International Journal of Business and Management Invention
ISSN (Online): 2319 – 8028, ISSN (Print): 2319 – 801X
www.ijbmi.org Volume 3 Issue 5ǁ May. 2014 ǁ PP.43-49

An Evaluation of Effective Decision Making on Managing Change among Small Business Owners: A Comparative Study

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ABSTRACT: *The global business environment is changing faster than ever. Businesses (Small) constantly need to reshape their ideas merely to survive. Organization change is the process by which organizations (small business) move from their present stage to some desired future state to be effective. Organization decision making is the process of responding to a problem by searching for a solution or course of action that will create the most value for the organizational stakeholders. The process of small business formation and development is hazardous one, and it seems logical to conclude that a risk of failure (due to decision making) will be high, especially in the early years of a business existence. The emergence of new enterprises, often indicate the creation of new, innovative products and services. For small business to get financial support decisions related to proper business planning ought to be made. Small business can provide employment and growth in restructuring of advanced economies as per American and UK models.*

KEYWORDS: *Decision Making, Managing Change, Small Business*

I. INTRODUCTION

According to Dawson (2003) during the early phases of industrialization considerable emphasis was placed on the structure of organizations and on the effective utilization of machinery. The new industrial entrepreneurs decided the type, speed and direction of change, and were often authoritarian in their approach. Carnall (2007) explain that the global business environment is changing faster than ever. We are living in an era where (Small) businesses constantly need to reshape their ideas merely to survive. But to achieve sustained success it is not sufficient merely to change existing operations better: businesses need to do things radically differently to secure an advantage over their competitors.

Volery and Schaper (2007) elaborate that small business are most common form of business worldwide but researchers have always had difficulty in satisfactory defining them and separating them from large firms. As most small business researchers would argue, a small firm is not just one that is smaller than large organizations; it is also a business that is often managed and run in ways fundamentally different from a large corporation.

Volery and Schaper (2007) further gave definition of small business as regards the following characteristics: It is independently owned and operated. The business is not part of a larger corporation nor effectively controlled by another firm. In other words, owners of small business are not answerable to anyone else for decisions they make; the owners contribute most, if not all of the operating capital. They take the responsibility of funding the business idea, bear the risk (such as potential bankruptcy), if the project fails, and are entitle to most of the profits if it succeeds; the main decision making function rest with the owners, who usually also work full time in the firm; thus, they are often referred to as owners – managers. Most of the critical decisions are made by one or two people, since the firm is rarely big enough to support a group of professional specialists in areas such as marketing, administration, finance or logistics and the business has only a small share of the market in which it operates. Typically the firm does not dominate its industry; rather, it is just one of many businesses competing for a limited pool of customers.

Organization change according to Jones (2010) is the process by which organizations (small business) more from their present stage to some desired future state to increase their effectiveness. The goal of planned organization change is to find new or improved ways of using resources and capabilities to increase an organization's ability to create value and improve returns to its stakeholders. An organization in decline may need to restructure its resources to improve its fit with environment. Planned organization change is normally targeted at improving effectiveness at one or more of four different levels: human resources, functional resources, technological capabilities, and organization capabilities.

Organization decision making as the process of responding to a problem by searching for and selecting a solution or course of action that will create the most value for the organizational stakeholders. Whether the problem is to find the best inputs, to decide on the right way to provide a service to customers, or to figure out how to deal with aggressive competitor, in each case managers must decide what to do. To make the best choices, managers must take two kinds of decisions: Programmed and non-programmed. **Programmed** decision making involves selecting the most effective – easy, repetitive, and routine – operating procedures to handle an organization ongoing value – creation activities. **Non-programmed** decision making involves striving to create and implement the most effective – creative, novel, and unstructured – solutions to allow an organization to adapt to changing and uncertain conditions (Jones, 2010).

II. STATEMENT OF THE PROBLEM

The process of small business formation and development is hazardous one, and it seems logical to conclude that a risk of failure (due to decision making) will be high, especially in the early years of a business existence. The emergence of new enterprises, often indicate the creation of new, innovative products and services (this is management change). The demise of a business can be positive, in that it frees up finance, managers and personnel for new business (Schaper & Volery, 2007). Analoui and Karami (2003) detailed that every year many small businesses fail. There are numerous reasons that might ultimately prove to be fatal – lack of investment, cash flow problems, disappointing sales etc. – or because of less obvious factors such as poor planning (lack of proper decision making) or lack of business experience. Bridge, O'Neill and Cromie (2003) agree that decision making in small business is less formal and more personalized than in larger venture.

Objectives of the Study

The specific objectives of this study were to:

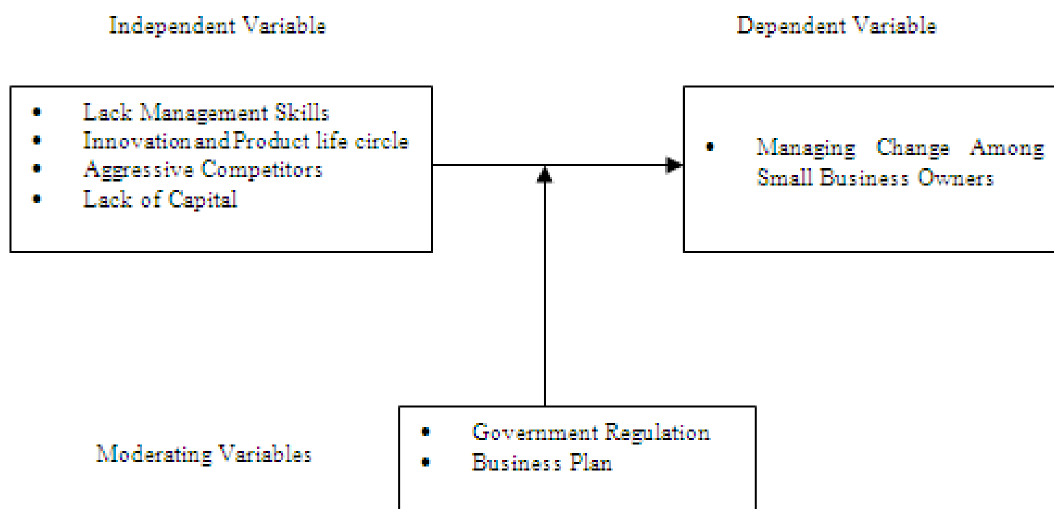
1) Establish improved and effective ways of decision making in small business
2) Identify change as a means to reaching the desired future among small business
3) Evaluate effects of not making anticipated decision in small business

Research Question

What effective ways of decision making and that can bring the desired change in small business?

Conceptual Framework

Figuare 1



Source: Author, 2014

III. LITERATURE REVIEWS AND PAST STUDIES

Allen, Plunkett and Attner (2013) comment that, not all decisions making situations are identical. The nature of the decision often dictates the manager's approach. The more complex or uncertain the problem to solve, the formal decision making process is used. Less complicated problems or those that a manager (or owner of small business) has a great deal of experience in solving problems that can be handled less formally following habits or relying on past solutions. Whether decisions are programmed or non-programmed depends on the nature of the situation. Hashim (2013) concur that the task of change management not is easy task because it requires the business skill, analytical skill, political skill, system skill, people skill, and the various consultants now performing the duty of change management for various organizations. Change management plays a vital role in the organization development because it gives stability to the organization by studying the internal and external changes. It also provides a solid base for the value and reputation. And also maximize the profit of the business concern.

Managers are paid to make decisions and to get results from these decisions. A decision that just sits there, hoping someone will put it into effect, may as well never have been made. Everyone involved with carrying out the decision must know, how to do it, and why, and when it must be done. Like plans, solutions need effective implementation to yield the desired results (Allen, Plunkett & Attner, 2013). Allen, Plunkett and Attner (2013) profound that the final step in the decision making process is to create a control and evaluation system. This system should provide feedback on how well the decision is being implemented, what the positive and negative results are, and what adjustments are necessary to get the results that were desired when the solution was chosen. Often, too, the implementation of a decision produces outcomes that create new problems or opportunities that require new decisions. An evaluation system can help identify those outcomes.

Bridge, O'Neill and Cromie (2003) emphasized that the decision – making in small businesses will be less formal and more personalized than in larger ventures. In a rational approach, objectives are set, alternatives are investigated and economic evaluations are made of alternatives. In small businesses the omnipresence of owners can mean that everyone in the business can hear a clear articulation of the goals and objectives. However, the smallness of business, and the lack of managerial skills of its owner, can also mean that goals are not articulated at all. The information available to decision–makers in small businesses will be even more inaccurate, incomplete and time – bounded than in other organizations. Longeneger et al (2010) further explain that as a newly formed business becomes established and grows, its organizational structure and pattern of management change. To some extent, management in any organization must adapt growth and change. However, the changes involved in the early stages of a new business are much more extensive than those that occur with the growth of a relatively. A number of experts have proposed models related to the growth stages of a business firm. These models typically describe four stages of growth and identify various management issues related to each stage. Moore et al (2010) further explain that in Stage1 of the growth model, the firm is simply a one – person start up is by no means rare. In Stage 2, the entrepreneur becomes a player – coach, which implies continuing active participation in the operation of the business. In addition to performing the basic work – whether making the product, selling it, writing checks, keeping records, or other activities – the entrepreneur must also coordinate the efforts of others. A major milestone is reached in Stage 3, when an intermediate level of supervision is added. In many ways this is the turning point for small business firm. In Stage 4, the stage of formal organization, involves more than increased size, and multi – laced organization.

Analoui and Karami (2003) propose that managing strategic change is an emergent issue for small and medium sized enterprises. Nowadays, organizations are facing substantial changes in their environment. Years ago, firms were operating in more stable environment characterized by the lack of email, personal computers, internet and intranet, cellular phones and electronic office equipment. Today, we live and work in an ever – changing world. No business, small or big can exist let alone remain successful without adapting to the changes in environment. Managing strategic change helps strategists to adopt the new ideas and behaviours quickly and systematically by observing and monitoring external trends, for instance technology, market situations, customer expectations and competitors' strategy. Strategists can formulate to use planned change to help their firms to adapt to external changes.

Managing change in a small entrepreneurial business, where a motivated team are driving change, as established by (Johnson, Scholes & Whittington, 2008), would be quite different from trying to manage change in a major corporation, or perhaps a long-established public sector organization, with a great deal of resistance to change. Moreover, assuming that approaches to change are readily transferable between contexts is problematic. For example, many governments in different parts of the world have sought to import change management practices from consultancies or by recruiting managers from commercial sector. Thompson,

Gamble and Strickland (2004) critic less-adaptive cultures where skepticism about the importance of new developments and resistance to change are the norm, managers prefer waiting until the fog of uncertainty clears before steering a new course, making fundamental adjustments to their product line, or embracing a major new technology. Change resistant cultures place a premium on not making mistakes, prompting managers to lean toward safe, don't-rock-the-boat options that will have only a ripple effect on the status quo, protect or advance their own careers, and guard the interests of their own immediate work groups. Thompson, Gamble and Strickland (2004), put forward that change-resistant cultures encourage a number of undesirable or unhealthy behaviors-avoiding risks, not making bold proposals to pursue emerging opportunities, a lax approach to both product innovation and continuous improvement in performing value chain analysis, and following rather than leading

Bridge et al (2003) state that the simplest application of the business plan to understand may be its role in 'selling' the business, in other words, putting across its merits. Potential funders of the business often need to be persuaded of its worth. A business gets financial support because the providers of that support think that they will themselves benefit from its provision. Banks seek to get paid for an overdraft or loan (interest) and grant – givers seek a contribution to the achievement of their aims (often improvement in the economy). The business plan is in effect the sales document for the business, and understanding of the benefits the funders seek can be helpful in its preparation.

According to Jones (2010) when technology is changing, organizational (small business) survival requires that (owners) managers quickly adopt and apply new technologies to innovate and apply new technologies to innovate new products. Managers who do not do so soon find that they have no market for existing products – and destroy their organizations. The rate of technological change in an industry – particularly the length of product life cycle – determines how important it is for managers to innovate. The product lifecycle reflects the changes in demand for a product that occur overtime.

IV. RESEARCH METHOD

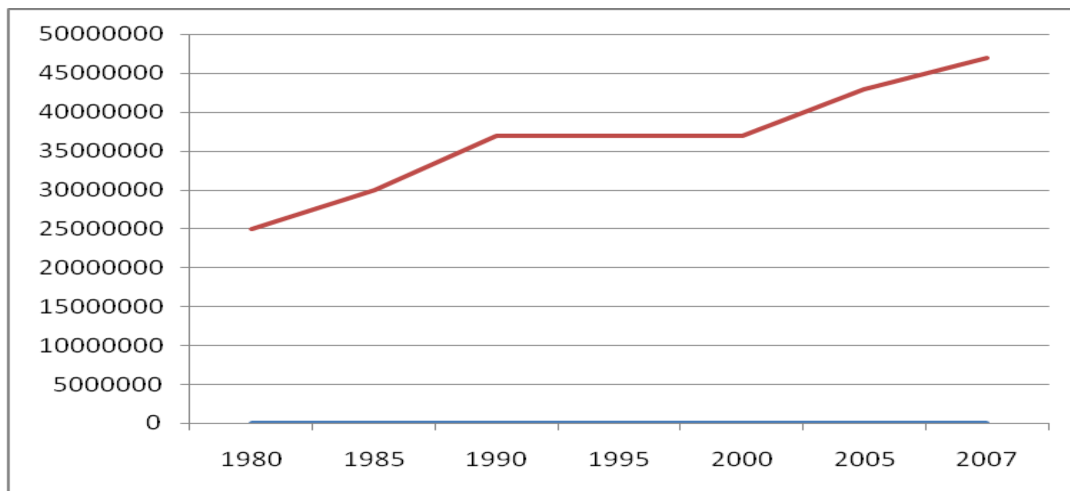
The researcher adopted an evaluation research. (Mugenda & Mugenda, 2003) state that evaluation research is the systematic process of collecting and analyzing data in order to make decisions. Evaluation research is therefore a process of determining whether the intended results were realized. The evaluation model III assists in decision making, (which the research has utilized) and involve comparatively studying of different models of UK and USA to that of Kenya. The data collected through secondary sources, these included, books, magazines, and academic journals. Kombo and Tromp (2006) confirm that secondary information sources are data neither collected directly by the user nor specifically for the user. It involves gathering data that already has been collected by someone else.

V. RESULTS AND DISCUSSION

Stokes and Wilson (2010) indicate that the Bolton Report proved unduly pessimistic about the immediate future for the small firms. If their survival as an organizational form was the issue in 1971, the concern today is that the expectations have been too high, small firms are now heralded as leaders in providing employment and growth (through effective decision making) in a restructuring of advanced economies. In retrospect, we can see that the tide was turning before the Bolton Report. *The American Experience:* In the USA, small enterprises began revival in the 1960s. From the late 1960s, the creation of new jobs shifted from the country's largest organizations, to small and medium – sized firms, many of them new businesses. The growth in employment in the USA between the mid – 1960s and mid -1980s was phenomenal. The total workforce grew from 71 million in 1965 to 106 million in 1985, an increase of 50 percent, or 35 million new jobs. Yet at the same time the traditional powerhouses of the American economy, the largest business (the fortune 500) were actually shedding jobs, and estimated loss of five million permanent jobs in 1985. In other words, taking into account this loss, 40 million new jobs were created in the two decades to 1985 by small and medium size businesses. Much growth came from new enterprise, with an estimated 600000 new businesses started every year during boom times of 1980's (Stokes & Wilson, 2010).*The UK Model – Statistic:* Stoke and Wilson (2010) propagated that the pickup of small enterprises in the UK may have come later but was no less impressive.

Figure 2. Illustrate the growth in numbers of firms since 1980 and 1990 there was a substantial jump in the total number of firms in UK. Their number rose by over 50 percent in the decade (Bennock & Daly, 1994).

Figure 2 Total UK Business Population 1980 – 2007



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Stokes and Wilson (2010) further elaborate that although the number of firms fell slightly in the recession of the early 1990s, they stabilized at 3.7 million for the rest of the decade. In the recent years, numbers have been rising again: in 2005 they increased to 4.3 million, and by 2007 to 4.7 million (although part of this increase caused by statistical redefinition). It is anticipated that the recession from 2008 will negatively impact the growth in business population.

Table 1 The Profile of the UK business Population, 2000, 2003, 2007, by percentage

Size (No. of Employees)	**No. of Businesses**			**Employment**			**Turnover**		
	2000	2003	2007	2000	2003	2007	2000	2003	2007
None	69.6	71.3	74.0	13.5	14.6	16.6	7.4	7.9	8.0
1- 9	25.3	23.9	21.7	16.7	16.9	16.6	15.4	15.6	14.8
10 - 49	4.1	4.0	3.6	13.3	14.7	14.4	14.4	14.9	14.7
50 - 249	0.6	0.6	0.6	11.4	12.0	11.7	13.9	14.0	14.5
250 +	0.2	0.2	0.2	44.9	41.8	40.8	48.8	47.6	48.4

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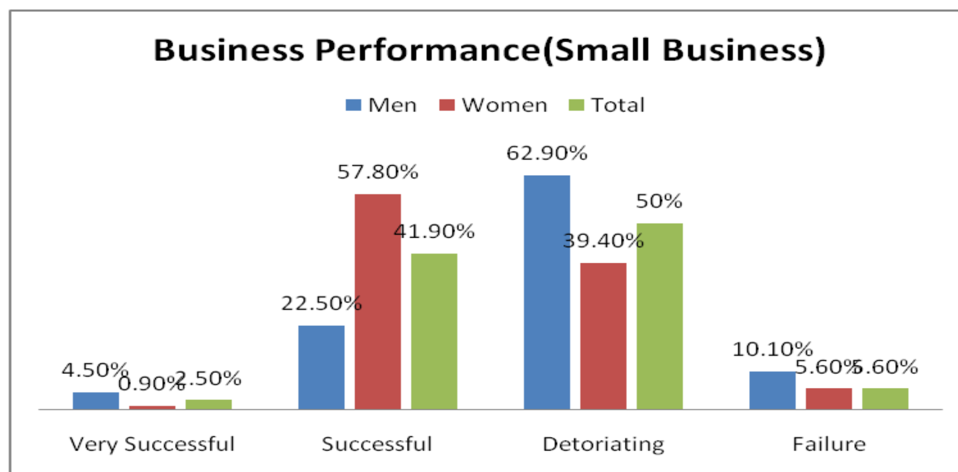
The great majority of the small firms, employing either no one else or only a handful of people. Table 1 shows that at the 4.7 million businesses in the UK in 2007, nearly 96 percent had fewer than ten employees. 74 percent of the total, or 3.5 million businesses, had no employees at all, representing the increasingly large number of one – person businesses. As figure 2.1 shows, micro - firms of fewer than ten employees accounted for one – third of employment in the private sector. Those employing under 50 people accounted for 11 million of the 23 million jobs in the UK private (48 percent of non government employment) and 37.5 percent of turnover (Stoke & Wilson, 2010). Stoke and Wilson (2010) continue to expound that there were only approximately 6000 large enterprises employing over 250 people, they make up over 40 percent of employment and nearly 50 percent of turnover. However, the total SME sector of firms employing less than 250 people now contributes 58 percent of employment and over 50 percent of turnover in UK.

Longenecker et al (2006) advice that while, starting and oprating a small business includes the possibility of success as well as failure. Because of their size, a simple management mistake is likely to lead to sure death of a small business enterprise hence no opportunity to learn from its past mistakes. Lack of planning, improper financing and poor management have been posted as the main causes of failure of small businesses.

Small Businesses in Kenya: Bowen, Morara and Mureithi (2009) put forward that according to Kenyan economic of 2006, the small and micro enterprises (SMEs) play an important role in Kenyan Economy. The sector contributed over 50 percent of new jobs created in the year 2005. Despite their significance, past statistics

indicate that three out of five businesses fail within the first few months of operation (Kenya Bureau of Statistics, 2007).

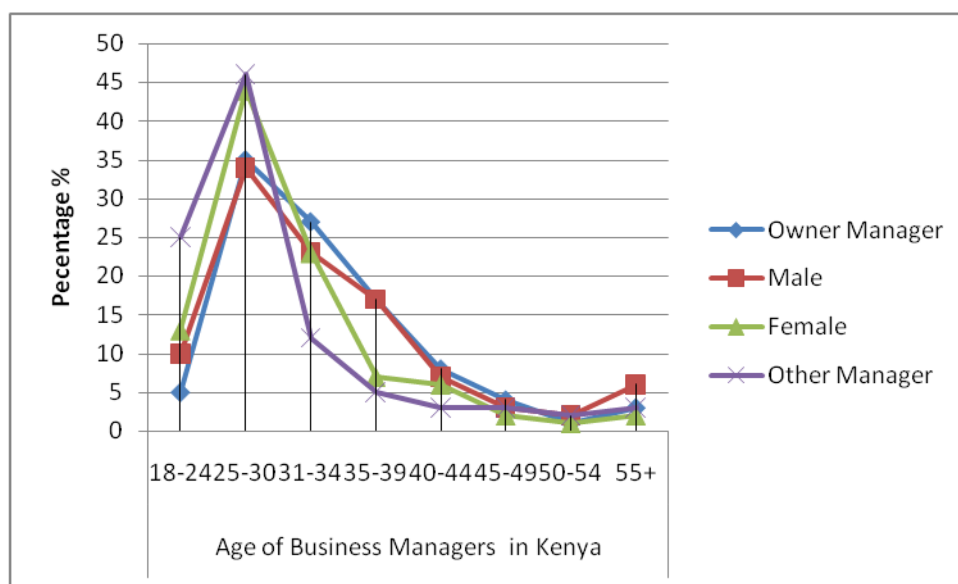
Figuare 3 Business Peformance (Small Business)



Source: Bowen, Morara and Mureithi, 2009

According to a study carried out on small and Medium enterprises in Kenya by Bowen, Morara and Muriethi (2009) up to 50 percent of the respondents in this study considered their businesses performance to be deteriorating while 41.9 percent considered their business successful with only 2.5 percent respondents saying their businesses were very successful. The majority of the managers and business owners fell within 25-34 year age bracket. Clearly, most micro and small enterprises are owned and mainly run by people in their late 20s and early 30s as shown in Figure 4 below).

Figuare 4 Age of Business Owners in Kenya



Source: Bowen, Morara and Mureithi, 2009.

VI. CONCLUSION

Schaper and Volery (2007) conclude that it is important, therefore to understand the factors that lead to business success or failure. The causes of failure have been more extensively discussed and researched than the reasons for success. Theoretically almost every aspect of business can potentially cause a business fail if not dealt with properly (through effective decision making). However, there are likely failures. For example, Cromie found that problems could be grouped into four functions: - finance, marketing, production and personnel. Moore et al (2010) indicate that it becomes clear that the cause of failure in many cases was a lack of professional management (or lack of change). The good news, however is that poor management is neither universal nor inevitable. Small businesses constantly need to reshape their ideas merely to survive. But to achieve sustained success it is not sufficient merely to change existing operations better: businesses need to do things radically differently to secure an advantage over their competitors. In order for small business to get financial support decisions related to proper business planning ought to be made, while small business owners are recommended to quickly adopt and apply new technologies to innovate, acquire experience before jumping into business, maintain adequate records and serve customers effectively. Small business can provide employment and growth in restructuring of advanced economies as per American and UK models.

The Bolton Report proved unduly pessimistic about the immediate future for the small firms. If their survival as an organizational. The concern today is that the expectations have been too high, small firms are now heralded as leaders in providing employment and growth in a restructuring of advanced economies. The Kenyan small businesses should emulate the America the small enterprises which began revival in the 1960s. The creation of new jobs shifted from the country's largest organizations, to small and medium – sized firms, many of them new businesses. The small business entrepreneurs (owners) lack managerial skills (suitable for decision making during change management) as discussed by Bridge,O'Neill and Cromie (2003), which means that goals are not articulated at all. Management in many organizations must adapt growth and change. Hashim (2013) advocate that change management is not easy task because it requires business skills, analytical skills, political skills, system skills and people skill. Change management plays a vital role in the (small) organizations development and, also provides a solid base for value and reputation.

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