

**INFLUENCE OF STRATEGIC MANAGEMENT PRACTICES ON PERFORMANCE  
OF SMALL AND MEDIUM ENTERPRISES IN NAIROBI CITY COUNTY, KENYA**

**BY**

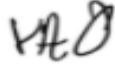
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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE  
AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION,  
FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF  
NAIROBI**

**OCTOBER 2021**

**DECLARATION**

This research project is my original work and has not been presented for examination purposes to any other institution of higher learning

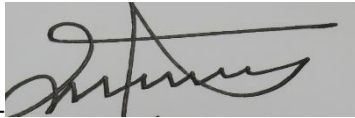


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**D61/11898/2018**

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## **DEDICATION**

This project is dedicated to my family, my MBA class and especially my supervisor for their support during the research journey.

## **ACKNOWLEDGEMENTS**

I am grateful to God for enabling me to pursue the degree program. My sincere gratitude goes to Prof. Justus Munyoki for finding time and making himself readily available, for his valuable guidance, insight, and continuous support during the writing and completion of the research project. I am grateful to the University of Nairobi lecturers for their contribution to the program, my classmates for their valuable contribution towards my studies in one way or another and the administrative team for their support.

I also appreciate the support of my family during the period of my study and writing of the project.

## **ABSTRACT**

SMEs are vital in several economies due to the role they play, mainly in developing countries. SMEs must develop strategic management strategies that will help them thrive in the competitive contexts in which they operate. Management of SMEs are concerned with organizational performance and therefore promote and communicates the same to the employees

The main objective of this study was to determine the influence of strategic management practices on the performance of Small and Medium Enterprises (SMEs) in Nairobi City County, Kenya. The study examined Survival based theory and Resource based theory and how organizations apply them to achieve their performance goal. A descriptive cross-sectional research design was used in this study. A census of all the 82 SMEs from Nairobi City County that appeared among the Top 100 SMEs in Kenya in 2019 were included.

This study relied on primary data gathered through questionnaires. Analysis of the data collected was conducted using SPSS software using descriptive analysis such as mean and standard deviation while inferential statistics including regression analysis were made use of in determining the relationship between the practices of strategic management and performance of an organization. The finding of the study indicated that the respondents perceive that strategy formulation, strategy implementation and strategy evaluation and control is carried out in Small and Medium Enterprises in Nairobi City County.

The study established that there was a positive but insignificant relationship between strategy formulation and organizational performance. Results also established a positive and significant relationship between strategy implementation and performance of an organization. Finally, it was established that strategy evaluation and control influenced organizational performance positively.

The study recommends that the management of SMEs needs to scale up their efforts in enhancing the practices of strategic management and that they should also budget enough for the implementation of the strategies as well as training of the management on how to implement these strategies.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

Strategic management is a management style that connects a company's corporate mission and objectives through management ideas and processes. This is performed by setting a goal for accomplishing organizational objectives, identifying potential possibilities and constraints in the operational environment, and outlining the criteria by which the organization will be able to achieve its objectives. Organizations utilize strategic management approaches to stay afloat in the competitive and ever-changing business environments in which they operate. The governance team's implementation of strategic management methods is critical to any organization's effectiveness in a competitive business climate.

Organizational leadership that focuses on strategic management gives businesses the potential to self-sustain. It also helps an organization's financial performance. Hitt, Ireland, and Hoskisson (2010) asserts that top-level managers are strategic leaders tasked with directing the organization in directions that result in the creation of the company's goal and vision. This is because strategic leadership is required for the successful implementation of the strategic management process in a company. For the sake of reaching targeted organizational successes and goals, strategic leaders must recognize strategic management approaches and determine the process of implementation.

The investigation was directed by the survival and resource-based theories. According to the Resource-Based Theory, businesses with critical resources have a better chance of outperforming their competition. As a result, the organization's strategy is determined by its performance. The notion behind survival-based theory is that in order for businesses to succeed, they must always adapt to the competitive environment. As a result, SMEs must develop strategic management strategies that will help them thrive in the competitive contexts in which they operate. This study focused on how the SME sector in Nairobi County, Kenya use practices of strategic management to influence the organization's performance in their environment.

#### **1.1.1 Strategic Management Practices**

A strategy is an approach designated for the achievement of identified goals in the long run or future. It concerns a company's long-term aims and goals, as well as the course of action and

resource allocation necessary to achieve those objectives. Since strategy is forward-looking, it enables organizations to determine where they want to go and how to get there. Strategy defines how an organization's goals will be attained. The approach is also about how the organization recognizes its capability and resources and uses the same to meet objectives. The strategy also aims at achieving a strategic fit, that is, developing a relationship between functional strategy and the organizational business strategy within the internal and external environment. In recent times, the approach has been referred to as the endeavors of business organizations to anticipate, respond to, and generally survive in the environment in which they operate. Examples of strategic management practices include strategic planning, setting organizational goals, putting in place marketing strategies, financial ratio analysis, total quality management, product differentiation and adoption of technology. These practices are aimed at improving an organization's operations.

To ensure efficient and successful attainment of the organization's objectives in the long run, strategic management includes strategy creation, environmental scanning, strategy implementation, strategy evaluation, monitoring, and reviewing of the implementation process. Strategic management, according to Poister (2010), includes strategic planning, budgeting, performance metrics, and assessment and management. Planning, coordinating, and controlling a company's strategy has an impact on the activities and decisions made by the company, thereby improving its competitiveness.

Bryson (2010) argued that strategic management is the reasonable and appropriate integration of strategic implementation and continuously planning across the firm to promote continuous learning, mandate accomplishments, mission fulfillment, and creation of sustained public value.

Strategic management is deemed to be a continuous process since it takes part in the control and evaluation of the business and the sector in which a company is a part; gauging of its competitors and setting of objectives and strategies necessary to meet every existing and prospective competitor; and then a reassessment of every policy regularly for purposes of determining how its implementation has been done and if it has managed to succeed or requires a replacement with another new strategy to meet conditions that have been changed, which may entail new technology, new competitors, a new economic environment, or a new political, social or financial environment.

Based on the research done previously, we get that; focuses of strategic management is on the organization as a whole as well as the environment in which its operations take place, the direction

the management intends to take, the strategic plan for management for getting the business moving in and the managerial duty of successful implementation and execution of the plan that has been chosen (Strickland and Thompson, 2007).

The strategy of the corporation must be appropriate for its resources and aims, while also matching tactical advantages to the business environment. The corporate strategy guarantees that the company is set in a position to successfully and efficiently carry out its goal. Strategic planning is a technique used by organizations to move towards their intended future state. Strategic planning is primarily responsible for a company's direction (Ghoshal, Quinn & Mintzberg, 2009).

### **1.1.2 Organizational Performance**

Organizational Performance is defined as the results of a firm as computed against its goals and objectives or the actual output. It comprises real results compared with the intended output. The organization's performance management cycle includes performance planning, appraisal, and improvement. Strategic planning provides clarification of the aim, goals, and strategies to assist in achieving the goals, adoption of the organizational structures as a strategy employed in attaining goals, guiding the required organizational behaviors, entailing management and leadership, as a strategy used in the achievement of the goal. Monitoring and conducting evaluations help in keeping track of the progress toward the goals, and the making of changes to improve performance.

Professionals in many fields are concerned with organizational performance. Management is concerned with performance management issues and therefore promotes and communicates the same to the employees. Employee performance can be referred to as a leadership function, since the organization's success consists of the efficiency of every employee. Leadership competencies and Employee performance are among the primary factors that contribute to the performance of the organization.

Systems used in the measurement of performance give the foundation for the strategic plans development and assessment of the organization goals and objectives completion (Alderfer, 2003). Although profitability is considered as the indicator of performance, it is not the real performance. Organizational leaders perform an essential role in achieving the goals and objectives set by a firm by creating a conducive environment that impacts employee behaviors, attitudes, and motivations.

### **1.1.3 The SME Sector in Kenya**

In line with the 2020 report on Doing Business in Kenya, SMEs are businesses that are 100% owned domestically, has an initial capital which is equal to 10 times the income per capita. SMEs also take part in commercial or industrial operations and provide job opportunities to between 10 and 50 people one month after the start of activities, all of whom are citizens of that particular country. In 2005, the Kenyan Government defined SMEs as businesses that employ between 1 – 99 employees and operate in almost every sector of the economy both informally and formally. They are in several places such as streets, markets, households, or have mobile operations. In Africa, many countries are turning to entrepreneurs to support future growth as SMEs generate about 80% of employment, establish a new middle class, and trigger new goods and services' demand. The small company sector makes a significant contribution on a number of fronts, including innovation, the creation of new consumers and markets, a larger tax base, job creation, and, as a result, poverty alleviation (Daily Nation, February 24, 2020).

SMEs are vital in a high number of economies due to the roles they play, mainly in developing countries. They are essential in the creation of jobs, development of the economy, and responsible for most of the posts globally. Most governments throughout the world are currently placing a high priority on SMEs. Access to capital, on the other hand, is a major stumbling block to SME expansion; it is the second most obstacle cited that is facing SMEs to grow their businesses in markets that are emerging and developing countries. Other barriers include inadequate managerial training, insufficient financing, limited accessibility to credit, rapid changes in technology, changes in regulations and laws, and inadequate knowledge and skills. The Governor of CBK (Central bank of Kenya), Patrick Njoroge, while giving out his speech at a past SME Financing Africa Forum noted that approximately 46% of SMEs within Kenya have their shops closed within just a year of founding, while another 15% in the following year as a result of the failure to provide a solution to big enough problems within the market. (Soko Directory, 2018)

According to the 2020 Doing Business in Kenya report, Kenya had made progress generally in making the process of starting a business to be easier through making requirements used for business permit publicly available online and by cutting down fees, strengthening access to credit and making payment of taxes an easy task through the introduction of an online systems of filing and payment for purposes of contributions to social security. For SMEs within Kenya to improve

their contributions towards the GDP and become attractive employers to most graduates, Kenya must work consistently and inventively alleviate the problems that face local businesses.

#### **1.1.4 SMEs in Nairobi County**

Nairobi County plays a significant role as the commercial hub in Kenya. The county's economy is driven by trade. Nairobi county is a strategic investment location and as globalization continues driving trends in economic activities, the county must adopt policy measures to retain national and regional positioning as a leading commercial and trade hub. According to a study carried out by Viffa Consulting in 2019, 63% of SMEs have their physical headquarters in Nairobi County. Nairobi County has a total of 268,100 small and medium-sized businesses (KNBS, 2016). Most of these enterprises engage in manufacturing, wholesale and retail trade, accommodation, food and service business, financial and insurance services.

The number of SMEs in Nairobi keeps growing each year as more businesses are taking advantage of the market opportunities. The government is also giving incentives for businesses to operate. According to the Promoting SME Competitiveness in Kenya report, SME competitiveness varies by locale, and SMEs in Nairobi are highly competitive compared to other regions in Kenya. SMEs contribute immensely to job creation in Nairobi and the country at large. However, like in other parts of the country, the rates of survival for SMEs in Nairobi is low with majority not surviving past their third anniversaries (RoK, 2005)

There were 82 SMEs from Nairobi County in the 2019 Top 100 SMEs in Kenya. The industries that stood out included ICT, Construction, Transport, Agriculture, Manufacturing and Real Estate. The ranking of the top 100 SMEs has enabled the SMEs to conduct business, expose them to funders, market awareness and attract skilled employees.

### **1.2 Research Problem**

Organizations are established with goals that define their purpose. The organizations, therefore, carry out work that revolves around the goals by aligning internal resources and external environment. SMEs have performed an essential role in developing economies. With strategic management applications, SMEs can utilize their potential and contribute to improving the economies. SMEs should adopt the use of strategic management as its application will be a boost to their business because of the increasing contributions of strategic management. SMEs need

strategic plans to enable them to prepare for future opportunities, risks, and market trends. Strategic management also allows SMEs to develop sustainability in their operations in the long run. Practices of strategic management are concerned with setting of long-term organizational goals, plans development, and plans implementation to allocate the required resources to achieve the goals. SMEs, therefore, need strategic plans to guide their operations and improve their performance.

Various domestic and international studies on SMEs have been conducted. In the Nandi district, several of the researchers did a study on the association between microfinance services and SMEs' financial performance (Keemy 2011). It was revealed that SME performance and MFI loans had a substantial link. Nyariki (2013) found out that practices of strategic management is a competitive tool in facilitating the SMEs' performance within Kenya. The academic research study found that, to a significant extent, the strategies employed by firms had resulted in an improvement in the performance of the business. Macharia, Wanjau, and Ayodo (2012) noted in their study, the factors impacting the electronic commerce adoption among SMEs, that e-commerce has a limited marketing use. This means that SMEs still have a lot of room to develop by using e-commerce to sell themselves and their products.

A study on SMEs Competing within the Global Business Environment in Malaysia found that governments have acknowledged the significance of SMEs within the economy and has established actions and practices of strategic management to help them in their operations at the national level. According to Muhammad, Yaso, and Hassan (2010), SMEs within Malaysia have the capability of withstanding the global economic condition that is depressing as a result of supporting plans that are well-structured and tailored by the government and other agencies. Internal SMEs strength due to the continuous innovation and development, as well as a well-informed workforce, has also led to their resilience.

In Kenya, the SME sector has been identified as a key driver of achieving the Kenya Vision 2030 due to its contribution towards job creation and economic growth. However, the high rate of firm closures among SMEs is a source of concern. As reported by the 2016 Kenya National Bureau of Statistics survey, 400,000 SMEs did not see their second anniversary. Closure of the SMEs mean a decline in GDP, loss of tax revenue and increased unemployment rate. The study therefore focused on SMEs and the influence of adoption of strategic management practices on their



performances. As a result, the purpose of this study was to discover the answer to the following question: What impact does strategic management have on the performance of Small and Medium Enterprises in Nairobi City County, Kenya?

### **1.3 Research Objective**

The objectives of this study were as follows;

1. To determine the strategic management practices adopted by SMEs in Nairobi, Kenya
2. To establish the influence of the practices of strategic management on the performance of the SMEs in Nairobi, Kenya

### **1.4 Value of the Study**

The study provides the SMEs and their managers' insight into the significance of practices of strategic management and how they would lead to competitive advantages in the environment in which they perform their operations. The study would also indicate the challenges the SMEs face and the strategies the SMEs would apply to overcome the challenges and provide insight into the contributions that SMEs would make to the economy.

The study assists the government in employing policy formulations related to SMEs, such as improving credit infrastructure, which can lead to increased access to funds, regulating the business to make doing business in Kenya easier for SMEs, and enacting rules and regulations to guide companies in their operations.

The study provides researchers with research findings on the influence of strategic management practices on SMEs in Kenya, as well as emphasizing other relevant aspects of the survey that need to be looked into further.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter contains a summary of the study's literature review. A theoretical framework and an empirical assessment of strategic management practices were incorporated. The literature has looked into the relationship between strategic management practices and organizational performance.

## **2.2 Theoretical Framework**

The study was rooted in several theories that have changed over time to acknowledge the practices of strategic management adopted by firms in their business operations. The study examined Survival based theory and Resource based theory and how organizations apply them to achieve their performance goal.

### **2.2.1 Resource based theory**

The resource-based theory focuses on how managers pay attention to external factors. Wernerfelt (1984) proposed the idea that a firm's strategy is a complement function of the organization's resources. According to the principle, an organization will be successful if it has the best resources for its operations and strategies. This means that a company's strategy will be determined by the resources available to it. The firm's help is required to improve the efficiency and effectiveness of its operations.

The theory's inference to the study is that SMEs' strategic management techniques will be influenced by the resources they own, which are determined by their size and industry. The performance of SMEs will be determined by the resources they have and the strategic management strategies they employ.

### **2.2.2 Survival based theory**

Herbert Spencer Miesing & Preble (1985) developed the theory. The theory is rooted in the notion that firms ought to adapt to the competitive environment for survival consistently. Only the fittest organizations survive in the competitive environment. The theory emphasizes that as per the nature principle, only the best competitors in the environment win. SMEs need to always adapt to the business environment of their operation to survive. The impact of this theory to the research is that to survive, SMEs should embrace practices of strategic management. Survival and adoption of methods of strategic management will then result in desired performance by organizations. One way that will enable Survival for SMEs is to seek an unexploited market beyond the traditional boundaries of their industries to surpass those operating within those boundaries (Kim & Mauborgne, 2005)

### **2.3 Strategic Management Practices and organizational performance**

Many SMEs are suppliers in the competitive markets in which they operate but are not able to influence price or quantity. The relationship between competitiveness and high performance is motivated by the desire to achieve goals. (Murayama & Elliot, 2012).

Due to increased competition among business and dynamic market conditions, organizations, including SMEs, are forced to understand how their companies can better manage their marketing and financial performance. Experts motivate firms, including SMEs, for the application of practices of strategic management. The performance of SMEs in Makassar, Indonesia, was influenced positively by implementation of practices of strategic management such as strategic planning, evaluation and execution particularly on sales turnover, break-even point, and profit. (Omsa et al., 2017).

The presence of practices of strategic management assists businesses prepare for the changing business environment. Agwu (2018) undertook a research on the scope to which the use of practices of strategic management among SMEs in Nigeria raised the volume of transaction, customer share, market shares, and subsequently, their business performances. Business strategies and competitive advantage among SMEs contributed to an increase in the market shares and number of customers. Even though the structure of the organization has a positive impact on transactions of SMEs', the effect is insignificant.

Practices of strategic management for instance differentiation strategy, low-cost leadership strategy, combination strategies and focus strategy influence performance. Gure & Karugu (2018) investigated the effects of practices of strategic management in Nairobi City County with a focus on Resource based view theory, resource dependency theory and Porter's generic strategies model. From the study, SMEs in Nairobi County applied focus strategy to a large extent, followed by differentiation, combination, and lastly, low-cost leadership in gaining competitive advantage. The study also found that the competitive advantage of Michael Porter's generic strategies had a crucial influence on the organizational performance of SMEs.

Njeru (2015) evaluated overall organizational strategy of Kenya's top one hundred SMEs as part of a strategic management study. The goal was to figure out how strategic management methods affect performance. The survey discovered that SMEs used a variety of strategic management

strategies and collected and analyzed market data that affected their operations and business environment on a regular basis. The study also found that SMEs who implemented strategic management strategies had higher organizational performance.

The impact of SMEs' strategic management strategies on Bangladeshi business performance was explored by Ali and Wang (2019). The majority of SMEs use parts of strategic management approaches which have a high association with SMEs' performance. Theoretical and practical evidence reinforces that organization performances is highly influenced by practices of strategic management through improving the performance and overall existence of an organization with different political and societal issues (Lawal et al., 2012).

Modi and Rawani (2020) studied the impact of innovation on SMEs in the manufacturing sector. The study recognized innovation drivers and their implications on organizational performance in the SME manufacturing sector. The survey used data from a sample of 600 Australian SMEs. It determined that SMEs are related to the larger firms regarding how they adopt formal structure and innovation strategy to drive organizational performance. The study deduced that SMEs' organizational performance is likely to improve as they reflect large manufacturing companies concerning innovation, formulating strategy, and developing structures aligned to the innovation process. The study, however, focused only on innovation and, therefore, does not paint a whole picture on how SMEs can fully adopt practices of strategic management to improve the performances of their organization.

Okeke, Onuorah, and Jakpa (2016) investigated the impact of strategic management variables on SMEs' performance in Nigeria in order to improve their stability. The research employed the use of surveys and questionnaires. The findings indicated that the external environment had the most influence on the organization's performance among the variables measured, that is, business strategy, organizational structure, and environmental analysis. To ensure the success of the SME, the SME owner or management must identify and consider the factor which is practicable according to the situation at hand. If adequate priority is not given to strategic management methods, SME's successful operations in Nigeria may be a near dream.

Yunus (2010) investigated the association between strategic management practice and small business performance in Lagos. The review reiterated that adopting practices of strategic management by companies had an impact on their market share. The execution of practices of

strategic management such as strategic planning, the strategic situation of the business, strategic analysis, and strategic choice established a positive correlation with organizational performance.

Otieno (2013) looked at how SMEs in Mombasa County handled strategic issues. According to the survey, profitability was observed as the most crucial measure of performance for SMEs. Other measures included innovation, market share, and liquidity. Mombasa County SMEs acknowledged the importance of strategic management issues as they perceived it to be the future success of organizations. The strategic issue management techniques of SMEs in Mombasa County were also influenced by managerial and environmental factors.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the academic research methodology that was used in the study, with a strong emphasis on achieving the research objectives efficiently. The research design, study population, data collecting, and data analysis were all discussed in this chapter.

#### **3.2 Research Design**

A descriptive cross-sectional research design was used in this study. A descriptive research design, according to Mugenda & Mugenda (2003), focuses on determining where, what, and how a phenomena occurs. This is the most appropriate approach because it aims at assessing the crucial factors impacting the SMEs in the county of Nairobi. Also, the approach is relevant because it

creates a possibility of the generalization of the results to a larger population. Additionally, gathering qualitative data is made possible by the descriptive research design hence allowing for quantitative analysis while applying the inferential and descriptive statistics. Using the above research design, the study brought out the crucial strategic management practices that are core for the successful performances of SMEs in Nairobi County.

### **3.3 Population**

The top 100 SMEs in Nairobi County for the year 2019 were the study's target population. There were 82 SMEs from Nairobi County in the 2019 Top 100 SMEs in Kenya and a census was carried out of all the firms in the list. Firms in the ICT, construction and transport dominated the list. Other industries that were represented included Agriculture, Manufacturing and Real Estate. The top 100 SMEs survey included all SMEs from Kenya; however, the study focused on the population of SMEs within Nairobi County. The population participants of the survey were needed to give data on the strategic management practices that they employ and the impact of the practices on their organizational performance.

### **3.4 Data Collection**

This study relied on primary data gathered through the use of questionnaires. For data collection, the researchers used semi structured questionnaires. The questionnaires were distributed via the electronic mail (email) approach to the interviewee's working environment among the selected SMEs. For responses, the interview targeted selected SMEs owners, CEOs, or relevant managers. The questionnaire was used to collect both quantitative and qualitative data. The open-ended surveys allowed respondents to provide unlimited answers. The questionnaires were attached to the mail and distributed to the selected SMEs' email addresses listed on their websites. Respondents were given two weeks to complete the survey and return their responses. A two-day extension was granted. We also sent the respondent a notification two days before the deadline.

### **3.5 Test for reliability and Validity**

The study used both a validity test and variability test. Validity test entails determining how accurate the data collected represents the research variables while reliability test determines the degree to which the instruments of research will yield results which are consistent or data after various repetition for the establishment of the reliability. To ensure validity, the researcher carried

out a pilot study to pretest the questionnaire on selected interviewees outside the area of study. The aim of pretesting is to give a chance for questions modification through rephrasing, clear up, and clarification of any available shortcoming in the survey questionnaire before presenting to the actual interviewees. Cronbach's alpha coefficient test which proposes that alpha coefficient values of above 0.7 are okay was used to test reliability. The study, however, adopted values of 0.6 and above, which have also been seen to indicate good reliability level.

### **3.6 Data Analysis**

The data was analyzed using SPSS software and descriptive statistics such as mean and standard deviation, with the results presented as figures, graphs, and tables. The association between strategic management practices and organizational performance was investigated using inferential statistics and regression analysis. The following model was used to explain the relationship between the dependent and independent variables in the study:

$$\text{Performance (P)} = f(x_1, x_2, x_3)$$

P stands for organizational performance and is a function of strategic management processes such as strategic development, implementation, and evaluation. The format of the multiple regression model was as follows:

$$P = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \varepsilon$$

Where P is the performance of the organization determined by the composite score of non-financial and financial performances.  $X_1$  represents the strategy formulation.  $X_2$  represents the strategy implementation while  $X_3$  represents the strategy evaluation.  $\alpha_0$  is a constant, while  $\varepsilon$  represents the error term.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **4.1 Introduction**

The results of the data analysis are reported in this chapter. The chapter begins with a response rate, followed by background information on the sector, the length of time the SME has been in business, and the number of employees in the SME. The results of descriptive statistics for the study variables are next presented, followed by inferential statistics.

#### **4.2 Response Rate**

C.E.Os. managers and owners of SMESs were provided with questionnaires which totaled 82. After the respondents had filled up the questionnaires, 71 of the questionnaires were seen to have been completely filled up and returned. This equated to an 86.6 percent response rate. Fincham (2018) claimed that 60% response rate is very good, and that this response rate was sufficient for the study.

**Table 4.1: Response Rate**

<b>Questionnaires</b>	<b>Frequency</b>	<b>Percentages</b>
-----------------------	------------------	--------------------



Returned	71	86.6%
Not Returned	11	13.4%
Total	82	100%

### 4.3 Reliability Results

Reliability of the questionnaires was tested through a pilot study that was conducted among employees who represented 10% of the study’s sample size tested by Cronbach's alpha.

**Table 4.2: Reliability Results**

Variable	Number of items	Cronbach's alpha	Comment
Strategy Formulation	10	0.771	Reliable
Strategy implementation	8	0.842	Reliable
Strategy Evaluation and Control	5	0.833	Reliable
Organizational Performance	12	0.745	Reliable

The Cronbach's Alpha for the variable Strategy Formulation was 0. 771. The value of Strategy Implementations was 0.842. Organizational Performance received a score of 0.745, while Strategy Evaluation and Control received a score of 0. 833 all which were above 0.6 hence reliable.

### 4.4 Background information

In the questionnaire, the researcher asked the respondents to provide some information about their organization which included the sector, duration of SME operation and the number of employees in the SME. The results of the responses were presented as follows.

#### 4.4.1 Sector

Respondents were asked to identify the industry sector in which their company operates.

**Table 4.3: Sector SME belongs**

Sector	Frequency	Percent
Manufacturing	21	29.6
Service	38	53.5
Information and Communication Technology	12	16.9
<b>Total</b>	<b>71</b>	<b>100</b>

The results indicated that most of the SMEs in Nairobi were in the service sector representing 53%. Those SMEs that belonged to the manufacturing sector followed representing 30% while SMEs in the information and communication technology sector were the least representing 17%. This implied that the service sector dominated the SMEs in Nairobi.

#### 4.4.2 Duration of SME Operation

The number of years their organization has been in operation was also inquired of the responses.

**Table 4.4: Duration of SME Operation**

<b>Years of establishment</b>	<b>Frequency</b>	<b>Percent</b>
Less than a year ago	10	14.1
Less than 5 years ago	24	33.8
More than 5 years ago	37	52.1
<b>Total</b>	<b>71</b>	<b>100</b>

The results showed that most of the SMEs in Nairobi had been operational for more than 5 years representing 52% followed by those which had been operating for 1 to 5 years at 34%. Those that had been in operation for less than a year were the least at 14%. This implied that the SMEs in Nairobi had been in operational for a long duration hence were able to understand the operations of SMEs and more so regarding strategic practices.

#### 4.4.3 Number of Employees

Table 4.5 shows the results of respondents' responses to specify the number of employees in their organization.

**Table 4.5: Number of Employees in the Organization**

<b>Number of Employees</b>	<b>Frequency</b>	<b>Percent</b>
Below 50 employees	44	62

51-100 employees	27	38
<b>Total</b>	<b>71</b>	<b>100</b>

The results showed that most of the SMEs had employees who amounted to less than 50 representing 62% while those with 51-100 employees represented 38%. This implied that the organizations did not fit the description of an SME and that not many had grown to the next level.

#### 4.5 Strategic Management Practices Adopted by SMEs in Nairobi, Kenya

Descriptive statistics were used to summarize the responses provided by the respondents in order to establish the strategic management practices adopted by SMEs in Nairobi Kenya.

##### 4.5.1 Strategy Formulation

On a scale of 1-Strongly Disagree (SD), respondents were asked to score their agreement with statements on strategy formulation 2- Disagree (D) 3- Indifferent (I) 4- Strongly Agree (SA) and 4- Agree (A).

**Table 4.6: Descriptive Statistics for Strategy Formulation**

Statements	SD	D	I	A	SA	M	Std. Dev.
The organization carries out a situation analysis/ SWOT analysis to identify its key strengths, weaknesses, opportunities and threats to the business	0.00%	1.40%	4.20%	83.10%	11.30%	4.04	0.46
The organization has adopted strategic management practices in the last five years	0.00%	0.00%	5.60%	62.00%	32.40%	4.27	0.56
The organization has clearly defined strategic objectives	0.00%	1.40%	12.70%	63.40%	22.50%	4.07	0.64
The organization has a vision and mission statement	0.00%	2.80%	11.30%	47.90%	38.00%	4.21	0.75
The vision statement addresses the question	0.00%	0.00%	2.80%	64.80%	32.40%	4.30	0.52

about where the organization wants to be								
The vision is known and shared by members of the organization	0.00%	4.20%	7.00%	63.40%	25.40%	4.10	0.70	
The mission of the organization is clearly defined	0.00%	0.00%	8.50%	54.90%	36.60%	4.28	0.61	
The core values are clearly defined	0.00%	0.00%	4.20%	63.40%	32.40%	4.28	0.54	
The mission statement clearly defines how the organization will relate to its major stakeholders	0.00%	0.00%	4.20%	73.20%	22.50%	4.18	0.49	
The organization has adopted Corporate objectives	0.00%	1.40%	2.80%	77.50%	18.30%	4.13	0.51	
<b>Overall Mean</b>						<b>4.19</b>	<b>0.58</b>	

The statements, the organization carries out a situation analysis/ SWOT analysis to identify its key strengths, weaknesses, opportunities and threats to the business averaged at 4.04 with a standard deviation of 0.46. The statement, the organization had adopted strategic management practices in the last five years averaging at 4.27 and a standard deviation of 0.56. More so the statement that the organization has clearly defined strategic objectives averaged at 4.07 with a standard deviation of 0.64. The average score for the assertion that the organization has a vision and mission was 4.21, with a standard deviation of 0.75. Further the statement that the vision statement addresses the question about where the organization wants to be had a mean of 4.30 with a standard deviation of 0.52. Furthermore, the responses for the statement, the vision is known and shared by members of the organization averaged at 4.10 with a standard deviation of 0.70.

Moreover, the statement, the mission of the organization is clearly defined attracted a mean of 4.28 and a standard deviation of 0.61. Additionally, the statement that the core values are clearly defined had a mean of 4.28 and a standard deviation of 0.54. The statement, the mission statement clearly defines how the organization will relate to its major stakeholders also had a mean of 4.18 and a standard deviation of 0.49. Finally, the average response to the assertion that the organization has accepted corporate objectives was 4.13, with a standard deviation of 0.51. The statement had a mean of 4.19 and a standard deviation of 0.58 on average. This backed up the conclusion that the

vast majority of respondents agreed with the claims about strategy formulation. This implied that the respondents were acknowledging the presence of strategy formulation practices among SMEs in Nairobi Kenya.

#### 4.5.2 Strategy Implementation

On a scale of 1-Strongly Disagree (SD) 2- Disagree (D) 3- Indifferent (I) 4- Agree (A) and 5- Strongly Agree (SA) respondents were asked to score their agreement with statements on plan implementation. The responses were as in Table 4.7.

**Table 4.7: Descriptive Statistics for Strategy Implementation**

Statements	SD	D	I	A	SA	M	Std. Dev.
The plan is being implemented through the organization's everyday operations, work efforts, and resources.	0.00%	5.60%	7.00%	63.40%	23.90%	4.06	0.74
At the operational or functional level of strategic management, the organization efficiently develops plans.	0.00%	1.40%	0.00%	73.20%	25.40%	4.23	0.51
The right kind of resources are made available for effective implementation of the strategy	0.00%	0.00%	9.90%	52.10%	38.00%	4.28	0.64
The CEO is leading from the front in the implementation	0.00%	0.00%	8.50%	60.60%	31.00%	4.23	0.59
The leaders are committed to influencing members of the organization to focus their effort in the same direction	0.00%	2.80%	4.20%	54.90%	38.00%	4.28	0.68
The communication and technology are effective and efficient to support the implementation of the strategy	0.00%	0.00%	8.50%	45.10%	46.50%	4.38	0.64

There are clearly defined policies that state how things are to be done	0.00%	0.00%	7.00%	56.30%	36.60%	4.30	0.60
The organization adopts a reward system that is linked to the strategic performance	0.00%	1.40%	8.50%	54.90%	35.20%	4.24	0.67
<b>Overall Mean</b>						<b>4.25</b>	<b>0.63</b>

The statement, the communication and technology are effective and efficient to support the implementation of the strategy averaged at 4.38 with a standard deviation of 0.64 which was the statement with highest indicator. Moreover, the statement, there are clearly defined policies that state how things are to be done attracted a mean of 4.30 and a standard deviation of 0.60 making it the second most important statement. Results also indicated that the responses for the statement the right kind of resources are made available for effective implementation of the strategy averaged at 4.28 with a standard deviation of 0.64. The average of the replies to the statement that leaders are devoted to persuading members of the organization to focus their efforts in the same direction was 4.28, with a standard deviation of 0.68. The statement had a mean of 4.25 and a standard deviation of 0.63 on average. This backed up the conclusion that the vast majority of respondents agreed with the claims about strategy implementation. This implied that the respondents were acknowledging the presence of strategy implementation practices among SMEs in Nairobi Kenya.

#### 4.5.3 Strategy Evaluation and Control

The respondents were asked to show their level of agreement on statements regarding strategy evaluation and control in the scale of 1- Strongly Disagree (SD) 2- Disagree (D) 3- Indifferent (I) 4- Agree (A) and 5- Strongly Agree (SA). The responses were as in Table 4. 8.

**Table 4. 8: Descriptive Statistics for Strategy Evaluation and Control**

<b>Statements</b>	<b>SD</b>	<b>D</b>	<b>I</b>	<b>A</b>	<b>SA</b>	<b>M</b>	<b>Std. Dev.</b>
The organization sets standards and control limits	0.00%	5.60%	9.90%	63.40%	21.10%	4	0.74
The organization measures performance through processes such as obtaining and evaluating performance	0.00%	1.40%	4.20%	60.60%	33.80%	4.27	0.61

reports or management by walking around								
The organization evaluates performance against the set standards to determine whether it is on course	0.00%	0.00%	5.60%	69.00%	25.40%	4.2	0.52	
The organization takes corrective action appropriately depending on the causes of deviations revealed	0.00%	0.00%	7.00%	69.00%	23.90%	4.17	0.53	
The evaluation's findings are used to change the existing strategy or to plan for the future.	0.00%	4.20%	5.60%	59.20%	31.00%	4.17	0.72	
<b>Overall Mean</b>						<b>4.16</b>	<b>0.62</b>	

The statement that the organization sets standards and control limits averaged at 4.00 with a standard deviation of 0.74. The responses for the statement that the organization measures performance through processes such as obtaining and evaluating performance reports or management by walking around averaged at 4.27 and a standard deviation of 0.61. More so the responses for the statement that the organization evaluates performance against the set standards to determine whether it is on course averaged at 4.20 with a standard deviation of 0.52. The responses for the statement that the organization takes corrective action appropriately depending on the causes of deviations revealed averaged at 4.17 and a standard deviation of 0.53. Finally, the average response to the statement that the evaluation's findings are used in revising current strategy or future planning processes was 4.17, with a standard deviation of 0.72. On average the statement depicted a mean of 4.16 and a standard deviation of 0.62. This further supported the findings that majority of the respondents were agreeing to the statements on strategy evaluation and control. This implied that the respondents were acknowledging the presence of strategy evaluation and control practices among SMEs in Nairobi Kenya.

#### 4.5.4 Organizational Performance

The respondents were asked to show their level of agreement on statements regarding organizational performance in the scale of 1- Strongly Disagree (SD) 2- Disagree (D) 3- Indifferent (I) 4- Agree (A) and 5- Strongly Agree (SA). The responses were as in Table 4.9.

**Table 4.9: Descriptive Statistics for Organizational Performance**

<b>Statements</b>	<b>SD</b>	<b>D</b>	<b>I</b>	<b>A</b>	<b>SA</b>	<b>M</b>	<b>Std. Dev.</b>
The organization's profit is high, stable and promising	0.00%	4.20%	8.50%	67.60%	19.70%	4.03	0.68
The organization's sales revenue are on a growing trend	0.00%	1.40%	8.50%	70.40%	19.70%	4.08	0.58
The organization's year on year revenue growth is at an acceptable rate	0.00%	2.80%	0.00%	57.70%	39.40%	4.34	0.63
The employees are engaged, and their productivity is considered high	0.00%	0.00%	5.60%	62.00%	32.40%	4.27	0.56
The employees are satisfied with their work environment and trust the leadership	0.00%	0.00%	14.10%	46.50%	39.40%	4.25	0.69
The customers are satisfied with the quality of goods and services	0.00%	0.00%	9.90%	46.50%	43.70%	4.34	0.65
The organization deals with customer complaints in a timely manner hence maintaining a good reputation in the eyes of the customer	0.00%	0.00%	7.00%	60.60%	32.40%	4.25	0.58
The organization maintains a good relationship and partnership with the suppliers	0.00%	0.00%	5.60%	71.80%	22.50%	4.17	0.51
The organization involves its suppliers in research and development	0.00%	0.00%	2.80%	67.60%	29.60%	4.27	0.51
The organization's market share is considerably large	0.00%	0.00%	12.70%	77.50%	9.90%	3.97	0.48
The organization efficiently serves its customers	0.00%	0.00%	5.60%	53.50%	40.80%	4.35	0.59



The organization measures the average customer waiting time	0.00%	2.80%	7.00%	60.60%	29.60%	4.17	0.68
The organization responds to customer feedback on time	0.00%	0.00%	2.80%	60.60%	36.60%	4.34	0.53
<b>Overall Mean</b>						<b>4.22</b>	<b>0.59</b>

The results in Table 4.9 indicate that the statement that the organization efficiently serves its customers which attracted a mean of 4.35 and a standard deviation of 0.59 making it the statement with the highest indicator. More so the responses for the statement that the organization’s year on year revenue growth is at an acceptable rate averaged at 4.34 with a standard deviation of 0.63. Furthermore, the responses for the statement, the customers are satisfied with the quality of goods and services averaged at 4.34 with a standard deviation of 0.65. Finally the responses for the statement that the organization responds to customer feedback on time were averaging at 4.34 and a standard deviation of 0.53. On average the statement depicted a mean of 4.22 and a standard deviation of 0.59. This further supported the findings that majority of the respondents were agreeing to the statements on organizational performance.

#### 4.6 Correlation Analysis

Correlation between the independent variables which were strategy formulation, strategy implementation, strategy evaluation and control and the dependent variable organizational performance was conducted. This helped determine the strength of the relationship. Results were presented in Table 4.10.

**Table 4.10: Correlation Matrix**

		<b>Strategy Formulation</b>	<b>Strategy implementation</b>	<b>Strategy Evaluation and Control</b>	<b>Organizational Performance</b>
Strategy Formulation	Pearson Correlation Sig. (2-tailed)				
Strategy implementation	Pearson Correlation Sig. (2-tailed)	.565**	1		
Strategy Evaluation and Control	Pearson Correlation	0.000	.359**	1	
Organizational Performance	Pearson Correlation				1

	Sig. (2-tailed)	0.000	0.002		
Organizational Performance	Pearson Correlation	.701**	.668**	.621**	1
	Sig. (2-tailed)	0.000	0.000	0.000	

\*\* Correlation is significant at the 0.01 level (2-tailed).

The results in Table 4.10 revealed that at 5% significance level there is a strong positive correlation between strategy formulation and organizational performance ( $r=0.701$   $p=0.000$ ). This implied that adoption of strategy formulation would result into an increase in organizational performance. The results also showed that strategy implementation has a strong positive association with organizational performance ( $r=0.668$   $p=0.000$ ). Hence this indicates that adoption of strategy implementation would result into an increase in organizational performance. Finally results revealed that strategy evaluation and control has a positive and strong association with organizational performance ( $r=0.621$   $p=0.000$ ). This implied that an uptake of strategy evaluation and control would lead to a significant increase in organizational performance. The findings agreed with those of Ali and Wang (2019), who found that most SMEs used parts of strategic management approaches such as situational analysis, strategy creation, implementation, and evaluation, all of which have a very significant link with SMEs' performance.

#### 4.7 Regression Analysis

The results of multiple linear regression study on the association between strategic management practices and organizational performance among SMEs in Nairobi, Kenya were reported in this subsection. Tables 4.11 and 4.12 show the results of the model summary ANOVA and regression of coefficients, respectively.

**Table 4. 11: Model of Fitness and ANOVA**

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>		
.809a	0.655	0.639	0.18079		
	Sum of Squares	df	Mean Square	F	Sig.
Regression	4.153	3	1.384	42.358	0.000
Residual	2.19	67	0.033		
Total	6.343	70			

The model summary results revealed that all the independent variables explain 65.5% of the total variations in the dependent variable ( $R^2=0.655$ ). This implied that the variables strategy formulation, strategy implementation and strategy evaluation and control contribute towards organizational performance. Other variables can be assessed to establish their contribution towards employee retention. The results in Table 4.11 show that the model is significant or is a good fit in predicting organizational performance. This was supported by a P value of 0.000 which was less than 0.05 and an F statistic of 42.358. As a result, the independent variables strategy development, implementation, and evaluation and control are strong predictors of organizational performance.

**Table 4.12: Regression of Coefficients**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.581	0.329		1.766	0.082
Strategy Formulation	0.299	0.106	0.293	2.826	0.006
Strategy implementation	0.309	0.068	0.396	4.553	0.000
Strategy Evaluation and Control	0.258	0.079	0.298	3.253	0.002

The regression of coefficient data in Table 4.12 demonstrated that strategy formulation and organizational performance had a positive but negligible connection ( $\beta_1=0.293$ ). This meant that a 0.293 difference in organizational performance would result from a unit change in strategy formulation. As a result, strategy formulation has a minor impact on organizational performance.

Strategy implementation has a positive and significant link with organizational performance (regression coefficient  $\beta_2=0.396$ ), according to the regression coefficient. This meant that a 0.396 change in organizational performance would occur from a unit change in strategy execution. As a result, strategy implementation contributes to organizational performance in a good way.

Finally result revealed that strategy evaluation and control has a positive as well as a significant impact on organizational performance ( $\beta_4=0.298$ ). This meant that increasing strategy review and control by one unit would result in a 0.298 difference in organizational performance. Strategy evaluation and control is therefore a positive contributor towards organizational performance. The findings agreed with those by Yunus (2010) who found that the execution of practices of strategic

management such as strategic planning, the strategic situation of the business, strategic analysis, and strategic choice have a positive correlation with organizational performance.

The estimated model was, therefore.

$$Y = 0.581 + 0.293 X_1 + 0.396 X_2 + 0.298 X_3.$$

Where

Y denotes organizational performance

X<sub>1</sub> denotes strategy formulation

X<sub>2</sub> denotes strategy implementation

X<sub>3</sub> denotes strategy evaluation and control

#### **4.8 Discussion of Findings**

From the study findings it was clear that the employees perceive that strategy formulation is carried out in Small and Medium Enterprises in Nairobi City County. The employees agreed that the SMEs usually do a SWOT analysis to identify their key strengths, weaknesses, opportunities and threats to the business. This helps the SMEs to formulate strategic vision, mission and objectives that drive the enterprises into achieving the ultimate organizational performance. The SMEs acknowledge the need for strategic mission, vision and core values that are clear and that is in line with the stakeholders expectations. More over strategic formulation of strategic management practices positively affect organizational performance of SMEs hence SMEs that have been able to formulate strategic vision, mission and objectives will achieve higher performance as opposed to when they have not. This concurred with Modi and Rawani (2020) who established that SMEs' organizational performance is likely to improve as they reflect large manufacturing companies concerning innovation, formulating strategy, and developing structures aligned to the innovation process.

Regarding strategic implementation the study findings indicated that the employees perceived that the SMEs for which they work for have successfully implemented strategic management practices. They perceived that the organization's everyday operations, work efforts, and resources help in implementing the strategic management practices. Implementation of strategic management practices among SMEs is achieved since the leaders and management lead and influence the team

into doing the right thing. The availability of right kind of resources and also effective communication and technology channels are useful in implementation of strategic management practices. Rewards also motivate the employees to implement the strategic management practices. Implementation of strategic management practices enhances the performance of SMEs. This agreed with the observation by Omsa (2017) that the performance of SMEs in Makassar, Indonesia, was influenced positively by implementation of practices of strategic management such as strategic planning, evaluation and execution particularly on sales turnover, break-even point, and profit. Results also agreed with those of Yunus (2010) who found that the execution of practices of strategic management such as strategic planning, the strategic situation of the business, strategic analysis, and strategic choice established a positive correlation with organizational performance.

The employees also perceived that the SMEs have put in the right measures to evaluate and control the strategic management practices. For SMEs in Nairobi City County evaluating the performance against the set standards is of importance. The SMEs usually sets standards and control limits which are used to measure performance. The evaluation reports are then used to take corrective action depending on the defections observed and also to plan for future. Strategic evaluation as well as control by SMEs is useful in enhancing the organizational performance. This agreed with Njeru (2015) who found that SMEs who implemented strategic management strategies had higher organizational performance. A majority of existing literature has found strategic management practices to be applicable mostly in large firms however this study finds that these practices can also be adopted and implemented even among small firms which would help them to grow even to large firms.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter contains an overview of the findings, as well as conclusions and recommendations for policy, practice, and future study. The goal of the study was to identify the strategic management techniques used by SMEs in Nairobi, Kenya, and to determine the impact of these practices on the performance of SMEs in Nairobi.

#### **5.2 Summary of Major Findings**

The findings demonstrated that SMEs in Nairobi, Kenya, had implemented strategic management methods such as strategy formulation, implementation, and assessment and control. This was in response to the data, which revealed that the majority of respondents answered affirmatively to the statements. Specifically regarding strategy formulation, the respondents agreed that their organizations did a SWOT analysis for the organization. The organizations also had set strategic objectives and clearly defined the vision and mission statement. More so the organizations had set the core values and corporate objectives. The statements with the highest score were related to mission, vision and core values. According to the responses the vision statement addresses the question about where the organization wants to be. Moreover, the mission of the organization is clearly defined. The responses also showed that the core values are clearly defined.

The findings on strategy implementation revealed that the SMEs had adopted strategy implementation practices in relation to allocation of resources, planning, leaders' commitment, and use of information technology and policies regarding strategy formulation. This was in line with the responses by the respondents who affirmed to the statements regarding strategy implementation. The organization's everyday activities, work efforts, and resources are all clearly focused toward implementing the strategy. The organizations also developed plans at operational or functional level of strategic management and the right kind of resources were made available for effective implementation of the strategy. More so CEOs led from the front in the implementation and communication and technology were effective and efficient to support the implementation of the strategy. Moreover, there were policies formulated regarding strategy

implementation and also as reward system that is linked to the strategic performance. According to the responses provided to the statement, the communication and technology are effective and efficient to support the implementation of the strategy had the highest indicator. Other statements with high scores related to policies availability of resources and commitment of leaders. It was revealed that there are clearly defined policies that state how things are to be done. Additionally the right kind of resources are made available for effective implementation of the strategy and the leaders are committed to influencing members of the organization to focus their effort in the same direction.

Findings also revealed that SMEs in Nairobi had adopted strategy evaluation and control practices. This was due to the responses provided by the respondents who agreed to the statement regarding strategy evaluation and control. It was established that the organizations set standards and control limits measures performance through processes such as obtaining and evaluating performance reports or management by walking around and evaluates performance against the set standards to determine whether it is on course. It was also determined that the organizations take corrective action appropriately depending on the causes of deviations revealed and that the evaluation's findings are used to change the existing strategy or to plan for the future. The responses with highest scores related to performance measurement tang corrective measures and using the findings for future planning.

Regarding organizational performance it was evident that the SMEs registered a good performance. It was established that the organizations profit were high, stable and promising sales and revenues were growing. The employees' productivity was considered high when there is satisfaction of employees with their work environment and trust in the leadership and where customers were satisfied with the quality of goods and services. Timeliness, good relationship with partners and suppliers as well as feedback was also observed among the SMEs. The statements on organizational performance that attracted high scores related to efficiency, rate of revenue growth, quality of goods and services and the timely feedback. It was revealed that the organization efficiently serves its customers. More so the responses the organization's year on year revenue growth is at an acceptable rate. Furthermore, the customers are satisfied with the quality of goods and services. Finally the organization responds to customer feedback on time.

The study's second objective was to investigate the impact of strategic management methods on the performance of SMEs in Nairobi, Kenya. The results of the correlation analysis revealed a strong positive relationship between strategy formulation and organizational performance, a strong positive relationship between strategy implementation and organizational performance, and a positive and strong relationship between strategy evaluation and control and organizational performance. Regression research also demonstrated that strategy design, strategy execution, strategy evaluation, and strategy control all contribute to organizational success and are good predictors. The findings also demonstrated that strategy design and organizational performance have a favorable but negligible association. The findings also showed that strategy execution has a favorable and significant impact on organizational performance. Finally, it was discovered that strategy evaluation and control has a considerable and favorable impact on organizational performance. These findings were consistent with those of Njeru (2015), who discovered that SMEs that implemented strategic management approaches performed better as a whole. Modi and Rawani (2020) concluded that SMEs' organizational performance is likely to increase in terms of defining strategy and developing structures that are aligned with the innovation process.

### **5.3 Conclusions**

According to the findings of the survey, SMEs in Nairobi County have embraced strategic management methods. The SMEs have adopted strategy formulation practices by setting corporate objectives clearly defining the organizations vision and mission as well as core values. It was also concluded that SMEs do SWOT analysis for their organization. More so it was concluded that SMEs in Nairobi have adopted strategy implementation by directing all daily activities, work efforts and resources towards implementing the strategy. They also make available the right kind of resources for effective implementation of the strategy. It was also concluded that CEOs lead from the front in the implementation and also policies are formulated regarding strategy implementation. Regarding strategy evaluation and control the study concludes that the organizations set standards and control limits. They also measure performance through processes such as obtaining and evaluating performance reports and evaluate performance against the set standards. It was also concluded that the SMEs take corrective action appropriately depending on the causes of deviations and that the evaluation's findings are used to change the existing strategy or to plan for the future.



Regarding the influence of the practices of strategic management on the performance of the SMEs in Nairobi County, Kenya the study concluded that the strategic management practices are good predictors of performance of an organization. The study also gave a conclusion that strategy formulation has a positive and insignificant association with organizational performance. The study further concluded that implementation of the strategy has got a positive as well as significant relationship with organizational performance. Finally, the conclusion was that strategy evaluation and control has a positive as well as a significant impact on performance of an organization.

#### **5.4 Recommendations**

The study provides the following suggestions based on the above findings:

The study recommends that the management of SMEs should scale up their efforts in enhancing the practices of strategic management. They should come up with proper measures of ensuring that they formulate the right strategies for their organization and the implementation of the strategies as well as the evaluation and control. They should also budget enough for the implementation of the strategies as well as training of the management on how to implement these strategies.

#### **5.5 Areas for Further Studies**

Other studies could consider replicating this study to other SMEs in the country especially those in the rural areas since they have different environments from those in the urban settings. Future scholars could also adopt this study in other organizations such as the large organizations or the government parastatals which face different challenges from the small organizations.

Regarding the methodology this study made use of a questionnaire to obtain data. Future researchers could make use of secondary data such as those for organizational performance which may offer more insights regarding this topic. Future researchers can also consider assessing how the strategic management practices affect individual employees' performance rather than the general organizations performance.

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## Appendix 1: Questionnaire

This questionnaire is meant to collect data for academic purposes in determining the impact of strategic management practices on the performance of SMEs in Nairobi County. Your firm has been identified as one of the respondents. Kindly fill in the questionnaire as accurately as possible.

### Section A: Background information

1. Which sector does your SME belong to?  
Manufacturing [ ]                      Service [ ]  
Information and Communication Technology (ICT) [ ]  
Other [ ]
2. When was your organization established?  
  
Less than a year ago [ ]                      Less than 5 years ago [ ]  
More than 5 years ago [ ]
3. How many employees does the organization have?  
Below 50 [ ]                      51 – 100 [ ]

### Section B: Strategic Management Practices

#### 4. Strategy formulation

Please state the extent to which you agree with the following statement about strategic management practices in your organization

1 = strongly disagree                      2 = disagree                      3 = Indifferent

4 = agree                      5 = strongly agree

Strategic Formulation Practices	1	2	3	4	5
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The organization carries out a situation analysis/ SWOT analysis to identify its key strengths, weaknesses, opportunities and threats to the business					
The organization has adopted strategic management practices in the last five years					
The organization has clearly defined strategic objectives					
The organization has a vision and mission statement					
The vision statement addresses the question about where the organization wants to be					
The vision is known and shared by members of the organization					
The mission of the organization is clearly defined					
The core values are clearly defined					
The mission statement clearly defines how the organization will relate to its major stakeholders					
The organization has adopted Corporate objectives					

### 5. Strategy implementation

a) Please state the extent to which you agree with the following statements about strategic management practices in your organization

1 = strongly disagree      2 = disagree      3 = Indifferent

4 = agree      5 = strongly agree

<b>Strategic Implementation Practices</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
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The organization's daily activities, work efforts and resources are directed towards implementing the strategy					
The organization effectively develops plans at operational or functional level of strategic management					
The right kind of resources are made available for effective implementation of the strategy					
The CEO is leading from the front in the implementation					
The leaders are committed to influencing members of the organization to focus their effort in the same direction					
The communication and technology are effective and efficient to support the implementation of the strategy					
There are clearly defined policies that state how things are to be done					
The organization adopts a reward system that is linked to the strategic performance					

b) State some challenges faced by the organization in the implementation of its strategy

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**6. Strategy evaluation and control**

Please state the extent to which the following statements about strategic management practices apply to your organization

- 1 = strongly disagree      2 = disagree      3 = Indifferent  
4 = agree      5 = strongly agree

<b>Strategic evaluation and control</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The organization sets standards and control limits					
The organization measures performance through processes such as obtaining and evaluating performance reports or management by walking around					
The organization evaluates performance against the set standards to determine whether it is on course					
The organization takes corrective action appropriately depending on the causes of deviations revealed					
The outcomes of the evaluation are utilized in changing the current strategy or in future planning process.					

## **Section C: Organizational Performance**

### **7. Financial Performance**

Please state the extent to which you agree with the following statements about financial performance in your organization

1 = strongly disagree      2 = disagree      3 = Indifferent

4 = agree      5 = strongly agree

<b>Statements on Financial Performance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The organization's profit is high, stable and promising					
The organization's sales revenue are on a growing trend					



The organization's year on year revenue growth is at an acceptable rate					
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**8. Non - Financial Performance**

Please state the extent to which you agree with the following statements about non-financial performance in your organization

1 = strongly disagree      2 = disagree      3 = Indifferent  
 4 = agree      5 = strongly agree

<b>Statements on Non-Financial Performance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Employee satisfaction</b>					
The employees are engaged, and their productivity is considered high					
The employees are satisfied with their work environment and trust the leadership					
<b>Customer Service</b>					
The customers are satisfied with the quality of goods and services					
The organization deals with customer complaints in a timely manner hence maintaining a good reputation in the eyes of the customer					
<b>Supplier relationship</b>					

The organization maintains a good relationship and partnership with the suppliers					
The organization involves its suppliers in research and development					
<b>Market Share</b>					
The organization's market share is considerably large					
<b>Time management</b>					
The organization efficiently serves its customers					
The organization measures the average customer waiting time					
The organization responds to customer feedback on time					

*End – thank you for taking your time to fill this questionnaire*