured in different ways, but the commonly used customer's satisfaction model is the American customer satisfaction index (Fourie 2015, 182.). According to American customers satisfaction index (ACSI), there is three determinant of customer satisfaction which are, perceived value, perceived quality and customers' expectation.

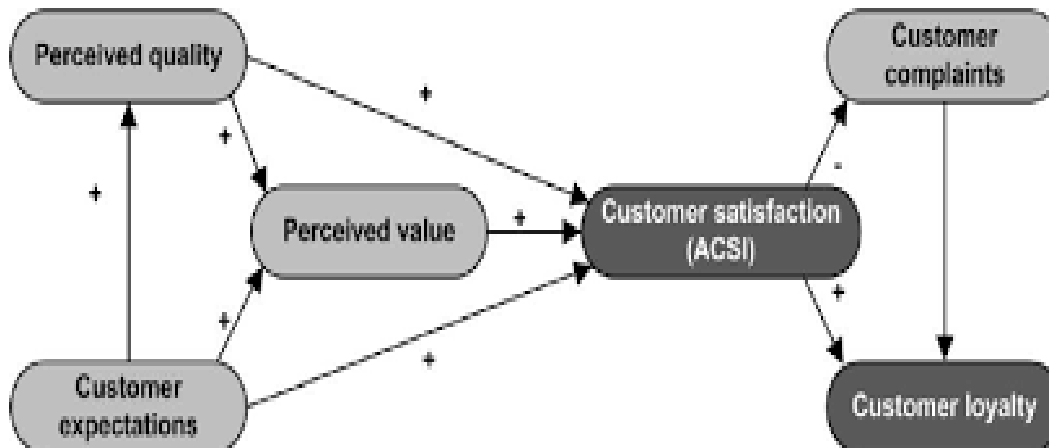


FIGURE 4. The customer satisfaction model (Adapted from Fourie 2015).

Perceived value means the customers' total assessment of the service based on perceptions of what is received and what is given, it is, therefore, a trade between the price they give and the quality of goods or service they get (Fourie 2015, 182.). Perceived value is one of the most challenging concepts for SMEs because value can be used in different context. If SMEs cannot provide valuable goods and services to their customers, it will then be difficult to satisfy the customers, the price of the goods or services must be worth the value of the goods or services this will, therefore, determine the willingness of the customers to pay for the goods. Overall the customers' experience leads to either customer's complaint or customers loyalty, if the goods or service provided to the customers meets the customers' expectation then the customers will be satisfied however if the customer's expectations are exceeded then the customer will remain loyal.

Perceived quality is the quality of a business to the customers, it is, therefore, the quality of the experience of the customers. Perceived quality is made up of two components which are perceived product quality and perceived service quality. Generally, customers appreciate products and services that are high in quality. SMEs priorities should to provide their customers with quality goods and services, because this will in turn enable them to ahead of the other competitors.

Customers' expectation is the standard the customers set while purchasing, the customers use it to measure the performance of a business (Fourie 2015, 182.). SMEs have to take the customers expectation seriously if they want to satisfy their customers' needs and therefore meet or exceed the customer's expectation.

4.3 Growth in SMEs

Classifying the problems and growth pattern of SMEs seems impossible at first because small business vary widely in capacity of growth, management, financial availability and so on. However, when thoroughly analysed it is discovered that SMEs have similar problems that arise at similar stages of their development (Churchill & Lewis 1987.). These similarities can be used to create a framework that improves our understanding of the problems and characteristics of SME growth. The framework can help the owners of small businesses to understand how to undertake their challenges for example, the need to hire and train interns to maintain growth in a business. The framework can also help an organization to recognize their problem, and the suitable solution to the problem: for example, evaluating the impact of Government policies on SMEs and how to go about it.

Many researchers have developed frameworks (FIGURE 4) for examining small businesses, they usually use the size of business as one dimension and the growth stage as second dimension. On a minimum of three counts these framework has been unsuitable for small businesses nevertheless, it has been useful in many arears (Churchill & Lewis 1987.).

EXHIBIT 1
 Growth Phases

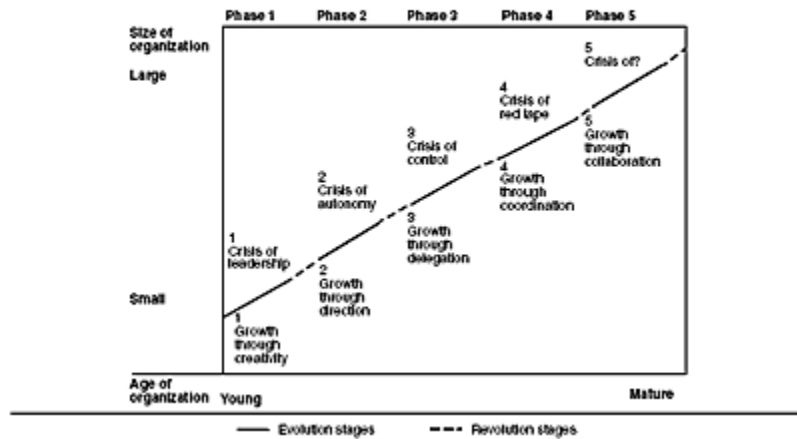


FIGURE 5. Growth phases (Adapted from Churchill and Lewis 1987).

From the above figure, it shows that the researcher assumes that a company pass through all stages of development while growing or rather fail. Further, the framework does not show the early stage of a company's development and origin. Also, in these framework the company's size was characterised by annual sale ignoring other factors like location quantity, rate of change in production technology and so on. Churchill and Lewis (1987) developed a framework relevant to SMEs by combining experience, empirical research and literature search.

EXHIBIT 2 Growth Stages

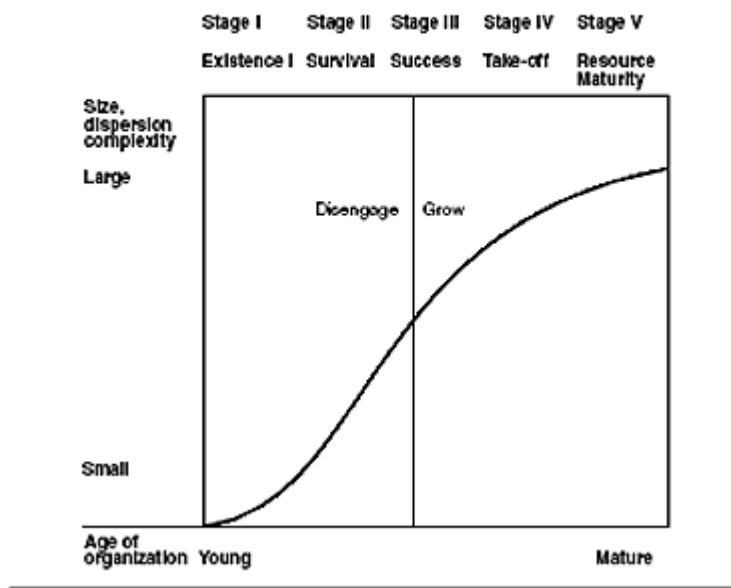





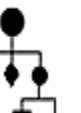








FIGURE 6. Growth stages (Adapted from Churchill and Lewis 1987.).

In FIGURE 6. the five stages of development are shown: existence, survival, success, take-off, and resource maturity. Every stage is characterized by size, diversity and complexity. The stages has five management factors: involvement of the owner, the structure of the organization, how formal the system is, the management style, and the major strategic goal.

EXHIBIT 3**Characteristics of Small Business at Each Stage of Development**

	Stage I	Stage II	Stage III-D	Stage III-G	Stage IV	Stage V
	Existence	Survival	Success-Disengagement	Success-Growth	Take-off	Resource Maturity
Management style	Direct supervision	Supervised supervision	Functional	Functional	Divisional	Line and staff
Organization						
Extent of formal systems	Minimal to nonexistent	Minimal	Basic	Developing	Maturing	Extensive
Major strategy	Existence	Survival	Maintaining profitable status quo	Get resources for growth	Growth	Return on Investment
Business and owner*						

*Smaller circle represents owner. Larger circle represents business.

FIGURE 7. Characteristics of small businesses at each stage of development. (Adapted from Churchill and Lewis 2019.).

The above figure (FIGURE 7) shows the characteristics of small businesses at the stages of development. As the name implies, the businesses in this stage came into existence, obtaining customers and delivering of products and services are the main problems in this stage. In this stage of existence there will be questions like “can we provide the right product and service” “will we get enough customers” “will we expand” and so on. At this stage the organization is still young, the owner supervises and does almost everything. At this point the organizations primary strategy is to remain in existence. SMEs in this stage are new businesses that have not yet stabilized production and production quality, a lot of businesses in this stage do not gain enough customer acceptance to remain relevant therefore the owner end up closing the business when the starting capital runs out. In some cases the owner can sell the business and quit totally, the companies that remain in business become an enterprise in stage 2.

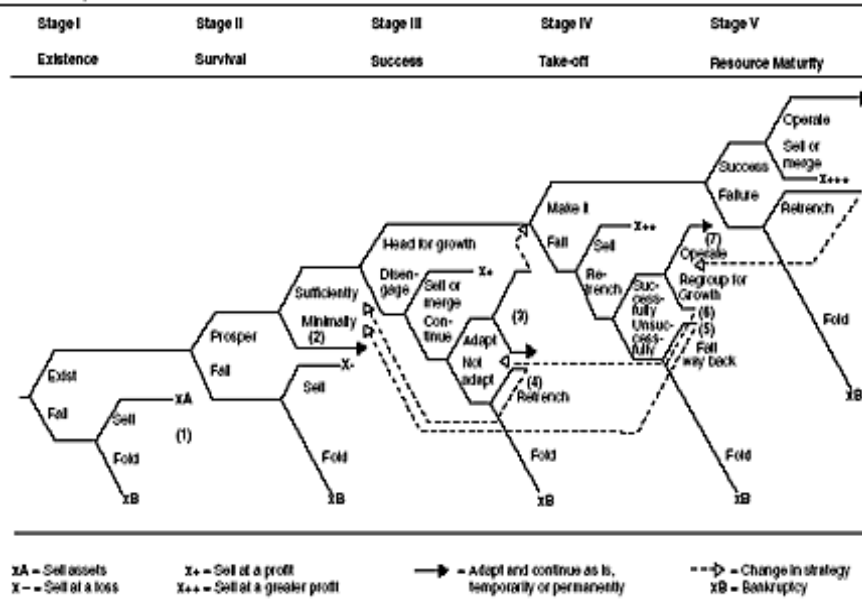
EXHIBIT 4**Evolution of Small Companies**

FIGURE 8. Evolution of small companies (Adapted from Churchill and Lewis 2019.).

The businesses that make it to this stage have proven that it is a workable entity. It has enough customers and has what it takes to keep its customers. The main problem of businesses in this stage is the relationship between revenue and expenses, there will be questions like “will there be enough cash for repair or replacement of assets” “will there be enough cashflow to stay in business and grow” “will there be returns on our asset and labour” and many other questions like this (Churchill & Lewis 2019.). At this survival stage the company is still simple and might have few employees, the main goal remains to survive, therefore some companies in this stage grows in size and profitability and move to stage 3; success stage, while some companies remain in the survival stage. Businesses that remain in the survival stage can quit when the owner gives up or can be there for some period of time trying to get back the initial capital (Churchill & Lewis 2019.).

At this stage of success the business is faced with the decision whether to expand or to keep the company stable, this is the stage where some SMEs decide to implement the stability strategy that helps the company remain stable and profitable. At this stage the owner can either use the company as growth platform or a means of support because in most cases the owner back off completely or partially. (Churchill & Lewis 2019.).

At the success disengagement stage the company has gotten to a healthy economic stage and it earns above average profit. The company at this stage has attained economic success and it can decide to remain in this stage in as much as the market niche is not destroyed by environmental change and its competitiveness is not diminished by ineffective management. At this point in the company, there can be functional managers for certain task that was initially done by the owner, therefore the managers has to be competent. The main concern of the business at this stage is to avoid cash drain in order for the company to be able to bear inevitable rough times.

As the business grows and become more matured the owner of the business will gradually drift apart to some extent because of the presence of professional staffs and managers which means the owners can get involved in some other activities. In most cases many companies remain in the success disengagement stage for a long time, because their market niche does not encourage growth therefore many service providing SMEs fall in this category (Churchill & Lewis 2019.). If SMEs in this stage can adapt to environmental change it can then be stimulated into growth or it can be merged with other companies on the other hand if the company cannot adapt to environmental change it will either fail totally or drop to survival stage.

At the take-off stage the main concern are how to continue growing and how the growth will be financed. There are other concerns like can the owner distribute responsibilities properly to improve the company's management standard to that of a fast-growing enterprise. At this stage there will be great demand therefore the company will be concerned if there will be enough cash to satisfy those demands (Churchill & Lewis 2019.). The take-off stage is when the company become divided into different functions like sales, production and so on, the company is becoming extensive therefore the main managers has to be competent enough to manage the expansion. If the company can overcome the challenges that comes with expansion then it will become a big business however it is easy for businesses to fail at this stage because some businesses run out of cash soon after expansion while some are unable to distribute the responsibilities properly which leads to its failure. At this point the company can drop to success stage or might drop back to survival stage if the problems are intense.

The main concern of the companies that survives to stage of resource maturity is how to strengthen the financial profit that has been made. Also, companies in this stage want to retain the advantages of being SMEs like flexibility and the entrepreneurial spirit. At this stage the company must have the right strategy, budget and tools that reduces the inefficiencies that comes along with growth. SMEs in the resource maturity stage has enough staff, management and finance to engage in the right strategic planning and

detailed operation, the management is well experienced and the system are well developed. It is said that the company has now arrived and it is fully successful.

5 CONDUCTING RESEARCH

Methodology is the methods and techniques used in a research process (Kothari 2004, 8), and it is the methods used in any activity or study as well as their resources and limitations. This section explains the research methods and techniques to be used in this thesis report. This section will also present the procedure used to collate information and evaluation of this study.

5.1 Research methodology

Data collection begins after defining the research problems. There are two common types of research method which are qualitative and quantitative methods. The qualitative method is used to explore and understand the meaning of the problems and help to develop ideas for solutions. In the qualitative research method, it is possible to compare different opinions, analyse them, and dive deeper into the problem. While in quantitative research method data's are collected by generating numeric data, it is used to quantify behaviours, opinions and so on. Quantitative data collection includes questioners, interviews, and observations. Qualitative methods emphasise on observing, understanding and interpreting the data, Gummesson (2000, 4.) says the qualitative method is the most appropriate research method in business and management administration.

The qualitative approach was used for this research by studying the SMEs attribute, challenges, strategies implemented and so on. The qualitative method was used since the point of this study is to decide the strategic factors that influence growth in SMEs, another aim of using qualitative research was to understand the actions taken by SMEs and the reason for those actions.

Quantitative research as the name implies is used to quantify a problem by generating data that can be transformed into statistics to be used for the research. Quantitative research mainly deals with numeric data that quantifies opinions, behaviours, attitude and so on in a population sample (MacDonald & Headlam 2009, 9.). This form of research uncovers the pattern in a research, and it is more structured than the qualitative method of research. Quantitative research includes surveys, interviews, polls and so on.

5.2 Empirical research

To carry out this research successfully there had to be a research strategy. A research strategy is a progressive plan that gives direction on how to carry out the research to produce a quality result. It improves focus, enhances the quality of the research and saves time. To get valid and quality results, different sources were used, and the sources used had to be carefully analysed to make sure they are reliable and relevant to the objective of this thesis.

Both narrative and descriptive strategy was utilised in this study, the research process started by explaining the concept and meaning of strategic factors and SMEs then proceeds to collect secondary data about SMEs situation and evaluating the data. The empirical data was established by naturally observing SMEs and researching about real world SMEs, it was a non-participant observation, this was done to increase the understanding of how SMEs work in real life. The companies selected for research are House of Tara, God is good motors and Zen robotics Ltd. According to the European Union and the world bank, the three companies that were used as a case study in this research fall under the category of medium-sized enterprise in regards to their annual revenue and the number of employees they have.

Secondary data are the data collected by another researcher, and they involve using all available documents related to the topic being studied. Secondary data can include data gotten through reviews, through the data set, or documentary (Smith 2008, 5.). Secondary data can either be numeric or not, documents or any information gathered by another researcher and it is essential for every research done, to be able to review existing information about the research topic. The secondary data in this research includes every available and accessible writeup about SMEs and their strategy. Those write-ups were used to ensure a complete understanding of the concept of SMEs, and the strategic factors that influence their transition.

5.3 Validity and reliability

Validity authenticates whether the result obtained from a research meets all the scientific research method requirement. Reliability, on the other hand, ensures that if a research is carried out over and over the same result will be obtained, reliability is essential to determine the total validity of a study. Validity and reliability ensure that the right result is being gotten from a research, the idea is that any result gotten from a research must be repeatable on another. (Golafshani 2003, 601-602.).

Validity can be separated into two parts which are, internal and external validity. The structure of a research design is dictated by Internal validity, and it includes the steps of the research method, on the other hand, external validity examines the research result (Sedgwick 2014). Achieving the exact result from a research is not guaranteed because the determinant can change with time, but to obtain a high level of reliability and validity the research steps and strategy should be carefully laid out and analysed. The instrument used can be tested on another occasion to get a similar result. The instrument used in this research must be analysed to ensure its validity.

5.4 Literature review

A literature review is the study and evaluation of published information or research in a particular subject area or study. Many kinds of research have been done on SMEs and strategic factors, the literature review provides a helpful source of information on SMEs and strategic factors. Books, articles, journals and reliable online sites were used to maximize the research in this thesis. This study presents the definition of SMEs, the meaning of strategic factors, how the strategic decisions SMEs make affect their transition. Although there is no specific definition of SMEs, but some researchers have explained the meaning of SMEs as best as they can. This section presents a brief summary of related literature to improve understanding on the importance of SMEs taking the right strategic decisions.

SMEs play a crucial role in the economy of a country, especially in the aspect of job creation. Soini & Veseli (2011, 14.) said in their thesis that the most significant effect of SMEs to a country is their contribution to employment, small business is essential for the: growth any country's economy mainly because of their role in job creation.

Matlay & Lynn (2009,103.) propose that the key to achieving competitive advantage and superior performances are the capacities and resources available to an organisation, the combination of an organisations resource and the organisations capabilities. An organisation must set a goal and employ strategies to achieve it therefore SMEs should have a unique position within their market or industry to obtain a sustainable competitive advantage. Meanwhile, Rivard (2018) proclaimed that customer's satisfaction is the key for SMEs to achieve sustainable competitive advantage in their market niche. SMEs are price takers so one of the best ways to be differentiated is to provide the customers with an unforgettable experience.

Levy & Powell (2005, 52.) emphasise flexibility as a success factor for SMEs. Flexibility is the willingness to do something other than the initial plan, and it is also the ability to modify a schedule or plan easily. In the case of extreme competition only firms with adaptive capabilities will survive and be successful. Levy and Powell (2005, 54.) stated that the ability of small businesses to be flexible when there is a change is necessary for their basic survival. SMEs that are opened to flexibility are always ready to take advantage of any possible future event and make use of them in the most profitable way. Generally SMEs have the reputation of spontaneous respond to their customers changing needs, however, the business owner personal characteristics will reflect on the firms' flexibility (Levy & Powell 2005, 53.). The personalities of the managers of small businesses are inclined with the firms' innovativeness and strategic flexibility.

6 EMPIRICAL ANALYSIS

Empirical analysis is an approach that relies on real life data and information, instead of concept and theories. This section analyses real-world SMEs, two from Nigeria and one from Finland. The development of the companies, the strategies used and the obstacles will be outlined and explained in this chapter. This section will be based on qualitative, research and secondary sources.

6.1 Presentation of the companies

House of Tara is a beauty and makeup industry in Nigeria founded in 1998, it is a pioneer in the areas of retail, education and distribution and channel management in Nigeria (House of Tara 2018). House of Tara launched the first bridal directory in Nigeria in 1999 and sponsored the first bridal seminar series in year 2000. The company built the first makeup studio and makeup school in Nigeria in year 2004. It is a brand that encourages ethnicity and is dedicated to empowering women of different background to improve the quality of the society and it has been named as a strategic distributor of cosmetics for Nigeria. House of Tara has a distribution right for L'Oréal, the largest beauty product producer in the world, making it necessary for the company to expand and become more inclusive (Sorenson & De Clara 2015.). The company currently have about 150 employees and 26 studios in Nigeria.

6.2 Strategic factors influencing the company's growth

House of Tara main aim is to empower and inspire women of all colours, the company helps women to embrace their colour and adapt to change (House of Tara 2018). The founder Tara Durotoye plans to establish more makeup studios across Africa, her decision is influenced by the increase in the economic power. Economic power is one of the factors influencing the kind of product and quality of products of this company. The company tries to predict the economic strength of their potential client so as to set prices that are cost efficient and to make their products and service affordable for women of all status. House of Tara decided to partner with big makeup brand like Maybelline and L'Oréal rather than competing with them. Tara Durotoye; the founder said in one of her interviews that some consumers are attracted to international brands thus it is important to make those brands available to improve customer satisfaction (Sorenson & De Clara 2015.). House of Tara has ultimately become an international sensation and a brand that serves everyone therefore increasing the company's growth .

7 CONCLUSION

The primary aim of this thesis was to find out the strategic factors that influence the growth of SMEs, the auxiliary aim of this thesis is to determine the challenges faced by small and medium-sized enterprises. This thesis is also aimed at identifying the factors that influence the strategic decision of SMEs. The narrative and descriptive qualitative method was used for this research moreover, for the empirical analysis the qualitative method was used in gathering information of real life SMEs, it was a non-participant observation.

According to the outcome of the research it shows that there is no specific strategy for all SMEs, individual SMEs implement strategies that fit into their businesses however, customer satisfaction was found to be a key differentiation strategy for all SMEs. It has been proven to improve customers' loyalty hence improving profitability. The research also shows that a common challenge among SMEs is financial availability, from the three companies that were observed two of them; God is good motors and Zenrobotics have difficulties with financial availability. The findings from the research carried out on real world SMEs are identified and further explained in chapter six.

To research this topic and to better understand the topic, there were three research questions; "what are the strategic factors that influence growth in SMEs", "what challenges do SMEs face" and, "what factors influence the strategic decisions of SMEs". Based on the finding of this thesis, one of the most common strategies used by SMEs is the growth strategy. The growth strategy involves how the company wants to grow, the growth is not limited to financial growth but growth in every aspect. Growth strategy includes the internal and external growth strategy; the internal growth strategy means the SMEs are looking to increase their product line while external strategy means the company is looking to increase its market dominance. In both cases, the SMEs use a growth strategy to improve and increase growth. Recent studies show that customers' satisfaction is an essential strategy for business differentiation, customer satisfaction is a modern strategic factor that increases the chances of business success, and it increases customer's loyalty which therefore increases profitability. SMEs that are dedicated to customer loyalty are more profitable when the customers get the expected quality of product or service they will remain loyal. The growth of any business is highly based on the customer; therefore SMEs should prioritise customers' satisfaction.

SMEs are well associated with constant change; however, during and after change, some SMEs end up being successful while some unsuccessful and this is determinant on the quality of the SMEs strategies and the implementation. By efficiently using the right strategy SMEs can be successful, gain competitive advantage, gain customers and keep their customers.

SMEs face challenges mostly in their early stage, financial availability is a major challenge most SMEs face; most SMEs have limited access to finance. SMEs are mostly informal, they have less available information, and they mostly do not have adequate assets to stand as collateral, which make it difficult for banks to provide them with loans, these banks believe that there are lots of risks when they loan to small business. Also, SMEs might find it too expensive to list on the capital market, in cases when SMEs list on capital markets they rarely find investors because most investors prefer to invest in large businesses. The financing problem of SMEs has been noticed; therefore policymakers are making efforts to promote bank lending loans to small businesses. The other challenges faced by SMEs are described in chapter four.

The strategic choices SMEs make determine the ability of the business to overcome competitive pressure. SMEs must implement the right strategy in order to gain competitive advantage within their market niche. Some factors influence the strategic decision of SMEs, factors like the market niche of the business, the business location, innovations and so on, these characteristics determine the strategy that the SMEs will implement. The strategies implemented by SMEs has a direct impact on the performance of the business in the long run, and these strategies determine whether the business will be successful or not.

More importantly, SMEs should understand the kind of market niche they are, they should also understand their customers, location and their product line, to be able to choose the right strategy for the business. There is no best strategy that fit all SMEs because they vary in management, organizational structure and so on, the best strategy for individual SME is determined by the surrounding factors. When SMEs use the right strategy that fits their business, there will be less failure and more success. Above all, the strategic choices of SMEs determine their growth success.

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