Using the Six Thinking Hats as a Strategic Tool for Decision Making in Sustaining a Competitve Advantage of SMEs in Kenya

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Small and Medium Enterprises are recognized as a leading vehicle for economic development, revenue generation for the nation, a prime source of employment, innovation and technological advancement in both developed and developing nations. However, over the last couple of years, majority of industries both local and international have not been spared from the effect of economic downturn resulting in business closure and in particular the SMEs have not being spared from the effects of economic recession having in mind the negative effects of COVID 19 and this has led to shutting down of majority of the SMEs leading to loss of jobs, loss of income, reduction in gross domestic product, reduction in taxes and other social and economic challenges. SMEs more than ever before need to identify appropriate solutions to the challenges they are facing in order to sustain themselves. Sustainability of SMEs is important for its crucial role in promoting economic growth and equitable sustainable development. Sustainability enables institutions or groups to make decisions and transform those decisions into desired actions and outcomes over time allowing continuity. Six thinking hats is a creative method to analyze a decision, situation or problem in an effective way. The technique interrelates the different thinking styles with different colored hats and guides individuals to use particular thinking styles for each situation presented. By intellectualizing each color of the hat, the SMEs focuses on solutions associated with each color. This paper converses how this technique can be used as a tool for managerial decision making integrating it with the theory of accountability and resource based theory of SMEs in Kenya.

Key words: Six thinking hats, sustained competitive advantage, Theory of Accountability, Resource based theory, decision making.

INTRODUCTION

Small and Medium Size Enterprises (SMEs) make enormous contributions to world economics and their presence brings a successful usage of nearby assets and lifts up the economies everywhere throughout the world. They are important for job creation, growth, social stability and provide reasonable priced goods and services. (Zafar & Mustafa, 2017). A report by the World Trade Organization (WTO, 2016), states that SMEs represent over 90 per cent of the business population, 60-70% of employment and 55% of GDP in developed economies. For the OECD member countries, SMEs are main type of enterprise, for nearly 99% of whole businesses, supply the primary cause of employment (around 70% of jobs), main sources to value creation (around 50% and 60%) of value added on contributing positively to their GDP of up to 60% (Bayraktar & Algan, 2023). In Japan, SMEs are the main reason for automotive and electronic industries having a global market position. Large companies cannot manufacture finished products by themselves hence depend on components from SMEs and act as an assemble point thus contributing 50% of the country GDP, 70% of employment opportunities and 53% of the export market (Hironaka, Zariyawati, & Rose, 2022).

In Africa SMEs cover about 90 percent of African businesses and contribute to over 50 percent of African employment (Njiru & Njeru, 2020). The significance of Kenya's Small and Medium Enterprises was identified in the International Labour Organization report (ILO) in 1972 on 'Employment, Income and Equity in Kenya' (ILO, 1972). The report outlined the Small and Medium Enterprises as key drivers for income generation and job creation. The SMEs in Kenya cut across all sectors of the economy and have immense contributions in manufacturing, agricultural, banking, transport, building and construction, wholesale and retail business of the sectors in Kenya (Mwaniki & Ondiek, 2018). The SME sector in Kenya comprises of about 75 % of all businesses, employs 4.6 million people (30%) and accounts for 87% of all new jobs and contributes 18.4 % of the GDP (Gatobu, 2024).Despite their significance, statistics however show that in Kenya, three out of five SMEs fail within the first three years of operation, and among those that continue 80 percent fail before the fifth year (Mwangi, Ngugi, & Kihonge, 2022). The Kenya's big four agenda provide resolution to social economic challenges facing the country while fostering sustainable economic growth in tandem with the global sustainability agenda. The idea on sustainable development need to be infused into the activities of small and medium businesses because their growth and development has an increasing impact on the country development agenda (Mwasiaji, 2020).

Six thinking hats in Management

Decisions play an important role in the ever-changing environment of business leadership, prompting Adam Smith, the father of economics, to colloquially say, "Business makes decisions," thus leadership a pivotal role in decision making. The six thinking hats technique as outlined by Dr. Edward de Bono represent thinking styles required by leaders while analyzing a given problem in a systematic way. The technique interrelates the different thinking styles used in an effective problem-solving procedure with different colored hats. This approach guides the individuals/groups in using a particular thinking style represented by individual colored hat. By conceptualizing each type of hat, the person/groups focuses on the style of thinking associated with each color (Aithal & P M, 2017). The six thinking hats management style in conjunction with strategic leadership play a pivotal role in providing the direction needed in each peculiar situation facing SMEs. The various hats symbolize distinct cognitive functions of the human brain that the strategic leader would activate during diverse situations. According to Dr. Edward de Bono, wearing the WHITE hat adopts neutral judgements based on facts and figures, wearing the RED hat will adopt humanistic thinking filled with emotions and feelings, while wearing the YELLOW hat is about the positive aspects of the situation in contrast wearing the BLACK hat adopts pessimistic or negative thinking based on comments, criticism, caution & carefulness, wearing the GREEN hat adopts creative thinking and finally while wearing the BLUE hat adopts thinking based on planning, organizing and controlling (Aithal & P M, 2017).

Benefits of six thinking hats

The six thinking hats concept, first in 1986, has resulted to organizations enjoying benefits globally. According to Karmakar & Chattopadhyay, (2024), SMEs that apply the six thinking hats, will derive multiple benefits such as;

Organization

Utilizing the six thinking hats technique facilitates a methodical approach to thinking. This is because every viewpoint is considered, facilitating the evaluation of information and eliminating superfluous details, thereby enhancing efficient decision-making

Creativity

Assigning a wide range of responsibilities to team members encourages critical thinking and developing creative solutions beyond simple solutions. As a result, this makes it easier for people and businesses to assess their abilities, learn more creative notions and combine different viewpoints to develop new ideas.

Productivity

People do more in less time since the strategy improves organizing and creative thinking skills. They are more empowered to work together because they know the direction of discussion or problem-solving. So, the six thinking hats strategy encourages role-taking and accountability.

Quality decision-making

Establishing clear parameters for the debate within a group is crucial for minimizing conflict and fostering a proactive mindset. By addressing one perspective at a time, the group members can concentrate on

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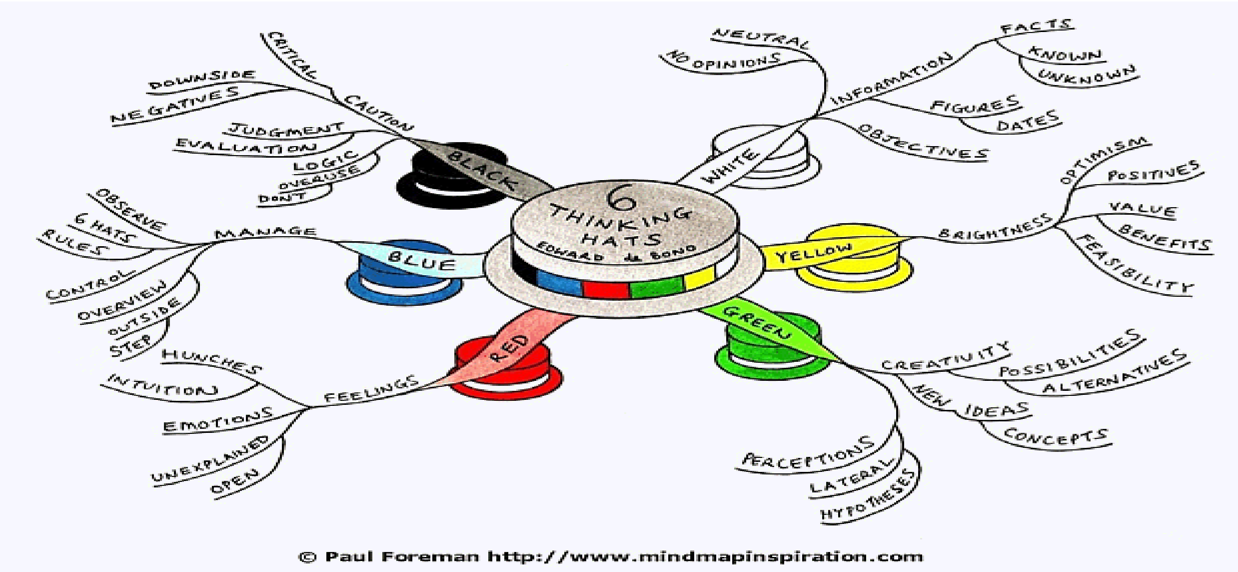
each viewpoint individually before shifting to the next. This results in high-quality decisions facilitated by the beneficial influence of the process.

Inclusivity

By adopting a shared "hat" during the procedure, the group may set aside preconceived notions and collectively concentrate on one perspective. By minimizing conflict and fostering a shared understanding, it is possible to ensure that everyone feels involved in the subject matter.

Interpersonal skills

Listening and communication abilities increase with the six thinking hats technique. Such an approach makes people more persuasive when pitching ideas, more aware of when to support others, and more confident in their answers and dispute resolution.



The six thinking hats are meant to give directions while thinking rather than labels for thinking which means the hats are used proactively rather than reactively. However, the method is faced by the challenge of time consuming where inexperienced users may use so much time while integrating the various hats to their various roles leading to an overlap between the hats.

Six thinking hats and decision making

Decisions made using the “6 Hats” technique is based on a holistic perspective. It enables managers to make a more rounded decision, by looking into the decision in a number of important perspectives and by approaching problems from various angles, facts, emotions and creativity. Better decisions are made with a more holistic and wide-ranging view of the problem, and thus avoiding pitfalls and gaps before committing to a decision (Gupta & Bodhankar, 2023). The model of six thinking hats is a conscious thought system that focuses the thinking of a person in a specific direction for a specific period of time. The hat technique is used for the purpose of improving the ability to think, it consists of a mixture of opinion source and side opinions. The aim of this approach is to help individuals make important decisions, observations and assessments. (Mostafa, Mansour, Abdrahman, & Ibraheim, 2020).

Setyaningtyas & Radia, (2019), stated that six thinking hats is an effective tool to assist in decision making, both individually and in groups. These colors are black, blue, green, red, white and yellow each of them represents a philosophical and logical approach to thinking critically about problems. By continuously eliminating or diluting the constraints, one can improve to optimum solutions while helping individuals or teams to continuously improve on decisions. The six hats thinking process helps to take best decisions in critical situations when applied through an ideal analysis technique (P.M & Aithal, 2017). However recent studies have indicated challenges that majority of SMEs face in developing nations while applying the six hats decision making concept. Karmakar & Chattopadhyay, (2024) noted that SMEs often have fewer staff having many roles per person and lack the time for long meetings making the six hats process a time consuming activity. A lack of a qualified facilitator to guide the process, keeping balance and preventing dominance by senior staff or owners as well delays in decision making for SMEs that may negatively impact on their market share (Gupta & Bodhankar, 2023).

Sustainable competitive advantage

Competitive advantage is a condition that puts a company in a favorable or superior business position, an increased rate of attractiveness as compared to its competitors (Chebiego, Kinyua, & Muchemi, 2021). Competitive advantage is as a result of values presented by the company been closer to customers expected values as compared to the values offered by competitors which is as a result of generating strategy different from the strategies of its opponents (Alam & Shah, 2023). Osagie, (2023), noted that firms that are at a competitive advantage provide benefits that its closest rivals and/or competitors can provide, but at a lower cost or benefits that surpass those of competitors' products and services. Sustained competitive advantage is regarded as having a superior position or condition over a competitor for a long period of time by reacting to the world's endless change (Mahdi & Nassar, 2021).It is an attribute that enables firms to outperform their competitors for a long period of time maintaining their leading position in the market (Ndei & Kinyua, 2024).

Sustained competitive advantage is not reliant on capital and corporeal resources as it was, rather on knowledgeable capital (Alam & Shah, 2023). The resource-based view suggests that a firm's internal resources can create a competitive advantage if they are rare, valuable, unique, and difficult to replicate. An organization gains sustained competitive advantage by developing, putting together, and effectively positioning its physical, human, and organizational resources in techniques that put in unique value and that are difficult for competitors to imitate. The resource based view states that competitive advantage comes from the internal resources that are owned by a firm (Ndabari, 2021).

Theoretical Review

Resource based theory

The Resource-Based View Theory was proposed by Wernerfelt (1984) based on the earlier work of Penrose (1959) who stated that a firm is not only an administrative unit but it is also a collection of productive resources. Resource that contributes to a firm's success must be valuable, rare, inimitable and non-substitutable, for sustained competitive advantage (Hendi, Basri, & Arafah, 2022). The resource-based theory perceives a firm as a unique bundle of distinct knowledge resources which must be combined, coordinated and positioned in routines and organization processes that are tandem with other firm-specific attributes for excellent performance (Ndabari, 2021). The resource-based view provides a valuable way of thinking, how resources relate to organizational strategy and sustained competitive advantage. Resource value can be seen when it is used to reduce a firm's cost and increase the firm's revenue (Mong, Mohamed, Misnan, & Palis, 2021).

Sustained competitive advantage involves implementing a value-creating strategy that can't be implemented by its competitors and lasts for a long time hence a firm's ability to develop effective strategies depends mainly on the resources it controls which allow companies to create unique strengths that set them apart from others in the industry (Pandisha, Kombe, & Kayunze, 2024). The resource-based view suggests that a firm's internal resources can create a competitive advantage if they are rare, valuable, unique, and difficult to replicate(Mohammed, Ahmed, Aziz, & Dewi, 2023).

Theory of Accountability

Organizational Performance in the recent years has turned to the theory of accountability (Theory A) which focuses on creativity as the cornerstone of all performance, hence creativity which would bring out the best in the form of sustained competitive advantage. According to the theory of Accountability, the whole organization prepares for a collective endeavor, joint identification of need, joint policy formulation, ensuring responsibility, developing strategy and displaying creativity in achieving it. Accountability should be fixed to both individuals and teams in order to ensure success in given task (P.M & Aithal, 2017). Accountability positively correlated to performance, based on assumption that an improvement in accountability systems implies that the resources are being utilized efficiently. Accountability places emphasize a course of action rather than a distinct end-result, in which the means are important in and of themselves and include such processes as participation, self-regulation, and social audits (Olwol, Byamukama, Kayongo, & Tukundane, 2022).

According to Anyamene & Mgbemena, (2023), accountability is a necessary condition for ensuring organizational stability, survival and improved performance hence accountability should encompass such attributes as access, comprehensiveness, relevance, quality, and reliability. Pilon & Brouard, (2022), noted that accountability is an essential component for the functioning of an organization therefore those who are charged with carrying out task within the organization should be obliged to give an explanation of their actions to their superiors. Accountability is displayed when a person is willing to accept responsibility of his/her actions towards another party who has the right to pass judgment on those actions. Accountability theory in relation to organizational performance is the bedrock of knowledge sharing among employees resulting in positive outcomes. (Kavila, Mwalwa, & Karanja, 2023).

Empirical Review

Sustainability of SMEs has been facing challenges such as access to finance, stiff competition from large organization, challenges in market access, lack of policy implementation, lack of managerial training, rapid changes in technology among others. The sudden outbreak and spread of Coronavirus (COVID-19) also shook the world economy interrupting the SMEs which are continuously face problems in the form of challenges with their effort in fulfilling their objectives.

Various researchers have identified mechanisms that to enable Small and Medium Enterprises withstand economic turmoil, Thinji & Gichira, (2017), noted that entrepreneurial commitment and innovation greatly influenced the performance of SMEs, another study done on 25 Kenyan entrepreneurs indicated that an entrepreneur previous work experience , knowledge of the market, access to capital, networking, assistance from family members, understanding the needs of the customer and putting in long hours at work resulted to success, (Douglas, Douglas, Muturi, & Ochieng, 2017) ; while Kamunge, Njeru, & Tirimba, (2014), noted that support by government through providing training and seminars on marketing strategy, better lending terms by financial institutions, policies that are not beyond entrepreneurs ability would enhance creativity and innovation in making investment decisions and exploiting available business opportunities.

In a study by Kimaru, Ngugi, & Mugambi, (2022), on conceptual skills and sustainable competitive advantage of SMEs food manufacturing enterprises in Kenya recommended that owners and managers ought to develop and utilize strategies that enhance their conceptual skills in order to achieve sustainable competitive advantage, government and policy makers to facilitate SMEs conceptual skills through providing platforms through which SMEs can be trained and mentored to develop this competency while another study by Chelagat, (2023), noted that risk associated behaviours have a strong positive association with sustainability of SMEs and recommended that SMEs should develop risk management procedure to manage business risk application.

Six thinking hats application in decision making

Adopting the six thinking hats technique in decision making and problem solving can achieve a number of outcomes including effective and efficient meetings, where time is reduced by two thirds of traditional meeting time and productive outcomes generated can be explored further, quickly identifying alternatives to solve problems and effective thinking process where participants' experiences are different. The six thinking hats technique correlates different thinking styles used in a systematic problem-solving procedure with different coloured hats. Conceptualizing each type of hat, the person focuses on the style of thinking associated with each colour so that the problem and can be analyzed from different angles and frame of references. This method supports lateral thinking possibilities and new outcomes during problem solving session so that the optimum solution can be found out (Gupta & Bodhankar, 2023).

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Hat	Role	Focus
	Logic	The facts
	Optimism	The value and the benefits
	Devil's advocate	The difficulties and dangers
	Emotion	Feelings and intuitions
	Creativity	Possibilities and new ideas
	Management	Ensuring the rules of the hats are observed

RECOMMENDATION

In this dynamic world of continuous transformation, SMEs need to make decisions that will catapult them to the next level in the global market. Decisions that are result oriented are achieved by analyzing a situation, formulating solutions and selecting the best for achieving desired results. The six thinking hats is a strategic tool that can be used by managers at all levels and in diverse situation in decision making. The interaction between the six thinking hats in making decisions has different consequences that symbolize the cognitive function of the human brain. Different colours of hat thinking have different consequences in the decision making skills of managers that may pose as a threat in their application such as delayed decision making, lack of resources, a fear of shifting from the old dominance culture where senior management and owners are the sole decision makers to a more open feedback system and implementation gaps (Gupta & Bodhankar, 2023). According to Elbilgahy & Alanazi, (2025), organizations can still overcome some of the setbacks faced while applying the six thinking hats in strategic decision making such as training of internal employee to facilitate the process, adopting a flexibility structure that allows free form discussion forums, assign responsibilities and having measurable steps and schedule follow-ups, demonstrate value through short term wins and buy in from leadership and pair the six hats with other decision-tools (e.g., SWOT analysis, risk assessment, financial modeling) when needed.

CONCLUSION

In the current study, the theory of accountability and resource based view theory that act as the pillars of organization performance fill the gap between 20th century theories and emerging 21st century by incorporating a useful framework to discuss various perspectives under thinking hats model in decision making application through an objective and quantitative thinking, emotional and humanistic thinking, negative pessimistic thinking, cautious optimistic thinking, creative innovative thinking and managerial thinking during decision making. Therefore, SMEs should focus more on educating their managers about six hat thinking concepts, so that they can make good decision which can help employees and SMEs to growth gain a competitive position in the global market.

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