OROMIA PLANNING AND DEVELOPMENT COMMISSION IN COLLABORATION WITH OROMIA STATE UNIVERSITY

RESEARCH TITLE: MICRO AND SMALL ENTERPRISE DEVELOPMENT STRATEGY IMPLEMENTATION PERFORMANCE AND CHALLENGES IN OROMIA NATIONAL REGIONAL STATE

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Acronyms

AMOS-Analysis of Moment of the structures

AVE – Average variance extracted

CR – Composite reliability

CFA – Confirmatory factor analysis

MSE- Micro and small-scale enterprise

MSED – Micro and small-scale enterprise development

MSEDSI - Micro and small-scale enterprise development Strategy Implementation

MSV – Maximum shared variance

SEM – Structural equation modeling

ONRS - Oromia National Regional State

Abstract

Micro and Small-scale enterprises (MSEs) are generally stared as the driving force of economic growth, job creation, and poverty reduction in developing countries. They have been the means through which fast-tracked growth and rapid industrialization have been achieved. Hence, MSEs have been recognized as socio-economic and political development catalysts in both developed and developing economies. Therefore, in order to comprehend this contribution of MSEs, government of Ethiopia has formulated different MSE development strategies in 1997 for the first time and revised it in 2011. Thus, this study is aimed to analyze the MSEs development strategy implementation performance and its challenges in Oromia National Regional State (ONRS). The study adopted mixed concurrent study design where primary data was collected through questionnaires, interview and FGD. Seven zones and six city administrations in the region were included by using cluster sampling and purposive sampling technique. Therefore, 1514 MSE operators and 165 officers related to MSE development strategy implementation at different levels were involved in providing primary data for the study. Structural equation modeling-Amos was utilized to analyze the data. The results of the indicates that the MSEs development supportive packages were not under going as intended due to different institutional and operator related factors. Marketing development service was the least among other touched supportive packages. In order to make the contribution of MSEs to the economy, revising the priori developed MSE development strategies and policies, re-organizing the structure and culture, developing infrastructure and technical support system were the main recommendations.

Key Words: ***MSEs, development strategy, development strategy implementation performance***

CHAPTER ONE: INTRODUCTION

1.1. Background of the study

The Micro and Small Enterprise Development (MSED) can be found to contribute to the objectives of promoting national and regional economic development goals. MSED promotes employment and creates new jobs; alleviates poverty and assists those who are disadvantaged; facilitates the transition to a market economy; promotes equity and addresses uneven development; and promotes democracy and development of civil society (ILO, 1999). Micro and Small Enterprises (MSEs) are universally acknowledged as effective in countries with large corporations and contribute a very substantial percentage to the employment generated.

In Africa, where the private sector is not well developed, MSEs could play a critical role in stimulating development and alleviating poverty (Asmelesh, 2002). MSEs are increasingly seen as the creators of new jobs and key contributors to the economic well-being for many developed and developing country households. Hence, their development can deepen the manufacturing sector and foster competitiveness. Employment, by providing people with access to wages, constitutes one of the most important forces in improving economic equity. Without sufficient growth in employment opportunities, the ability of economies to eradicate poverty and inequality is severely compromised (Mulat, Fantu and Tadele 2003). With this regard the role of MSEs is of paramount.

In developing countries like Ethiopia, the size of the labor force continues to grow quicker than the ability of the economy to generate large employment opportunities. On the other hand, MSEs are emerging to be effective economic elements for, they generate employment opportunities and promise to be effective in the poverty alleviation; serve as alternative job opportunities in the off-farm activities; adapt and localize appropriate technologies; and contribute greatly to the growth of GDP, among others (FeMSEDA, 2004).

In cognizant to this issue, the Federal Democratic Republic of Ethiopia (FDRE) government has paid due attention to the promotion and development of MSEs. To this effect, the government has formulated a National MSE Development Strategy in 1997. Following the formulation of this strategy, different development strategies and development programs were formulated and synchronized with the development and promotion of MSEs. Among these strategies and programs, the Integrated Housing Development Program, Construction Industry and urban development were some of the major planned strategies to develop and

promote MSEs and their role in economy of the country. This strategy was intended to create coherence with the other economic sectors and outline duties and responsibilities of stakeholders at all levels (from Federal to Kebele level).

In 2011, the Federal Micro and Small Enterprises Development Agency (FeMSEDA), has revised this strategy in order to integrate the development of the sector with the country's 5 year (2003-2007 E.C) Growth and Transformation Plan (GTP) as one of the pillars of the Industrial Development Plan and taken as one of the best tools to implement the country's Industrial Development Strategy. The revised MSEs Development Strategy outlined the Institutional set-up from Federal to Kebele / (One Stop Service Centers) and defined stakeholders entrusted with responsibilities of providing different supports for the development of the sector. This strategic direction was supposed to enable the expansion of MSEs in urban areas for the development of broad-based and competent private sector. Moreover, the MSE sector is believed to control the effects of unemployment and urban poverty. (FeMSEDA, 2011).

1.2. Statement of the Problem

The small and medium enterprises (SMEs) play an important role in the Economic development. Although they accelerate economic growth, generate employment, foreign exchange and tax revenue, they operate against heavy odds and any slight changes in the external environment hits them strongly (King & McGrath, 2002). Despite their significance, studies indicate that three out of five businesses die within the first few months of their operation (Nickels et al., 2002). This suggests that MSEs face many strategy implementation challenges which hamper their competitiveness and survival. Nasirembe (2008) contends that financing strategy is a critical element in ensuring the competitiveness of MSEs.

In spite of MSEs vital contribution to overall socio-economic development of any nation, as any development endeavor, their development is constrained by a number of factors. In most fast developing countries, MSEs by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their powerful propellant effect for rapid economic growth. The sector is also known as an instrument in bringing about economic transition by effectively using the skill and talent of the people without requesting high-level training, much capital and sophisticated technology (MoTI, 1997).

According to ILO (2005), the constraints facing MSEs in most developing economies are similar which unfavorable legal and regulatory environments and, in some case,

discriminatory regulatory practices; lack of access to markets, finance, business information; lack of business premises (at affordable rent); low ability to acquire skills and managerial expertise; low access to appropriate technology; and poor access to quality business infrastructure.

Recognizing the role of MSEs in the socio-Economic development of the country and giving special attention to the sector, the developed MSEs development policy and strategy has contributed and achieved enormous achievement through it different supporting packages such as awareness creation; financial support based on personal saving; provision of legal services, to form legal business enterprises; providing technical and business management training; facilitate working premises; industry extinction services and BDS provision and bookkeeping and audit services (FeMSEDA, 2011).

However, this achievement is not sufficient for a given the potential labor force entering labor market each year, the escalating inflation in the country, and the other enormous resources the country can provide as a result of poor implementation of the MSED policy and strategy (Belete, 2015, FeMSEDA, 2011; AMSElesh, 2002 Mulat, Fantu and Tadele 2003).

Among these constraints of MSEs unfavorable legal and regulatory environments are cross-cutting issues. A business owner has a legal obligation to adhere to existing laws and regulations. These responsibilities include paying taxes, respecting regulations regarding employees, getting licenses and permits, adhering to lease and contractual agreements (EBDSN, 2004). A legal and regulatory system that calls for complex registration and licensing requirements and demands tedious and costly reporting practices imposes heavy costs on MSEs (Belete, 2015). An issue frequently raised in the analysis of the development of MSED concerns the extent to which the legal and regulatory environments constraints the growth of MSEs (Jourmard, Liedholm& Donald 1992).

As Micro and Small Enterprises constitute significant number in every economy, countries formulate development strategies to support this sub sector so that they can have superb contribution for the economy. As the same is true in Ethiopia, there are Micro and Small Enterprises (MSEs) Development strategies and Growth and Transformation Plans related to Micro and Small Enterprises. However, the effectiveness and challenges of the strategy are rarely studied. Therefore, the study aims at assessing the status of MSEs development strategy implementation and its challenges so as to develop policy options if it necessitates.

1.3. Objectives of the study

1.3.1. General objective

The general objective of the study is to assess the MSEs development strategy implementation performance and challenges in Oromia National Regional State (ONRS).

1.3.2. Specific objectives

The specific objectives of the study were:

1. To analyze MSE development strategy implementation performance in the region.
2. To determine MSE development strategy implementation challenges.
3. To develop policy option that pledge for further contribution of MSEs in the regional economy.

1.4. Research questions

In light of the aforementioned research objectives this study strives to answer the following key research questions:

- What is the status of MSE development strategy implementation in the region?
- What are the challenges facing MSE Development Strategy implementation in the region?
- What are the best ways that can assure further contribution of the MSEs in the regional economy?

1.5. Significance of the Study

The study benefits the MSE administering body and other organizations in understanding the challenges they have faced and would be encountered when implementing various strategies and be able to come up with better ways of dealing with these challenges so as to be successful in their strategies. The MSEs would be enlightened on the challenges they face and how they can overcome them as well.

Provides insights for financial institutions such as Micro Financial Institute (MFI) and banks on how to serve the MSEs better and how to minimize the financial challenges faced by MSEs. Government will be made aware of the challenges that MSEs development strategy implementation faces so as to develop (or modify existing MSES) policies which enhance growth of MSEs. Researchers on the other hand, will be provided with information for future research in the area of small and medium enterprises.

1.6. Scope of the study

The study is delimited both conceptually and physically. Conceptually, the study focuses only on analyzing the MSEs development strategy implementation and its challenges under which

the role of the stakeholders in the sector and overall MSE development strategy implementation performance and challenges were included. Geographically, the study is delimited in Oromia National Regional State where seven zones, seven zonal towns and twelve districts of these selected zones were the participants.

Additionally, the study is also delimited from methodological perspective. From its very nature, program implementation or strategy implementation is evaluative type of study which has its own measurement standards toward which piriori set objectives are evaluated. In order to conduct such type of study, again it necessitates to collect necessary data from the representative sample in every corner where the program is deemed to touch. Thus, due to some bottlenecks such as political instability to reach and include the necessary sample from all target population, the study focused only on analyzing the MSES development strategy implementation performance and challenges in the region.

1.7. Limitations of the study

As any other scientific studies, this study is also susceptible to some limitations. Thus, result of this study should be used cautiously by considering the proceeding main limitation. Due to instability problem, all the deemed sample from the target population were not included in the study. As a result, the study was focused only on analyzing the current MSE development strategy implementation performance and could not able to apply standardized program evaluation measurements to evaluate the overall MSE development strategy implementation.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

2.1. Conceptual Definition and Development of MSEs in Ethiopia

In defining MSEs, there is no commonly accepted definition. Different countries use different definition bases. Many countries, in defining MSEs, four basic criteria have been taken. These are: i) the head count staff/employed manpower. ii) Total and net asset and paid capital, iii) annual turnover and iv) legal entity. Although most countries definition holds the above-mentioned criteria, the countries have various criteria depending on the level of their economy (Kozak, 2005). According to report of FMSEDA (2011), in Ethiopia, various definitions of MSEs are used; the 2006 strategic definition, the Central Statics Agency (CSA) basic population census definition and Definition given by the recent 2011 MSE strategy.

Accordingly, the 2006 strategic definition of MSE focuses only on the paid up capital invested and those enterprises whose paid up capital is less than 20,000 ETB were considered as **micro scale enterprises** while those enterprises whose paid up capital amounts >20,000 but less than 500000 ETB were considered as **small scale enterprises**. The CSA definition uses employment and favors capital intensive technologies as measure and it ignores startup capital and other economic sectors other than manufacturing sector. (FMSEDA, 2011). In line with this, cottage and handcraft industry that performs their activities by hand and using manpower driven machines, employing less than 10 persons and using motor operated equipment are considered as small-scale manufacturing enterprises.

2.2. Theories of Strategy Implementation

Operating any business is environment dependent and the best link between a business and its environment is the strategy it utilizes. Similarly, in today's business environment which is characterized by a dynamic, complex and unpredictable environment, the adopted strategy plays vital role. Business experience changes continually due to the openness of operation systems in interacting with the environment. These changes demanded a firm to develop appropriate goals and objectives, identify necessary courses of action and allocation of resources necessary to achieve the preset objectives (Dacin et al., 2007). Thus, the managerial perception of the environment in which firms operate can influence the choice of the firm's strategic adaptation and implementation (O'Cass et al., 2004).

In line with MSEs development strategy execution, resource-based theory, survival-base theory, dynamic capability theory, ownership theory, Small is beautiful theory, theory of economy development-place of the small business, and organizational life-cycle theory and systems theory were amongst the common.

2.2.1. The Resource Based View (RBV)

As Penrose (1959) tried to articulate, the resource-based theory stems from the principle that the strength of firm's competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. The Resource Based View of the firm suggests that performance is driven by the resource profile of the firm while source of superior performance is embedded in the possession and deployment of distinctive resources that are difficult to imitate (Wernerrelt, 1984). RBV proposes that firms achieve sustainable competitive advantage if they pose certain key resources and if they effectively deploy these resources in their chosen markets (Barney, 1991). The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin et al., 2007).

O'cass et al., (2004) argue that a firm's specific characteristics are capable of producing difficult to imitate core resources which determine the performance variation among competitors. The resource- based view further stipulates the fundamental sources and drivers of firm's competitive advantage and superior performance is mainly associated with the attributes of their resources and capabilities which are rare, valuable, difficult to imitate and not substitutable. The resource-based view (RBV) of the firm proposes that firm performance depends on firm specific resources and capabilities (Baker & Sinkula, 2005). Grant (1991) puts forth levels of durability, transparency, transferability and replicability as the key RBV determinants. On the other hand, (Amit and Schoemaker 1993; Day 1994) argue that the key firm resources an enterprise as complementarity, scarcity, low tradability, inimitability, limited factors constitute including also intangible assets such as market orientation, knowledge management and organizational learning which can allow enterprises to develop their abilities that enhance competitive advantage. Similarly, Colis and Montegomery (1995) have identified how to test the value of a resource by the levels of inimitability, durability, appropriability, substitutability, and competitive superiority that can generate a competitive advantage which eventually leads to superior firm performance.

2.2.2. The survival-base Theory

The survival-base theory is the strategy that firm uses to avoid being exterminated by competitors. One process- sensing, intuition, feeling, thinking- must be developed by a business manager in order to succeed in innovativeness and high intellectual and practical capacity to run his company with bold jump and should be ready to accept the uncertainty (Gibcus, 2003). Basically, the underpinning of survival strategy is that organization needs to continuously adapt to its competitive environment in order to survive. Each decade seems to bring a new way of thinking about the business environment (a paradigm) and new ways of acting (corporate strategies) Brian (1996).

2.2.3. The Dynamic Capability Theory (DC View)

The DC view evolved from the Resource Based View (RBV) and is concerned with the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments (Teece, Pisano &Shuen, 1997). Teece*et al.* (1997) define dynamic capabilities as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments". Indeed, innovation is considered a critical driver of economic growth in the formulation of the endogenous growth theory (Abosede and Onakoya, 2013).

According to Day (1994), capabilities are complex bundles of skills and collective learning exercised through organizational processes that ensure superior coordination of functional activities and are deeply embedded within the organization's fabric. Hence firms that are better equipped to respond to market requirements and to anticipate changing conditions will enjoy long run competitive advantage and superior performance. Hou, (2008) proclaims that dynamic capabilities are the collection of resources, such as technologies, skills and knowledge-based resources. This view is augmented by Helfat and Peteraf (2009) who view dynamic capabilities as the capacity of a firm to purposefully create, extend or modify its resource base. The focus is on the capacity of an organization facing a dynamic environment to create new resources, renew or change its resource mix making it possible to deliver a constant stream of innovative products and services to its target customers. The resource base includes tangible, intangible and human assets which the firm owns and controls or has preferential access to. Dynamic capabilities view knowledge top management team's belief

that firm evolution plays an important role in developing dynamic capabilities (Teece et al., 1997; Helfat & Peteraf, 2009).

As pinpointed by Ambrosini, Bowman and Collier (2009). Dynamic capabilities encompass four processes; reconfiguration, transformation and recombination of assets and resources. Leveraging is concerned with the replication of a process or system that is operating in one area of a firm into another area, or extending a resource by deploying it into a new domain, learning allows effective and efficient performance of tasks and finally, integration which is the ability of the firm to integrate and coordinate its assets and resources that results in the emergence of new resource base. Dynamic capabilities uses the firm's to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market orientation decisions and to change its resources base. Based on these views, market orientation and marketing practices can be considered as one of firm's internal factors that enable firms to perform more efficiently and effectively their day-to-day activities relative to competition (Barreto 2010).

2.2.4. The Small is Beautiful Theory

Developed by Schumacher in 1973, the 'Small is beautiful' theory is a classic critique of the trends towards centralization, corporation, and globalization's non-sustainability nature. The theory advances the promotion of small-scale economic markets and systems, co-operatives and greater decentralization (Schumacher, 1973). In a similar vein, Paulson (1980) found that the relative size of the small retail firm is associated with horizontal differentiation and levels of complexity. Also, Fullerton (2008) appreciated the observation of Schumacher's lead in his best-selling book, Small is Beautiful-Economic as if People Mattered, with the opinion that the global system is broken not because of the credit crisis; it is broken because it is predicated on perpetual, resources driven with no recognition of scale limitation. It points out very skillfully what is exactly wrong with the modern industrial society, and offers an alternative; appropriate technology, respect for human values, and especially bringing things back to the small scale.

Indeed, Schumacher (1973) argues that the phrase "too big to fail" makes people think that big business and big government are the optimum. But when people feel a sense of ownership over their work and lives, when they feel truly included in decision that affects them, they are more likely to take genuine care in making things the best way they can be. It is the difference between the mindset of an owner versus a renter.

2.2.5. The Theory of Economic Development–Place of Small

The theory of economic development–place of small business argues that government has begun to initiate new policies and supports for MSEs growth and development that later turn them into large enterprises following the agitation and needs for MSEs involvement in an economy. Schumpeter (1942) instigated this theoretical viewpoint that states larger businesses are likely to be more productive. Monopolies (which result in larger businesses) tend to have more resources at their disposal for investing in activities such as research and development (R&D), which in turn give rise to innovations and reduce market uncertainties. All things being equal, this perspective indicates that public policies that strive to support and build big businesses would spur innovation and productivity. Conversely, the alternative theoretical perspective of Arrow (1962) contends that smaller businesses are more productive. The author argued that in the presence of competition (such as when a number of smaller firms are competing with each other), the monopolist tends to lose out in innovating, since the rents extracted by maintaining the monopoly power exceeds the benefits of the lower prices brought about by innovation. However, smaller firms will be able to benefit by innovating under these conditions, because the lower prices and costs resulting from innovation leads to competitive advantages in the marketplace.

2.2.6. The organizational life-cycle theory

The organizational life-cycle theory like living organisms, have life cycles. A firm life cycle has been used to explain specific areas of size, growth and development (Miller & Friesen, 1984). They are established or formed, grow and develop, reach maturity, begin to decline and age, and finally, in many cases, they die. Most models developed by scholars hold the view that organization life cycle is comprised of four or five stages, as birth/start-up, survival/early growth, maturity, survival/decline and death/revival. Organizations at any stage of the life cycle are impacted by external environmental circumstances as well as internal factors. Products too have life cycles, a fact that has been long recognized by marketing and sales experts.

The idea necessary is how MSEs and large firms move within to attain maturity and not the stages. The MSEs must win new markets and introduces new products in order to achieve sustainable profit. The moment MSEs starts to grow, Scott and Bruce (1987) noted that they will either plateau off or enter a further stage of expansion in which transitions from a small to a medium or even large firm before reaching maturity. Therefore, the growth cycle of

MSEs is a dynamic process involving the combination of a variety of different elements, partially concentrated within the owner-manager or entrepreneur, and partially within the firm itself. For large corporations, they have experts that periodically identify where their business is situated along the measuring stick of the stages of business cycle. In addition, if both begin to enter a decline phase, large firms, most times are able to reverse the slide, thereby turning the "bell shape" of Organizational life cycle to and an "S" curve.

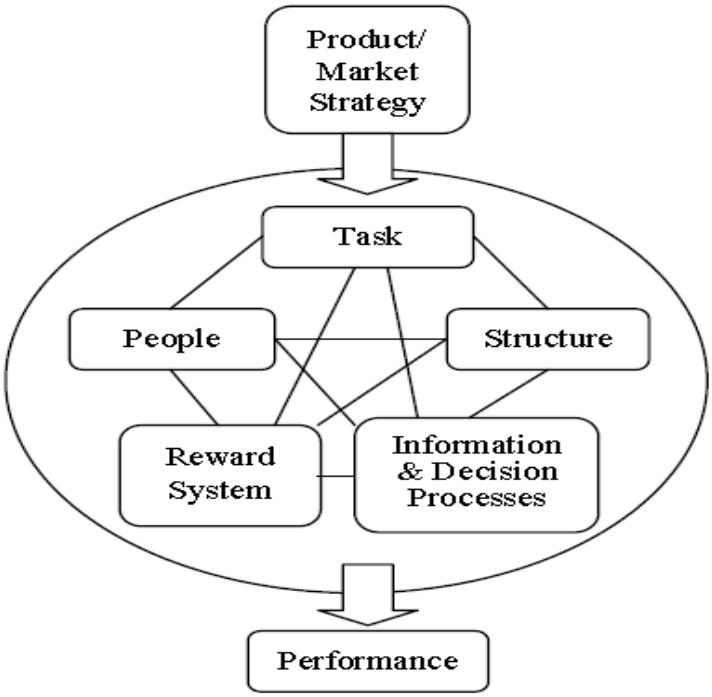
2.2.7. Systems Theory

Boulding (1956) identified functions and important implications of this theory in business and management. According to Laszlo and Krippner (1998, p. 54) a *system* is "a group of interacting components that conserves some identifiable set of relations with the sum of the components plus their relations (i.e., the system itself) conserving some identifiable set of relations to other entities (including other systems)". The advantage of systems theory is its potential to provide a trans-disciplinary framework for a simultaneously critical and normative exploration of the relationship between our perceptions and conceptions and the worlds they purport to represent (Laszlo and Krippner, 1998).

2.3. Models of strategy implementation

According to BAM (2013) there are nine strategy implementation models each which has different focus areas, functions, advantages and disadvantages. The first one is Galbraith & Nathanson's Model of Strategy Implementation that mainly focus on strategy execution. Galbraith & Nathanson's model is designed based on systemic perspective (input, process, and output) though without justification. It proposes that product/ market strategy as the input of this system is processed by a combination of five interrelated elements, including 'task', 'people', 'structure', 'reward system' and finally 'information and decision processes' so as to create 'performance' (Galbraith & Nathanson, 1978).

Figure 1: Galbraith and Nathanson model of strategy implementation



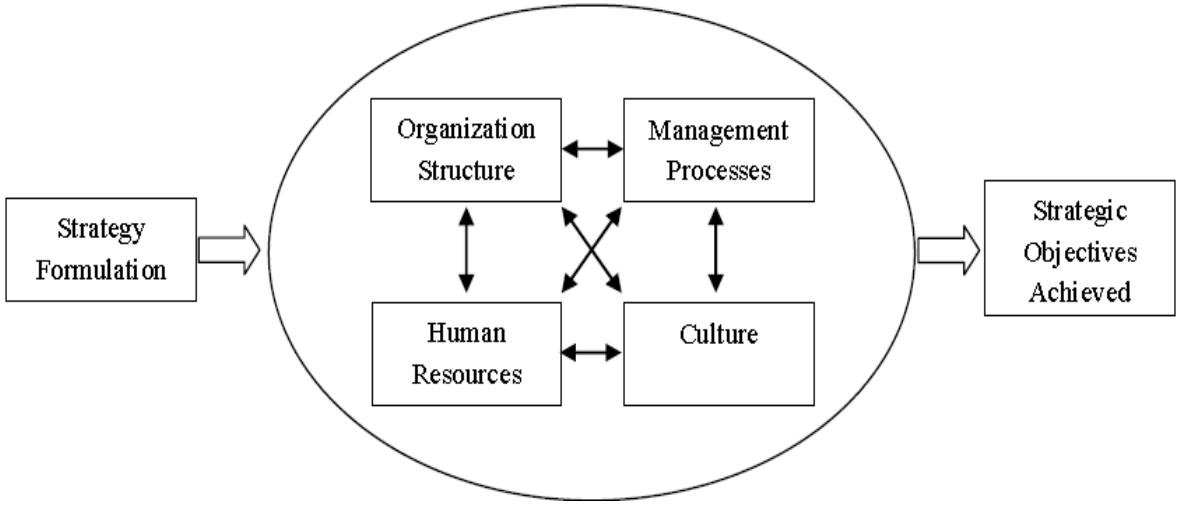
Excerpted from Galbraith & Nathanson (1978)

According to Galbraith and Nathanson (1978), an organization has a variety of structural forms and organizational processes to choose from when implementing a chosen strategy. The choice of structural forms makes an economic difference; that is all structural forms are not equally effective in implementing a given strategy. By organization form they mean a comprehensive design of structure, systems, and processes (1978). Therefore, they suggest that managers should allocate the time and effort necessary to plan their organizational form, just as time and effort are allocated for the formulation of other plans. In addition to structural forms and processes, Galbraith and Nathanson discuss impacts of human resources, tasks, reward systems, and information transaction. They note that the organization must be designed to facilitate the roper selection, training, and development of its employees. Staff must be able to perform their tasks and thereby carry out the desired strategy. Congruent reward systems must provide the incentive necessary for employees to work effectively and in harmony with the organization's goals. Information must also be available to control and coordinate activities, to measure performance effectively, and to monitor and plan (Galbraith & Nathanson, 1978). Although based on today's requirements for 21st century organizations this model looks very basic and incomplete, surely as the first strategy execution model it was a master piece in its own era.

2.3.1. Stonich Model of Strategy Implementation

Developed in 1982 by Paul Stonich and when compared with Galbraith and Nathanson's model the only new element in Stonich's model is culture. Similar with Galbraith and Nathanson's model, this is a system-based model where *strategy formulation* as input is being processed by four interrelated elements of *organization structure*, *management processes*, *human resources* as well as *culture* to achieve *strategic objectives* as outputs.

Figure 2:Stonich's mode of strategy implementation



Excerpted from "Stonich 1982"

As Pinpointed by by Stonich 1982, effective implementation of strategy requires a constant effort to match and fit together the above five basic elements that drive the organization. Stonich (1982) argued that the appropriate process involves not only developing the "right" economic answer, but also ensuring that it can be implemented within the particular company. He also claims (1982) that a successful strategy is analytical and fact-based; and implementation-oriented and consensus-oriented so the strategy formulation process needs to emphasize these two critical dimensions.

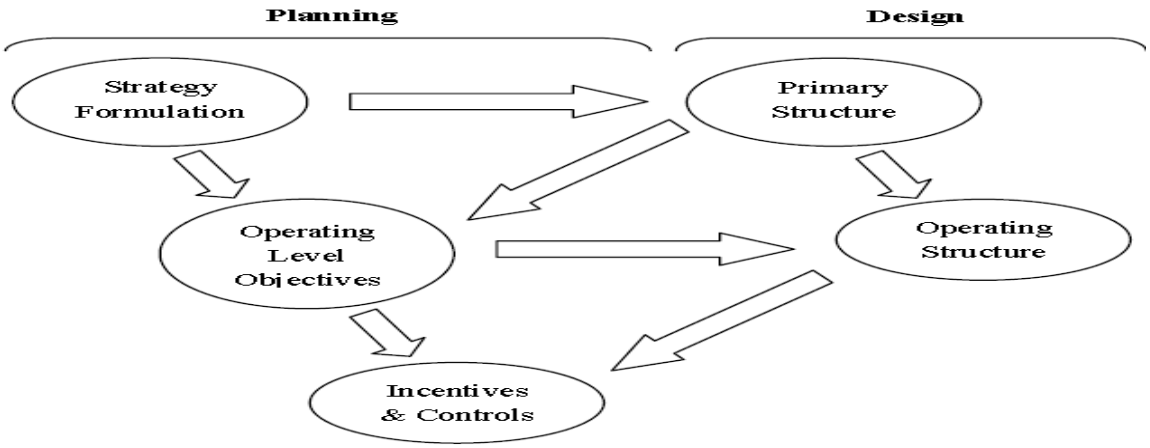
As one of the Stonich's model of strategy implementation, it needs the organizations to have cultures that delineate, in an unofficial and usually unspoken way, the "rules of the game" which shows how things are really done. Recognizing the difficulties of the firm's culture is especially critical when implementing strategy because, in many respects, culture- more than any other element- dictates what can and will be done (Stonich, 1982). The other element is organization structure, which has been discussed by other scholars (Chandler, 1962; Channon, 1973; Galbraith & Nathanson, 1978) prior to Stonich. Stonich's model (1982) shows attempting to implement a desirable strategy can sometimes be constrained by the

structure in place- that is, there may be a poor fit between the strategy and the structure. When this occurs, managers must investigate alternative structuring possibilities that will drive the chosen strategy, and in some cases the strategy may have to be refocused to fit the existing structure. Human resources- the organizations' people, their skills, experience, ability, and style- is part of the model. Stonich (1982) notes that implementing a strategy without people with the required skills, attitude, and training will lead to disaster. Thus, it needs managers to make wise choices among alternative strategies to fit the human resources available, developing skills for existing members of staff or hiring the new employees needed to bring the strategy to fruition. The last component of Stonich's model is management process that covers some of the critical issues in organizations. Management processes including planning, programming, budgeting and rewarding processes, make up the vital "nervous system" of the firm that directs and sends signals throughout an organization and stimulates its movement towards the chosen objectives (Stonich, 1982).

2.3.2. Hrebiniak & Joyce's Model of Strategy Execution

Developed in 1984 by, Lawrence Hrebiniak and William Joyce unveiled their strategy execution model. Like Stonich's model, this model has also five elements, some of these which are considerably different from each other. The main difference between these two models is how they view strategy implementation; that is, Stonich's model considers strategy execution as a system, while Hrebiniak and Joyce's model sees strategy implementation as a step by-step process. In Hrebiniak and Joyce's model, strategy formulation, operating level objectives, incentives & controls, primary structure, and operating structure were considered as main factors of strategy implementation. (Hrebiniak & Joyce, 19840).

Figure 3: Hrebiniak & Joyce Model of strategy implementation



Taken from Hrebiniak & Joyce,1984

Like Stonich's model, Hrebiniak & Joyce's model also starts with strategy formulation that includes the setting of long-term objectives and the requisite plans for their achievement by considering, structural choice as the primary factor in the model which serves to reduce complexity due to a breakdown of a corporate level strategy into smaller elements and short-range objectives. As to Hrebiniak & Joyce (1984), the successful implementation of strategy depends on the decision about primary organizational structure in order to create the operating units that are most appropriate for this reduction process. Similarly, Chandler (1962), Hrebiniak and Joyce (1984) state that main organizational structure should follow the strategy to grantee successful strategy implementation. The third component of the Hrebiniak & Joyce's model is the establishment of operational-level objectives which is, strategic and short-term objectives of the major differentiated units of the organization. Thus, to objectives must now be set in consistence with the choice or definition of structure. The process of setting operating-level objectives also includes the translation of long-term strategic aims into specific short-term objectives for the operating units (Hrebiniak & Joyce 1984). At fourth level, Hrebiniak & Joyce (1984) defined, operating structure, as "the structure and related processes within the major units that represent that primary structure of the organization". Finally, at fifth piece of the model in Hrebiniak & Joyce is incentives and controls. Hrebiniak and Joyce (1984) comment that to motivate behavior that is consistent with short-term and strategic objectives, it is vital to develop rewards and controls that take into account and integrate the short-term operation of the organization and its needs for long-run survival.

2.3.3. Thompson & Strickland's Strategy Implementation Model

Thompson and Strickland's (1986) model is developed by emphasizing on the key tasks that should be done by general managers in implementing strategy as a combination of six step-by-step process and cause and effect correlation between each of the these elements and strategy execution. The six tasks of their model are building an organization capable of successful strategy execution; establishing a strategy-supportive budget; linking work assignments directly to strategic performance targets; galvanizing commitment to the strategy throughout the organization; installing administrative support systems (policies, procedures, information systems, and controls); and exercising strategic leadership.

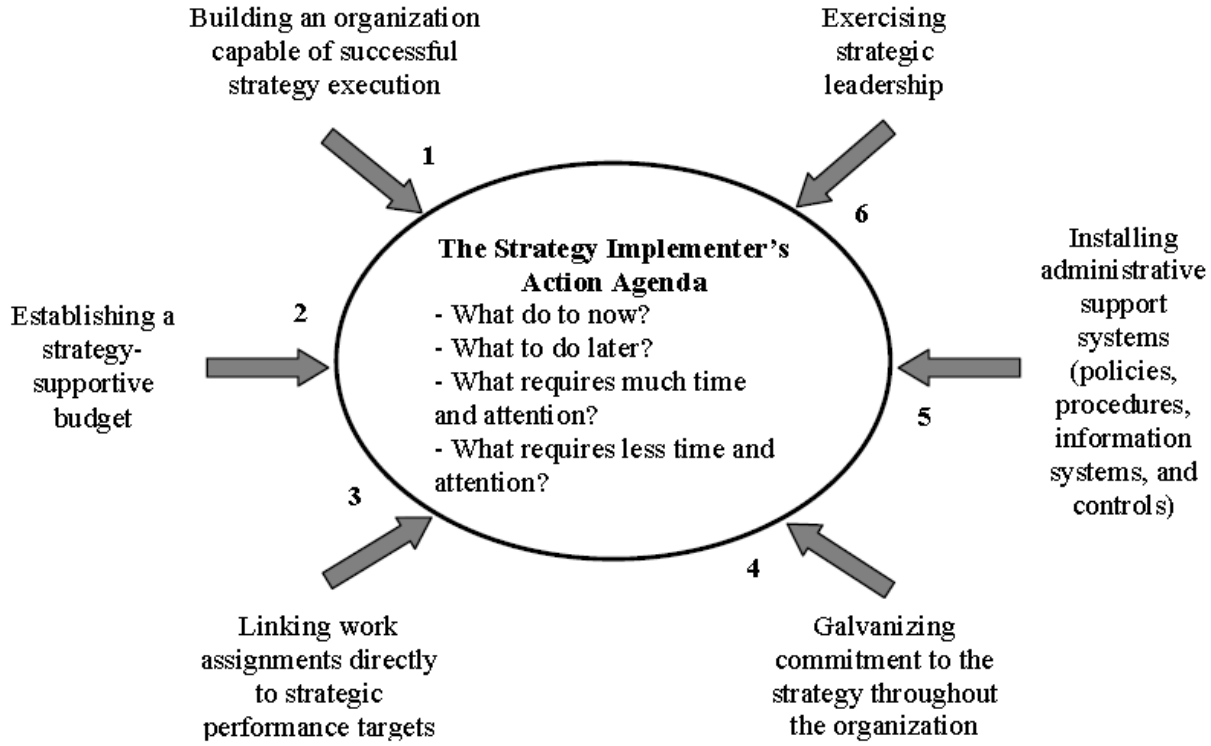
Thompson and Strickland (1986) believe that the very first stage/task in strategy implementation is "building an organization capable of successful strategy execution". They argue that successful strategy execution depends greatly on good internal organization and

competent personnel. In this regard, three main organizational issues are developing an internal organization structure that is responsive to the needs of strategy; building and nurturing the skills and distinctive competences in which the strategy is grounded and to see, generally, that the organization has the managerial talents, technical know-how, and competitive capabilities it needs; and finally, selecting people for key positions (Thompson & Strickland, 1986). Thompson and Strickland's idea is too idealistic when it assumes that a company should be very special with advanced structure and top staff to might be able to implement strategy. With this precondition, consequently, very few companies would be able to go to the second stage (out of six) of strategy implementation.

Developing a strategy-supportive budget is the second stage in this model. Thompson and Strickland (1986) note that budgets and programs go hand in hand. Programmes lay out detailed, step-by-step action plans, and budgets specify the costs of the planned activities. They recommend that not only must a strategy-implementer oversee 'who gets how much' but the budget must also be put together with an equal concern for 'getting the biggest bang for the buck' that is reasonable suggestion.

Making connection between designated works and performance objectives is the third stage in Thompson and Strickland model. As argued by Thompson and Strickland (1986) defining jobs and assignments in terms of the strategic results to be accomplished adds an equally important linkage. The task of generating, maintaining, and otherwise orchestrating organization-wide commitment to strategy implementation is considered as the fourth stage, which is composed of four aspects: motivating organizational units and individuals to execute the strategic plan and achieve the targeted results; building a strategy-supportive corporate culture; creating a strong results orientation and a spirit of high performance; and linking the reward structure to actual strategic performance (Thompson & Strickland 1986).

Figure 4: Thompson & Strickland's Strategy Implementation Model



Excerpted from Thompson & Strickland,1986.

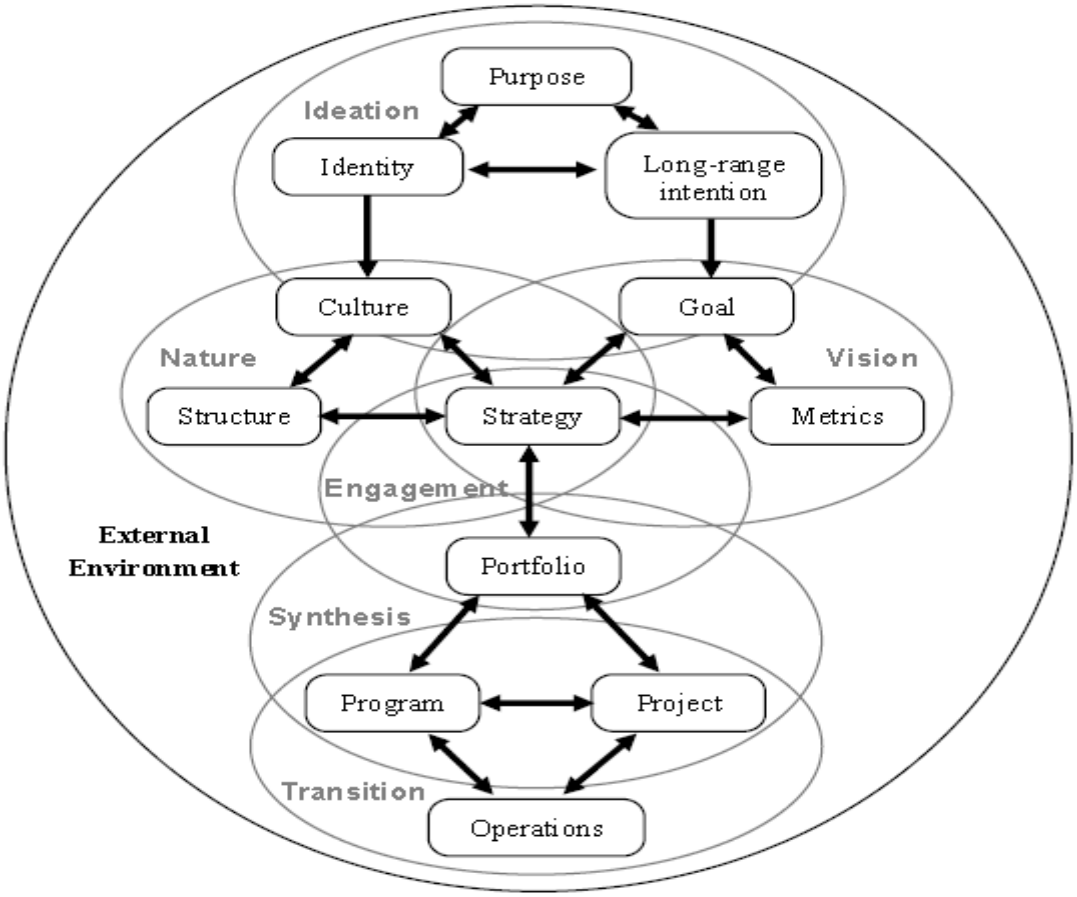
The next stage is installing internal administrative support systems which fit the needs of strategy such as establishing appropriate types of strategy-facilitating policies and procedures, getting the right strategy-critical information on a timely basis, and utilizing suitable controls that are needed to keep the organization on its strategic course. At the last, in this model, it requires managers to play roles as chief entrepreneur, chief administrator, crisis solver, task-master, resource allocator, which is in sum considered as strategic leadership (Thompson & Strickland, 1986). In contrary to Thompson and Strickland's perspective that limits leadership to just the very last stage of strategy execution, some scholars argue (Balogun & Jarzabkowski, 2009; Golden & Ma, 2003; Porac, et al., 1999) that strategic leadership should be exercised not only in all stages of strategy implementation but even in all stages of strategy formulation.

2.3.4. Morgan, Levitt & Malek's Strategic Execution Framework

Morgan *et al*. (2007) argue that many organizations fail to execute their strategy because people simply cannot connect the dots between what the strategy says, what specific *goals* it is directed toward, and what measurement can be used to navigate forward progress. The link

between an organization's *culture*, *strategy*, and *structure* is covered in the 'nature' imperative where the hidden transformative projects of realignment for strategic execution are most likely to reside. Morgan, Levitt and Malek (2007) accommodate three requirements of 'ideation', 'vision', and 'nature' within the *strategy-making* domains.

Figure 5: Morgan, Levitt & Malek's Strategic Execution Framework



Source : Morgan *et al.* (2007)

The *project leadership* domains include three requirements of 'engagement', 'syntheses, and 'transition'. According to Morgan *et al*. (2007), what differentiates one organization from another in terms of strategic execution is the discipline of *engaging* the strategy with the tailored portfolio of projects and programs to invest in. While the 'synthesis' domain focuses on monitoring and continuously aligning the *project* and *program* with strategy, the 'transition' imperative highlights importance of transferring projects crisply to operations to reap the benefits (Morgan *et al*., 2007). This model that limits itself to project management, contradicts itself by illustrating step by- step stages of strategy formulation and execution from *purpose* to *operations* while claiming that "navigating the model does not require a step-by-step, sequential journey through the six domains" (Morgan *et al*., 2007). In brief, the

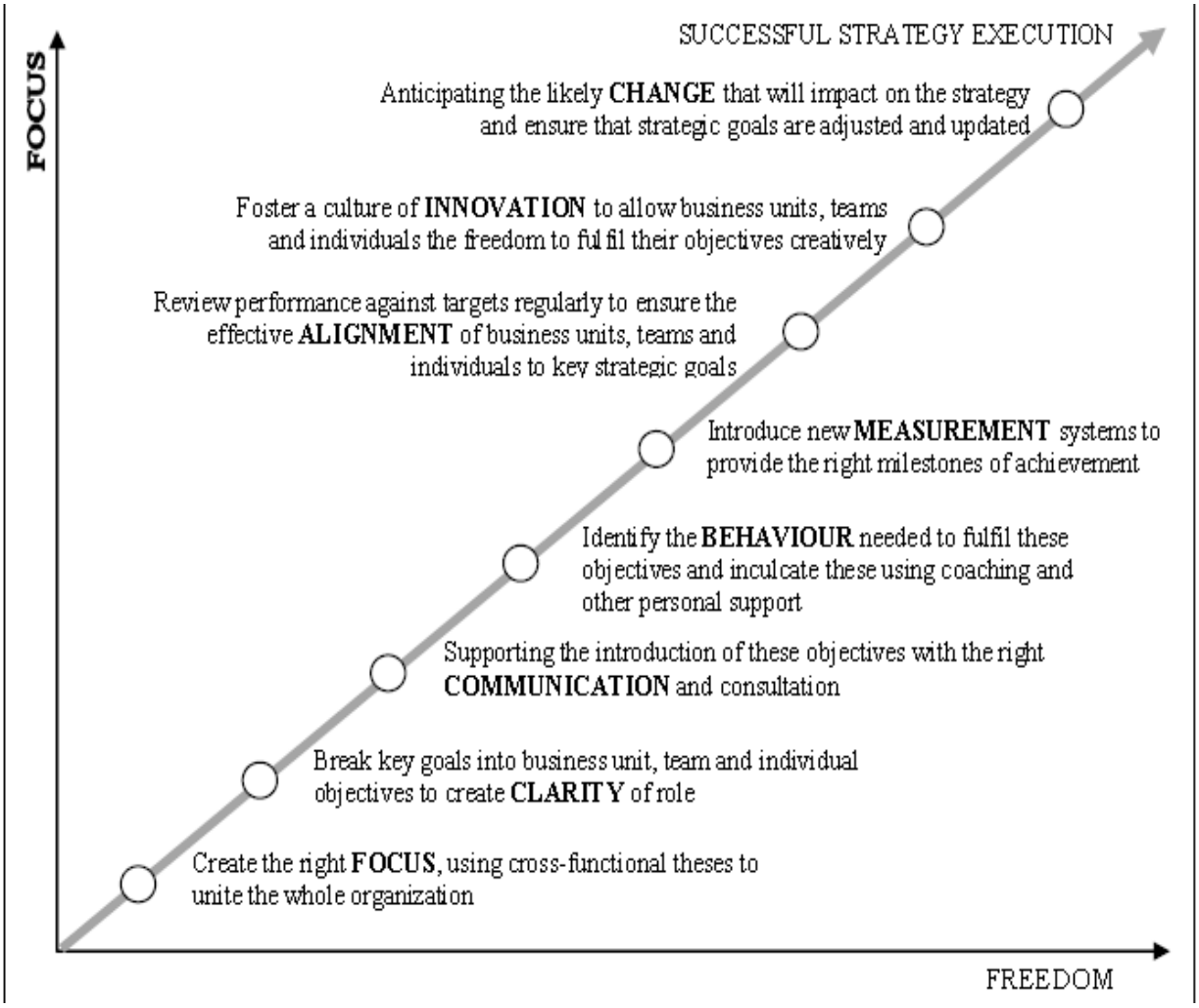
core point that the authors fall short in convincing the readers is that strategy execution can only happen when the six essential domains of the model are in alignment and when all six align with the external environment. Morgan, Levitt and Malek model of a new strategy implementation framework that focuses on six requirements with twelve elements, although it is named Strategic Execution Framework, more than half of its elements are about strategy formulation.

2.3.5. Syrett's Pathway to Strategy Execution

Syrett's model of 2007 a step-by-step guideline with eight steps (focus, clarity, communication, behavior, measurement, alignment, innovation and change) in two dimensions of focus, and freedom. Syrett claims that successful strategy execution depends on two factors: a focus on the right strategic goals and the freedom granted to all parts of the organization (Syrett, 2007).

He identified eight steps those rely upon cross-functional team in creating the right focus; clarify roles by dividing the main goals into business unit, team and individual objectives; introduce these objectives with the right communication; detect and support objective-supporter behavior; develop required measurement of achievement; ensure the effective alignment of strategic goals and performance in the organization; create a culture of innovation that support objective fulfillment creatively; and adjust strategic goals to possible change. Some of these steps are pretty the same such as focus and clarity or alignment and change. All of these steps are basically just preparation for strategy implementation but the main issue of actual strategy execution is missing in this model. Syrett like some other scholars disregards actual complexity of implementing strategy, which arises due to interconnectivity amongst elements of strategy implementation, by adopting a linear and step-by-step approach to strategy execution.

Figure 6: Syrett's Pathway to Strategy Execution



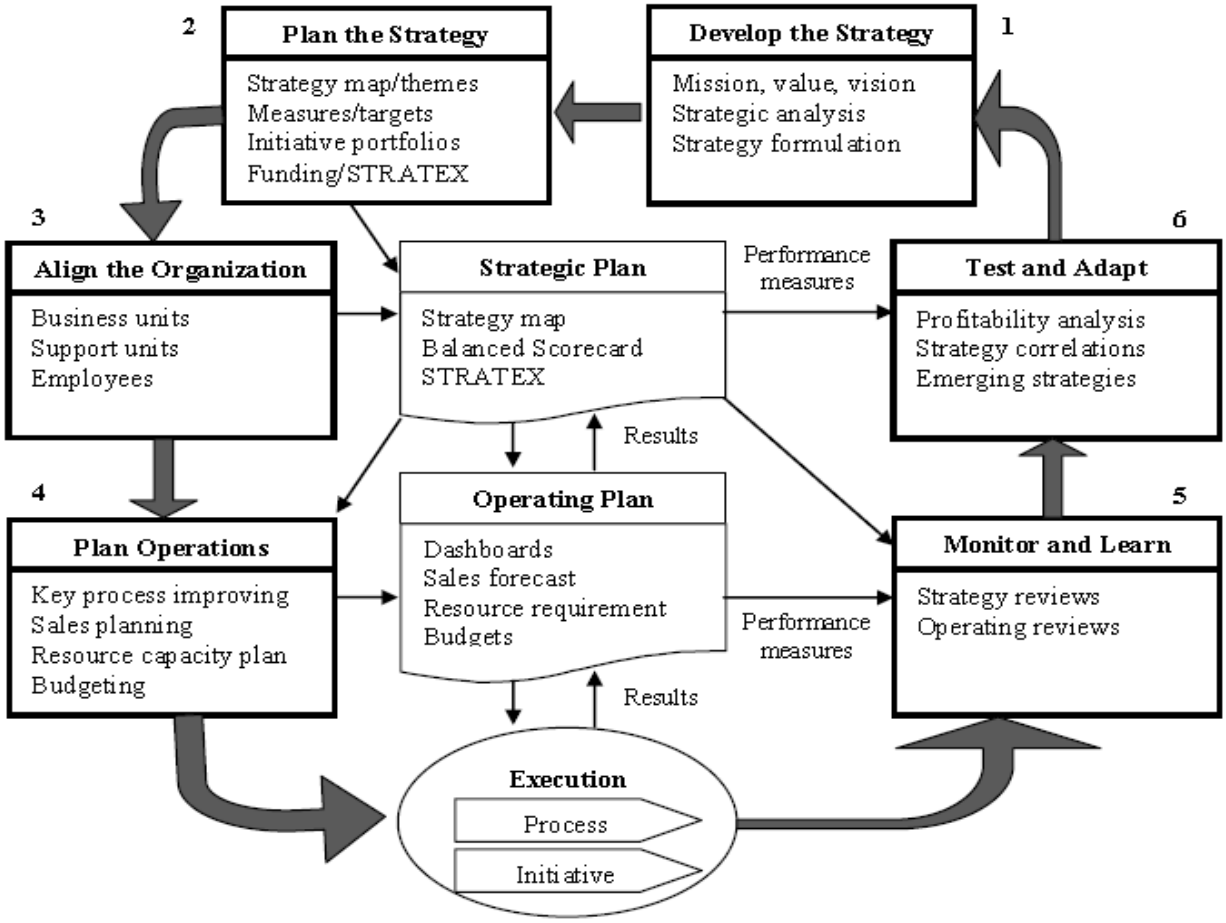
Source: Syrett (2007)

Kaplan & Norton's Management System for Strategy Execution

Kaplan and Norton, known for their Balanced Scorecard, introduced their Management System for implementing strategy in 2008. Kaplan and Norton's model is a circular step-by step process with 6 stages. As described by Kaplan and Norton (2008, pp. 8-9) first, managers need to *develop the strategy*, next, they *plan the strategy* to have a strategic plan, then, the organization should be *aligned* with the strategy, after that, managers should *plan operations* in form of an operating plan, later, after execution of operational plan the organization would required to *monitors and learns* about results and possible difficulties raised, the sixth stage is *testing and adapting* strategy based on collected data regarding the operations and situation. Apart from the first and sixth stages, impacts of external environment on the rest of strategy implementation are ignored.

Kaplan and Norton's model is a circular framework that conveys unreasonable logic of unlimited repetition in a closed system. Due to circular nature of this model, concepts of progress and innovation would be meaningless. Although this is a model for strategy implementation, *execution* by itself is not one of the six stages. This model has been developed based on focus group research on just 12 companies that have been using the Balanced Scorecard technique (Kaplan & Norton, 2008). Kaplan and Norton completely disregarded the vast majority of organizations that do not use Balanced Scorecard so their findings, which have underpinned this model, do not have any external validity and therefore cannot be generalized.

Figure 7: Kaplan & Norton's Strategy Execution Model

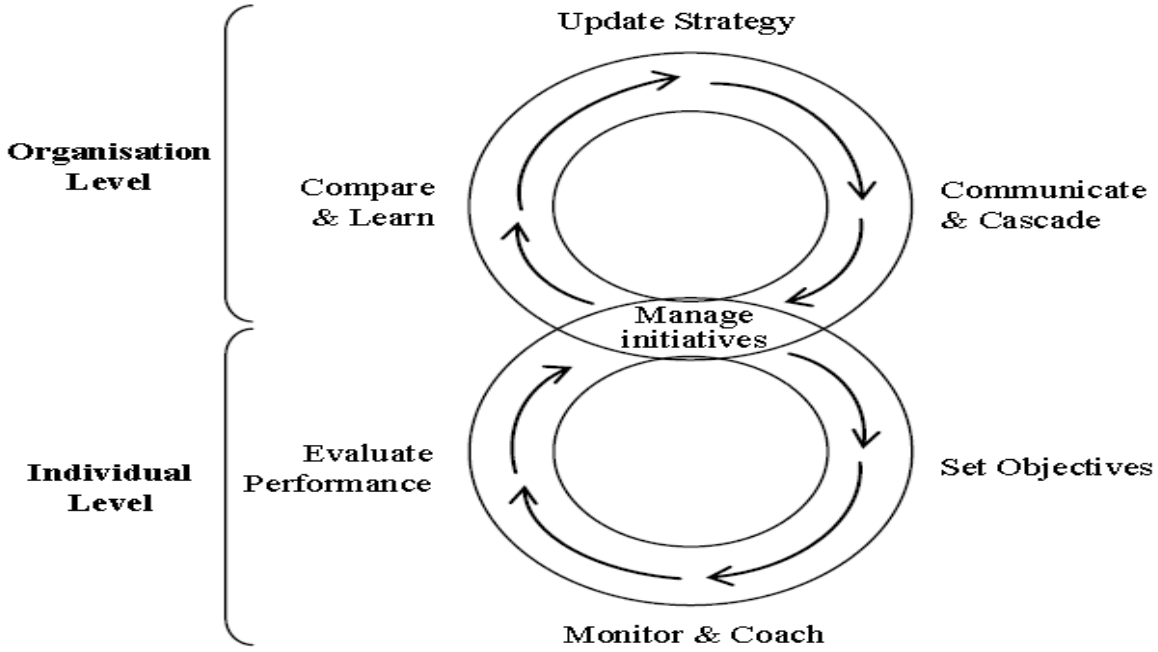


Source: Excerpted from Kaplan, R. S., & Norton, D. P. (2008). *The execution premium: Linking strategy to operations for competitive advantage*.

2.3.6. De Flander's 'the 8'- Strategy Execution Framework

De Flander, is obsessed with the work of Kaplan and Norton model of 2008 into his own and developed a strategy execution framework in 2010 that he calls it 'the 8'. Similarly, as Kaplan and Norton's model, De Flander's model also follows a step-by-step process, having two spectacles-one for organization level the other for individual level, based on the assumption that just some of the implementation tasks should be done again and again forever at either organization level or individual level. The eight stages of De Flander's model start with reviewing and *updating current strategies* (no sign of new strategy), and continue with *communicating* strategy to others, *cascading* the company's strategy by breaking it down into smaller chunks for the next organizational level, *comparing and learning* from the executed strategy (there is no executing stage), *managing initiatives* by selecting and prioritizing right actions, *setting objectives* for individuals, *monitoring and coaching* employees, and *evaluating performance* of individual staff (De Flander, 2008, pp. 23-27). As it is evident, these eight steps are not in logical order. For instance, the fourth stage is comparing and learning from the implemented strategy, meaning strategy is expected to be executed already, while the next three stages are about how to prepare for implementation, indicating strategy has not been implemented yet.

Figure 8: De Flander's 'the 8' strategy execution framework

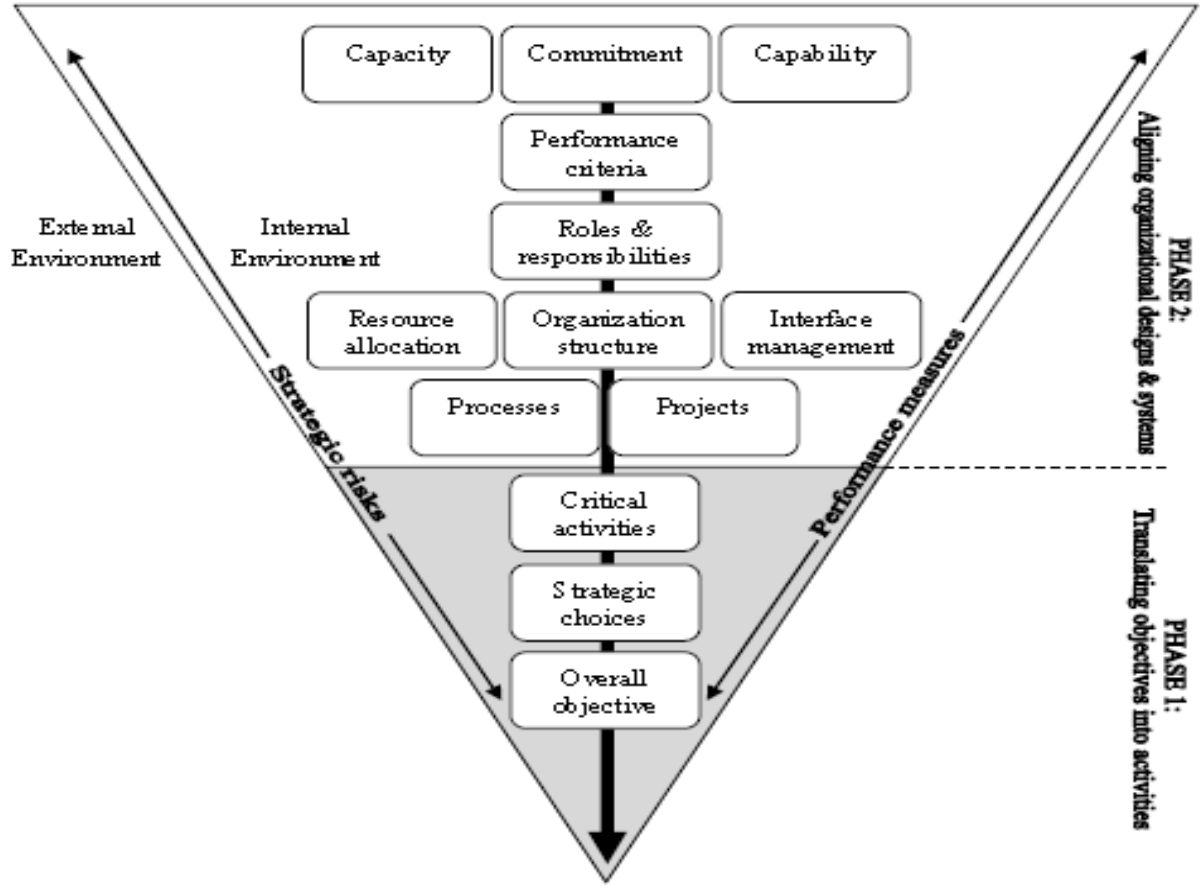


Taken from De Flander, J. (2010). Strategy Execution Heroes. Belgium, Brussels: The Performance Factory

2.3.7. MacLennan's Inverted Pyramid Framework

The most recent model introduced by Andrew MacLennan in 2011 was based on longitudinal case studies in two organizations. Compare to Kaplan and Norton's work of (2008) MacLennan's work is more reliable due to employing longitudinal case study instead of focus group. Like other majority of strategy execution models, MacLennan's model is a step-by-step process with logically sequential set of tasks. This model combines thirteen tasks that are divided into two phases. Phase one includes three tasks (*overall objective*, *strategic choices*, and *critical activities*), would translate organization's general objectives into series of activities. Phase two, which embodies ten tasks (*processes*, *projects*, *resource allocation*, *organization structure*, *interface management*, *roles & responsibilities*, *performance criteria*, *capacity*, *commitment*, and *capability*), would create alignment among organizational designs and existing systems (MacLennan, 2011).

Figure 9: MacLennan's inverted Pyramid framework



Excerpted from MacLennan, A. (2011). Strategy Execution: Translating strategy into actions in complex Organizations

2.4. Empirical Review

Empirical studies show that many constraints have been facing MSEs in most developing economies are unfavorable legal and regulatory environment and, in some cases, discriminatory regulatory practices, lack of access to markets, finance, business information, lack of business premises at affordable rent, low ability to acquire skills and managerial expertise; low access to appropriate technology, and poor access to quality business infrastructure (CSA, 2003).

Malhotra et al (2006), goes some way to confirm the above explanation that lack of access to finance is hampering the growth and competence of MSEs. Studies conducted by World Bank (2008) concluded that the problems of MSEs are access to working capital, inadequate infrastructure, high transactional cost, limited managerial and technical experts and marketing problems. Alexander (2016), asserts that the most commonly arising strategic implementation issues encompass misjudging the time period required for execution and developing significant issues unexpected, as well as having adverse effects on uncontrollable variables in the external setting. According to Otley (2014), the organization must be efficient in implementing the strategy. It can be noted from this concept that the range of organizational operations connected with the execution of the policy is nearly coexistence with the whole management process.

In Africa, the failure rate of MSEs is 85% out of 100 enterprises due to lack of skills and access to capital (Admasu, 2012). As many scholars suggested in their study, the common constraints facing MSEs in their operation are unfavorable legal and regulatory environment, lack of sufficient finance source and collateral, lack of access to markets lack of working premises at affordable rent; in ability to acquire skills and managerial expertise; low access to appropriate technology; and poor infrastructures.

MSEs have difficulty in growing due to insufficient collateral, high transaction costs and incapability to deal with the complexity of formal financial institutions. The financial factors which include high collateral requirement from banks and other lending institutions, shortage of working capital, high interest rate charged by banks and other lending institutions, and too complicated loan application procedures of banks and other lending institutions are mostly affect the MSEs performance (Admasu, 2012).

2.4.1. MSEs in Ethiopian Context

As stated by ILO, (2005) in Ethiopia until 1997, there were no organized policy and support systems catering to the development of the MSEs sector. Challenges, opportunities and prospects premises, markets, finance, supply arrangements, regulatory barriers and legitimization of entrepreneurial activity are among the most urgent. However, Mekonnen (2014) described that recognizing the significance of this sector, the Ethiopian Government issued the National Micro and Small Enterprises Strategy in 1997 and established the Federal Micro and Small Enterprises development Agency in 1998. The country's industrial policy in 2003 and the poverty reduction strategy in 2006 have singled out MSEs as major instruments to create a productive and vibrant private sector and reduce poverty among rural and urban dwellers.

In March 2011, a task force headed by the Ministry of Urban Development and Construction (MoUDC) and the Federal Micro and Small Enterprises Development Agency (FeMSEDA) published a new strategy for the development of MSEs. The strategy identified and analyzed key MSE development constraints namely, financial, training/consultancy, market, infrastructure, technology transfer, institutional and crosscutting issues. According to the new strategy (2011), the overall vision of the strategy is to create a "competitive" MSE sub-sector that lays the groundwork for industrial development. To realize this vision, three objectives have been identified, which are: To increase the employment and wealth creation capability of MSEs, To enable the MSE sub- sector to become more competitive and link with agricultural development and To ensure MSE development by creating a large entrepreneurial base in towns and cities throughout the country.

The five-year Growth and Transformation Plan envisages ensuring faster and sustained development of the industrial sector and enabling the sector to gradually play a key role in the economy. To this end, particular emphasis is given to the promotion of micro and small enterprises as well as supporting the development of medium and large-scale industries. Focus is laid on creating favorable conditions to export oriented and import substituting industries so as to accelerate structural changes in the sector (MoFED, 2012). Empirical studies in Ethiopia indicate also that economic roles of the Micro and small enterprises in the country show significant changes in this decade. Mutate, Fantu and Tadele (2006) stated that Micro and small enterprises are playing vital role as a major source of entrepreneurial skills, innovation, employment opportunity, and generations of income for many people. Hence, support service programs are developed to alleviate the financial problems of MSEs through

credit availability and improve market access to large business purchases which include skill upgrading programs for MSE operators, strengthening the use of appropriate modern technologies that boost their capacity to create long-term jobs, and export markets. These support programs as described by Mulate, Fantu and Tadele (2006) are stated as follows:

Facilitating economic growth and bring about equitable development: It is argued that the expansion of MSEs stimulates economic growth using local resources and is the basis for equitable distribution of income and wealth.

Create long-term jobs: Although MSEs are largely labor-intensive, i.e., reduce unemployment; they are characterized by low productivity and return. It is, therefore, essential to upgrade their skills and strengthen use of appropriate modern technologies to improve their capacity to create more jobs.

Strengthen cooperation between MSEs: Promoting inter-sectoral linkages within MSEs and between MSEs and medium and large scale enterprises are the key for overcoming constraints in the area of resources.

Provide the basis for medium and large-scale enterprises: It is generally argued that MSEs are the bedrocks for the growth and development of medium and large-scale enterprises and stimulate indigenous entrepreneurship.

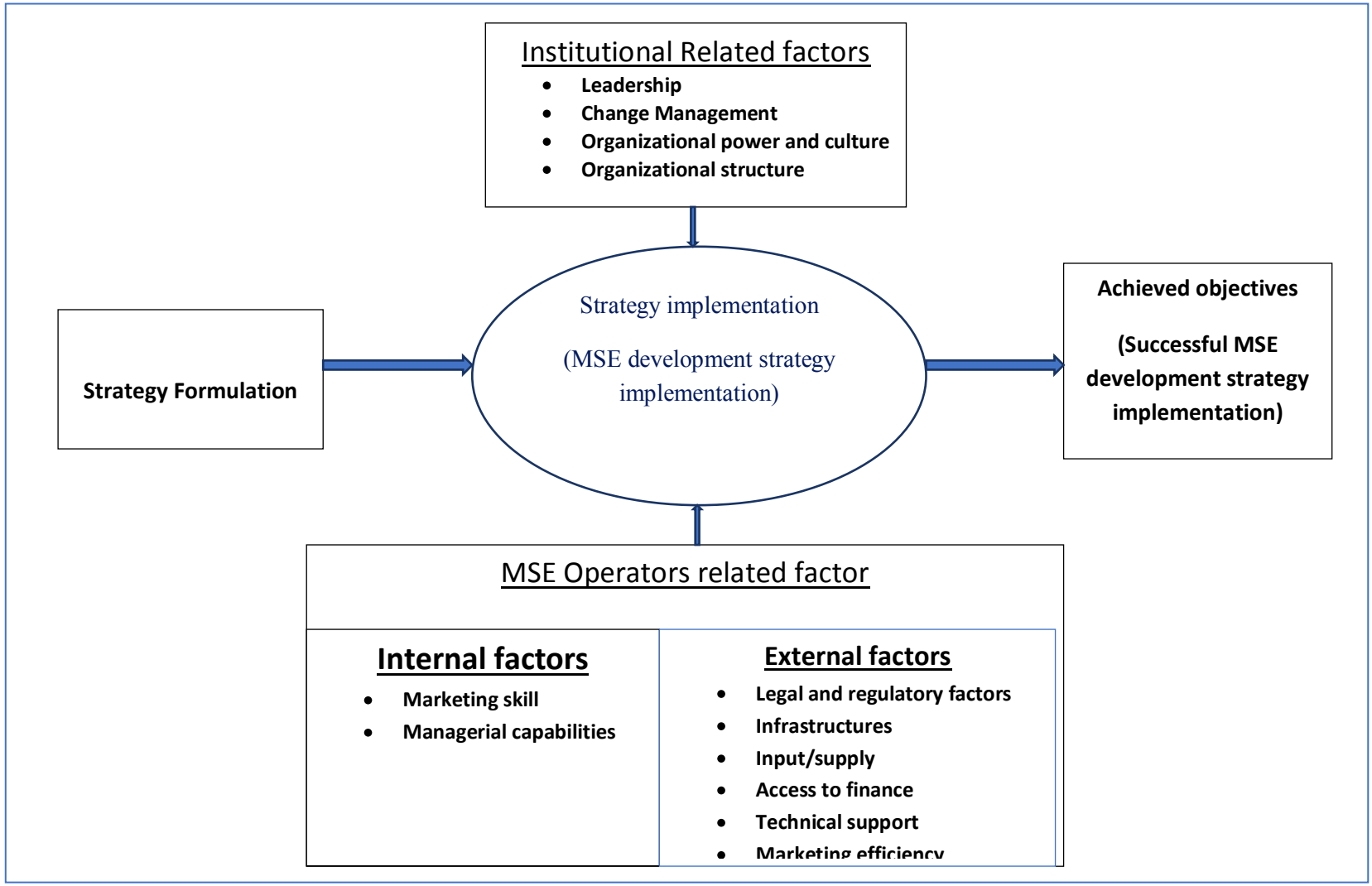
Promote exports: Because MSEs depend heavily on domestic raw materials, the strategy also pays due attention in helping MSEs to participate in international market in which the country has relatively comparative advantage e.g. leather and leather products, textiles, horticulture, etc.

Balance preferential treatment between MSEs and bigger enterprises: The strategy aims at correcting the preferential treatment given to bigger enterprises and it also aims at achieving the greatest possible cooperation and interaction between the various enterprises in the economy.

2.5. Conceptual framework for the study

As it is tried to be pinpointed in the above literature review part, particularly under theoretical background, models of strategy implantation and challenges of strategy implementation, the following conceptual framework is developed. Basically, the conceptual framework that we have developed assumes the MSEDS implementation performance as a system where different stakeholders interact in formulating strategy and successful implementation of the policy. Therefore, the study is conceptualized and framed as follows:

Figure 10: Conceptual framework of the study (developed from literature review)



CHAPTER THREE: METHODOLOGY

3.1. Research Design

A cross-sectional survey research design was employed to gather information related to demographic of the respondents, status and challenge MSE strategy implementation. To make effective survey, the researcher used non-probability sampling technique to select the study area as well as, to take the sample size. In order to achieve the objective of the study, MSE strategy implementation and its challenge, convergent mixed research approach whereby qualitative and quantitative methods of data collection were combined. According to Byrne and Doyle (2009), mixed methods research designs serve the following purposes: triangulation (allows for greater validity), complementary (using a combination of research approaches provides a more complete and comprehensive picture of the study), illustration of data (using a qualitative research approach to illustrate quantitative findings) and offsetting weaknesses and providing stronger inferences. Utilizing a mixed methods approach can allow for the limitations of each approach to be neutralized while strengths are built upon thereby providing stronger and more accurate inferences (Bryman, 2006; Creswell, et al., 2014).

3.2. Target Population

The target population of the study were Micro and Small Enterprise (MSE) operators found in towns and districts of Oromia national regional state. The study population were MSE operators with different categories (Trade, Manufacturing, Service, agriculture and construction) those who are active.

3.3. Sampling Methods and Procedures

The study employ non probability sampling techniques. The region was divided in to four clusters (North and central Oromia, South Oromia, West Oromia & East Oromia). The administrative zones were selected proportionally from each four clusters. Accordingly, from seventeen administrative zones and thirty one towns were selected to represent the region using purposive sampling technique so that Micro and Small Enterprise of different categories were included.

Table 3: 1 Selected Zones, Towns and Districts

Cluster	Administrative Zones in the Cluster	Selected Towns
North and Central Oromia	North Shoa	
	OSZS/Finfinne	Sebata, Burayyu, Holeta
South & South East Oromia	West Arsi	Bule Hora
	West Hararghe	
	Jimma	
	Bale	
	Arsi	Shashamane
	West Guji	
	Borena	
	Guji	
West Oromia	West Shoa	Mattuu, Gore, Hurrumu, Tokke Kutaye, Sire/E/Wolega, Gute/E/Wolega, Fincha'a, HGW, Kombolcha, Shambu
	East Wollega	
	HGW	
	IAB	
East Oromia	East Shoa	Adama, Ciro
	East Hararghe	
Total	17	7

In selecting sample size in this study, purposive sampling methods is employed to select sample respondents. Thus, due to homogeneity of MSEs and by considering nature and number (those who are currently active) of MSE in each sector fourth eight Manufacturing, fourth construction, eighty-six Trade, fifty-three service and four mining responded the questionnaires from all areas.

3.4. Data Types and Sources

The research used both primary and secondary data sources. Primary sources of data were used for this study. In this study, Micro and Small Enterprise operator were the major sources of primary data. The Primary data was collected from respondents through questionnaire, focus group discussion and interview. Moreover, primary data also collected from relevant sectors of MSE. There are two different sets of questionnaires: the first set of questionnaires for MSE operators and the second set of questionnaires for government employee. The

secondary data from the documents reviewed include policy, strategy and procedures, working manual reports and etc.

3.5. Methods of Data Collection

Various data collection tools and techniques were used to collect primary and secondary data for the study. The choice of these tools and techniques is in accordance with those demanded by the researcher. Data collection methods employed in the study include: Questionnaire, Focus Group Discussion (FGD) and Interview.

Questionnaire: Questionnaire is the major primary data collection tool of the study. The questionnaires contain close and open-ended items. In the closed- ended questions the Likert-scale and nominal scale are employed so that the respondents could answer the questions quickly in a short period of time. The open–ended questions give chances for respondents to address issues not included or denied attention in the closed- ended questions or may help them provide additional information.

Interviews: interviews are also one of the major tools employed in this study. Structured interview technique is used in order to strengthen and cross check the responses made by the respondents through the questionnaires. The Semi-structured interviews were made with MSE operators. To make the data more reliable, it also deemed necessary to include key informants from each related organization.

Focus Group discussion: focus groups discussion is conducted with different social stratum to get qualitative information. Focus group discussion were employed to explore some of the issues of the study and triangulate with survey methods and investigate additional facts that was not be addressed by the other survey methods. MSE string committee found at district/town level were participated in the FGDs with the purpose of MSE development strategies and implementation challenges in the study area. Each FGD lasted for about one and half hours to enable participants come to sound consensus. The data were recorded in audio recording and written notes; and transcription is properly organized.

Secondary documents' review: The secondary data from the documents such as polices, GTP, working manual, regulations, reports, etc. will be collected through investigation, inspection and extraction. Other documents will also be reviewed based on the research team needs using check lists to collect relevant data.

3.6. Data analysis

Both qualitative and quantitative data analysis methods were employed. In order to analyze data collected through FGD, content analysis is used while structural equation modelling (SEM) is utilized to analyze quantitative data. SEM is a second-generation statistical methodology that takes a confirmatory approach to the analysis of a structural theory bearing on some phenomenon. SEM different from the older generation of multivariate (regression models such as linear regression, LOGIT, ANOVA, and MANOVA, which can only analyze one layer of linkages between independent and dependent variables at a time) in three distinct ways. *First*, SEM takes a confirmatory rather than an exploratory approach to the data analysis (although aspects of the latter can be addressed). Furthermore, by demanding that the pattern of inter variable relations be specified a first, SEM lends itself well to the analysis of data for inferential purposes. By contrast, most other multivariate procedures are essentially descriptive by nature (e.g., exploratory factor analysis), so that hypothesis testing is difficult. *Second*, whereas traditional multivariate procedures are incapable of either assessing or correcting for measurement error, SEM provides explicit estimates of these error variance parameters. The general linear model assumes that errors in the explanatory (independent) variables vanishes. Thus, applying those methods when there is error in the explanatory variables is tantamount to ignoring error, which may lead, ultimately, to serious inaccuracies, especially when the errors are sizeable. Such mistakes are avoided when corresponding SEM analyses are used. *Third*, although data analyses using the former methods are based on observed measurements only, those using SEM procedures can incorporate Quantitative data are analyzed using descriptive statistics such as ratio, mean, standard deviation, percentages, chi-square and other relevant statistical approaches using SPSS software whereas qualitative data were analyzed by coding, categorizing and quantifying using check list and compare with secondary data for accuracy of estimation. (Bryne 2010; and Karakaya & Aksu, 2018).

3.6.1. Model Goodness of Fit Indices

Beyond the popularity of SEM in the social sciences, the issue of how the model that best represents the data replicates the underlying theory, or the 'model fit' is debatable with the wide disparity in agreement on which indices to report and what cut-offs for various indices are used, which leaves the researchers overwhelmed by the conflicting of available information. However, researchers utilizing the SEM approach are at ease with the area because evaluating whether a specified model-data fit or not is one of the most crucial steps (Hooper et. al., 2008; Yuan, 2005). Thus, Model fit indices compare the theory to reality by measuring the similarity of the estimated covariance matrix-the theory to reality-the observed covariance matrix (Hair et. al., 2010).

Although there are several fitness indices that describe how well the model fits the data, there is no agreement among academics which fitness indices to use. Nevertheless, some authors like Hair et. al., (2010) and Holmes-Smith (2006) recommend the to check model-data fit, researchers should use at least one model fitness index from each group (absolute, relate and parsimony) of model fit. Most commonly, it is customary to see some of the main indices from the three groups of model fit indices (Absolute fit indices, incremental fit indices, and parsimony fit indices) in research reports that used SEM technique. According to Zainudin (2014), the selection of fit index from each category to report depends on which literature is being referred. In this research, also the main model fit indices from the three main categories describe the fitness of the model and reported accordingly.

3.6.2. Absolute fit Indices

This group of model fit indices gives information on how well the proposed theory fits the data. **Chi-Squared test, RMSEA, GFI, AGFI, the RMR, and the SRMR** are included in this category.

Model chi-square (χ2): The Chi-Square value is the traditional measure for evaluating overall model fit and, 'evaluates the degree of discrepancy between the sample and fitted covariance matrices' (Hu and Bentler, 1999). Though the Chi-Squared test is a popular fit measure, it has some restrictions in its use. The assumption of multivariate normality and sensitivity to sample size are the main restrictions. In considering the cut-off ration of this model fit measure, Wheaton et. al., (1977) suggested that results as high as 5.0 and below are acceptable while Tabachnick and Fidell (2007) recommend as high as 2.0 and below.

Normed Chi-Square: is a simple ratio of χ^2 to the degrees of freedom for a model. Generally, χ^2: df ratios on the order of 3:1 or less are related with better-fitting models, except in conditions with larger samples (greater than 750) or other justifying circumstances, such as a high degree of model complexity (Hair et. al., 2010).

Root mean square error of approximation (RMSEA): communicates us how well the model, chosen estimates would fit the populations' covariance matrix. RMSEA is sensitive to the other the number for estimated parameters (factors). Recently, recommendations for the RMSEA cut-off point is between 0.06 (Hu and Bentler, 1999) or/and an upper limit of 0.07 (Steiger, 2007). However, in most of the literature, it is generally reported that in a well-fitting model the lower limit of RMSEA value is close to 0 while the upper stringent upper limit should be less than 0.08.

Goodness-of-fit Index (GFI) and Adjusted goodness of fit (AGFI): GFI shows how closely the model fits the observed covariance matrix. The degree of freedom, sample size and a number of estimated parameters affect GFI. It decreases with a large number of degrees of freedom and increases as the number of estimated parameters and sample size increases. Despite its

sensitivity, the value nearest to one (greater than 0.90) shows the good model fit since its value ranges between zero and one.

Standardized Mean Squared Residual (SRMR) and Root Mean Square Residual (RMR): Because the computation of RMSR is based upon the scales of each item, dealing with survey items with different scale levels (that range from 1-5 while others range from 1-7) using RMR becomes problematic to interpret. In this case, using, SRMR gives a solution to this problem. Values of SRMR range between zero to one and well-fitting models get values less than .05 though values as high as 0.08 are considered acceptable and zero value indicates perfect model fit (Hooper et. al., 2008). However, it will be higher with a large sample size and lower when there are large numbers of parameters.

3.6.3. Incremental Fit Indices/comparative fit indices/relative fit indices

Incremental fit indices assess how well the estimated model fits relative to some alternative baseline model commonly referred to as a null model - the model that assumes all observed variables are uncorrelated. Normed-fit index (NFI) and Comparative fit index (CFI) are the most common fit indexes of this category.

Normed Fit Index (NFI): This statistic evaluates the model by comparing the $\chi 2$ value of the model to the $\chi 2$ of the null model. It ranges between zero and one, and a model with perfect fit would produce an NFI of one and values greater than 0.90 indicates a good fit. Affected by sample size and underestimate fit for samples less than 200.

Comparative Fit Index (CFI): like NFI, this model fit measurement assumes that all unobserved constructs are uncorrelated and compares the sample covariance matrix with this model. Like NFI, values for this measurement range between zero and one. Values closer to one signifies a good model fit. A cut-off result which is ($CFI \geq 0.90$) is required to guarantee that good fit models are accepted (Hu and Bentler, 1999).

3.6.4. Parsimony Fit Indices

Parsimony fit indices complement the other two types (***the absolute fit and incremental fit)*** of goodness-of-fit measures. Parsimony fit indices are designed to provide information about which model among a set of competing models is best, considering its fit relative to its complexity (Hair et. al., 2010). Parsimony fit index consists of two measures; parsimony goodness-of-fit index (PGFI) and the parsimonious normed fit index (PNFI) both of which adjust for the loss of degrees of freedom and seriously punish for model complexity which results much lower than other goodness of fit indices. In order to achieve the above-listed goodness of fit of the model and to assure the validity and reliability of the measurement model and structural model, both AMOS and SPSS software package of version 23 is used.

CHAPTER FOUR
DATA ANALYASIS, INTERPRETATION AND PRESENTATION

4.1. Introduction

This chapter attempts to give insights the actual status of MSEs development strategy implementation and its challenges in ORNS. To do so, after scoring the questionnaire, then the raw data were analyzed in different stages in order to address the formulated objectives of the study. To analyze the collected data, SEM technique of multivariate data analyses was used to assess the implementation status of MSEs development strategy implementation and to identify the dominant factors affecting implementation of the intended strategy. Thus, the presentation starts with describing the general characteristics of the respondents, reliability and validity issues of measurement model, then continue with data analysis and finally discussion of research results.

From a total of 360 distributed questionnaires for MSEs operators in 7 zones and 7 city administration during the first session of data collection, 298 questionnaires (producing 82.78% responses rate) were returned while the remaining 62 questionnaires were unreturned. From the returned questionnaires, 67 questionnaires were discarded due to incompleteness and other reasons. From the questionnaires that distributed for government employees (125) in similar zones and city administrations, all the distributed questionnaires were fully returned but only 76 of them were complete and ready for analysis.

In the second session of data collection, which was administered by Oromian plan and economic development commission office and its zonal offices, almost all zones of the region were addressed and a total of 1334 MSE operators and 132 government employees were responded to the questionnaires. From these responses, 149 responses of MSE operators and 34 of workers were void due to different reasons letting 1185 and 98 responses for the analysis.

Therefore, the analysis provided here after is based on the questionnaires 1517 from operators, 174 questionnaires from workers and 13 FGD results (one FGD per zone or city administration)

4.2. General Characteristics of the Respondents

This part of the research study explains the major demographic characteristics of the respondents surveyed so as to provide a general perspective as a background for the statistical analysis. Below, the demographic characteristics of the respondents that are summarized, consists types and Composition of MSEs operators from which data has been collected. As it is depicted in the table 4.1. below, the sex and type of MSEs operators who responded to the questionnaires were presented. Thus, from the total of 1514 respondents, 68% of them were male and the remaining 32% of them were female respondents. From this, it is conceivable that the MSEs operation is still favors or favored by male operators. The other item presented in along with gender is MSEs compositions. Accordingly, 275 of the respondents were from manufacturing sector, 427 construction, the majority 438 is from trade, 334 from service and the remaining and the smallest 40% were from Mining sector. From these figures, one can understand that the majority of the respondents were trade operators which also display actual composition of MSEs operators.

Table 4: 1 Zone of the respondent and type of the enterprise

		Type of the enterprise					**Total**
		Manufacturing	Construction	Trade	Service	Mining	
zone of the respondent	East Shoa	9	7	15	7	2	**40**
	West Shoa	11	26	43	37	0	**117**
	Jimma	19	8	28	13	0	**68**
	West Guji	7	39	16	13	1	**76**
	West Arsi	10	7	12	11	1	**41**
	West Hararghe	7	4	17	5	0	**33**
	Oromia Special Zone surrounding Finfinne	61	73	78	81	3	**296**
	Bale	13	49	38	21	3	**124**
	Arsi	16	9	51	12	0	**88**
	Borana	1	15	14	9	1	**40**
	Guji	3	0	0	2	1	**6**
	North Shoa	24	46	29	26	1	**126**
	East Wollega	27	35	44	45	14	**165**

	HGW	5	3	4	1	0	**13**
	IAB	62	106	49	51	13	**281**
Total		**275**	**427**	**438**	**334**	**40**	**1514**

		Gender of the respondents		
		Male	Female	Total
Zone of the respondent	East Shoa	27	13	40
	West Shoa	71	46	117
	Jimma	51	17	68
	West Guji	57	19	76
	West Arsi	24	17	41
	West Hararghe	23	10	33
	Oromia Special Zone surrounding Finfinne	212	84	296
	Bale	86	38	124
	Arsi	52	36	88
	Borena	29	11	40
	Guji	5	1	6
	North Shoa	93	33	126
	East Wollega	102	63	165
	HGW	13	0	13
	IAB	184	97	281
Total		**1029**	**485**	**1514**

Source: survey result 2021

Table 4: 2 Distribution of respondents based on their Educational level

		Frequency	Percent
Valid	Uneducated	37	2.4
	1-4 grade	71	4.7
	5-8 grades	169	11.2
	9-10/high school	387	25.6
	11-12/preparatory	180	11.9
	college/university graduate	670	44.3
	Total	1514	100.0

Source: survey result 2021

The above table indicates that, majority 670 (44%) of the respondents were college/university graduate whereas the remaining 387 (25.6%), 180 (11.9%), 169 (11.2%), 71(4.7%) and 37 (2.4%) of the respondents were preparatory, high school, 5-8 grade, 1-4 grade and unschooled respectively. This implies that, the distribution of the respondents were from all

level of education they can provide sufficient information on the strategies of MSE implementation strategies.

Table 4: 3 Level of the Enterprises

level	Frequency	Percent
Micro	794	51.2
Small	720	48.8
Total	1514	100.0

Source: survey result 2021

The above table 4.3 indicates that regarding to their level of enterprise majority 794 (51.2%) of the respondents were micro while the remaining 720 (48.8%) of the respondents were Small. The proportion on the level enterprise is almost average they can provide deep information on the MSE strategy implementation.

Table 4: 4 Distribution of respondents based on experience before the current job

		Frequency	Percent
Valid	No experience	559	36.9
	1-3 years	603	39.8
	4-7 yeas	265	17.5
	8-11 years	62	4.1
	above 11 years	25	1.7
	Total	1514	100.0

Source: Survey result 2021

The above table 4.4 reveal that, majority 603 (39.8%) of the respondents has 1-3 years' work experience whereas the remaining 559 (36.9%), 265 (17.5%), 62 (4.1%) & 25 (1.7%) of the respondents have no experience, 4-7 years' experience, 8-11 years' experience, and above 11 years' experience respectively. Majority of the respondents has experience, this implies that they understand the strategies of MSE implementation so; they can provide sufficient information on the strategy implementation.

Table 4: 5 Startup capital including machinery and building

Startup capital including machinery and building	Source of startup capital of the respondent				
	own saving	Credit	from family	contribution from member	Total
<=50,000 birr	512	278	295	262	1349
50,001-100,000 birr	37	56	10	13	116
100,001-1,5000,000	9	22	5	4	40
above 1,5000,000	4	5	1	1	11
Total	562	361	311	278	1514

Source: Survey Result, 2021

The above table 4.5 indicated that majority 562 of the respondents source of their capital were from their own saving whereas 361, 311 and 278 of them source of their capital were credit, family contribution, and contribution from members respectively, regarding to their startup capital majority 1349 of the respondents have startup capital of less than < 50,000.00 while the remaining 116, 40, & 11 of the respondents have a capital of 500,001.00 – 100,000.00, 100,001- 1,5000,000.00 and 1,5000,000.00 respectively. This implies that, majority of the respondents the source of their capital to start their business varies and their start up capitals differs the respondents can avail information on the strategy implementation of MSE.

Table 4: 6 Distribution of respondents based current capital including machinery & building.

Current capital	Frequency	Percent
<=50,000 birr	983	64.9
50,001-100,000 birr	340	22.5
100,001-1,5000,000	144	9.5
above 1,5000,000	47	3.1
Total	1514	100.0

Source: survey result 2021

The above table 4.7 reveals that majority 983 (64.9%) of the respondents have the current capital of less than 50,000.00 while the remaining 340 (22.5%) have a capital of 50,001-100,000.00, 144(9.5%) have the capital of 100,001 – 1, 5000,000 and 47 (3.1%) have a capital of 1, 5000,000.00 including machinery and building. This shows that there is a change

on the capital of MSEs but the change has not been as expected and the respondents can provide sufficient information to the implementation of MSE strategies.

Table 4: 7 Distribution of respondents based on whether have place of work or not

Work place	Frequency	Percent
Yes(have work/production place)	756	49.9
No/do not have work/production place	758	50.1
Total	1514	100.0

Source: survey result 2021

The above table shows that, majority 756 (49.9%) of the respondents have work place while the remaining 758 (51.1%) of the respondents does not have work or production place. Place of work increase the performance of MSE, among the nine principles of strategy implementation providing work place on means to enhance the performance MSE and the respondents can avail sufficient information on MSE strategy implementation.

Table 4: 8 Distribution of respondents based on year of establishment

Year of establishment	**Frequency**	**Percent**
Before 1997	23	1.5
1998-2003	64	4.2
2004-2008	205	13.5
2009-2013	1221	80.6
Total	1514	100.0

Source: survey result 2021

The above table 4.9 reveal that, regarding to the year of establishment majority 1221 (80.6%) of the MSEs established from 2009 – 2013 while the remaining 205 (13.5%) established from 2004 – 2008, 64 (4.2%) from 1998-2003 and 23 (1.5%) before 1997. The MSEs strategy implementation shows that once the MSE is established they must transfer to the next level within five years, but there is MSEs established more than ten years and does not transferred to the next level.

Table 4: 9 Distribution of respondents based on formation of the Enterprise

Form of the enterprise	Frequency	Percent
Private	228	15.1

Partnership	974	64.3
PLC/gareedhan	145	9.6
cooperative union	167	11.0
Total	1514	100.0

Source: survey result 2021

The above table 4.10 shows that, majority 974 (64.3%) of the respondents organized in partnership whereas the remaining 228 (15.1%) organized in private, 145 (9.6%) in PLC, and 167 (11%) in cooperative union. The respondents formation were in different ways thus the respondents can provide success and failures of MSE strategy implementation.

Table 4: 10 Distribution of respondents based on number of the members

Number of the members	Frequency	Percent
3 and less	701	46.7
4-6	556	36.7
7-10	152	10.0
above 10	114	6.6
Total	1514	100.0

Source: Survey result 2021

The above table 4.11 indicates that, majority 701 (46.7%) of the respondents has member of less than 3, while the remaining 556(36.7%), 152 (10%) and 114 (6.6%) of the respondents have 4-6, 7-10 and above 10 members respectively. The MSE strategy implementation encourage in group MSE, however, the response of respondents show that the number of members varies, thus the respondents may pose sufficient information on the strategy implementation of MSE.

Table 4: 11 Distribution of respondents based on training taken before start the job

Training taken before start the job	Frequency	Percent

Yes	1305	86.2
No	209	13.8
Total	1514	100.0

Source: survey result 2021

The above table 4.12 indicates that, majority 1305 (86.2%) of the respondents received training before organizing in MSE whereas the remaining 209 (13.8%) of the respondents does not received the training before they start their job. This indicates that training improve the performance of MSE strategy implementation so respondents can depict sufficient information on the strategy implementation.

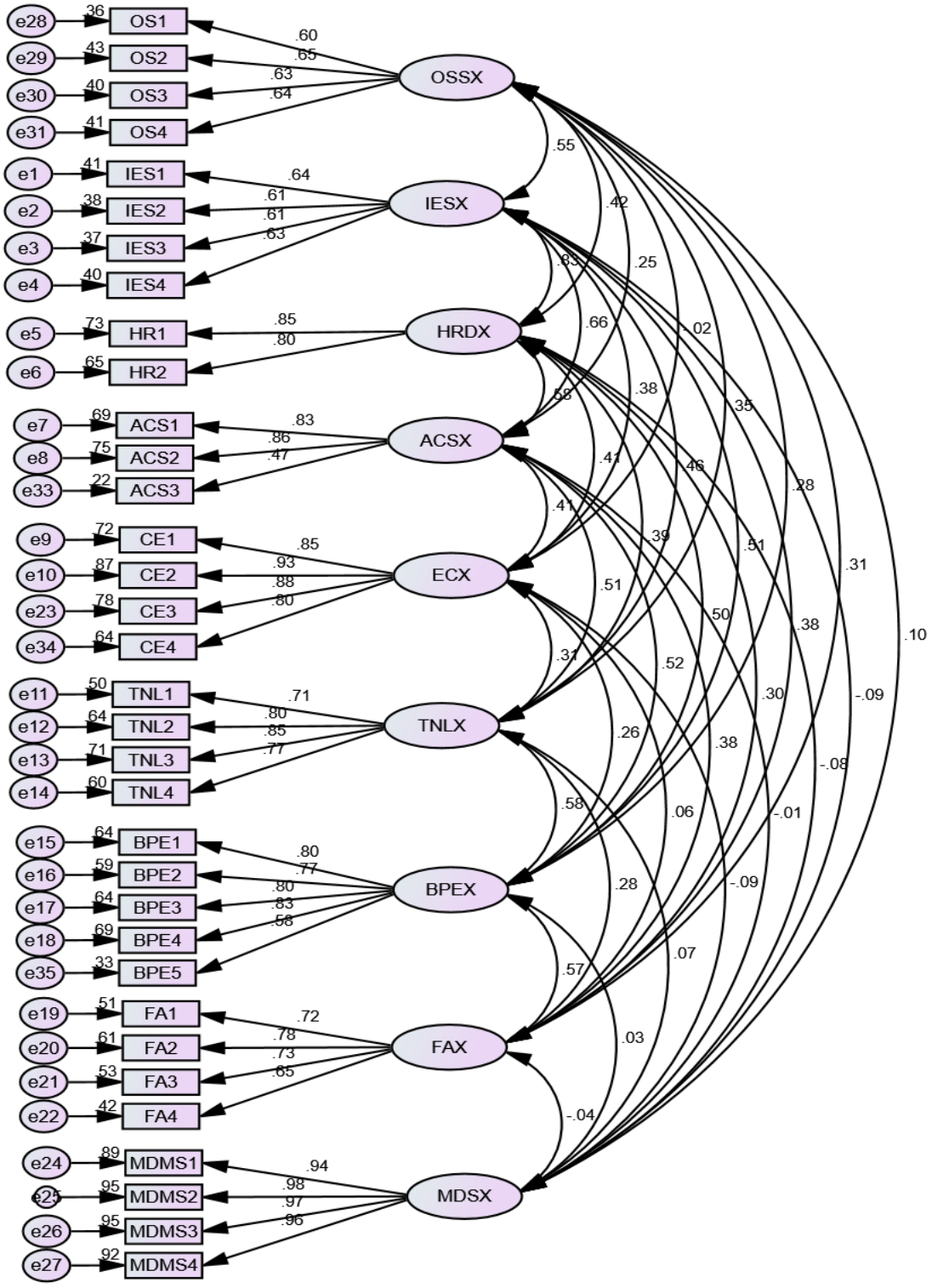
4.3. Reliability and validity of Quantitative data analysis (Amos-SEM model)

As it is tried to be discussed under chapter three, using Amos CFA, assuring data reliability and validity-model fitness of both measurement model and structural model should be assured and declared first. Accordingly, the pooled measurement model of all the variables and structural model as well, where done and presented as follows:

4.3.1. Measurement model fitness for MSEDSI

Thus, as it can be observed from the below Amos result below, MSED strategy implementation performance is measured by nine variables, One stop shopping service (represented by OSSx on the diagram), industrial extension service (IESx), human resource development (HRDx), Access to savings & credit Services (ACSx), Capital Equipment (ECx), Transformation of Enterprises to the Next Levels (TNLx), Formulation & Dissemination of Best Practices of Model Enterprises (BPEx) and Financial Auditing (FAx). Almost all the measurements of all the variables factor loading are significant with their respect variable and their alpha value is above 0.5 with exception of one measurement item of access to credit and saving service (ACS3) whose factor loading is 0.47. But this item is kept in the analysis because the overall fitness of the mother construct is above cut off criteria GFI=.0.963, CFI=0.941, RMSEA=0.051 (Hair et al., 2011).

Figure 11: Pooled measurement model evaluation of MSE development strategy implementation variables



Source: SEM result from Amos

OSSx, (One stop shopping service), IESx (industrial extension service), HRDx (human resource development), Access to savings & credit Services (ACSx), Capital Equipment (ECx), Transformation of Enterprises to the Next Levels (TNLx), Formulation & Dissemination of Best Practices of Model Enterprises (BPEx) and Financial Auditing (FAx).

Table 4.13: Model fit measure of Pooled MSE development strategy implementation performance measures

Measure	Estimate	Threshold	Interpretation
CMIN	914.944	--	--
DF	551	--	--
CMIN/DF	1.661	Between 1 and 3	Excellent
CFI	0.927	>0.95	Acceptable
GFI	0.982	>0.95	Acceptable
SRMR	0.075	<0.08	Excellent
RMSEA	0.054	<0.06	Excellent

Source: Amos output

CMIN/DF: Chi-square value close to zero indicates a better fit, i.e., there is little difference between the predicted and observed covariance matrices. However, there are limitations to the chi-square (e.g., it is dependent on the sample size and will almost be significant with large samples). Therefore, CMIN/DF is considered better than Chi-square, with value less than 2 suggests a good fit (Bryne, 1989) and value between 2 and 5 is considered acceptable (Marsh and Hocevar, 1985). Root mean square residual (RMSR) is a measure of the average size of the residuals between actual covariance and the proposed model covariance. The smaller the RMSR, the better is the model fit. However, a value of 0.05 or less is recommended. Root mean square error of approximation (RMSEA) is the average of the residuals between the observed covariance from the sample and the expected model estimation of the population. It assesses the approximation error in the population and provides a fit index relatively independent of the size. RMSEA values of 0 indicate perfect fit and values very close to 0 suggest good model fit (Brown, 2006). GFI (Goodness of fit index) is the proportion of variance in the sample covariance accounted for by the predicted model. The comparative fit index (CFI) measures the difference between the data and the hypothesized model, adjusting for the sample size. The value of GFI ranges between 0 and 1, with a value above 0.9 indicative of an acceptable model.

As it can be observed from the Amos result output almost all of the items of MSE development strategy implementations factor loadings were significant and the required cut off points that were assure model fitness is achieved.

4.3.2. Model Validity Measures for MSEDI performance

As it can be observed in table 2 below, in order to realize validity of the measurement model, discriminant validity and convergent validity measures were used. Thus, Average Variance Extracted (AVE) and composite reliability (CR) were used. AVE is the average percentage of variation explained by the measuring items for a latent construct and AVE the result of AVE which > 0.5 is required for every construct to call it has convergent validity (Awang, 2104). To calculate AVE, the following formula developed by Fornell and Larcker (1981) is used to calculate AVE for each construct. $AVE = \frac{\sum l^2}{\mathbf{n}}$, where ***l*** is the factor loadings of the items and ***n*** is a number of items of the construct.

On the other hand, CR is the measure internal consistency of a scale, which assesses the degree to which the items are homogeneous. It measures the overall reliability of a set of items loaded on a latent construct. Values greater than 0.70 reflects good reliability. According to Fornell and Larcker (1981), composite reliability, to be considered adequate, should be greater than 0.7. On the other hand, Hair et. al., (2010), recommends that the result of composite reliability between 0.60 – 0.70 is acceptable given the other indicators of the construct's validity are good. Thus, composite reliability that assures convergent validity of the factors has estimated by calculating composite reliability using Fornell and Larcker (1981) formula as follows:

$$CR = \frac{(\sum \lambda)^2}{(\sum \lambda)^2 + (\sum \delta)}$$

Where CR is composite reliability, (λ= factor loading, and δ = Measurement error $(\delta = 1 - \lambda^2)$.

Therefore, the AVE and CR of MSEDSI performance measurements were calculated and summarized in the following table 2.

Table 4: 12 MSE Development Strategy Implementation Performance measures validity.

	CR	AVE	MSV	OSSX	IESX	HRDV	ACSX	CEX	TNLX	MDSX	BPEX	FAX
OSSX	0.799	0.502	0.543	**0.708**								
IESX	0.780	0.470	0.628	0.737***	**0.686**							
HRDV	0.813	0.685	0.628	0.443***	0.792***	**0.827**						
ACSX	0.791	0.573	0.497	0.445***	0.632***	0.705***	**0.757**					

CEX	0.924	0.752	0.243	0.053	0.380***	0.492***	0.423***	**0.867**				
TNLX	0.847	0.580	0.377	0.505***	0.561***	0.529***	0.503***	0.334***	**0.761**			
MDSX	0.916	0.733	0.474	0.466***	0.682***	0.689***	0.547***	0.387***	0.588***	**0.856**		
BPEX	0.879	0.595	0.495	0.476***	0.703***	0.660***	0.547***	0.292***	0.614***	0.582***	**0.772**	
FAX	0.839	0.569	0.443	0.551***	0.469***	0.368***	0.410***	0.106	0.487***	0.436***	0.666***	**0.754**

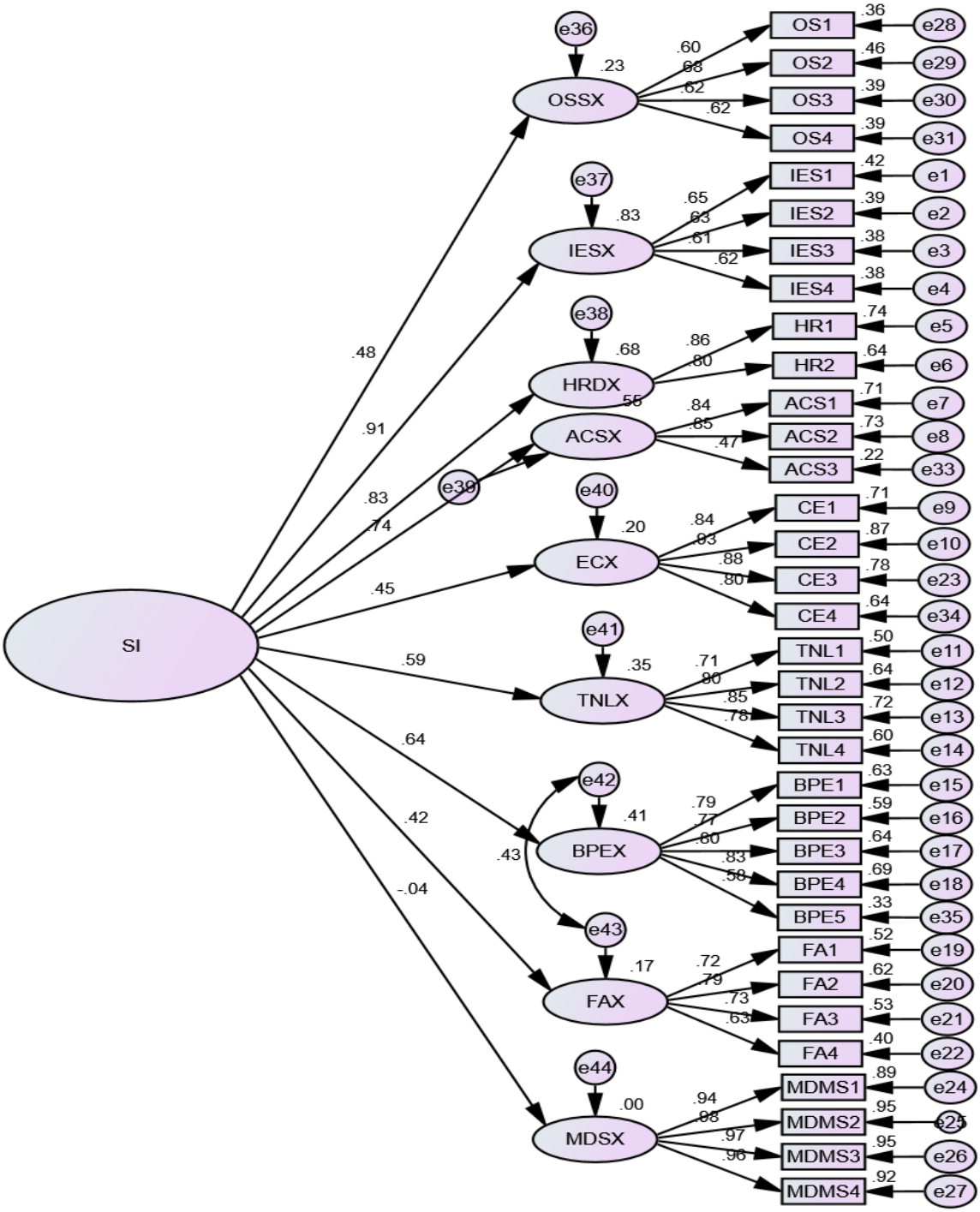
Source: computed from Amos CFA result

As it can be observed from the table 2, except AVE of IESx which is (0.470), all the AVE and CR result of the measurement items were above the cutoff point of (Awang (2104) and Fornell and Larcker (1981). Regarding, IESx, it is also possible to retain the item for analysis because other its factor loading and CR met the criteria. Additionally, in analyzing AVE, the square root of every value of AVE of each variable is checked and should be larger than any correlation between any pair of the constructs of another latent variable. Actually, while comparing AVE with the coefficient of correlation, the issue is to check whether the items of the construct explain more variance than the items of the other constructs explain more or not. Thus, this criterion is also met.

4.3.3. Second order measurement model of SI Evaluation

As it can be seen from figure 12 and –table 3 below, the second order measurement model for the MSED strategy implementation performance measurement is presented. where the model has the discrepancy to degree of freedom is 1.66, CFI 0.927, GFI 0.942, SRMR 0.075 and RMSEA 0.54. According to Bentler and Hu (1999) and Malhotra (2011), the cutoff criteria is achieved.

Figure 12: Second order SI measurement model evaluation



Source: Amos output

Table 4: 13 second order MSED strategy implementation measurement model test

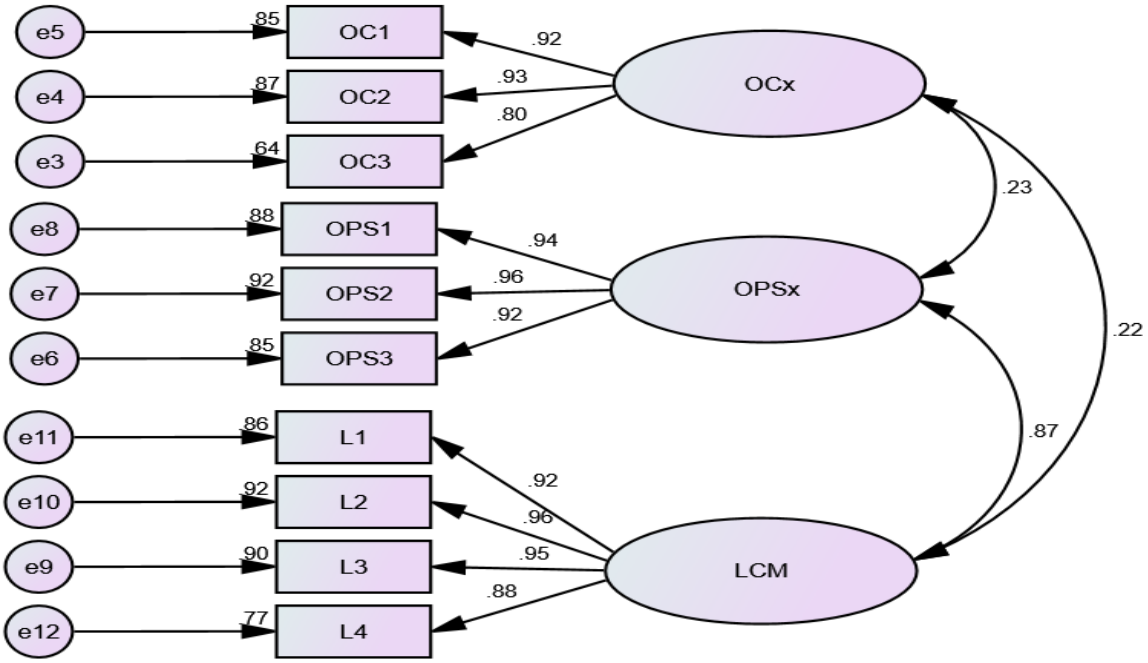
Measure	Estimate	Threshold	Interpretation
CMIN	861.333	--	--
DF	517	--	--
CMIN/DF	1.666	Between 1 and 3	Excellent
CFI	0.931	>0.95	Acceptable
GFI	0.948	>0.95	Acceptable
SRMR	0.071	<0.08	Excellent
RMSEA	0.054	<0.06	Excellent

As it can be observed from the above table 3 (amos result), the second order model fitness analysis is depicted and all the necessary measurement model finess measured were achieved.

4.3.4. Pooled measurement model analysis for Institutional related factor (MSE development strategy package implementors') measures

Institutional related factor is also the second order variables which is measured through four first order variables and ten observed variables. Leadership and change mangement capacity of the inistitution (LCM), organizational power and structure(OPSx) and organizational culture (OCx) of the institution by which the development strategy is implemented were measured by ten observed variables and the pooled measrement model result analysis is depicted below.

Figure 13: pooled measurement model of IRF



Source: Amos out put

Table 4: 14 Model fit measure of Institutional related factor (IRFx)

Measure	Estimate	Threshold	Interpretation
CMIN	116.749	--	--
DF	39	--	--
CMIN/DF	2.993	Between 1 and 3	Terrible
CFI	0.952	>0.95	Excellent
GFI	0.949	>0.95	Acceptable
SRMR	0.040	<0.08	Excellent
RMSEA	0.035	<0.06	Acceptable

CMIN/DF: Chi-square or the measure of discrepancy value close to zero indicates a better fit, but because it depends on the sample size, the value that obtained for this model is higher still acceptable which is 2.993. similarly, the other fit indexes show good model fit for IRFx.

Table 4: 15 Model Validity Measures for institutional related factors

	CR	AVE	MSV	OCx	OPSx	LCM
OCx	0.917	0.787	0.054	**0.887**		
OPSx	0.958	0.884	0.751	0.233**	**0.940**	
LCM	0.962	0.864	0.751	0.222**	0.867***	**0.929**

Source: computed from Amos CFA result

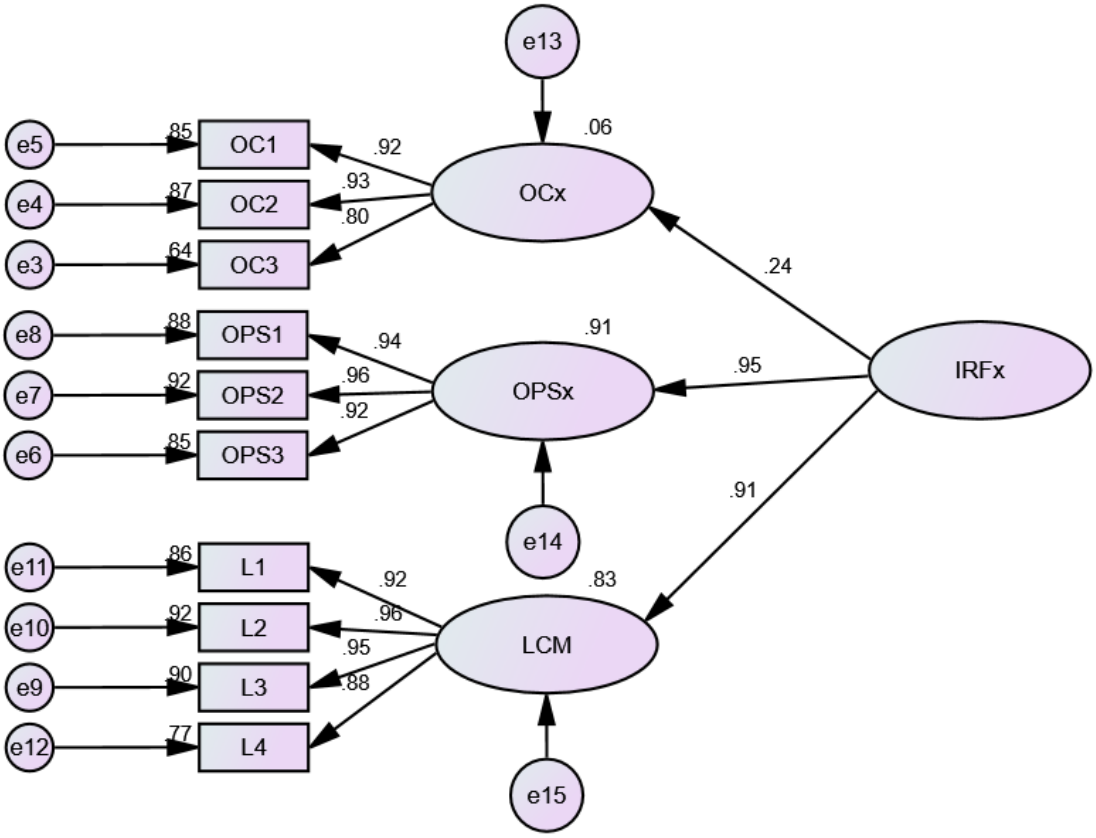
IRF measurement model validity was also analyzed from validity perspectives for which AVE, CR and MSV of the variables were used. Accordingly, the IRF related factors validity measures were adequately addressed as portrayed in the table 5 above.

4.3.5. Second order model fit analysis for IRF measures

As IRF is second order construct which is measured by three latent and ten measurement items, all the three identified variables of institutional related factors were found to have adequate goodness-of-fit indices achieved with the threshold suggested by Hair et al. (2006). The model evaluation, estimation criterion employed include CFI =0.952, GFI = 0.909 mand RMSEA = 0.040 with corresponding 95% confidence interval. The chi-square statistics, $\chi 2$ = 166.749, df=32, The analysis of the alternate index of the normed chi-square was not established to be 0.5 threshold with $\chi 2$ /df = 5.211 as recommended by Schumacker and Lomax (2004) due to its sensitiveness to small sample size and number of variables observed. Hence, the other model fitness measure was showing all good model fit, it is concluded that the overall assessment of the criteria for model fit was acceptable for the ten items

institutional related factors scale using second order confirmatory factor analysis in its validation. Figure 14 and table 6 below shows the details of model fit index summaries.

Figure 14: second order IRF measurement evaluation



Source: Amos output

Table 4: 16 Model fitness for second order IRFx

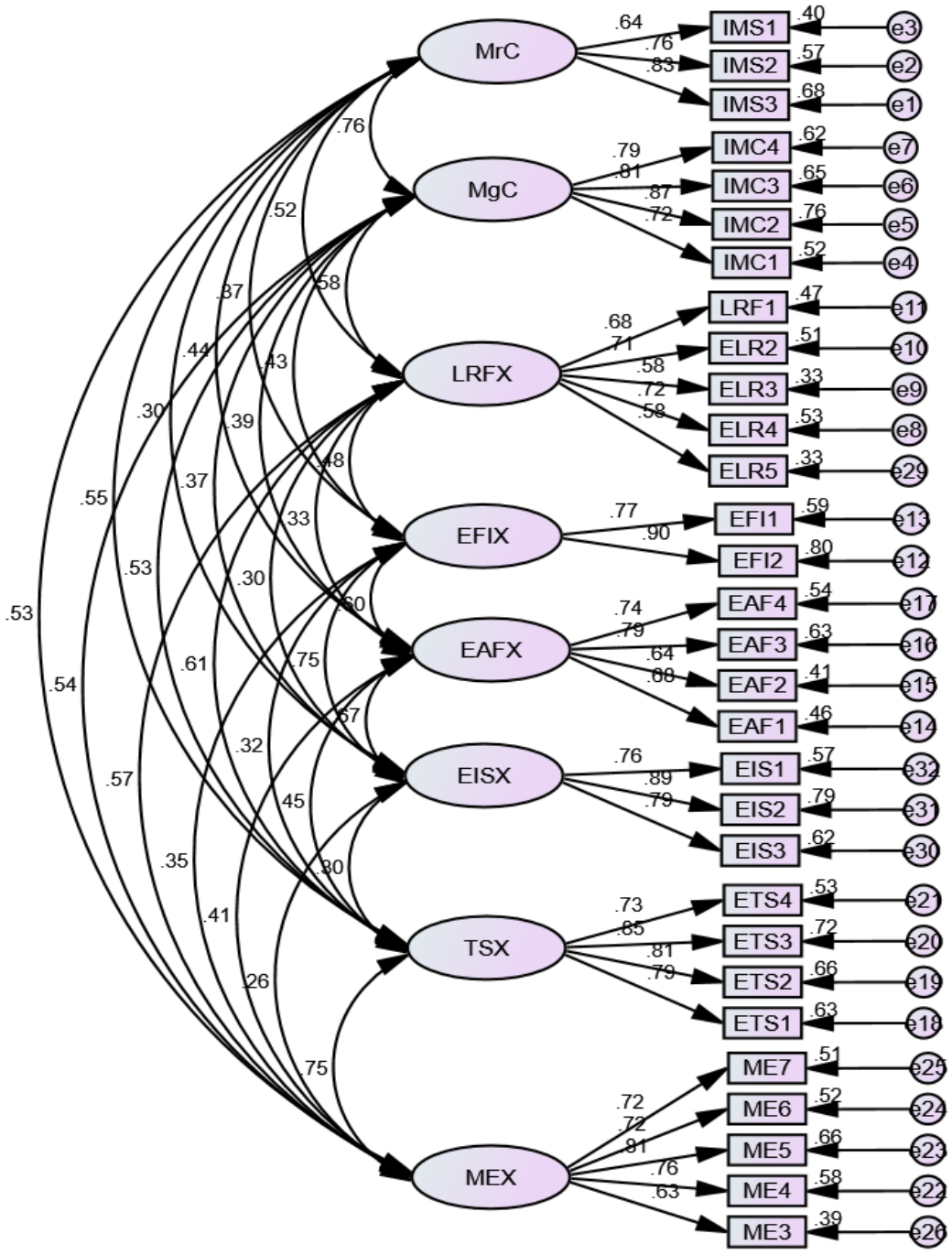
Measure	Estimate	Threshold	Interpretation
CMIN	166.749	--	--
DF	32	--	--
CMIN/DF	5.211	Between 1 and 3	Terrible
CFI	0.952	>0.95	Excellent
GFI	0.909	>0.95	Acceptable
SRMR	0.040	<0.08	Excellent
RMSEA	0.040	<0.06	Excellent

Source: Amos Output

43.6. Operator related factors (MSE operator) first order model fitness

Operator related factor is measure by two main and different measures. From internal environmental factors and from external environmental factors. Internal operator related factor in turn is measured by two main constructs; operator's managerial capabilities(MgCx) (with four observed variables) and operators' marketing capabilities(MrCx) (with three observed variables).

Figure 15: Measurement model evaluation of Operator related factors



Source: Amos out put

External operators' related factor on the other hand, is measured by six unobserved/endogenous/ variables; legal and regulatory factors denoted in Amos by (LRFX), Infrastructure (roads, adequate power, water & telecommunication) denoted by (EFIX), Input (Raw Material) supply denoted by (EISX), Access to finance denoted by (EAFX), technical support denoted by (TSX) and Marketing efficiency (MEX) of MSE operators'. As it can be observed from figure 15 above, the pooled measurement model CFA was conducted for ORF variables and almost all the items factor loading is significantly explaining its respective latent variable except items ME1 and ME2 items of Marketing efficient construct which were deleted and omitted from the analysis due their low factor loading and model fit issues. All the items' factor loading to its respective latent construct ranges from 0.58 of ELR4 for regulatory and legal factor construct to 0.91 of Marketing efficiency construct MSE operators' ME5.

Table 4: 17 OPerator related factors model validity measures

	CR	AVE	MSV	MrC	MgC	LRFX	EFIX	EAFX	TSX	MEX	EISX
MrC	0.785	0.552	0.570	**0.743**							
MgC	0.875	0.637	0.570	0.755***	**0.798**						
LRFX	0.791	0.433	0.377	0.520***	0.580***	**0.658**					
EFIX	0.819	0.695	0.557	0.367***	0.428***	0.476***	**0.834**				
EAFX	0.804	0.508	0.451	0.442***	0.390***	0.326***	0.597***	**0.713**			
TSX	0.873	0.633	0.568	0.547***	0.531***	0.614***	0.323***	0.454***	**0.796**		
MEX	0.849	0.532	0.568	0.532***	0.542***	0.567***	0.355***	0.412***	0.754***	**0.729**	
EISX	0.854	0.661	0.557	0.296***	0.373***	0.302***	0.746***	0.672***	0.304***	0.262**	**0.813**

Computed from Amos CFA out put

Regarding AVE, except AVE of LRFx construct which is 0.433, the other measurements of validity were all show good model fit as depicted in the above table. Likewise, the composite reliability results of the all the constructs were all above the cut point of 0.7. MSV (maximum shared variance) were all below the value of AVE of the constructs. Therefore, the validity issue of the operator related factors at first order is successfully addressed. Additionally, the other model fit (GFI, RMR, CFI, RMSEA) measures of ORF were sufficiently fulfilled and portrayed in the following table 8 below.

Table 4: 18 ORF Model Fit Measures

Measure	Estimate	Threshold	Interpretation
CMIN	666.373	--	--
DF	377	--	--
CMIN/DF	1.768	Between 1 and 3	Excellent
CFI	0.919	>0.95	Acceptable
GFI	0.945	>0.95	Acceptable
SRMR	0.052	<0.08	Excellent
RMSEA	0.058	<0.06	Excellent

Source: Amos result out put

4.3.6. Second order ORF

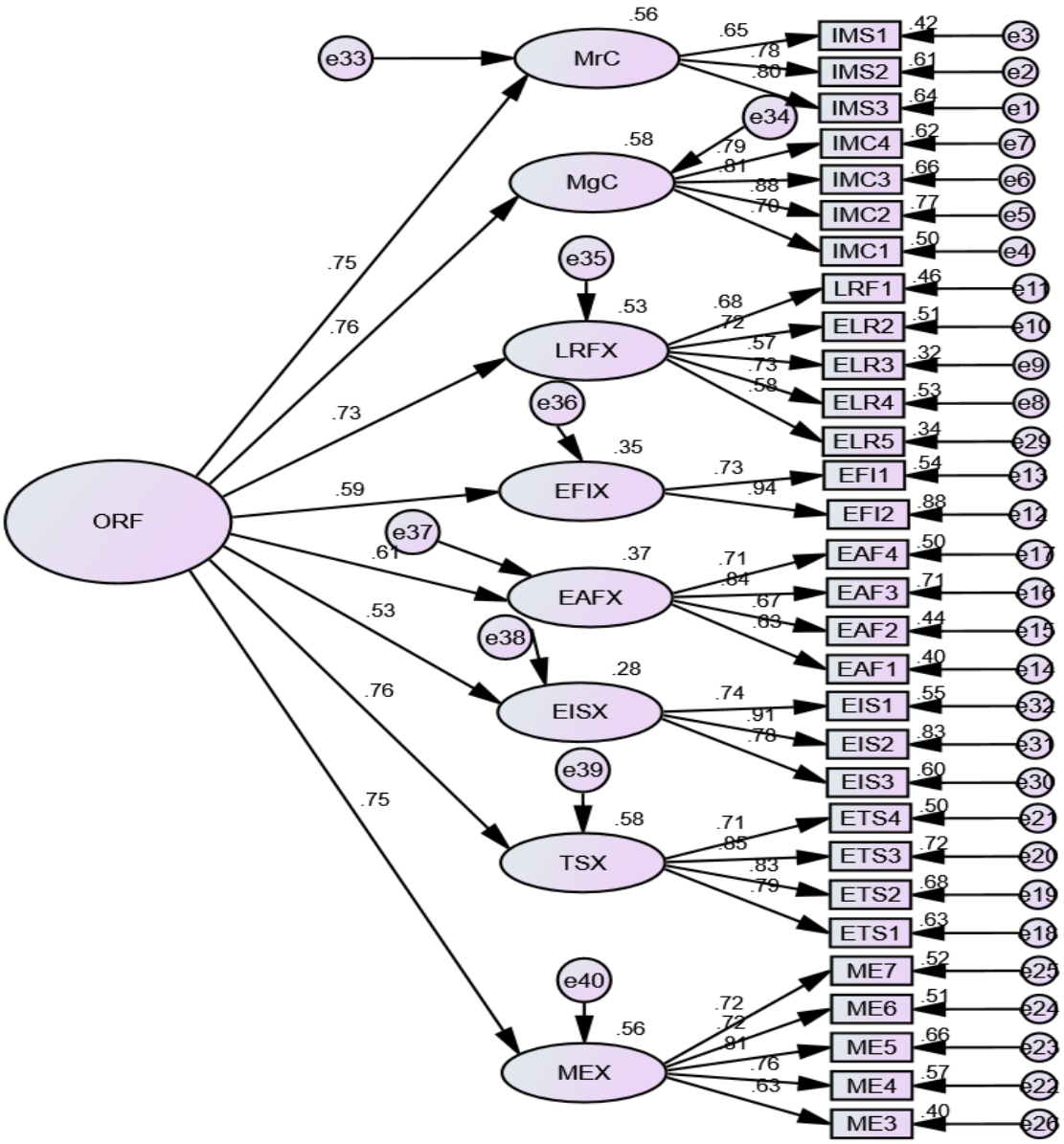
As it can observed from the below figure 16, ORF factor was second order latent variable (endogenous variable) and its measurements factor loadings were presented coupled with the figure. Thus, all the eight exogenous constructs though which ORF is measured were all significant having lower factor loading (0.59 loading of industrial extension service (IESx) to high loading of 0.76 of two constructs Management capability (MgCx) and technical support (TSX). Even though the value AGFI (0.811) and CFI (0.871) were lower, according to Meyers (2006) Values of 0.90 or greater for GFI and CFI indicate a good fit while the values between 0.80 and 0.89 are considered acceptable (Meyers et al., 2006). But, the other model fit indexes measures shows good model fit.

Table 4: 19 ORF second order model fit index summary

Measure	Estimate	Threshold	Interpretation
CMIN	857.510	--	--
DF	397	--	--
CMIN/DF	2.160	Between 1 and 3	Excellent
GFI	0.811	>.95	Acceptable
CFI	0.871	>0.95	Acceptable
SRMR	0.087	<0.08	Acceptable
RMSEA	0.071	<0.06	Acceptable

Source: Amos out put

Figure 16: Second order ORF measurement factor evaluation



Source: Amos output

Since there is only one latent variable there is no correlation matrix or MSV. But the AVE (0.764) and CR (0.859) measures results shows good model validity indexes.

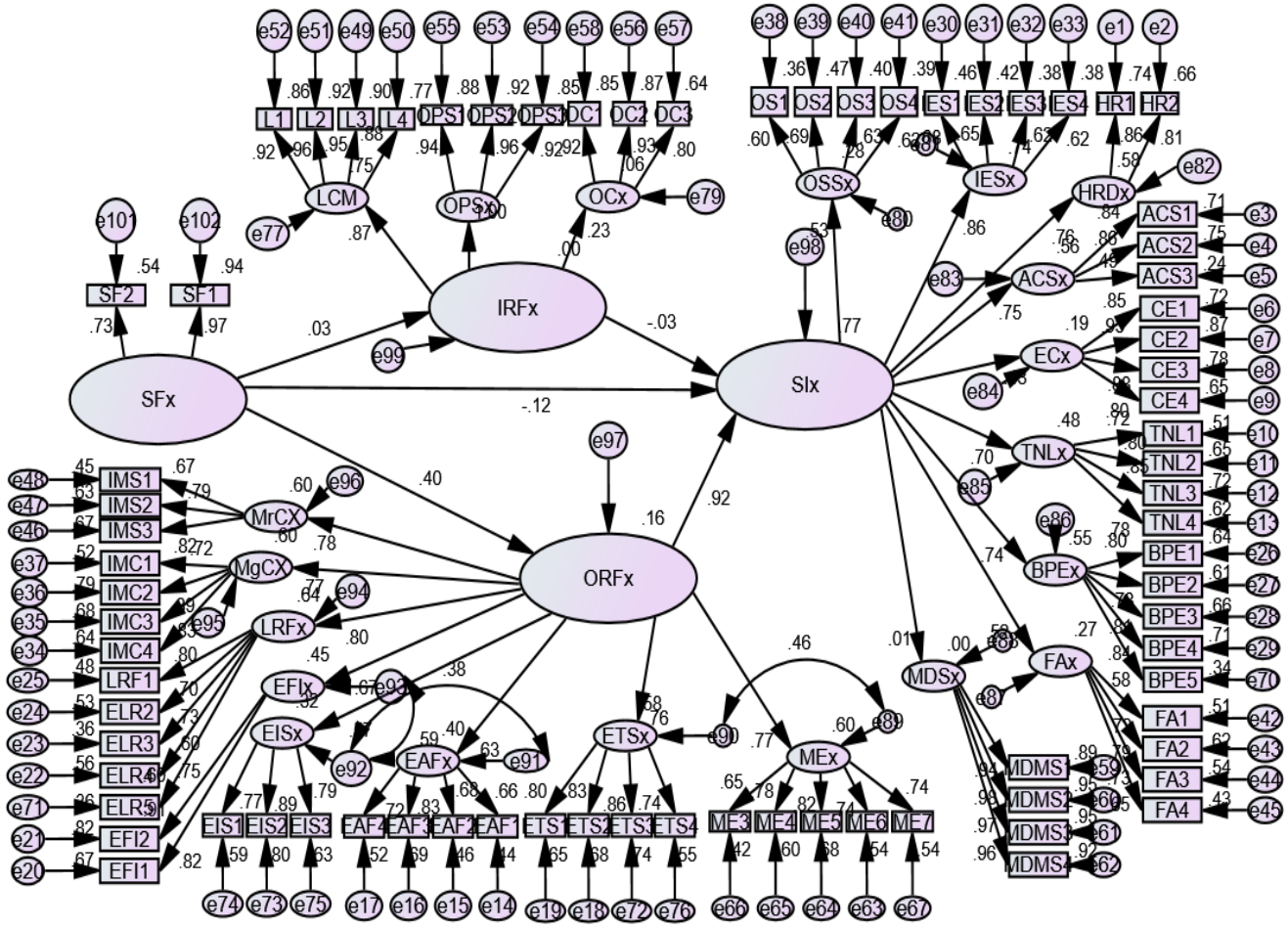
4.3.7. Structural model fitness analysis

Like that of measurement model, the priori defined structural model should also found fit to test the hypothesized framework. There are numerous measures for evaluating the overall fit of the models with slightly different theoretical frameworks and that addresses different components of fit (Hu & Bentler, 1995), and it is generally recommended that multiple

measures should be used. Apart from reporting relative chi square statistics (χ2/df) as a measure of fit, three conventional indices of goodness of fit were calculated; the root mean square error of approximation (RMSEA), the standardized root mean square residual (SRMR), and the comparative fit index (CFI). With respect to the RMSEA, values below .06 are considered a good-fitting model, values below .08 indicates an adequate fit. SRMR values around .08 or lower indicates a good fit to the data for the CFI, values above .90 suggest an acceptable fit and values above .95 a close fit. See Hu and Bentler (1999) for suggested cut-off criteria for fit indices.

Next, composite reliability (CR) was used as measure of internal consistency of the factors, where values greater.70 is indicative of good reliability. Discriminant validity is achieved when average variance extracted (AVE) is greater than maximum shared squared variance (MSV) or average shared squared variance (ASV). For convergent validity, AVE should be equal or greater than .50 and lower than CR. To put differently, variance explained by the construct should be greater than measurement error and greater than cross-loadings (Hair, et al., 2010).

Figure 17: structural model analysis (Amos result)



Source: Amos output

Table 4: 20 Model Fit Measures of structural model

Measure	Estimate	Threshold	Interpretation
CMIN	4230.918	--	--
DF	2748	--	--
CMIN/DF	1.540	Between 1 and 3	Excellent
CFI	0.879	>0.95	Acceptable
GFI	0.964	>0.95	Acceptable
SRMR	0.075	<0.08	Excellent
RMSEA	0.048	<0.06	Excellent

Source: Amos out put

As it can be seen from the validity and model fit measures reports of the variables (at both first order and second order CFA analysis) at all level, minima were achieved. Thus, the next level is to test structural model, i.e., the hypothesized structural interdependency of the variables (the conceptualized model) is tested. Regarding the model fitness of the structural model, once all the measurement model evaluation test results cutoff criteria is achieved, it is not cumbersome for the structural model to be found fit and valid. As it can be seen from the figure 17 and table 10, the structural model fitness measure statistics $\chi 2/df$= 1.540, SRMR=0.075, RMSEA= 0.048, GFI=0.964 and CFI=0.879, which were all show acceptable model fit measure.

4.4. Discussion of the Structural Model Result (MSED strategy implementation performance and challenges)

As it can be observed easily from the structural model result, the regression weight of MSED strategy formulation affects operators (0.40), and its effects on MSED strategy implementation indirectly through MSE operators' is the highest which is 0.92. This means, a unit increase in formulating good MSED strategy results directly in 0.4 unit increase in the operators' contribution for successful implementation of the MSE development supportive packages successfully and it indirectly results in a 0.92 increase through increasing of the potential contribution of operators for the successful implementation of the MSED strategy indirectly. Strategy formulation is also affected by institutional related factors (0.3) and its

effect indirectly on MSED strategy implementation performance through the institution which implement the strategy (-0.3). But the effect of strategy formulation directly on MSED supportive package implementation is lower (-0.12). Which also mean that having good strategy on hand does not guarantee for its successful implementation. Theory also confirm that successful strategy implementation is affected by many factors: the institutional framework and the system in which the developed strategy is implemented, the environmental and situational factors in which that strategy is designed to be implemented, resource capability of the firm, organizational power and culture in which the strategy is implemented to mention a few (Laszlo and Krippner, 1998; Ainuddin et al., 2007; O'cass et al., 2004).

Table 4: 21 standardized regression weight of the structural

			Estimate	S.E.	C.R.	P	Label
IRFx	<---	SFx	.025	.106	.366	.715	
ORFx	<---	SFx	.396				
SIx	<---	ORFx	.916	.109	6.746	***	
SIx	<---	IRFx	-.034	.065	-.700	.484	
SIx	<---	SFx	-.122	.117	-2.112	.035	
OSSx	<---	SIx	.527	.123	4.995	***	
IESx	<---	SIx	.858	.185	7.014	***	
HRDx	<---	SIx	.762	.183	7.484	***	
ACSx	<---	SIx	.747	.177	7.342	***	
ECx	<---	SIx	.432	.129	5.254	***	
TNLx	<---	SIx	.696				
BPEx	<---	SIx	.744	.179	7.328	***	
FAx	<---	SIx	.522	.156	5.522	***	
MDSx	<---	SIx	.007	.052	.105	.916	
MEx	<---	ORFx	.774	.119	7.887	***	
ETSx	<---	ORFx	.759	.129	8.488	***	
EAFx	<---	ORFx	.634	.100	6.502	***	
EFIx	<---	ORFx	.673				
LRFx	<---	ORFx	.801	.113	8.010	***	
MgCX	<---	ORFx	.771	.110	8.297	***	
MrCX	<---	ORFx	.776	.107	8.214	***	
OPSx	<---	IRFx	1.000				
OCx	<---	IRFx	.235	.056	3.454	***	
LCM	<---	IRFx	.867	.043	20.105	***	
EISx	<---	ORFx	.566	.093	8.621	***	

Source: Amos out put

On the other hand, if we look at the effect of good strategy on operator related factor which denotes contextually the capability of the MSE operators, it is somewhat higher (0.4). i.e., formulating good development strategy - providing the MSE operator good supportive package so as to help them utilize their operation potential will positively contribute for the overall development strategy implantation. This means that, if the MSE operators were provided with necessary financial access support, HR development service, industrial extension service, market development and linkage, they can utilize their managerial and marketing capability which can help them in turn to be transferred to next level by contributing necessary economic return which can be accumulated as best practice experience and used as a bench mark for the forth coming economic entity organized as MSEs.

Likewise, IRF (institutional related factor) contextualized as strong institutional framework which is provided by necessary organizational power and structure, good leadership and effectively manage changes (because strategy implementation basically deals with implementing something new or alteration of the accustomed environment) (Kyarimpa, 2009) committed and empowered employees and (Stringer, 2006; Hellriegel and Slocum, 2013), necessary operational (implementation) structures (Ray et al., 2006), flexible strategy (Mintzberg, 1978), is significantly affects MSE development supportive package arrangement and its provision. In line with this, the result that is obtained from the structural model supports the theory though the result is lower.

At the second level, in the structural model, strategy implementation performance is measured through nine endogenous variables, i.e., MSEs development support package is composed of nine different packages such as one stop shopping service (designed to deliver all services that are necessary for the growth and development of MSEs in a transparent, efficient and result oriented approach, so as to achieve increased formalization of businesses and to facilitate the enterprise growth and transformation process from one center); industrial extension service (designed to enable MSEs to become competitive in the market and improve their income and create large scale employment opportunities), HR development service for both the implementing institution and MSE operators, saving and credit service, capital equipment lease (which is designed to ensure MSEs benefit from equipment lease services by promoting savings thereby reducing their capital shortages and collateral related constraints), transformation of the MSE enterprise to the next level (designed to determine the growth levels of MSEs that will serve as a basis to provide enterprise support services to

other enterprises), market development (designed to create favorable conditions for MSEs to become competitive in the market and thereby contribute to the realization of their development), formulation and dissemination of best practices (designed to create a system for identifying model MSEs, compile their best practices and disseminate to other enterprises and stakeholders) and providing proper financial auditing so as to enable MSEs to obtain the benefits of modern financial management, including protection of assets and cash from vandalism. When we look the factor loadings/ regression estimates of these factors, except marketing development which is insignificant, the others were significantly contribute to successful performance of the MSE development supportive packages.

Looking into each factor separately, the standardized regression result of OSSx (one stopping shopping service) is low (0.53) significantly affects the MSE development supportive packages. However, even if the result is significant, ones stop shopping service is designed to provide designed all services that are necessary for the growth and development of MSEs in a transparent and efficient approach, is not contributing so far to achieve increased formalization of businesses, enterprise growth and easing of the transformation process from one center. The data obtained from FGD and interview result also shows that MSE operators were not able to get necessary services from the service providing sectors let alone on one stop shopping center, even not on spot in different sectors office. The FGD participant in different zones and towns pinpointed that; there complicated lengthy bureaucracies starting from selection, formation, legalization and allocation of necessary facilities were full of corruption. They also pointed that there is high problem particularly in formation of the MSE enterprise. In some areas, the enterprise is formed and legalized allocated necessary facilities but the members were group of the government employee or a single person. In some areas, there are criteria that were informally set as a must to include at least one member from MSE related officer or the family member of some officers in the town. “Especially, to be organized as MSEs in construction (particularly on Coble stone), considered as just like winning a national tombola lottery” MSE one operator working on trade said. This operator added that not only for being organized, in order to winning the bid after legally formed is another head for the MSE operators. Thus, it is possible to conclude that OSSS is not contributing the extent it is intended to contribute.

Above OSSS, providing market development and marketing service (MDS) was also the variable which has showed lowest regression weight and insignificant in contributing for the

successful implementation of the MSE development strategy. Market development designed to create and provided favorable marketing conditions to make for the MSE operators; to make the enterprises competitive in the market and thereby contribute to the realization of their development. However, as the result shows, above all other supportive packages, the least is done toward developing marketing capacity of the MSE operators and in arranging favorable marketing condition for them. As it was tried to been searched out during the FGD and informally interview with MSE operators during data collection, there was no support provided to the MSE operators on developing their marketing capacity even no short-term training was provided BDS service rather than the formal skill training they have got in higher education or TVET colleges.

Industrial extension service package denoted by (IESx) in the model, has the highest factor loading (.88). This shows that Industrial extension services provided for MSEs in order to integrate their activities with other MSEs support institutions so that the quality and outreach of industry extension services is enhanced to improve the managerial competencies of MSE operators as well as advance the level of technology adopted by MSEs. Hence, the TVET colleges were rapidly expanding in the last decade (Krishnan & Shaorshadze, 2013), these institutions have done concrete outreach work so as to strengthen the capacity of the MSE operators in the region and consequently the industrial extension service package was provided well for the MSEs operators. The TVET system in Ethiopia is currently rapidly expanding. TVET institutions were believed to abolish the present low factor productivity due to the skill gap by providing training on different areas. Therefore, publicly provided vocational education and training in providing industrial extension service is seen as the means to close this skill gap in MSEs by improving the productivity of the enterprises and increasing their competitiveness in the global market.

On the other hand, human resource is the key for the success of organization and for any program implementation. Provision of human resource development was considered as one of the supportive package designed to be provided for the MSE operators as well as for the service package implementers to ensure the effectiveness of MSEs and their development through integrated and sustainable development of the human resources that be carried out with a strong conviction that the development of MSEs is the bedrock of industrialization and by building the capacity of support institutions which is the key instrument for the transformation of enterprises. Though the study result shows as it has good factor loading of

(0.76); the service provision for the MSE operators is averagely undertaken. Nonetheless, the result from the FGD data reveals that HRD service package has not gone further on the side of the implementers. Some discussants raise that, as they did not receive any training and development in giving awareness about the policy and its successful implementation.

The provision of savings led credit services for the promotion of MSE development so as to ensures the leading role of savings and the participation of families, another measure for the successful implementation of the MSEs development strategy. It has a factor loading of 0.75 (ACSx <--- SIx .747) on model. This supportive package was supported by other financial institutions mainly the then Oromia credit and saving share company and rarely by Cooperative Bank of Oromia in some areas. However, this saving led credit service provision strategy appear as another headache. Since, the members of the MSEs were those who were deemed to be different school level graduates and unemployed youths, meeting a 20/80 percent saving led credit standard and low saving habit of unemployed were created another challenge in the sector. Not only being the saving led credit service provision, but also the process and bureaucracy in credit provision by the financial institution were the coupled problems as the discussant in the FGD raised.

In order to reduce the capital shortage, promoting saving culture and to avoid collateral related constraints of the MSEs for priority sectors (manufacturing, construction and agriculture) in promote their development, capital equipment lease services was designed as another supportive package. The impact of capital equipment on MSE development strategy implementation (ECx <--- SIx = 0.432) which means, when SIx goes up by 1 standard deviation, ECx goes up by 0.432 standard deviations. In the other word, the loading of capital equipment is below average. Which also mean that a tough work left in availing and paving the way for MSEs to obtain easily the necessary capital equipment like construction machineries in the form of lease. In the FGD discussions, in many towns, the discussants raised as in the last few years, due to inflation, political instability and shortage of foreign currency exchange worsened the situation and made difficult for the national and commercial banks to easily provide this facility not only for MSEs but for other larger companies also.

One from the eminent objectives of the creation of MSEs is to be the base for the medium and larger sized industrial firms which is realizing through the provision of different supportive packages which stamens from their creation to some couple of years. The assumption is that, once the MSEs supported and provided necessary facilities guided by

upfront needs assessment and prioritization, for five years, they should have to be graduated from MSE level to medium and large-scale industry. Nonetheless, there is no clear-cut point on the transition of Micro and Small enterprises to the next level, in some areas the MSE organized before ten years does not transferred to the next level still now. The result of regression on the model which shows contribution of transformation of MSEs to next level (TNLx) for MSE development Strategy implementation (Six) is (TNLx <-- SIx=0 .696); one unit increase in strategy implementation is the result of 0.696 increase of transformation of the MSEs to the next level. Literally describing the reflexive SEM model result, when SIx goes up by 1 standard deviation, TNLx goes up by 0.696 standard deviations.

The other MSE development strategy was formulation and compilation of best practices of model MSEs and disseminating it to other enterprises as spurring technique to promote their development. In this regard, the result on the structural model shows 0.74; which is moderately practiced and contributing to the successful implementation of the MSED supportive packages. The government at regional and federal level have prepared different programs where model enterprises were given recognition and even praised. This government activity has contributed positively and energized some MSE operators to be actively accomplish their activity in their area of operation. Besides, this chain of activities in general contributed positively for implementing this MSEs supportive package among others.

Performance audit; particularly financial performance is the key for the success of any organization. Financial audit that aims to enable MSEs to obtain the benefits protecting assets and cash from vandalism and then creates awareness about modern financial management. On this perspective, the financial audit support service practice in implementing the MSED strategy is lowest (0.52) next to capital equipment provision supportive package which is 0.43). this means, the provision of the financial audit for MSE operators is low. The result of FGD also assures this result that, this service is dominantly provided only for the enterprise which has granted loan (financial and in kind). Unless, no body audits the financial performance of the MSEs.

4.5. Challenges of MSED strategy Implementation

Implementing any program is affected by many variables which are related to the institutions formulating and implementing the program on one side and variables which are related to the institution for which the strategy is formulated and on which it is to be implemented on the other side. Or factors related to the institutions and factors related to the MSEs operator

(Flood *et al.,* 2012; Kaplan and Norton 2008; Bossidy and Charan, 2012; Hellriegel and Slocum, 2013). Flood *et al* (2012), identified peoples as one of the most important components of strategy implementation element. In simple terms, people/employees in an organization play an essential role in implementing a given strategy. As such organization as MSEs, which executing its strategy has to make sure that the people element of their execution system is given proper attention and well aware about what to implement.

A study by Kaplan and Norton (2008) on strategy execution problems in organizations in the United States revealed that in the great majority of surveyed companies; not more than 10 percent of employees understood their company's strategy. Other research studies have also revealed that less than 5 percent of the employees typically understand their organization's strategy (Kaplan and Norton, 2001). Similarly, Hrebiniak (2005) has stated that in many organizations he studied, employees most often were not aware of their company's strategy. In line with this, it was asked the respondents whether they know the current MSED development strategy or not. The result show that, almost 90% of the respondents were not got any awareness and not now the current ongoing development strategy. Therefore, people from both those execution side institution related and MSE operators' side, if cannot understand the strategy and their roles in it, successful strategy execution is highly unlikely.

4.5.1. Institutional Related Factors Affecting MSED Strategy Implementation

The institution in our case, encompasses legal and regulatory framework, structure, culture, power and staffing of an organization responsible for capacity development of MSEs. Therefore, the impact of leadership and change management, employee competency, smooth communication, organizational structure, power and culture were dominantly treated under this factor.

According to Kyarimpa (2009) and Harrington, (2006), ineffective leadership is a challenge to the successful strategy implementation. This is especially in developing nations where majority of the organizations lack effective leadership. A strong sense of purpose is normally the discretion of true leadership as such it plays an important role in harnessing the creative energies of all the people in the business Schultz *et al*. (2013). So, leadership is a key ingredient in making strategic change effective and lasting. From the structural model, if look into the factor loading of leadership and change management, is (0.87) which is strong and assures previous empirics. But, if the institutional related factors were considered all together,

its impact of strategy implementation is (-0.03) and insignificant. The negative sign shows as strategy implementation affects the organizational related factors; which is contrary to the theory and reality. On the other hand, a study conducted by Daft in (2005), one of the giant challenge facing leaders today is the changing business environment which stresses a paradigm of leadership to evolve to a new mindset that relies on human skills, integrity and teamwork. Thus, the being of insignificant result is due to other environmental factors that affects leadership and strategy implement differently. Hence, the responsibility of formulating and implementing the strategy lies largely on leaders of an organization, Leaders are the ones who decide what must be done, and then actually figure out how it is going to be done. (Meyer, Botha 2010) recaps the aspect of leaders having a skill set that allows them to analyze the opportunities and the threats that may exist, both currently and going forward, and thereafter having the ability to analyze the resources and abilities that an organization possesses to deal with those opportunities and threats.

In line with leadership and change management capacity of the organization, "strategy" by itself can affect its successful implementation. Since strategy lies at the heart of general management and characterizes the company by its vision which makes strategy a prerequisite of a shared perspective that can help the company to function most effectively. As such, having a formal and good strategy formulation is suggested to be the main determinant for organizational consistency (Dumpelmann, 2009; Spreitzer, 1995). Bossidy and Charan (2009) assures that a clear and formal strategy formulation can take away such shortcomings to facilitate a successful execution of a business" strategy. In the same manner, a clear and formal strategy gives room for the execution of tools which strengthen the position of employees within the organization and also makes the employees part of the execution process. As such employees can act in accordance with the strategy and thus pick up signals from their work domain and add to the strategy in favor of the corporate organization (Martin, 2010). On this regard, the study result (the direct impact of MSSED Strategy formulation on MSED strategy implementation significant and shows that clear and formal strategy formulation guarantees/affects to some extent successful implementation of the designed strategy. Subsequently, the need to have a good strategy is as essential as the strategy implementation itself meanwhile enterprises have long known that for them to be competitive, they ought to develop a good strategy first before developing an appropriate realignment of structure, systems operations, leadership and people (Qi, 2005).

4.5.2. Operator Related factors

Operator related factor (factors related to MSE operators), were the main factors which affecting MSED strategy implementation. As the result of the study revealed, a unit increase or improvement in operator related factor results in 0.92 increase in successful implementation of the MSED strategy. Under operator related factors, internal and external environmental factors were treated. Thus, from internal operator related factors, managerial and marketing capability of the MSE operator were dominantly included and treated. From external environment to of the MSE operator, legal and regulatory environment, infrastructure (roads, adequate power, water & telecommunication), input (raw material) supply, access to finance, technical support (training, counseling, education) and marketing efficiency of MSE operators were examined. Consequently, the result of the study has shown that all the internal and external factors related to the MSE operators were significantly affecting the successful implementation of MSED strategy implementation. If we separately the factors, internal operator related factors; managerial and marketing capabilities were deemed to develop the knowledge, skills, and competencies that can make the small firm more efficient and these are crucial factors for the growth and success of MSEs (Olawale and Garwe, 2010; Aylin et. al., 2013). As it is tried to be pinpointed by Pasanan (2007) the growth of small firms is associated with their managerial and marketing capacities. In marketing capabilities, developing a need based and problem-solving product, distribution strategy pursued, promotional strategy used to reach customers and the way the MSE operators set their product at affordable price were the key and decisive activities which, if pursued well can contribute for the successful utilization of MSED supportive packages.

The growth of MSEs is affected by its business climate mainly legal and regulatory factors which in turn affects the success for implementation of the supportive packages by limiting the operation of the MSEs operator's capacity. Clement et al., (2004) noted that an unfavorable business climate such as unfavorable tax system and complicated rules and regulations can heavily hamper small firms 'growth has negative effect on small firm growth. Krasniqi (2007) showed that corruption is a major source of the rise in unfair competition and the cost of complying with regulations and increased tax rates increases small firms' expenses while limiting their growth. Likewise, St-Jean (2008) noted that unfair competition from the informal sector, cumbersome regulations, and tax rates are the main obstacles on small business growth. In addition, competition from the informal sector, and inadequate infrastructure, especially an insufficient or unreliable power supply were the major obstacle

of MSEs. As a result of this, the ability and willingness of MSE operators in utilization the MSED supportive package is limited. If their ability and willingness is limited, the success of the supportive package implementation in turn is also limited.

The necessary infrastructure that should be provided from MSE operators, relates to provision of adequate power, access roads, telecommunication, sewage, and water. It has been a main restraint in the development of MSEs (Dondo & Mutiso, 2007). If the government failed to provide infrastructural framework it gets difficult to bring development and growth within MSEs. The result of the study from the structural model analysis also showed that infrastructure has significant effect on MSE operator (ORFx <-- ETSx.759). as it is suggested in the study of Ardjouman (2014), frequent infrastructural variations or shortage experienced in one country, can hinder growth for MSEs and then be obstacle for successful provision of the development supportive packages. The availability of proper infrastructure will have positive effects to marketing manage strategies that can influence marketing performance of MSEs.

Supply availability, shortages or delays, that face MSE operators can affect production and sales in the short run and damage customer satisfaction in the long run. Rising supply costs may force price increases that can harm the enterprise's sales volume (Kotler, 2012). One of the MSEs formation assumption is the utilization of local raw materials still many other manufacturers in MSEs depend on raw materials supplied from outside sources. Some of the factors that can delay or hamper a regular delivery schedule include a glitch at the site of a supply source, problems with transportation or inclement weather. If supplies are not forthcoming as needed, the potential for shutdown or a major slowdown in the manufacturing process can result. Hence, the fate of such enterprises depends on access and level of local supply from the surrounding. The fluctuation of local supply may therefore make it difficult to plan and that may precipitate same stock that may destabilize the setup (Kotler, 2012)

Whether business operators can access adequate and appropriate finance to grow is a particular concern for policymakers. SMEs can be financed by their own wealth and/or by accessing external sources of finance, whether from 'informal' sources such as family and friends, or from formal, market-based sources such as banks, microfinance institutions, venture capitalists and private equity firms. On this regard, the MSE Operators were significantly affected by this factor. As per the information obtained from FGD, the discussants raised that starting from the organization and screening of MSEs for the

qualification for financial credit or other in-kind support, the process is so bureaucratic and full of partiality. Those MSEs operators who have/has relatives or know someone from the respective office or MSEs who included the family member that office member is indirectly found to be advantageous.

4.5.3. FGD Discussion Analysis

A focus group discussion (FGD) is a good way to gather together people from similar backgrounds or experiences to discuss a specific topic of interest. Hence, FGD is used for generating information on collective views, and the meanings that lie behind those views. They are also useful in generating a rich understanding of participants' experiences and beliefs about the issue at hand. Therefore, FGD with MSEs councils at zonal and district levels and MSEs coordination and organization offices experts were made. For all the FGD discussants, simar questions were raised and discussed. Even though, FGD was made at different zones and districts and even kebeles, the responses and issues that was raised by the FGD participants of different zones and districts were almost similar. Almost in all the FGD discussions, the hot issue that were raised by the participants were mainly on the formation, selection and qualification of the MSEs for the provision of supportive arranged by the government. Particularly, how the MSE members were organized, how they were qualified for Access to credit and finance, the way transformation to the next level is undertaken/graduation of MSEs to SMEs, allocation of work place (containers and sheds) and the promotional and technical support provision were the main problems. Over all, the summary of the response of these FGD result for each respective question; from all the sample areas is presented as follows:

Initially the issue to scrutinize out whether the participants were aware about MSED policy and strategy was forwarded as, “do you have policies and strategies designed to organize people into MSE in your respective district and do you understand the designed strategies of MSE implementation in the country”? and the conclusion from the discussions as preceded.

In most areas, the MSE policy and strategy cannot exist at district or town level i.e. the existing MSE policy and strategy of the region does not cascaded to the workable places where policies and strategies is implemented. Most of the respondents revealed that there is ‘No’ clear policy and guideline concerning the duties and responsibilities of MSE office at district and town level as well as duties and responsibilities of concerned stakeholders drawn from different sectors. However, the respondents in some selected areas said that “even if the

written policy and strategies exist, they have no awareness regarding to the implementation of MSE strategies". Additionally, the participants of FGD raised that the duties and responsibilities of MSE concerned stakeholders sometimes overlap, e.g., task of screening out job seekers should have been carried out by MSE offices.

Next, the attempt was also made to understand other challenges they are facing in implementing the MSED strategies in addition to what they have raised above through the question, "What are the challenges for implementing the designed strategies of MSE in your respective district"? A number of challenges were listed out by the discussants that hider them in implement the designed MSE development policy and strategies:

Lack of autonomy in implementing MSE policies and strategies of MSE: The office cannot exercise full authority as its activities are intertwined with other sectors and bureaus such as TVET, OSCO(WALQO), the bureau of Social and Labor Affairs, Women youth and child Affairs, Mining and so on because of this the leadership and decision-making power of the MSE offices is limited.

Huge political interference in the affairs of MSEs: For instance, taking into account available finance and material resources MSE office may plan to create jobs for 100 individuals. Contrary to which, however, the government may require them to create jobs for more than 1000 individuals which turns the plan elusive.

With regards to ***leadership purpose***, assigned leads have little or no know-how of the rationales behind the establishment of MSEs and MSE policies and strategies implementation. As a result, a lot of time and money is being wasted for training, coaching, induction, and mentoring newly assigned MSE leaders. Additionally, in most areas the newly deployed leaders don't serve the MSE office for more than one year.

The task of ***screening out job seekers*** should have been carried out by MSE offices. The current practice is characterized by confused and complicated procedures with no clear guidelines wherein at times even investors have the tendency to register as job seekers: a lot of mandate overlap where preliminary screening is done by office of Social Affairs (at Kebele level) - this task should have been carried out by MSE offices though.

Attitudinal problems of unemployed youths towards policy and strategy implementation. For example, the Oromia National government provided revolving fund to unemployed youth to solve their financial problems but most of the youth received revolving fund does not repay the loan provide to them.

Corruption: while the government striving to reduce unemployment rate some the government officials commit crimes for their self-interest and relatives. On the other hand, the government employee organized or try to organize in MSE.

Lack of finance: While people organized in MSE their critical problem is startup capital. Oromia Saving and Credit Association (OSCA) mandated to provide loan for the new entries but they need collateral due to absence of collateral the unemployed youth does not access loan from MFIs.

Work place problem: the regional government try to provide work place for people organized by MSE, but the demand and supply doesn't match and there is a corruption to provide work place in some areas. Additionally, the transfer of MSE to the next level is not on time.

Low saving habit and capacity from the unemployed person. To Receive loan there is a mandatory saving some people organized in MSE hasn't mandatory saving. *Lack of office equipment* such as table, computer, printer, chair and etc. for MSE office. *Irregularity of string committee meeting*. In some areas the MSE string committee doesn't meet on their regular base. *Lack of community participation* on the implementation of MSE strategies. Participation enhances the sense of ownership.

The participants were also asked how they have opted to manage these afro mentioned challenges of designed MSED strategy implementation and what would be the better for future successful implementation of the strategy and development of the MSEs so as to assure their deemed economic contribution? Some listed options were:

- ✓ Identifying the challenges facing MSE strategy implementation and working on the identified challenges by putting priorities,
- ✓ Assigning districts/town cabinet members to take the unemployment issue as one agenda,
- ✓ Taking measure on the individuals commit corruption while implementing MSE strategy,
- ✓ Organizing best practice on MSE implementation strategy to share with members of MSE.
- ✓ Work to change the attitudes of community and MSE members towards MSE implementation
- ✓ Solving the problem of collateral issue to collect loan from MFI.
- ✓ Putting in action what is written on policy and strategy to implement the MSE strategies.
- ✓ Taking corrective action those who commit corruption.

- ✓ Providing training for MSE office worker on the strategy implementation,
- ✓ Providing training such as Work Ready now, Basic Business Skill, Financial literacy entrepreneurship and etc. for the MSE members.

CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

Under this chapter, major analytical findings and conclusions drawn from the survey study to answer the research questions were presented and then after, the chapter will be concluded by providing recommendations and further suggestions for future research.

5.2. Summary

The study has strived to analyze the MSEs development strategy implementation performance and challenges in Oromia National Regional State (ONRS). Throughout the study process, an attempt was made to find out to examine the current status of MSE development strategy implementation in the region, to identify the challenges facing MSE Development Strategy implementation in the region; and also, to indicate the best possible ways that can assure further contribution of the MSEs in the regional economy. Thus, in order to get some insights about these issues, concurrent mixed type of research design and cross-sectional research type is adopted. Primary data is collected from seven zonal administrative, seven towns, and twelve districts were purposively selected from Oromia National Regional State. Consequently, primary data was collected from 360 MSE operators selected using purposive sampling method from study area and data through questionnaires, focus group discussion and interviews. The data has analyzed descriptively and using statics statistical package for social science (SPSS) and Amos software. Therefore, the followings main findings were identified from the study result.

The finding of the study indicates that, clear and acceptable MSED strategy formulation by itself affects its successful implementation directly and indirectly through MSE operators related factors and institution related factors. Above all if clear and understandable MSED strategy is formulated, its implementation is affected internal and external factors which are related to MSE operators. This internal MSE operator related factors were identified as Managerial and marketing capabilities of MSE operators. The external factors related to MSE operators were distinguished as the factors that are posed on them from environment in which they are operating; such as rules and regulations, infrastructures, raw materials or supply input, and access to credit were the main ones. Beside these factors, the priori established and implemented MSED supportive packages were not contributed as intended. For instance,

market development services (MDSx =0.01) that was designed to create favorable conditions for MSEs to become competitive in the market and thereby contribute to the realization of the development of MSEs was the least performed/provided supportive packages. Next to market development service provision supportive packages, capital equipment leasing arrangement for those needy MSE operators was the least practiced (ECx=0.43) preceded by one stop shopping service provision and transferring of MSEs to next level respectively.

The findings also showed that, strategy formulation is also affected by institutional related factors (0.3) and it indirectly affects MSED strategy implementation performance. But the effect of strategy formulation directly on MSED supportive package implementation is lower. Which also mean that having good strategy on hand does not guarantee for its successful implementation.

The finding reveals that, one stopping shopping service provision, though it significantly affects the overall MSE development supportive packages implementation, has shown low result (0.53) whereas the industrial extension service provision package which is denoted by (IES) in the model, has the highest factor loading (.88).

The finding indicates that, provision of savings led credit services for the promotion of MSE development so as to ensures the leading role of savings and the participation of families, another measure for the successful implementation of the MSEs development strategy. It has a factor loading of 0.75 (ACSx <--- SIx .747) on model. This supportive package was supported by other financial institutions mainly the then Oromia credit and saving share company and rarely by Cooperative Bank of Oromia in some areas.

In general, the finding shows that;

- ⇒ Capital equipment provision for MSE operators on lease base is not undergone in good manner while implementing MSE development strategy implementation (ECx <--- SIx = 0.432) which means
- ⇒ Transferring of MSEs to next level after some year is not done accordingly and even the MSEs were there for a longer period of time once they are provided workplace or any other development support service.
- ⇒ The formulation and compilation of best practices of model MSEs and disseminating it to other enterprises so as to use it as motivational tool from the institution perspective is undergoing good promote their development. In

this regard, the result on the structural model shows 0.74; which is moderately practiced and contributing to the successful MSE development.

⇒ Financial audit support service which aims to support the MSE operators in using modern financial and cost management through modern financial record keeping is provided by prioritizing those MSEs who have given loan provision or other credit services from the government. But those MSEs who were not provided credit service were not given further considerations.

In identifying the challenges that are hindering successful performance of the implementation of MSED strategy, the study result can be categorized mainly in to two, as institution related and MSE operator related factors. From institution related factors, leadership and change management capacity of the MSED strategy executing office, power and structure of the intuitions, formulated strategy by it self were the main factors.

From the operator related factors, managerial and marketing capability of the MSEs operators, their marketing efficiencies in tracking their competitors through the development of market driven product, availing product with affordable price, communicating and distributing their product more efficiently than competitors were the primary identified operator related factor. However, this management and marketing capability of the MSE operators is the function of other environmental factors in which these MSEs operators were doing their business such as rules and regulations, infrastructures, material supply, and technical support that is provided for them.

5.3. Conclusion

The formation of Micro and small-scale enterprises in a given economy were deemed to be the tools in poverty reduction through creating employment opportunity, and income generation. MSEs were also the base for the medium and large-scale establishments. In order to assure these roles of MSE enterprises, the government has developed and modified different MSE development strategies. However, these development strategies were not performed as intended. On this regard, in order to identify how far these development packages were contributing in realizing the roles of MSEs in an economy and to identify the main challenges that faces MSED strategy implementation and to find out another policy option which can help in assuring the contribution of MSEs to the economy, this study has

been under taken. Thus, based on the major findings of the study, the following conclusions were drawn:

As the result indicated, the provision of MSED strategy supportive packages such as one stop shopping service, financial access support, HR development service, industrial extension service, which can help the MSE operators to utilize their managerial and marketing capability so as to be transferred to next level by contributing necessary economic return which can be accumulated as best practice which can be used as a bench mark for the forth coming economic entity organized as MSEs were all have significant positive relationship except market development and linkage. Though they have significant relationship with strategy implementation, they are not positively contributing for the development of MSEs as intended due to different institutional and MSE operator related factor. From the institution related factors, it can be concluded as leadership and change management, the formulated strategy, organizational power, structure and culture of the institution were influencing the implementation of MSE development strategies. From operator related factors, it is also concludable that managerial capability and marketing efficiency of the MSE operators which were directly affected by the institutional and environmental related factors were also hindering the successful implementation of the MSE development strategy.

Finally, from the result of the study (particularly FGD discussion), it was concluded that as there are also a number of factors other than institution and operator related factor, affect the implementation of MSE policies and strategies such as lack of autonomy in implementing policies and strategies of MSE, huge political interference in the affairs of MSEs, attitudinal problems of unemployed youths, corruption, lack of finance, work place problem, low saving habit and etc.

5.4. Recommendation

Based on the findings from the study, the following recommendations were made:

- The study found that, there is complicated and lengthy bureaucracies starting from selection, formation, legalization and allocation of necessary facilities for the MSE operators which were also full of corruption. It is better if the government focus on process of MSE organization in easy way.
  - This can be done though clear assignment of the roles and responsibilities of all the stakeholders by putting the minimum standard of the service and taking

corrective measure on those who cannot deliver the service according to the standard set.

- The finding reveals that, there is lack of finance. It is better if government bodies provide affordable alternative sources of finance for MSEs
  - This can be done by communicating with the credit institutions to lessen their requirements, subsidizing the interest of the loan or solve the problems of collateral issues in the rural community. Additionally, working with Non-Governmental Organization those who provide seed money and training for youth or searching additional source of finance.
- The finding indicates that, there is a problem of understanding the MSE strategy implementation on the side of implementer. The government should strengthen the government institutions capacity at different levels.
  - This can be done by providing induction training to play a major role in positively influencing the implementation of MSEs' strategies.
- The finding shows that, there is attitudinal problem of unemployed youth to engage in MSE. The government should exert maximum effort to avert the attitudinal problem of unemployed youth.
  - This can be done through providing training such as Positive Youth Development (PYD), Work Ready Now (WRN), Be Your Own Boss (BYOB), Basic Business Skill (BBS) and etc.

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