

**STRATEGIC ORIENTATION AND PERFORMANCE OF SMALL
AND MEDIUM ENTERPRISES IN NAIROBI CENTRAL BUSINESS
DISTRICT**

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OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF
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DECLARATION

This research project is my unique work and has not been submitted for a degree in this or some other College/ university.

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This research project has been submitted for Examination with my approval as the University Lecturer.

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DEDICATION

I would like to dedicate this work to my wife Joyce Mulama, and our children for their patience, love and support.

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I thank God who is a source of all my inspiration in enabling me to undertake this study.

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ABSTRACT

The capacity of a firm to strategically orient its operations in terms of its market, technological changes, to learn and adapt to market changes and the capacity to exercises entrepreneurship is one such posturing that a firm can adopt to improve its performance. The need for a firm to strategically orient its operations in respect to the market it operates, entrepreneurship and technological capacity will guide how an organization responds to the business environment that it operates in. The research objective was to establish the effect of strategic orientation on the performance of small and medium enterprises in Nairobi Central Business district. Towards the realisation of the same, the study adopted a descriptive research design whereby 40 questionnaires were distributed and after the screening process, 30 of them were accepted and analyzed. From the research findings, it was found that entrepreneurial orientations are the strongest variable that affects the performance of the SME. From the regression analysis results, the findings show that strategic orientation practices explains 64% of the SMEs performance and there exist a strong correlation between the dependent and the predictor variables ($r=0.8$). The study concludes that SMEs can improve their business processes and achieve better effectiveness and efficiency through the employment of appropriate strategic orientation. The study recommends that managers need to focus on dynamic capabilities development that connect different capabilities and orientations that can give customer value that are superior in turn obtaining higher performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globally, Businesses are faced by rapid technological advancement and the speed in which information is disseminated from one region to another has substantially influenced the efficiencies of firms. Zhou and Li (2010) highlight that the capacity to come up with effective strategies is essential to any business as it allows achievement and maintaining the firms competitiveness. The capacity of a firm to strategic orient its operations in terms of its market, technological changes, to learn and adapt to market changes and the capacity to exercises entrepreneurship is one such posturing that a firm can adopt to improve its competitiveness (Ahlstrom, 2012). In regard to Noble et al. (2002), a well designed orientation, lead firms to establish proper approaches to achieve the goal effectively.

The basis for this study is on Resource-based view (RBV) theory (Barney, 1991) and the environment –strategy-performance theory. The resource based theory posits that an organisation is a set of resources and the way these resources are aligned would influence the organization’s competitive benefit and achievement and one of these resources is the way it is strategically oriented. Similarly, the environment-strategy-performance theory (Child, 1972) opines that business entities select strategies in response to their external environment because a fit between strategic choice and environmental conditions enhances firm operations, which in turn improve firm performance. More recently, O’Class and Ngo (2007) expanded the cultural environment-approach-performance theory to involve internal capacities and features in explaining organisation proper focus and achievement.

The study is motivated by the changing level of business operations in the country whereby the competitive pressures from effects of globalisation is not only being felt by the large firms but also the micro enterprises. To continue growing their businesses, SMEs should not only base their competitiveness on their internal capabilities but rather their competitive advantage should be anchored on their capacity to orient their activities

to both internal and external environment. SMEs are affected by technological, market and entrepreneurial challenges and therefore, for them to adjust to these changes, they need to reorient their operations to these changes.

In the last two decades, SMEs have attained significance for their poverty eradication function and ability to contribute to general economic and industrial development. Indeed, in respect to the Vision 2030 blue print, establishment of rural infrastructure together with growth of SMEs is essential for the growth of Kenya's economy. SMEs play an important function in the modernization process as well as promoting local resources that are more efficient.

1.1.1 Strategic Orientation

Different forms of description of strategic orientation have been developed. Peterson (1989) asserts that an organization's organized orientation involves crucial underlying features that evaluate the extent and state of an organization's operations. Teece et al., 1997; Zhou et al. (2005) explain that designed orientation is the associations capacity to put together and establish inner and external capacities. Thus, it is envisaged that an efficient application of an organization's designed direction is capable to establish good behaviours for sustainable greater enterprise achievement. Further, a firms' strategic orientation influences its perception of the environment, target setting, distribution of resources, designing of the value creation procedures and the establishing of institutional as well as changing capability (Rosenbusch et al., 2011).

In strategic administrative literatures, well-designed orientation is the major similar feature investigated; there have been trials in limited number aimed at determining its impact on organization achievement in SMEs research (Franczak et al., 2009). Strong interlinks exists between entrepreneurial and strategic administrative orientations have a McGrath and MacMillan (2014). Hakala (2011) while learning literature of strategic orientation with four perspectives (entrepreneurial, technology, studying orientations and market) inferred that strategic orientations guides and affect the operations of a firm and establish the exercises intended to ascertain its achievement. According to Hult, Hurley

and Knight (2004) technology orientation entails possessing the will and ability to extract substantial technological basis then applying it on new product creation.

Businesses that are customer-oriented emphasizes on acknowledging the needs of their customers in their functional markets and from the listed demands creating products and services that meets those desires (Atuahene-Gima et al., 2005). For an association's market orientation to lead to competitive benefit, it must provide value for a client that is difficult to imitate. This will provide room for organizations to outshine their less market-oriented rival.

According to studies done earlier, an approach to business is normally represented by strategic orientation. It is frequently divided into technology, market, entrepreneurial, and customer orientations (Narver and Slater 2010). Firms with a high technology orientation level are strongly oriented to research and development (R&D) and use of sophisticated innovation to develop new products, a market orientation. The willingness to be adventurous and take risks when it new product development is termed as entrepreneurial orientation. On other hand, customer-orientation entails circulation customer information throughout the organization. In addition, customer orientation involves strategies and tactics formulation that aims at satisfying the needs of the market (Shapiro, 2008).

1.1.2 Organizational Performance

Neely, Gregory and Platts (1995) lament that, as a concept, firm performance is often discussed in various studies, but rarely has the same definition. Moullin (2007) opine that firm performance is a means through which a firm provide value to its stakeholders and therefore is an indication of how well the managers succeed in utilizing firm resources. According to Koontz and Donnell (2010) organizational performance therefore means the ability of an organization to realise such mundane objectives as high profit, increased market share, new product development, good financial results, and achieving long-term sustainability. Hence it is a measure of actions of the business firm in terms of achieving firm aims and objectives.

Business firms achieve objectives if they are carrying out operations that satisfy the desires of the owners, customers and other members. Similarly, business firms attain firm objectives, if they perform in an efficient and effective way than competitors.

Different ways are used to evaluate an achievement or success of an organization. In regard to Carton (2004), a great achievement of a firm can be assessed based on what value creation it has for stockholders. On the basis of financial performance, it is evaluated on the basis of how it has changed the financial state of an organisation.

Lumpkin and Dess, (1996) implemented sales development, market proportion, productivity and general performance to evaluate on organization's achievement. Mensah (2013) applied three directions aspects: stock turnover customer satisfaction and determining link between strategic orientation and achievement of an organization. Calantone et al. (2002) used four achievement aspects, namely: overall profitability, return on asset, customer service and market share. This was in line with evaluating studying orientation and organization achievement. By applying four performance techniques customer retention, return on investment, sales growth and new product success, Mokhtar et al. (2014) evaluated firm's performance and market orientation.

1.1.3 Small and Medium Enterprise Sector in Kenya

Universally agreed definition of SME does not exist, some of the frequently used technique are the value of assets, number of employees, sales value and capital size as well as turnover. Among these, common definitional foundation applied is employees due to the efficiency of gathering information and here also there is variance in describing the upper and lower size limit of an SME. In the UK smaller scale estimated endeavours have 51 - 250 labourers, turnover not exceeding £25.9 million and an accounting report total of not more than £12.9 million (Kirby, 2014).

In Kenya, Session Paper No 2 of 2010 on establishment of SMEs for asset and creation of employment for eradication of poverty describes SMEs as those businesses hiring 10-49 for small firms and 50-99 for micro firms. For the purpose of integration the SMEs

department into the national economic map, the Session Paper No 2 of 2010 further extended the meaning of SMEs to comprise all businesses, both farm and non-farm, recruiting not more than 50 persons (GoK, 2009).

In the Kenyan system, a research carried out by Kimuyu and Omiti (2000) described a small firm as one with employment lying between 5 to 50. The businesses will always be controlled directly by the owner-community or the owner. They tend to be tax-registered operate from enterprise or industrial building, and satisfy other formal registration needs. However, they perceived that grouping in terms of wealth and turnover is complicated, given the broad discrepancies in number business departments like manufacturing, retailing, proficient administrations and development. Medium firms comprise of a category complex to bound vis-à-vis the "small" and "big" business groups (Kimuyu & Omiti, 2000).

1.1.4 Small and Medium Enterprises in Nairobi CBD

SMEs within Nairobi are a combination of self-employment outlets and changing firms that are comprised in operations array. Though they available in rural Kenya, they are more focused in urban areas. They create as much as 14% of the country's GDP, and 1.3 million creations recruiting 2.3 million persons (Mullei & Bokea, 2009). A number of such small firms are sole proprietorships; one half are female-owned and a third of the businesses operate from homes. In regard to Kimuyu & Omiti (2014) small firms owned by female are likely to start smaller, be informal, always start smaller, have limited access to loans grow smaller, use less start-up capital and more frequent exercises from structures and homes that are less permanent.

In addition, the SMEs sectors in Kenya is fast gaining focus because of the need to diversify the country's economy and shift the focus to dependence on tourism and a few agricultural products such as tea, coffee, and flowers. The SME sector has a high potential and economic importance to the nation because of its ability to create job opportunities, and the need to position Kenya as an exporter of basic food items and industrial commodities in commercial quantities. However, has Mweiga (2014) highlight,

the development of SMEs in Kenya, today faces severe limitations in management skill, marketing, modern technology and technical expertise. As a result, the performance is well below expectation compared to other lower middle-income countries.

In world economies especially in developing countries, the Small and Medium Enterprises (SME) sector in a country has proved to be an important segment. This is because they form a large segment of economic activity, and are seen to be an engine of growth (Boocock & Shariff, 2005). McGrath and MacMillan (2014) add that the acknowledgment of the huge financial commitment of SMEs has brought about expanded regard for the division from approach creators. This is because in a country, SMEs constitute firms that are most dynamic in an emerging economy and is considered the backbone of industrial development in most industrialised nations (Saleh & Ndubisi, 2006).

1.2 Research Problem

Formation of effective strategies is essential to any business as it allows achievement and maintaining competitive advantage. This means that to survive in such a volatile business environment, there is need for a business to adopt a mixture of strategies and the capacity to strategically orient its activities to the existing business environment. According to Kaya and Seyrek (2012), in situations of strong business waves, there is significance for firms to come together proactively with consumers, to develop a good network with other players in the sector, be able to identify and rollout new business opportunities, and continuously establish customer need by being a technology leader towards shaping customer preferences.

The SME sector in Kenya assumes a noteworthy part in enhancing economic development and improvement, ranging from reducing poverty to creating employment (Ndemo, 2014) specifically; they provide employment, increase per capita income, enhance the supply of raw materials, enhance export earnings and boost space utilization in the vital industries. Therefore, the role played by high performing SMEs in Kenya is very clear and cannot be overstated. In the year 2015, the contribution of SMEs to GDP

and employment in Kenya was 36.68% and 38 % respectively (KNBS, 2016). With such a contribution to the Kenya's economic growth and development, it becomes imperative that the performance of the SME should be given attention and any variable that will impact on its performance should be established, including their strategic orientation.

The importance of a firms' strategic orientation and its effect on performance has seen many scholars from strategic, marketing and entrepreneurship discipline seek to understand its importance. Ahmad, Pirzada, Muhammad and Khan (2013) researched on the strategic orientation of small to medium size manufacturing enterprises in Pakistan.

The findings showered existence of differences in functional strategies of SMEs even after pursuing the same strategies and this was attributed to varying interaction with business environment and CEO's vision. Amo, Gomez and Rialp (2014) researched on strategic orientation and new business achievement in Spain hospitality industry. The findings were that in regard to new business, learning orientation does not adjust the link between strategic orientation and achievement results. Sarker and Palit (2015) researched on strategic orientation and achievement of small and medium firms in Bangladesh. The results were that 60% of the strategic orientation variables, namely; inter-functional corporation, customer orientation, proactiveness, autonomy, uncertainty behaviour and lack of innovative are statistically relevant with SME performance.

In Kenya, Njeru (2013) researched on strategic market orientation, firm features, external fields and achievement of tour organizations in Kenya. The results were that firm characteristics do not affect firm achievement nor moderate the connection between strategic market orientation and marketing practices. Oduyo (2014) undertook a research on the connection between strategic market orientation and achievement of commercial banks in Kenya and established that there was relatively positive link between bank performance and consumer orientation, rival orientation and inter-functional corporation. From the research, it can be concluded that indeed various researches have been carried out over strategic orientation and achievement of organizations, yet very few of them have delved into how strategic orientation affect a firms performance. As a result of the

gap, the research sought to answer the following question: how does strategic orientation affect the performance of SMEs in Nairobi Central Business District?

1.3 Research Objectives

- i. To establish the strategic orientation embraced by small and medium enterprises (SMEs) in Nairobi CBD.
- ii. To establish the relationship between strategic orientation and performance of SMEs in Nairobi's CBD.

1.4 Value of the Study

This research contributed on the resource based theory of an organization by explaining how a firm's ability to combine effectively its strategic orientation principles will influence its performance. The capacity of an organisation to recognize and adjust according to the market dynamics using its internal resources that are rare, unique and imitable will explain its level of competitiveness. Consequently, the study will add to the existing theoretical position as far as the use of its internal resources and environment alignment to gain the necessary competitive advantage.

The understanding between the link between networking, customer, market and entrepreneurial orientations on the organizational performance means that the policy makers, such as the Trade and Cooperatives and Ministry of Industry will be able to develop appropriate regulations that will shore up a firms customer and networking strategies. The need for the SMEs to consider each other as partners and not competitors will be able to guide the regulators and government in developing appropriate policies for shoring up the performance of these firms.

The management and owners of the SMEs will also benefit from the study. Appropriate establishment of a mix of different strategic orientation will need to be given more attention in an emergent market like Kenya whose firms are facing increased competition, both from local and external players. This significance of strategic market orientation to superior firm achievement has been underscored in the strategic management and marketing fields, thus ascertaining its applicability to SMEs will

provide important performance indicators as managers make their firms more efficient, effective and profitable.

For the academia, the study sets a basis on strategic orientation by determining its function in the realm of the environment-strategy-performance nexus. The study will facilitate the understanding of the applicability of the theory in management and that a positive finding will help change the management perception in this direction.

In addition, replication and extension study on strategic orientation is required because it will help to avoid the less critical integration of empirical outcome and determine whether the extent of prior results could be applied in other populations, geographic regions, and time frame. The study will domesticate the application of the strategic orientation in small firms in an emergent economy as Kenya. Specifically, the study will attempt to explain the application of dynamic capabilities theory and how the SMEs will need to adjust their internal operations to fit to the changes in the environment.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The theoretical foundations that underlie the study namely; the resource based view, and environment-strategy and performance view as well as the dynamic capability theory are discussed in this chapter. The theories link with their capacity to support organizational orientation- performance nexus. Several empirical studies covering the theories will be explored as well.

Literature on the strategic orientation and its various principles are covered. Specifically earlier studies on entrepreneurial, market, learning and technological orientation is discussed with how they affect the performance of a firm. These four angles of a firm strategic orientation is highlighted by various strategies as the major perspectives of a firms' strategic orientation.

Lastly, the chapter discusses the various empirical studies undertaken on strategic orientation and firm performance. In addition, the conceptual framework relating to study variables is discussed.

2.2 Theoretical Foundations

Three theories namely; the Resource based Theory, Environment-Strategy-Performance Theory and the institutional theory are used in this study. These theories at the same time will explain the reasons why organizations will employ different strands of orientations in their business operations.

2.2.1 Resource Based View

This theory was first advanced by Wernerfelt (1984) and further refined by Barney (1991) is the most commonly used to explain firm performance. The RBV of an organization assert the position of idiosyncratic resources in a firm which can be manifested in form of assets or capabilities, purposely resources, that is underlying within a firm (Lee et al., 2001). An organization resources and capacities that are able to

differentiate its operations from the competitors have the ability to attain and sustain competitive benefit.

Resource Based View theory emphasizes an association to be a group of assets and resources that these assets essentially influence an organization's competitive benefit and performance. Further, Barney (2001) contends that for an asset to be a component of competitive advantage, it must be important, less distributed, imperfectly tradable and complex to copy. Mahmoud and Yusif (2012) suggest that market orientation have shown significant influence on firm performance by creating necessary action to achieve competitive advantage.

Extant empirical studies confirm that technology orientation is also an important factor that provide firm with a competitive advantage. For the SMEs, Fonseka et al. (2013) argue that the discrepancies between organizations in respect with financing is as a result of unique strategic orientations incorporated and hence business strategies that increase sales volume and profit will improve the availability of firm financing. This implies that weak strategic activities will affect SMEs ability to access finance and in turn determined performance and therefore the strategic orientation of an SME is an important factor predicting firm access to finance as it indicates the ability of the firms to pay off the loan.

2.2.2 Environment-Strategy-Performance Theory

The environment-strategy-performance theory (ESPT) was advanced by Child (1972) and opines that environmental factors are important determinants of an organizational strategic choice. For a firm to defend its existing market position and performance, they need to deliberately identify appropriate strategies in response to the environmental changes. Matsumo and Mentzer (2000) assert that the fit between strategic desire and surrounding condition maximises the efficiency of operations which in turn improves performance of businesses of the organizations.

Ombaka, Machuki and Mahasi (2015) opine that the industry in which organizations operate in should take cognizance of the external factors that affects the strategic

efficiency and the earning over the average returns of an organization. As a result, Welch and Welch (2005) reinforce that it is important for a firm to assess its overall operating conditions that affect the firms in the long and short -term period.

To be successful, firms should be cognizant of the risks existing in their operation and to efficiently deal with the doubts in the business fields. To effectively deal with this doubts and attain strategic competitiveness, Kacperczyk (2009) posit that the external field unique manifestation must be organizations must know of and fully understand.

Kropp and Zolin (2005) take cognizance of the fact that the synergistic relationship between interaction between the environment, resources and firm innovation. They posit that the change of a certain industry and vice versa is enhanced by the radical innovation that may influence industry design. Resource scarcity compels firms into an innovative mindset with the view to increasing process and product efficiency while ultimately creating SCA. Many businesses are subsequently trying to create new and innovative methods to support their competitiveness.

2.2.3 Dynamic Capability Theory

Dynamic capability theory was advanced by Teece and Pisano (1994) and further refined by Eisenhardt and Martin(2000) and Teece, Shuen and Pisano, (1997), Firm dynamic capabilities are resources both internal and external that empower a firm to incorporate, study and reinstall its assets and process to achieve improved performance. The theory conjectures that firm level differences in capabilities are rooted on their asset positions such that a firm's future position to change its operating condition is determined by their current stock of capabilities. In addition, firm's processes such as governance designs, resource distribution procedures and managerial strategies will shape their institutional adaptability.

Going with Eisenhardt and Martin (2000) changing capability view explains the important role of capabilities to reconfigure resources that an association has at present to cope with exceptionally changing environment. Therefore in business environments that

are fast-changing DCV explains the important role of dynamic capabilities to explaining a firm's level of competitiveness (Barreto, 2010). This is because, changing capabilities are considered as a tool for turning resources into greater achievements. King and Tucci (2012) established that by incorporating historical encounters in prior markets, a firm can enhance the chance of achievement in new market discoveries, and that the capacity to integrate industry technology during product establishment is an important dynamic capability for new technology-based firms.

Amit and Schoemaker (1993) while appreciating the step of re-assembling a firm's internal and external resources in a rapidly changing industry fields, they also highlight the need to create a more cost effective operations than rivals to reinstall and turn their resources. Therefore, incorporation capacity is generally regarded a vital changing ability for guiding business sector innovation changes, and for convenient input through asset change. Similarly, Zhou and Wu (2010) posit that strategic flexibility that deals with the elastic use and installation of resources intensifies the positive impacts of technological capacity and thus enhance productivity of a firm.

2.3 Strategic Orientation and Firm Performance

Weinzimmer, Robin and Michel (2012) highlight that, a number of variables have been used to signify firm's strategic orientation. For example, Laforet (2009) use terms such as prospectors, analyzers, defenders and reactors to define strategic orientation. Likewise, Goll and Sambharya (1995) opine that strategic orientation is a combination of progressive decision making, organicity variables and social responsibility. In the current study, the position of Reulink (2012) posit that strategic orientation consist of entrepreneurial, market, learning and market orientation.

2.3.1 Entrepreneurial Orientation and Firm Performance

According to Lumpkin and Dess (1996) an organization's strategic state that need Particular entrepreneurial point of view of basic leadership strategy, practices and method one of the vital elements for an organization's extension and rate of manufacturing and can be described by entrepreneurial orientation On their section, Covin and Slevin (2011)

posit that entrepreneurial orientation as organization operation that incorporates hazard taking, ingenuity, and proactiveness. It is originally understood that organizations will target for greater achievement in all perspectives of their activities. According to Miller, (1983) entrepreneurially-oriented firm can be described by a firm that continuously innovates in technology, takes risky business and proactively meet opportunities.

Entrepreneurial orientation has become positive effect on small enterprise achievement. Similarly, Li, Zhao, Tan and Liu (2008) by establishing the moderating impact of orientation of entrepreneurs, on market orientation and achievement link found that the entrepreneurial orientation positively associates to performance of an organization and it adjusts the link. This imply that enterprises with a high EO can point premium market segments, charge high costs and access the market in front of adversaries, which should profit them with greater profits and enable them to grow rapidly. Therefore, conceptual opinions imply that EO results to higher achievement.

However, other researchers have found differing results such that no positive effect on organization profitability is depicted by entrepreneurial orientation. Alegre and Chiva (2009), report that the direct impact of entrepreneurial orientation is minute over an organizations performance. These empirical studies suggest that it is not necessary for entrepreneurial orientation to have linear influence on firm performance but curvilinear. Indeed other researchers have challenged that some entrepreneurial approaches under specific conditions may even come out in poor organization performance.

2.3.2 Market Orientation and Firm Performance

A firm behaviour that establishes the significant culture for the formation of more noteworthy incentive for clients and finally results to subsequent greater performance for the enterprise is market orientation. Marketing orientation is the firm-broad establishment of associating to clients desires, market intelligence and supply of intelligence across sections, and firm-broad concern to it (Kohli & Jaworski, 1990). Market orientation can also be described as behaviour of the firm that puts consumer loyalty at the center of business activities (Liu et al., 2002).

Market orientation is an enterprise behaviour that generates improved firm achievement through the attachment to creating and delivering value to customers. Wang, Chen and Chen (2012) assert that firms marketing orientation is a valuable intangible resource that is very rare, and cannot be imitated by competitors, due to the constant pursuit of knowledge about customers' need and strategy of the competitors.

This is because it is a systematic information generation on current and possible customers and competitors, studying the information to understand the market and use the analyzed information to develop strategies. Farrell and Oczkowski (2002) find that high firm performance is positively influenced by its market orientation and that it is a significant predictor of small sized firm performance.

Therefore, small enterprises that are involved in market orientation activities perform better than those that have not thought through this essential orientation. Similarly, Webster (2008) posit that through tracking and responding to buyer choices and desire, a firms improves its market orientation. They are also able to meet client's needs and attain maximum institutional achievement.

Despite the remarkable importance of market orientation on achievement of an organization, Keskin (2006) established that market orientation have no direct influence on organization performance. The same result was obtained by Polat and Mutlu (2012) who posit that market orientation has no relation to organizational performance. Further, research on the effect of strategic orientation evaluated by market orientation on creativity and business achievement imply that it has no aid to firm's performance (Ferraresi, Quandt, dos Santos, & Frega, 2012).

2.3.3 Learning Orientation and Firm Performance

According to Sinkula et al. (1997). Firm ability to establish new skill or insights that can basically affect behaviour is termed as learning orientation. Thus studying orientation is an organization's ability to adjust how they can be monitored with current technologies, approaches and contest old assumptions about customer and the market at large. Sinkula,

Baker and Noordewier (1997) opine that, studying orientation is the proclivity in terms of knowledge creation and utilization with the objective of being successful. Various investigators use three measures of studying orientation; open-mindedness, commitment to learning and shared vision. The keenness of stakeholders of a firm on learning so as to add power to their determination, promise and energy is referred to Shared vision.

According to Farrell, Oczkowski and Kharabsheh (2008) learning orientation is a firm significant resource that empowers the association to exhaust opportunities and eliminate threats in a business setting. Therefore, if a firm can have a better knowledge of the customers' needs better than the market opponents, that will improve the competitive advantage of the firm.

Learning orientation has been established to affect the performance of a firm. Wang, (2008) found that when business firms learn from the environment and experience, they will come up with a culture and behaviour that will encourage firm performance. Zhao, Li, Lee and Chen (2011) argue that there is a significant association between firm performance and learning orientation. It has been debated that the business firm that place a high importance on learning may have significantly higher level of performance. This is because firms that are characterized with learning culture are able to change old traditions about satisfying market need and modernised their firms to attain competitive advantage (Jiménez-Jiménez & Sanz-Valle, 2011).

In addition, firms learn from experience, learning can enhance economic performance by decreasing the cost of production. Similarly, Mahmood and Hanafi (2013) support the positive association between performance and learning orientation. This continuously plays a significant task in the success of a firm through attaining sustainable competitive benefit. Further, they found that competitive advantage wholly links the learning orientation and performance associations.

2.3.4 Technology Orientation and Firm Performance

Wind & Mahajan (1997) describe technology orientation as a way of making product appearance or enhancing product uniqueness more than the opponents. This implies that technology orientation is concerned with a willingness and ability of a firm to establish technological mind-set and make use of it in enhancing and establishing product and services. Rusetski (2011) conceptualized technology orientation as the capability and inclination of organization towards technical understanding and utilized it to increase product innovation.

According to Zhou et al. (2005), technology orientation refers to slight and modest changes on product or services and or new and unique changes on product. Several studies on firm performance have shown that technology orientation contributes to firm competitive advantage (Hakala & Kohtamaki, 2010). They opine that technology orientation assumes a noteworthy part in enhancing firm productivity since firm performance and product performance were found to be positively influenced by firm level of strategic orientation.

Spanjol, Qualls and Rosa (2011) found that orientation of technology has significant positive influence on commercialization of product performance and product innovation performance. However, Zhou and Li (2010) report that firm performance can be improved by technology orientation only through adaptive capability. Thus, it is essential for firms to develop technology orientation culture as a driver for adaptive capability and in turn survive environmental changes to realize better competitive advantage. On the contrary, Voss and Voss (2000) report no significant influence of technology orientation on firm performance. Moreover, technology orientation demonstrated no direct relationship with performance.

2.4 Empirical Studies and Knowledge Gaps

While the concept of strategic orientation has been applied in various economies, especially the developed world, in Kenya the research has majorly tended to concentrate on the business entries that operate in stable business environment will less

environmental pressures. Within the dynamic sector like the one in which SMEs operate, empirical studies the strategy –performance measure has been reviewed but not in depth. The review has established a research gap in Kenya because despite Kenya being recognized as an epicentre of innovation, there is limited understanding on an association’s strategic orientation and they influence the firm performance.

However, from the reviewed literature, while there is still disagreement about the impact of proper orientation on the performance SMEs firms in the United States and other countries, the intensity of the existing points attained to contradictory results. Though it is always said that such great performance is associated with resource owned by a firm, closer guiding, and possibly leverage, the tangible evidence exist both limited and inconclusive. There are though, limited studies on how to choose appropriate strategic orientation.

2.5 Conceptual Framework

A conceptual framework forms an easy familiar design, which is considered to assist gain understanding into a phenomenon that one is required to elaborate.

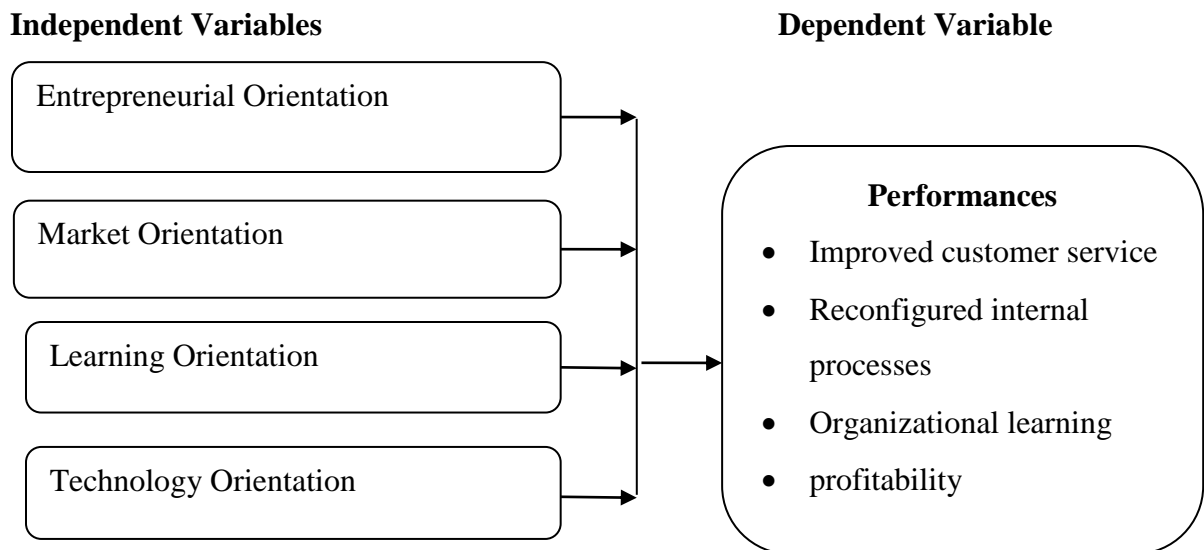


Figure 2.1: Conceptual Framework

Source: Researcher (2017)

This chapter discussed the theories that anchor the study with specific reference to the resource based theory, environ-strategy-performance theory as well as the dynamic capability theory. In addition, the chapter also discusses various empirical studies on the research subject area and the research gaps. The subsequent chapter will discuss the research design that the study will adopt.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is contained in this chapter. It shows the various methods used by the researcher in collection, analysis, presentation and discussion of the study findings. This is inclusive of research strategy details, the various respondent categories and the method used in the data collection. There will also be discussions on the methods through which sets of data will be analyzed and presented.

The research design is descriptive. A descriptive research design is appropriate since it involves observing and describing the behaviour of the variable without influencing it in anyway. The data collection process will employ a questionnaire to gather information.

The study population consist of all the SME in Nairobi and registered with the County Government of Nairobi. The data to be collected is summarized, coded, classified. Finally, the data output shall be presented using statistical measures including the measures of central tendency and to determine the relationship, a regression analysis is undertaken.

3.2 Research Design

The methodology taken by research is denoted by research design with intentions to meet its intended goals and is the guide or a master plan that defines the methods, techniques and processes for gathering and analyzing the required information or simply a model or blue print of operation for the study (Charmaz 2003).

The research design adopted is descriptive research design. The design is declared strategic as the major interest will be to establish the viable link and define how the features supported matter under study. Descriptive study design is a scientific approach which comprises observing and defining the nature of a topic without affecting it in any way. This design gives further understanding into study obstacle by defining the desired variables.

The creation phase is flexible in regard to decisions on administrations of questionnaires which will make the respondent use both structured and unstructured questions. Standardized questions make measurement of variables more particular by affecting uniform definitions upon the participants as well as making sure that similar data is collected from groups then deduced comparatively.

3.3 Population of the Study

A well-defined or group of individuals, elements, collection of households or things being studied describes study population is (Bogdan & Biklen, 2009). This definition ensures that the population of study is similar. A study's population of interest should be clearly described and the unit of analysis should be identified, which is not easy sometimes.

The target population was made up of all the units being studied. The manner of analysis is the entity or who is being studied. The population of the research will be all the SMEs in Nairobi Central Business District. There are 416 registered SMEs operating in Nairobi Central Business District according to the Nairobi County licensing data (2017).

The researcher targeted those firms that operate only within the central business district and registered with the Nairobi County Government via the licensing permits for the year 2017. This enabled the researcher to gauge the period that they have operated and therefore be in a position to have strategically oriented their operations to the changing business environment.

3.4 Sample and Sampling Procedure

Cooper and Schindler (2000) defined a sampling design as the target population that is being studied using sampling methods. The study used all the SMEs from different sectors operating in CBD in order to ensure that adequate results are achieved. In the study. Simple random sampling technique was used. The technique accorded all the members of the population equal probability of being included in the study.

The researcher picked the SME that fall in a number after every ten in the Nairobi County Government licensing data (2017). From the above group of 416 SMEs, a sample of 10% from each set in fractions that each group have in the population wholly will be obtained using stratified random sample design. This enabled the researcher to arrive at 42 SMEs to be the sample size.

3.5 Data Collection

Through use of semi structured questionnaire, information was gathered. Self-administered questionnaires enabled the respondents to answer to the questions by their own and at their own speed. They reduce the burden to the respondents by providing them the time to think through their opinions (Monsen & Horn, 2008). Both open and closed-ended questionnaire were used.

More designed responses are provided by close ended questions gives to enhance tangible recommendations. The closed ended questions was utilized in the evaluation of various features and this assisted in lowering the number of associated response in order to attain more varied opinions. Added information that might not have been dealt with in the close-ended questions were provided by the open-ended question. The participants gave their opinions in a five point Likert scale.

The questionnaire was partitioned into three segments. Section A covered the respondent as well the firm demographic information. Section B assessed the firms strategic orientation practices while the section C covered the relationship the study variables. Each section had both the open and closed ended questions.

3.6 Data Analysis

Descriptive statistics and inferential statistics were used in Data analysis. Descriptive statistics was used to analyse information on objective one and information summarized in percentages mean scores.

To establish the link between the study variables. The model took the form;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where

Y = Performance of the SME

α = Constant (Co-efficient of intercept);

X_1 = Entrepreneurial Orientation;

X_2 = Market Orientation;

X_3 = Learning Orientation;

X_4 = Technology Orientation;

$\acute{\epsilon}$. = Error Term;

$\beta_1 \dots \beta_4$ = Regression co-efficient

The significance of the regression was determined by the F- test. To decide how much variation in Y is explained by X , the coefficient of determination R^2 , was used. This was done at 95% confidence level and correlation examination was done to discover the direction of the relationship between the performance of SME and their strategic orientation.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The objective of the study was to determine the effect of strategic orientation on the performance of small and medium enterprises in Nairobi Central Business District. This section introduces the investigation, discoveries and dialog of the exploration. The findings are presented in percentages and frequency distributions, mean and standard deviations.

4.2 Response Rate

An aggregate of 40 questionnaires were issued out and just 30 were returned in the wake of filling. This represent a response rate of 75%. This reaction rate was sufficient for information analysis and fits in with Mugenda and Mugenda (2003) stipulation that a response rate of 70% and over is viewed as satisfactory.

4.3 Demographic Characteristics

This segment examines the discoveries to the research that was generated from the responses. The findings relates to the demographic information of the SMEs and firms, the strategic orientation practices and its influence on the firm performance.

4.3.1 Length of Service

In this section of the questionnaire, the researcher sought to determine both the respondent and organization demographic characteristics.

4.3.2 Number of Years of Operation in Kenya

The respondents' characteristic was the determination of how long they had worked in the respective SME. The result is presented in Table 4.1.

Table 4.1: Demographic Characteristics

Length of service with the firm	Frequency	Percent	Cumulative Percent
Less than 5 years	3	10.0	10.0
5 -10 years	6	20.0	30.0
11-15 years	9	30.0	60.0
Over 15 years	12	40.0	100.0
Total	30	100.0	

Source: Research Data (2017)

The result in Table 4.1 indicates that majority of the respondent (40%) had worked in the firm for over 15 years while 30% have worked in the SME For a timeline of 11 and 15 years. Aggregately, more than 70% of the respondents had worked in the same SME for over 10 years and this implies that, all other factors remaining constant, they are deemed to have adequate knowledge on the operations of the SMEs and therefore they will be an invaluable source of data to this examination.

4.3.3 Number of Employees

The firm’s demographic information that was sought includes the duration that the firm had operated and the number of workers in the firm. The outcomes are displayed in Table 4.2.

Table 4.2: Firm Demographic Information

Duration of firm Operation	Frequency	Percent	Cumulative Percent
6-10 years	1	3.3	3.3
11-15 years	13	43.3	46.7
Over 16 years	16	53.3	100.0
Total	30	100.0	
Number of Employees	Frequency	Percent	Cumulative Percent
10-20	7	23.3	23.3
21-30	10	33.3	56.6
Over 30	13	43.4	100.0
Total	30	100.0	

Source: Research Data (2017)

The results indicate 53.3% of the firms have operated for over 16 years while 43.3% stated that the firms have operated for between 11 - 15 years. Therefore, for over 10 years, over 95% of the firms have been in operating and this is due to their capacity to, among others; orient their businesses to the changes to market demands. Only 3.3% of the firms had operated for less than 10 years and this still will have accumulated invaluable information on the need to strategically orient their business operations to the market demands.

The results on the number of employees that the firms had show that majority (43.4%) of the firms have over 30 employees, 33.3% of the firms have between 21-30 employees and 23.3% of the firms have between 10-20 employees. The results show over 75% of the firms had more than 20 employees and this implies that they have grown over time to have over 10 staff members and this shows a large SMEs.

4.4 Strategic Orientation

This section sort to determine the strategic orientation practices employed by the SME in Nairobi Central Business District. The range was 'very large extent' (5) to 'very small extent' (1). The scores of disagreeing have been taken to speak to a variable which had a mean score of 0 to 2.5 on the constant Likert scale ;($0 \leq S.D < 2.4$). The scores of 'Neutral' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: ($2.5 \leq M.E. < 3.4$) and the score of both agree and strongly agree have been taken to represent to a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; ($3.5 \leq S.A. < 5.0$). A standard deviation of > 0.9 infers a critical contrast on the effect of the variable among respondents.

4.4.1 Entrepreneurial Orientation

An organization's strategic state that needs specific entrepreneurial perspective of decision-making method, practices, and is considered to be an important practice is termed as entrepreneurial orientation.

Table 4.3: Entrepreneurial Orientation

Statement	Mean	Std. Deviation
The SME is dynamic in taking risks to find opportunities and likewise utilizing these chances to create and acquaint new item the market	3.900	.481
The firms entrepreneurial orientation encourage an association's creative ability by exploiting rising market opportunities a focusing at premium market portions	3.667	.547
The SME endeavors to be the first to come up with “proactive” innovations and in the process beating competitors	3.633	.615
The SME has developed a technological mindset to use the technology to develop new products	3.567	.679
Overall Mean	2.953	

Source: Research Data (2017)

The entrepreneurial orientations position of the SMEs is such that the respondents concurred to a large extent that to discover market opportunities, develop and introduce new products to the market, firms take risks (M=3.900, SD=0.481). This is done in a manner that foster innovative capability of a firm through targeting at premium market segments and taking advantage of emerging market opportunities. (M=3.667,SD=0.5467). To a moderate extent, the SME endeavours to be the first to come up with “proactive” innovations and in the process beating competitors (M=3.633, SD=0.615). From the findings, the standard deviation for the practices is lower than 1.0 and this implies that there was a high level of concurrence among the respondents in their answers.

4.4.2 Market Orientation

Marketing orientation as the firm-broad strategy for establishing a market intelligence position geared towards customer desires, supply of intelligence across sections, and firm-broad concern to it.

Table 4.4: Market Orientation

Statement	Mean	Std. Deviation
The SME is more sensitive to changes and patterns in the commercial centre, and all the more effectively expect and plan for changes in its day-to-day operations	4.000	.455
The products acquainted by organizations are likely with be seen by clients as fulfilling their present needs superior to anything the contending items do	3.867	1.320
The SME excels in their capacity to look for and ingest market data to make and convey results of predominant client esteem	3.833	.365
The firm also endeavour to create market detecting and client connecting abilities	2.710	1.548
Overall Mean	3.853	

Source: Research Data (2017)

From the result in Table 4.4, the SME is more attuned to changes and trends in the marketplace, and more actively anticipate and prepare for changes in its day-to-day operations (M=4.000,SD=0.455). Similarly, the products introduced by SMEs are perceived by customers as fulfilling their present needs superior to anything the contending items do (M=3.867, SD=1.320). The findings show that to a small extent the firms have developed a proper market sensing and customer-linking capabilities (M=2.710, SD=0.548). However, standard deviation was high among the respondents.

4.4.3 Learning Orientation

The other strategic orientation practice that the researcher investigated among the SMEs was the learning orientation which is taken as a significant resource that enables the firms to exhaust opportunities and eliminate threats in a business setting.

Table 4.5: Learning Orientation

Statement	Mean	Std.Deviation
The SME strives to understand the customers' changing needs better than the market competitors	3.433	1.220
The SME keeps on changing old traditions about satisfying market need and to attain competitive advantage	3.333	1.471
The firm encourages an efficient products development	3.133	0.872
The firm is managed with modern technologies, strategies and contest old assumptions about customer	3.045	1.082
The SME aims to reduce its operation cost by carrying frequent training and development programs with its staff	2.767	.507
Overall Mean	3.142	

Source: Research Data (2017)

The findings in Table 4.5 show that learning orientation among the SMEs take the form of understanding the customers' changing needs better than the market competitors (M=3.433, SD=1.220), and to a moderate extent it was found that the SMEs continuously adapt changing market conditions with a view meeting the customer needs and therefore achieve improved competitive advantage (M=3.333, SD=1.471). To a lower extent, the firms were found to undertake measures aimed at reducing their operation cost by carrying frequent training and development programs with its staff (M=2.767, SD=0.507). The low standard deviation implies that the respondents were in agreement to this observation.

4.4.4 Technology Orientation

Technology orientation refers to slight and modest changes on product or services that bring new and unique changes on product. With regard to the technology orientation practiced by the SMEs, the findings are presented below.

Table 4.6: Technology Orientation

Statement	Mean	Std. Deviation
The SME embraces innovation as a strategic and cultural priority tool	4.133	1.345
The firms bias towards technology applications mobilizes a company's entrance into new market specialties	3.180	.905
The firm technology orientation encourages its capacity to react to clients' inclinations in a viable way	3.041	.883
The SME posses the capacity and will to procure superior innovative foundation and apply it in commercializing new products in telecommunication field	3.033	1.319
The SME uses sophisticated telecommunication technologies in new product development	2.833	1.253
The firm technology orientation is a central means for it to make item separation and advance item outlines that exceed those of competitors	2.667	1.479
Overall Mean	3.148	

Source: Research Data (2017)

The finding in Table 4.6 shows that majority of the SMEs had embraced innovation as a strategic and cultural priority tool (M=4.133, SD=1.345) as well as that to a large extent the firm's bias towards technology applications mobilizes the entry of firm into new market positions (M=3.180, SD=0.905). However, to a low extent, the study show that firms technology orientation is being used to advance item outlines that surpass those of competitors and create product differentiation (M=2.667, SD=1.479). Similarly, it was

found that to a low extent, the SME used sophisticated telecommunication technologies in new product development (M=2.833, SD=1.253) and indication though that there was variance among the respondents on their answers.

4.5 Effect of Strategic Orientation on the SME Performance.

The researcher sought to determine the effect of strategic orientation on the performance of SMEs. The results are presented in Table 4.7.

Table 4.7: Effect of Strategic Orientation on the SME Performance

Statement	Mean	Std. Deviation
The SME engages demand driven advancement with an end goal to beat competitors actions	4.000	.455
The SME generates products with high margin and uniqueness targeted to specific high price segment	3.967	.183
The firm focuses on competing in light of value, effectiveness, plan developments, or style of its products and service due to innovation	3.900	1.481
The firms technology orientation is instrumental to the survival of many entrepreneurial firms under the present day competitive environment	3.897	.346
A strong customer orientation can allow the SME to benefit from identifying how the new product serves unmet customer needs or at the same time showing how it is superior	3.867	1.572
By the SME being market oriented, it is able to substantially benefit from cost control and minimization	3.800	.484
Marketing orientation drives associations to grasp an ex concentration and sense of duty regarding advancement, which sustained superior performance	3.237	1.449
The firms technology orientation encourages risk taking, openness to new ideas and innovative thinking on how to meet customer demands	2.632	1.615
Overall Mean	3.850	

Source: Research Data (2017)

The results in Table 4.7 indicates that as a result of the SMEs undertaking strategic orientation measures, they have been able to initiative demand-driven innovation with an effort to beat competitors actions (M=4.000, SD=0.455) and also generates products with high margin and uniqueness targeted to specific high price segment (M=3.967, SD=0.183). The respondents concurred to a large extent that indeed that the firms have adopted strategic orientation measures on competing based on quality, efficiency, design innovations, or style of its products and service due to innovation (M=3.900). The low standard deviation among the respondents shows that indeed there was a concurrence among all the firms on the role of strategic orientation on firm performance.

The moderate extent section indicated that the firms' technology orientation is instrumental to the survival of many entrepreneurial firms under the present day competitive environment (M=3.897) and the customer orientation can allow the SME to benefit from identifying how the new product serves unmet customer needs or at the same time showing how it is superior (M=3.867). The other effect of strategic orientation is that marketing orientation leads organizations to embrace an external focus and commitment to innovation, which results sustained superior performance (M=3.738). On the side of small extent the result indicates that the firm's technology orientation encourages risk taking, openness to new ideas and innovative thinking on how to meet customer demands (M=3.633). From the finding, it can be stated that the effect of adopting strategic orientation by the SME has lead to the improvement of the performance at a high level.

4.6 Relationship between Strategic Orientation and Firm Performance

To determine the relationship between strategic orientation and firm performance, the research established a regression. To determine the same, the relationship between the overall mean of each of the four strategic orientation practices namely; entrepreneurial orientation, market orientation, learning orientation and technology orientation under section 4.4 was regressed with the resultant mean from the marketing innovation in section 4.5. The result is presented in Table 4.8.

Table 4.8: Model Summary of Simple Regression for Organization Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.155	.711		-.219	.829
	X ₁	.692	.143	.745	4.830	.000
	X ₂	.137	.132	.043	1.037	.781
	X ₃	.074	.172	-.066	.428	.672
	X ₄	.372	.231	.248	1.608	.120
a. Dependent Variable: organization performance b. Predictor Variable: (constant); X ₁ = entrepreneurial orientation; X ₂ = market orientation; X ₃ = learning orientation; X ₄ = technology orientation						

The resultant regression will be as follows:

$$Y = -0.155 + 0.692 X_1 + 0.137 X_2 + 0.074 X_3 + 0.372 X_4$$

The coefficient of independent variables is positive, and this implies that the adoption of strategic orientation by the SMEs positively affected the organizations performance. A regression coefficient of 0.697 implies that a unit increase in the entrepreneurial orientation by the SMEs results in 69.7% increased changes in the organizations performance. On the other hand, a unit increases in the marketing orientation will result in 13.7% increase in the level of organizations performance while learning orientation will lead to an increase of 7.4%. This means that organizational performance of the SMEs is affected greatly by the entrepreneurial orientation undertaken by the SMEs. However, the predictor variables are not significant apart from the entrepreneurial orientation practice since the p-value is less than 0.005 at the 5% significant level.

The value of the intercept (B_0) indicates that the value of organizational performance when all the explanatory variables are zero is -0.155. The t-statistic indicates the individual significance of the parameters in the model. Each value is compared with the

table value ($t_{0.05}$ at 5% = 1.70) and they all exert significant influence in the function of the model.

Table 4.9: Mode Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.800 ^a	.640	.583	.69294

a. Dependent Variable: organization performance

b. Predictor Variable: (constant); X_1 = entrepreneurial orientation; X_2 = market orientation; X_3 = learning orientation; X_4 = technology orientation

Table 4.9 indicates the model summary of the simple regression equation that is predicted organization performance. The correlation coefficient (r) value of 0.80 indicates existence of a strong positive relationship between strategic orientation moves by a firm and its performance. The coefficient of determination (r^2) value of 0.64 explains the proportion of variation in organization performance attributed to strategic orientation. The r^2 often overstates the true value of explanations due to the unadjusted degrees of freedom and to eliminate such, the adjusted r^2 value of 58.3% shows the actual variation in the organizations performance attributed by strategic orientation. The standard error of the estimate (S_e) indicates that on average, organizational performance deviate from the predicted regression line by a score of 0.693.

Table 4.110: Summary of Analysis of Variance for Organizational Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.363	4	5.341	11.123	.000 ^b
	Residual	12.004	26	.480		
	Total	33.367	30			
a. Dependent Variable: organizational performance						
b. Predictors: (Constant), X_1 = entrepreneurial orientation; X_2 = market orientation; X_3 = learning orientation; X_4 = technology orientation						

Analysis of variance (ANOVA) on Table 4.10 shows that the combined effect of the SMEs strategic orientation was statistically significant in explaining changes in the level of organizational performance among firms. This is shown by a p estimation of 0.000 which is not as much as the acknowledgment basic estimation of 0.05. The outcomes demonstrated that the general model was critical, that is, the free factors were great joint logical factors/determinants for organizational performance in the SMEs (F=11.123, P value =0.000).

4.7 Discussion of the Findings

This study set to explore the strategic orientation and performance of SMEs in Nairobi CBD. This section discusses the main findings and their implications on the effect of strategic orientation on performance. The findings have demonstrated that most of the SME have been in operation for over 10 years and the staff length of continuous service with the SME is of perfect in experience. The strategic orientataion practices that was discussed included entrepreneurial orientation, learning orientataion, market orientation and technological orientation.

The findings have established that entrepreneurial orientations are the strongest variable that affects the performance of the SME. As a result of the entrepreneurial orientations position of the SMEs, it was found the firms take risks to introduce new products to the market, discover market opportunities and develop and also foster the innovative capability of firm through taking advantage of emerging market opportunities through actions such as engaging in premium markets that are considered as risky. This findings supports the position arrived by Covin and Slevin (2011) who find that entrepreneurial orientation includes risk-taking, innovativeness, and proactiveness which will involve. However, the findings does not support the results by Alegre and Chiva (2009) who argue that the direct impact of entrepreneurial orientation is minute over an organizations performance and this implies that there is no support of entrepreneurial orientation to affecting firm performance. However, the present study returned a high coefficient of 0.69 per unit for the entrepreneurial orientation compared with the others.

Market orientation is considered by Kohli and Jaworski (1990) as a firm-broad establishment of market intelligence, associating to customer desires, and supply of intelligence across sections, and firm-broad concern to it with a view to meeting customer demands. The research findings suggest that the SME is to a large extent anticipate and prepare for changes in its day-to-day operations and are sensitive to changes and patterns in the market place that they operate. Further, it was found that the respondents to a high extent agreed that the SME are cognizant of the changes in the market place and as a result, they continuously anticipate and prepare for the changes. The uniqueness of products through market orientation is in line with Wang, Chen and Chen (2012) position that a firms marketing orientation is a valuable intangible resource that is very rare, and cannot be imitated by competitors, due to the constant pursuit of knowledge about customers' need and strategy of the competitors.

The ability of a firm to establish new skill or insights that can affect behaviour of its operations explains its learning orientation position. The findings showered that the SMEs learning orientation, to a large extent, takes the form of understanding the customers' changing needs better than the market competitors and introducing services and products that meet needs of customers. This findings is in line with Farrell, Oczkowski and Kharabsheh (2008) position a firms learning orientation has the capacity exhaust opportunities and eliminate threats in a business setting that is characterized by increased level of competition. Further, on the basis of the regression model, that showered a positive correlation between learning and firm performance. This position has been supported by Lee and Chen (2011) who argue that there is a significant association between learning orientation and firm performance. It has been argued that the business firm that place a high importance on learning may have significantly higher level of performance.

Technological orientation is the capability and inclination of business organization towards technical understanding and the resultant utilization of the same to increase product development. The research findings show that majority of the SMEs had embraced innovation as a strategic and cultural priority tool and there exist a bias towards

technology applications by the firms towards the entry into new market niches. The positive effect, though, of technological orientation can be explained by the fact that most of the SMEs sampled are labour intensive as opposed to capital intensive. This position is in variance with that of Voss and Voss (2000) who report no significant influence of technology orientation on firm performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter covers the summary of the findings, conclusions, recommendations, limitations of the study and suggestions for further research.

5.2 Summary of Findings

From the demographic information of the respondents and the firms, the findings are that majority of the respondent had worked in the firm for over 15 years and that cumulatively over 70% of the respondents had worked in the same SME for over 10 years implying that they have adequate knowledge on the operations of the firms. For the SMEs, the results indicate that majority of them had been in operation for over 16 years with over 95% of them having been in operation for over 10 years and this is due to their capacity to, among others; orient their businesses to the changes to market demands.

The findings have established that entrepreneurial orientations are the strongest variable that affects the performance of the SME. As a result of the entrepreneurial orientations position of the SMEs, it was found the firms take risks to introduce new products to the market and discover market opportunities and also foster the innovative capability of firm through taking advantage of emerging market opportunities through actions such as engaging in premium markets that are considered as risky. The research findings indicate that the SMEs, to a large extent, are alive to changes and trends in the marketplace that they operate, and as a consequence anticipate and prepare for changes in its day-to-day operations to meet the ever changing customer demands. In order to do this, the SMEs have had to continuously anticipate and prepare for the changes. This is further promoted by introduction of products by the SMEs that are perceived by customers to satisfy their current needs as compared to the competing products.

The study established that the learning and technological orientation of the firms affected the performance of the SMEs to a low extent and this was attributed to the fact that the firms were mostly labour intensive and not capital intensive which needed continued

technological modification for production purposes. Technological orientation capability inclines business units towards technical understanding and the resultant utilization of the same to increase product development. From the regression equation and the model summary, it can be concluded that the firms' strategic orientation positively affects the performance of the firms because of the strong coefficient of determination ($r^2 = 0.64$). The results from the ANOVA analysis shows that the combined effect of the SMEs strategic orientation was statistically significant in explaining changes in the level of organizational performance among firms. This implies that strategic orientation practices undertaken by the SMEs had positively impacted on their financial and non-financial attributes.

5.3 Conclusion

The findings from the study reinforce the importance of strategic orientation dimensions on to the performance of corporate organizations. This means that SMEs can improve their business processes and achieve better effectiveness and efficiency through the employment of appropriate strategic approaches such as – strategic orientation. If a firm wishes, for example, to improve their financial performance, they need to adapt strategic orientation that emphasises basic aspects of income generation and management activities that will increase sales growth, investment decisions and the net income growth. Consequently, for the SMEs to grow, they need to adopt the strategic orientations practices to improve performance. The SME have to realize that entrepreneurial orientations is dynamic in taking risks to come up with opportunities in the market and in that same line utilizing them to introduce or develop new products to the market. In addition, businesses may also improve their corporate image to achieve better employee motivation by engaging in strategic orientation.

It also be concluded that learning orientation more effectively suspect and get ready for changes in its everyday operations and are receptive to changes and patterns in the marketplace. It also enables SME to keeps on changing old traditions about satisfying market need and to attain competitive advantage. Similarly, Technology orientation embraces innovation as a priority tool and technology applications mobilizes entry of

firm into new market positions. The effect of strategic orientation on performance has lead to innovation that is demand-driven in an effort to beat competitor's actions and generates products with uniqueness and high margin targeted to particular price segment that are high.

5.4 Limitations of the Study

The research utilized key sources from the SME which put requirements on the generazability of the outcomes to different firms and other nation settings. The example choice may likewise constrain the speculation of results to the general populace. The restricted and particular concentration of this study implies the outcomes are constrained to SME just which may not mean other industry and national settings.

The study other limitation is that the SME are spread everywhere throughout the nation yet just SME in CBD have been mulled over. For gathering information from CBD, a lot of financial resources and enormous time are required. The discoveries of the present study might be pertinent just to the SME.

5.5 Recommendations for Policy and Practice

The study found out that strategic orientation practices enables the SME to improve their performance, it is recommended that the SME should adopt strategic orientations practices in line with the business environment in order to improve performance. The study established that the SME had adopted entrepreneurial orientations and it is recommended that it should be more practiced in order to create market opportunities and introduce new products to the market. Similarly, learning orientation was adopted and it leads to more actively anticipate and prepare for changes in its day-to-day operations. The recognition of strategic orientation practices as an impact to organization performance is very important for researcher to understand it lead to the more innovation and generates products with high margin and uniqueness targeted to specific high price segment.

Managers should consider that basically receiving an entrepreneurial-situated system isn't sufficient for performance of a new venture. By definition, new ventures ought to be the consequence of a specific measure of EO with respect to the organization; notwithstanding, an organization can't rely upon its entrepreneurialism for business achievement on the grounds that new ventures ought to be basically market oriented. In this way managers should focus on creating dynamic abilities that interface diverse introductions and capacities and that can give unrivalled client esteem and, thus, get higher performance.

5.6 Suggestion for Further Research

The study was undertaken in Nairobi Central Business District which is dominated by a few SME. A further research should be undertaken to further explore the strategic orientation and performance of Small and Medium Enterprises. This study should be undertaken on other SME in other areas for comparison purposes.

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APPENDICES

Appendix I: Introduction Letter



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone: 020-2059162
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P.O. Box 30197
Nairobi, Kenya

DATE: 23rd October 2017

TO WHOM IT MAY CONCERN

The bearer of this letter JAMES OMONDI RAILA

Registration No. 061/83359/2015

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS
P.O. Box 30197 - 00100, NAIROBI

Appendix II: Questionnaire

Section A: Demographic Characteristics of Respondents

1. Name of the SME (Optional).....
2. Length of continuous service with the firm?
 - a) Less than five years [] b) 5-10 years []
 - c) Over 10 years [] d) Over 11 years []
3. How long has your firm been in operation in Kenya?
 - a) Under 5 years [] b) 6 – 10 years []
 - c) 11 – 15 years [] d) Over 16 years []
4. How many employees are there in your firm?
 - a) Less than 10 [] b) 10 - 20 []
 - c) 21 – 30 [] d) Over 30 []

Section B: Strategic Orientation

6. Please indicate the extent to which you concur with the following statements regarding your SME strategic orientation practices. Using the following rating; 5 = To a very large extent, 4 = Large extent, 3 = Moderate extent, 2 = Small extent, 1 = Very small extent

Entrepreneurial Orientations	5	4	3	2	1
The SME has developed a technological mindset to use the technology to develop new products					
The SME is active in taking risks to discover market opportunities and accordingly employing these opportunities to develop and introduce new products to the market					
The firms entrepreneurial orientation foster a firm’s innovative capability by taking advantage of emerging market opportunities and by targeting at premium market segments					
The SME endeavors to be the first to come up with “proactive” innovations and in the process beating competitors					

Market Orientation					
The products introduced by companies with market orientation are likely to be perceived by customers as satisfying their current needs better than the competing products do					
The SME excels in their ability to seek and absorb market information to create and deliver products of superior customer value					
The SME is more attuned to changes and trends in the marketplace, and more actively anticipate and prepare for changes in its day-to-day operations					
The firm also endeavour to develop market sensing and customer-linking capabilities					
Learning Orientation					
The SME strives to understand the customers' changing needs better than the market competitors					
The firm is managed with modern technologies, strategies and contest old assumptions about customer					
The firm encourages an efficient products development					
The SME keeps on changing old traditions about satisfying market need and to attain competitive advantage					
The SME aims to reduce its operation cost by carrying frequent training and development programs with its staff					
Technology Orientation					
The SME uses sophisticated telecommunication technologies in new product development					
The SME posses the ability and will to acquire superior technological background and apply it in commercializing new products in telecommunication field					
The SME embraces innovation as a strategic and cultural priority tool					

The firms bias towards technology applications mobilizes a firm's entry into new market niches					
The firm technology orientation fosters its capability to respond to customers' preferences in an effective way					
The firm technology orientation is a chief means for it to create product differentiation and promote product designs that exceed those of competitors					

Section C: Effect of strategic orientation on performance

8. The following are measures of firm performance resulting from the strategic orientation practices adopted by the SME. Please indicate the extent to which the performance measures have been realised in your organization. Use 1-Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.

Statement	5	4	3	2	1
The SME engages in demand-driven innovation in an effort to beat Competitors actions					
A strong customer orientation can allow the SME to benefit identifying how the new product serves unmet customer needs the same time showing how it is superior					
By the SME being market oriented, it is able to substantially benefit from cost control and minimization.					
The firms technology orientation encourages risk taking, openness to new ideas and innovative thinking on how to customer demands					
The firms technology orientation is instrumental to the survival of many entrepreneurial firms under the present day competitive environment					

Marketing orientation leads organizations to embrace an external focus and commitment to innovation, which results sustained superior performance					
The SME generates products with high margin and uniqueness targeted to specific high price segment					
The firm focuses on competing based on quality, efficiency, design innovations, or style of its products and service due to innovation					

THANK YOU SO MUCH FOR YOUR TIME