

**STRATEGIC AGILITY AND PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN NAIROBI CENTRAL BUSINESS DISTRICT, KENYA**

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DECLARATION

This research project is my original work and has not been submitted to any college, institution or university for any academic award other than the University of Nairobi.

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This research project has been submitted for examination with my approval as the Supervisor

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I thank the Almighty God for giving me strength and making it possible for me to undertake this research work. I convey my heartfelt gratitude to my supervisor for his incalculable aid and guidance throughout this research.

DEDICATION

This research is dedicated to my loving wife Mrs. Otilia Kessio for her unwavering support, my lovely two daughters Gloria Kessio and Claudia Kessio as well my beloved son Vincent Paul Kimutai Rotich for inspiring me.

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ABSTRACT

Globalization has transformed the nature of the competitive platform of in most of the industries progressing from sluggish moving, steady oligopolies to hypercompetitive surroundings. The objective of this study was to determine the relationship between strategic agility and performance of small and medium enterprises in Nairobi Central Business District, Kenya. The study was anchored on the contingency theory, dynamic capability theory and resource based Theory. The study employed a descriptive research design. The researcher used of purposive sampling to achieve high response rates and to enhance sample representation of the population. Stratified random sampling was then used to sample 86 out of 420 SMEs entrepreneurs dealing with consultancy and service industry while 112 sample out of 530 SMEs entrepreneurs dealing with product and goods industry. The data collection instruments comprised of both unstructured and structured questions A Likert-type scale format was used for the structured items. Data was analyzed using descriptive statistics with the assistance of Statistical Package for Social Sciences version 22. The study revealed that human capital had the greatest effect on the on the performance of small and medium enterprises in Kenya; followed by management commitment and support, discontinuous innovation and organization structure in order of reducing effect. All the variables were significant ($p < 0.05$). The study concludes that organization structure affects performance of small and medium enterprises firms in Kenya mainly through business units, coordination between departments, hierarchical arrangement of lines of authority and functional coordination. The study also concludes that discontinuous innovations such as experimentation with new ideas and exploration of new paradigms affect performance of small and medium enterprises in Kenya. The study recommends that the management of small and medium enterprises should put in place cost-effective measures for timely risk identification and effective risk mitigation so as to ensure that their financial performance is not impacted negatively

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

For contemporary firms, agility is an imperative for success as they face unprecedented time-to-market pressures, globalization and extra-ordinary competition. As argued by Vokurka, Zank and Lund (2012) the most valuable effects of agility are being embraced and support more on the connection between agility and organization competitiveness. Firm's agility and/or the capability to perform changes in diverse competitive ways with destruction of competition, speed and surprises' attention as a market being able to compete efficiently in the recent market atmosphere (Sambamurthy, Chakravarty & Grewal, 2013).

This study was anchored on the Contingency theory as advanced by Woodard (1965), Dynamic Capability Theory advanced by Teece, Pisano & Shuen (1997), and Resource Based Theory as proffered by Wernerfelt (1984). Contingency theory holds that performance is contingent to organizations' ability to create strategic fit with its environment (Woodard, 1965). Dynamic capability opines that the future performance and success of organizations is dependent on the dynamic capabilities as opposed to relying on the operating capabilities. The operating capabilities are defined as the income earning capabilities of the present (Teece, Pisano & Shuen, 1997). According to the Resource Based View Theory, organizations can enhance their competitive positions through the exploitation of the resources and capabilities they possess (Barney, 1991). This theory views resources as tangible or intangible assets which are embedded semi-permanently to the firm. In conclusion, contingency theory holds that performance is contingent to organizations' ability to create strategic fit with its environment (Woodard, 1965).

For contemporary SMEs firms, agility is an imperative for success as they face unprecedented time-to-market pressures, globalization and extra-ordinary competition. This is no exception to the SMEs in the Nairobi CBD. The numbers of SMEs operating the CBD are diverse in nature ranging from those firms that deal with electronics, furniture, home appliances, and consultancy as well as clothing products. However, with the expansion of East Africa Community, the SMEs have expanded to the international markets with the value of Kenya exports increasing from Ksh

34.5 billion in 2010 to Ksh 85 billion in 2015, a move that can be attributed to the opening up of the international markets. Due to increased number of SME's in Nairobi CBD, there exists stiff competition among these firms and especially with larger firms which prompts them to strategic agility in order for them to remain competitive in the market. Thus the need to undertake this study to establish how the adoptions of this strategic agility influence the performance of small and medium enterprises in Nairobi Central Business District, Kenya

1.1.1 Concept of Strategic Agility

Strategic agility is figuring out how to make quick turns and having the capacity to change and reestablish the association without losing force (Weill, Broadbent and Subramani, 2012). Strategic agility can achieve associations that can deliver the correct items and administrations at the opportune place at the perfect time at the correct cost and for the correct clients. Strategic agility is the capacity to consistently and enough modify and adjust in suitable time the vital course in center business in connection to evolving conditions (Weill, Broadbent and Subramani, 2012). This may incorporate making new items and benefits or making new plans of action and imaginative approaches to make an incentive for the organization (Swafford et al., 2011).

To achieve the desired level of agility, organizations usually use agility enablers which allow them to acquire and retain the necessary agile skills (Laschinger et al, 2010). It is supposed that the drivers are the main factor of agility requirement (Ahmad & Loay, 2014). There exist several enablers of strategic agility. This study focuses on the following strategic agility enablers: organization structure and policies, discontinuous innovation, human capital and management commitment and support(Laschinger et al, 2010). There are several Strategic Agilities that firms adopts in order to enhance their performance among them are organization structure and policies, discontinuous innovation, human capital and management commitment and support

Eisenhardt and Martin (2010) highlighted policies and organization systems as basic elements for facilitating agility and flexibility in the firms. The firms' arrangement and advances ought to clearly maintain its structures and competitive needs. A hierarchical structure is best adapted when there is a great requirement for completing and procedures through management. Then when suppleness is needed for an environment where sudden changes and more efficient communication is needed, a decentralized system or a flat structure are put up which can work

effectively. A flat system organization can get profits and when individuals can be elastic in their work they can also improve and adapt to unexpected changes. Network/matrix kinds of managerial formations also help. The lesser hierarchical controls can get out extra originality from work groups and people (Rowe, 2011). The formation of a firm restricts its quickness in most enterprises and corporations. An original policy needs often main reorganization to meet the firm strategic goals. Still then the change can stay useless because the familiar parts of the firm have not been incorporated when applying the change. Currently, many firms intend to be flexible and have much focus areas and directions. The formation gives more policy choices and directions as a key quickness enabler (Doz and Kosonen, 2008).

1.1.2 Organizational Performance

Daft (2000) defined organizational performance as the organization's ability to attain its goals using its resources in an efficient and effective manner. These definitions and suggestions evaluate organizational performance as organizations' ability to maximize their strength, overcome their weaknesses and to neutralize their threats in order to take advantages of opportunities. Organization performance has also been constituted in terms of three different perspectives namely the goals approach (Etzioni, 1964), resource approach (Yuchtman and Seashore, 1967) and system approach (Steers, 1977). Chen and Chen (2008) contend that organization performance implies the change of contributions to yields for accomplishing certain results. Performance educates on the connection amongst negligible and successful cost (economy), in compelling expense and acknowledged yield (proficiency) and amongst yield and accomplished result (adequacy). Borade (2008) states that organizational performance includes repeating exercises that build up organizational objectives, screens the advance towards the objectives and makes conformity to accomplish the objectives all the more adequately and proficiently. It can hence be contended that organizational performance can be judged as far as regardless of whether an association has accomplished the goals set before it. Borade (2008) states that a measure of organizational performance is a comprehension of the relationship between financial information sources and yields.

A performance measurement framework should cover all pointers of performance that are pertinent for the presence of an association and the methods by which it makes progress and development (Gomez-Mejia, Balkin & Cardy, 2008). Most studies on SME's performance utilize

an assortment of money related and non-budgetary achievement measures, financial related measures incorporate issues, for example, benefit, Return on Investment (ROI), Return on Capital Employed (ROCE), and stock turnover. Non-financial measures include ingenuity, client dependability and market share as highlighted by (Gomez Mejia, Balkin & Cardy, 2008).

The concept of organizational performance is founded on the impression that a firm is the intentional coming together of assets for the intention of achieving a common purpose (Richard et al., 2009). The owners of the assets will decide to pledge them to a firm only if are happy with the worth that they obtain in return, compared to alternate usage of the assets. Therefore, the core of performance is the conception of value. As long as the higher value is generated by the firm, the assets will be available to them. Therefore, the provider of the resource considers creation of value as the main criteria of measuring the value of the firm.

1.1.4 Small and Medium Enterprises in Nairobi Central Business District, Kenya

Kenya government has recognized the importance of the informal sector in social economic development and has in the past prepared Sessional papers and support strategies for SMEs. In spite of these policy papers and support strategies, the performance of the SMEs is still dismal. SMEs, have a high death rate, (60 percent) closing down within their first year of operation, 40 percent less than 2 years old and 66 percent less than 6 years; thus hardly gain from experience (ROK, 2009). According to Sessional paper of 2005 No.2 SMEs in Kenya have high collapse rate with most of the SMEs die with 3 years of operation. A mere 30 percent of SME survive past the first generation and only 10 percent to 15percent survive to a third generation (Dyer and Whetten, 2011). The weak performance and high failure rate of SMEs may impact on their objectives of poverty alleviation, employment creation and economic growth. Bowen, Morara and Mureithi (2009) note that given the importance of SMEs to economic development and given their high failure rate, it becomes essential for the SMEs to adopt strategic agilities which enable them to reduce production costs, acquire knowledge, as well as access new technology, financial resources and labor.

SMEs is one of the largest sector in Nairobi economy since it employs many Nairobi's workforce as well as contributing up to 18.4% of Nairobi's GDP. In Nairobi, the number of SMEs has been rising at a very high rate in last two or so decades with many of them based in

outskirts of Nairobi. SMEs sector has made an exceptional contribution to Nairobi economy (Oseh, 2013). As such, SMEs are a vast majority of business entities found in Nairobi City County and they have created employment for a large portion of the workforce in Nairobi County. The small and medium enterprises in Nairobi CBD is very visible and is the largest provider of essential services and goods to the general public. The sector is an important component in the country and is often used as the benchmark in terms of its development and the general growth of the National economy. By being a major employer, the sector has thus contributed in constructive ways and positively to the people and economy of Kenya. However, purely domestic SMEs are confronted by international competition if their sales and products are enormously segmented or localized and therefore their need to adopt strategic agility in order for them to survive in such a competitive environment

1.2 Research Problem

The increased global competition and continuous changing market conditions have caused the traditional methods and strategies for doing business to become almost obsolete, thereby forcing managers to look for more modern ways of surviving in the world of today's business. Strategic agilities have been one of the ways in which firms can overcome some or all of the difficulties and remain in business while maintaining a competitive advantage positioning the market (Hamel & Prahalad, 2010). Globalization has transformed the nature of the competitive platform of in most of the industries progressing from sluggish moving, steady oligopolies to hypercompetitive surroundings (Batra, Kaushik & Kalia, 2012).

As found by Mason (2010) there exists a connection between internal overall performance and operational agility enablers in active and vague circumstances. In addition, he indicated that there is a link between markets related overall performance and operational agility in general performance in similar situations. In the other words, the agility drivers are the changes which happen in an environment and stimulate a firm to revise the current strategy, admit the need to become agile and consider the agility as a method of attaining the desired outcomes, survival, and progress. Waweru, (2016) undertook a study on strategic agility enablers and performance of small and medium enterprises in Kenya. The study found that organisation structure, discontinuous innovation, human capital, management commitment and support, information

technology integration and operational processes effectiveness affects the performance of small and medium enterprises in Kenya. The study also found that discontinuous innovations such as experimentation with new ideas and exploration of new paradigms affect performance of small and medium enterprises in Kenya. The study found that staff skills, attitudes, experience and competence are very significant in the performance of small and medium enterprises.

Different SMEs in Nairobi are considering strategic agility as a strategy that allows them to improve their performance. The rivalry between the SME's in Kenya is very intense as they compete for the small number of customers in the market. They operate in a very competitive market trying very hard to outsmart each other to maintain a top position in the SME industry and also improve their financial performance (Miano, 2010). Thus, the SME's firms need strategic agilities to enable them adapt to the ever turbulence business sector to stay competitive or fail altogether especially with the competition from other large enterprises.

Prior empirical studies focusing on strategic agility both international and local have been advanced. Globally, a study by Oyedijo (2012), showed a significant relationship between strategic agility and competitive performance in Nigerian telecommunications industry. Abu-Radi and Al-Hawajreh (2013) found a significant relationship between strategic agility dimensions and operations competitive capability in Private Hospitals in Jordanian. Local studies on strategic agility have been undertaken, for instance Kanake (2011) evaluated strategic capabilities as a strategic tool in Commercial Bank of Africa and recommended that the process of capitalizing on strategic capabilities should be supported by the top management. Similarly, Ngugi (2011) conducted a research on strategic capabilities at BBC and asserted that success of any organization requires alignment of strategic capabilities and resources to the needs of the markets and those needs must be defined in a clear manner. Chirchir (2015) focused on the relationship between organizational agility and operational productivity at Kenya Ports Authority, Muthoni (2015) looked at the influence of strategic agility on competitive capability of private Universities in Kenya while Okotoh (2015) conducted a study on the influence of organizational agility on operational performance of trademark East Africa. Muhura (2012) evaluated the use of organization capabilities at Airtel Limited as a source of competitive advantage. The study revealed that capabilities can be safeguarded through mechanisms such as;

issuing a confidentiality agreement to the staff and partners, establishing strict policies on company assets and using firewalls on information technology infrastructure among others to achieve a sustained competitive advantage.

The above cited studies have knowledge gaps in terms of conceptualization, contextualization and methodology in relation to the present study. Contextually, the current study is on SME's in Nairobi while the other studies, focused on hospitals, telecommunication, private universities i.e. different contexts. The methodology used by most of the cited literature were case studies while this study will be a cross sectional survey. The conceptualization of the current study is on Strategic agility and firm performance while the other empirical studies have focused on influence of strategic capabilities on competitive advantage. This study will therefore seek to fill the knowledge gaps that have been highlighted by focusing on the influence of strategic agility and performance of small and medium enterprises in Nairobi Central Business District. In retrospect, the study therefore sought to address the research gaps. This study sought to answer the question on how does strategic agility affect performance of small and medium sized enterprises in Nairobi Central Business District, Kenya?

1.3 Research Objective

The objective of this study was to determine the influence of strategic agility on the performance of small and medium enterprises in Nairobi Central Business District, Kenya

1.4 Value of the Study

In practice, this research will be beneficial to the SME's owners, as it will help them apply agility strategies for value addition, business growth and enhancing performance. They will also be equipped with relevant knowledge on how to operate competitively in the competitive SME's market by designing agile strategies which offer formidable competition, better services, low operating costs, and maximizes profits as well as address the challenges faced in the implementation of the agility strategy.

Theoretically, the study will supplement the prevailing body of knowledge in the field of SME's and can also be referenced in future research; both in SME's and other related areas. It will add to the concept and theory of strategic agility. Academic researchers can also use the study

findings to stimulate further research on effect of strategic agility on performance of SME's industry at large.

The study will also help Government policy makers, to utilize the findings to formulate customized regulatory policies that promote growth of the SME's sector, fair competition, provide a level playing field for the owners and stops customers' exploitation. The policymakers will find the study significant since as the nation equips on the best way to accomplish the Vision 2030 aims, SME's industry will be one of the key drivers of this respectable goal consequently it will be a craving for all Kenyan's to know how best they can tap on this industry

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter covers a theoretical foundation, strategic agility, organizational performance, strategic agility and organizational performance and finally summary of empirical literature and research gap.

2.2 Theoretical Foundation

This section reviews relevant theories in relation to the study. The study was anchored on the Contingency theory, dynamic capability theory and resource based theory. The resource-based view anchors the concept of organizational resources while the evolutionary economics theory anchors the concept of dynamic capabilities. Proponents of contingency theory postulated that organizations are subject to environmental dynamism and uncertainty. The appropriateness of any strategy depends on the competitive setting of businesses (Woodard, 1965). The theory further advanced the idea aligning organizational resources with environmental opportunities and threats. Dynamic capabilities can therefore be used to integrate reconfigure, gain and release organizational resources in regimes of rapidly changing environments and thus become a source of sustained competitive advantage, which has a bearing on organizational performance (Teece et al., 1997; Eisenhardt and Martin, 2000).

2.2.1 Contingency theory

Contingency theory supports the concept of environmental dynamism (Lawrence and Lorsch, 1967). The basic assertion of the contingency theory is that the environment in which the organization operates determines the best way for it to organize. Dess and Beard (1984) argued that environmental dynamism deals with absence of pattern and unpredictability, which distinguish between rate of change and the unpredictability of environmental change. Porters (1980) five forces model of industrial economics provided the dimensions for threats of new entrants, competition among rivals, exit barriers, relative power of buyers and suppliers of the firm.

Eisenhardt and Martin (2000) defined environmental dynamism in terms of either moderately dynamic markets or high velocity markets. They argued that moderately dynamic markets are ones in which change occurs frequently but follow predictable and linear paths. In contrast, they argued, when markets are very dynamic changes become nonlinear and less predictable.

This theory is of significance to the study because it claims that there is no most ideal approach to arrange an organization, to lead an organization, or to settle on choice in a social set-up. Rather, the ideal strategy is dependent upon the inward and outer circumstance of the organisation and nature. Therefore, when firms are adopting strategic agilities, they should factor in the issue of environmental scanning.

2.2.1 Dynamic Capability Theory

This approach emerged as an addition to the Resource Based theory with a focus on adaptability and survival rather than sustainability of firms. According to Teece and Pisano (1994) the prosperity of firms is hinged on timely responsiveness, quick and flexible product innovation and a management capability to effectively control and redeploy internal and external competences rather than the mere accumulation of valuable resources. Essentially, it argues that the value of resources is likely to be eroded through competitor imitation or substitution (Barney, 1986). Therefore, to remain competitive Teece et al. (1997) contend that, firms have to continuously create new forms of competitive advantage through their flexible capabilities.

According to this theory the future performance and success of organizations is dependent on the dynamic capabilities as opposed to relying on the operating capabilities. The operating capabilities are defined as the income earning capabilities of the present (Winter, 2003). According to Zollo and Winter (2002) dynamic capabilities are a higher level of capabilities achieved through systematic generation and modification of operating capabilities as the organization seeks to be more effective. Thus, in their view dynamic capabilities are developed through organization learning. Eisenhardt and Martin (2000) define dynamic capabilities as recognizable and explicit processes or routines that create a market change through the utilization of resources. Further, they mention innovations, acquisitions and strategic alliances as clear examples that facilitate the reconfiguration of a firm's competitive resources.

2.2.2 Resource Based Theory

Resource based theory supports the concept of resources (Wernerfelt, 1984). Barney (1991) first formalized the term RBV perspective into a theoretical framework while clarifying the understanding of the impact of a firm's environment on firm performance (Newbert, 2007). This theory views resources as tangible or intangible assets which are embedded semipermanently to the firm (Wernerfelt, 1984). The tangible assets refer to the physical resources owned by firms namely: cash, equipment, inventory and properties, whereas the intangible assets are the invisible resources which include; expertise, brand name, reputation, intellectual property and trademarks. According to Makadok (2001) the intangible resources are most vital in achieving and sustaining a competitive position as they possess the attributes of inimitability and value. First that resources are heterogeneous distributed among firms across firms and secondly that these resources are imperfectly mobile (Barney, 1991). RBV assumes that a firm is bundles of resources. The previously mentioned resources are distributed heterogeneously firms and that the resource differences persist over time (Penrose 1959).

The resource based theory postulates that the firm's resources are regarded as inputs in the production process and can be categorized into three groups; human capital, physical capital, and organizational capital. A capability is an ability for a set of resources to achieve a given task of an operational activity (Penrose, 1959). Each company is a collection of unique resources and capabilities that offers the foundation for its strategy and the primary source of its profits. In the 21st-century hyper-competitive landscape, an organization is an assortment of evolving capabilities that is managed with dynamism in the quest of above-average incomes (Hitt, & Ireland, 2005). Thus, differences in company performances across time are determined primarily by their exceptional resources and capabilities as opposed by an industry's structural characteristics (Porter, 2008).

This theory is of significance to this study for it highlights that a firm must create more values, which depends on its stock of resources and distinctive strategic capabilities of using those resources. For long-term profitability, a firm must ensure its successful strategies and the created competitive strategies are sustainable and thus the need for adopting strategic agilities in order to enhance their capability of sustaining the resources

2.3 Organizational Performance

Organizational performance, which is a recurrent theme in management research, continues to be a contentious subject in terms of definition and measurement among researchers (Wall et al, 2004). These definitions and suggestions evaluate organizational performance as organizations' ability to maximize their strength, overcome their weaknesses and to neutralize their threats in order to take advantages of opportunities. Organization performance has also been constituted in terms of three different perspectives namely the goals approach, resource approach and system approach (Wall et al, 2004). Organizational performance is an important construct in strategic management (Combs, Crook and Shook, 2005). The main thrust of strategic management research is to increase the understanding about the determinants of organizational performance and how managers can create superior performance (Meyer, 1991; Combs et al., 2005), since variations exists on what constitute organizational performance (Ford and Schellenberg, 1982). According to Venkatraman and Grant (2006), through agility, firms would be able to achieve superior performance. Performance improvement is the natural objective of any intervention in the organization (Leddick, 2009)

2.4 Strategic Agility and Organizational Performance

For achieving desired performance outcome, an enterprise should be able to measure and identify factors which are the key for becoming flexible in that particular field of business. The objective of an agile enterprise is the satisfaction of its customers and employees and through acquiring the necessary skills a company can appropriately respond to changes in the economic environment. Agility enablers promote organizational performance (McCann, Selsky & Lee, 2009). In linking variables, companies might trade agility in one component for another based on strategic thinking.

In a competitive market, multiple capabilities might be required. Companies need to be ready to handle changing variables in the market. Such readiness is considered a strategic asset in enhancing a company performance. Nour and Mahboobeh (2010) examined the analytical approach to effective factors on organizational agility. The researchers have classified these factors under three sections including drivers, capabilities and enablers of the agility. The study

found that the drivers, capabilities and enablers of organizational agility enhance organizational performance in the four BSC perspectives.

As found by Mason (2010) there exists a connection between internal overall performance and operational agility enablers in active and vague circumstances. In addition, he indicated that there is a link between markets related overall performance and operational agility in general performance in similar situations. In the other words, the agility drivers are the changes which happen in an environment and stimulate a firm to revise the current strategy, admit the need to become agile and consider the agility as a method of attaining the desired outcomes, survival, and progress.

Sudon, Abareshi and Pittayachawan (2015) did a study on agility enablers, capabilities and performance of Thai automotive part industry. The key components of agility are identified and are used to perform both exploratory and confirmatory factor analysis in order to provide a research-ready instrument. The results revealed four distinctive manufacturing practices including Integrated Product Development (IPD), Modularised Manufacturing (MM), Supply Chain Coordination (SCC) and Information Technology Integration (ITI) as the key enablers of agile capabilities which enhanced the performance of the industry. These manufacturing practices supported the development of agile capabilities in the areas of Responsiveness (RES), Flexible Product (FLP), Innovation Competency (INC), and Speed in Delivery (SD).

Misiko (2014) found out that creativity and innovation contributed most to a firm becoming agile followed by TQM and then IT adoption. Further, Hashim (2015) established that IT adoption, creativity and innovation, adoption of new human resources management practices and adoption of TQM influenced a firm's competitive advantage. Okotoh & Kiruthu, (2015) revealed that Information technologies provided superior information management capabilities, analytical decision support, and enhanced communication for achievement of enhanced operational performance, and that IT helps firms in sharing of knowledge and development of skills in addressing their operational problems, the practice of HRM needs to be integrated with the overall strategy to ensure effective use of people and provide better returns to the organizations in terms of ROI (Return on Investment), strategic alliance can provide a powerful competitive advantage in new markets, cost, speed, knowledge, and technology access. Therefore the study

concludes that adoption of IT, human resources management practices and strategic alliances by TMEA all had apposite influence its operational performance.

Waweru, (2016) undertook a study on strategic agility enablers and performance of small and medium enterprises in Kenya. The study found that organisation structure, discontinuous innovation, human capital, management commitment and support, information technology integration and operational processes effectiveness affects the performance of small and medium enterprises in Kenya. The study also found that discontinuous innovations such as experimentation with new ideas and exploration of new paradigms affect performance of small and medium enterprises in Kenya. The study found that staff skills, attitudes, experience and competence are very significant in the performance of small and medium enterprises.

Kinako (2016) did a study on agility strategies and competitive advantage of insurance companies in Kenya. The researcher found out that human resource management and product design are total quality management strategies adopted by most of the insurance companies in Kenya affects to a great extent competitive advantage. The study findings also established that most companies are always pro-active and take the 1st step and also have flexible and easily adapts to changes in the environment in order to adjust its competitive a advantage. The study concludes that agility strategies affect competitive advantage of insurance companies in Kenya. The study further concludes that the insurance companies have put in place four major agility strategies namely; innovativeness, operation dexterity, total quality management and resource fluidity in order to improve its competitive advantage.

Companies which through creativity and innovation can create market opportunities represent the second level of agility. Creating market opportunities through generating new needs is a qualitatively different approach than responding to opportunities by identifying and satisfying the needs which appear on the market (Foss, 2015). This is a proactive model of enterprise agility, in which research and development is a key function (Dess, 2011). It requires from employees broader and deeper knowledge, new ideas, systematic research and creativity. Such a company not only keeps pace with the needs of customers, but it can also create new needs which customers have not been aware of before (Foss, 2015).

Traditionally, strategic management has been commonly associated with the ability to ensure long term security for an enterprise. However, as observed by Armstrong (2006), the notions of 'long-term' and 'security' are gradually becoming degraded and obsolete. Thus, strategic management ought to focus on identifying opportunities in a nexus of random phenomena. The most valuable employees are those characterized by a very high degree of creativity and innovation. What is needed, therefore, is a culture conducive to learning collaborative forms of work and knowledge management (Buhner, Konig, Pick & Krumm, 2010). Agile human resources need to include teaching, teamwork, incentives and organic remuneration systems.

Attention is also paid to management levels, distinguishing the strategic level which involves strategic flexibility, i.e. the ability of an organization to actively anticipate the allocation of resources, modification of business partnerships, market opportunities, changing environmental conditions, and technological needs (Mason, 2010). As argued by Doz and Kosonen (2008) that firms' require for formation quickness is the greatest when dealing with big and quick showing changes which are not linked to one another. The firm is most probably to require different lever of management to facilitate strategic quickness. Emotional lever, organizational and political levers and cognitive lever affect the companies in many different ways and can be used according to the matter which is reflected on most. Organizational learning is another strategic agility enabling factor.

2.5 Summary and Research Gap

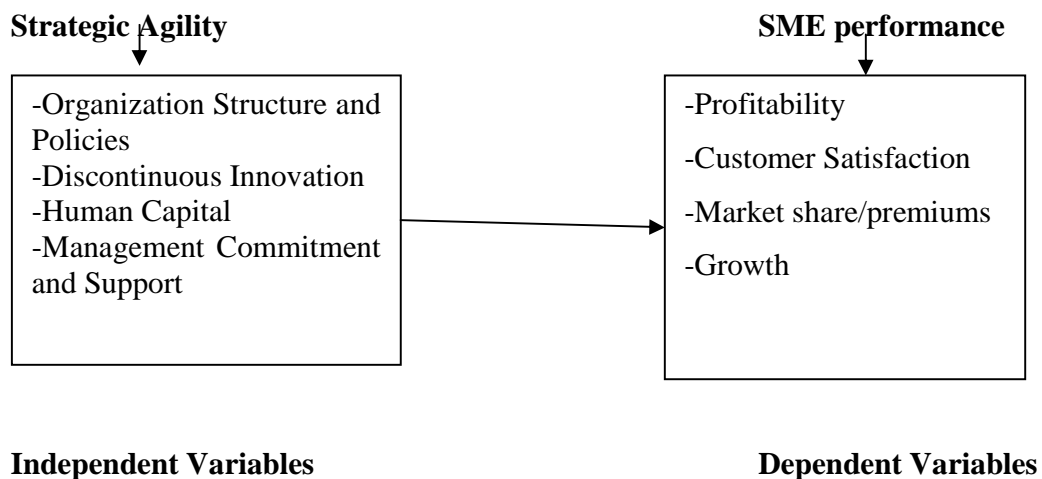
Various global and local studies on strategic agility have been done by various scholars. For instance, Abareshi and Pittayachawan (2015) did a study on agility enablers, capabilities and performance, Tikkanen (2014) conducted a study on dynamic capability influence on strategic agility: a case study in Energy Conservation Industry while our and Mahboobeh (2010) reviewed the analytical approach to effective factors on organizational agility. Locally, Chirchir (2015) focused on the relationship between organizational agility and operational productivity at Kenya Ports Authority; Muthoni (2015) looked at the influence of strategic agility on competitive capability of private Universities in Kenya while Okotoh (2015) conducted a study on the influence of organizational agility on operational performance of trademark East Africa. None of these studies focused on the relationship between strategic agility and performance of small and

medium enterprises in Nairobi Central Business District, Kenya. The empirical literature reviewed has highlighted knowledge gaps where this study sought to address.

2.6 Conceptual Model

The Conceptual Framework above gives a depiction on how the variables are related to one another. The variables defined here are the independent (explanatory) and the dependent (response) variable. An independent variable influences and determines the effect of another variable. The independent variables in this study are organization structure and policies, discontinuous innovation, human capital and management commitment and support. Dependent variable is that factor which is observed and measured to determine the effect of the independent variable. The dependent variable is performance of SMEs.

Figure 2.1: Conceptual Framework



Source

(Researcher,

2016)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the methodology that was used in this research proposal. It entails the research design, population, the data collection methods and finally the data analysis techniques.

3.2 Research Design

The study employed a cross sectional descriptive research design. De Vaus (2001) points out that descriptive research design looks at the relations between variables in a natural as opposed to laboratory setting. From the time when the situations have already happened, the researcher picks the pertinent variables for an analysis of their relationships. The method is selected since it is more exact and precise as it entails description of situations in a sensibly planned manner (Babbie, 2004). The design was deemed appropriate because the main interest is to explore the viable relationship and describe how the factors supported matters under investigation.

Cross sectional Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way. This design provide dfurther insight into research problem by describing the variables of interest. Descriptive design method provides quantitative data from a cross section of the chosen population. This design provided further insight into research problem by describing the variables of interest. Other researcher, for instance Waweru, (2016) on his study on strategic agility enablers and performance of small and medium enterprises in Kenya successfully used this research design.

3.3 Population of the Study

The target population consists of all the units being studied. The population of the study was all the Small and Medium Sized Enterprises operating in Nairobi Central Business district. According to the County Government of Nairobi records (2016) there are 990 SMEs operating in Nairobi Central Business District.

3.4 Sampling and Sample Size

Gay (1976) is on the opinion that a sample representative of 20% is quite ideal for representing the whole population. The study opted for the sample which was recommended by Gay (1976) of 20% through use of purposive sampling to achieve high response rates and to enhance sample representation of the population. The numbers of respondents were derived by calculating 20% of the total number of SMEs entrepreneurs from Nairobi CBD (Central Business District).

Stratified random sampling was then used to sample 86 out of 420 SMEs entrepreneurs dealing with consultancy and service industry while 112 sample out of 530 SMEs entrepreneurs dealing with product and goods industry. In random sampling all the respondents had equal chances of being selected.

Table 3.1: Sample Size

Nature of SMEs	Target Population	Percentage	Sample
Consultancy and Service industry	430	20%	86
Product and Goods industry	560	20%	112
Total	990	20%	198

3.5 Data Collection

The study utilized primary data. Primary data was collected via self-administered questionnaire. Walliman (2001) notes that confidentiality is upheld and time is saved when a study utilizes a questionnaire. The respondents (the employees working on Small and Medium Sized Enterprises operating in Nairobi Central Business district) rated their responses using a five point Likert scale. The researcher dropped the questionnaire at the respondents premises before coming back to pick them up later after they had been filled thus allowing adequate time to respond. An introductory letter was used as a proof that the study was being done for academic purpose only. Proper records of all questionnaires distributed were kept for ease of follow up and also to ensure high response rate.

The respondents were owners and managers of the SME's or whoever was responsible for marketing in the SMEs selected. The questionnaires were divided into two sections, where Section A focused on background information, while Section B focused on the strategic agility and how it affects performance.

3.6 Data Analysis

The study produced both qualitative and quantitative data. Data was analyzed using descriptive statistics with the assistance of Statistical Package for Social Sciences. Descriptive statistics for the quantitative data included frequencies, percentages, mean scores and standard deviation. The findings were presented using charts and tables. Further multiple regression analysis was adopted to ascertain the relationship between the variables. The multiple regression model generally assumed the following equation;

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

Where: Y= firm performance measured using profitability

β_0 =constant; $\beta_1, \beta_2, \beta_3,$ and β_4 = Beta coefficients;

X_1 = organization structure and policies;

X_2 = discontinuous innovation;

X_3 = human capital;

X_4 = management commitment and support

ε =Error term.

The descriptive statistics was employed for this study includes measures of central tendency (mean and mode), measures of spread (standard deviation), and percentages. The statistics was then displayed in table formats. The coefficient of determination, denoted as R^2 was used to establish the predictive power of the study model. Analysis of variance (ANOVA) tests was used in the analysis of experimental data to test the variables for statistical significance.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis, findings and discussion of findings based on the objective of the study of determining the influence of strategic agility on the performance of small and medium enterprises in Nairobi Central Business District, Kenya. The study findings scores were calculated to mean scores which were interpreted as 4.5 - 5.0 Very great extent; 3.4 - 4.4 Great extent; 2.5 - 3.4 Moderate extent; 1.5 - 2.4 Low extent; and 0.0 - 1.4 Not at all. The chapter will provide the key findings and results of the research. Finally, the chapter presents a discussion on the findings.

4.2 Response Rate

The study targeted 198 respondents from which 167 filled in and returned the questionnaires making a response rate of 84.3%. This response rate was good and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good.

Table 4.2: Response Rate

	Frequency	Percent (%)
Questionnaires Returned	167	84.3%
Questionnaires unreturned	31	15.7%
Total	198	100%

4.3 Background Information about the Organization

The study sought to enquire on the general information of the organization. The information includes; years of operation of the firm, and the number of branches the company have in Kenya. This general information is presented below.

4.3.1 Years of Operation of the Firm

The study also sought to establish the number of years the firm has operated. The data collected are as in Table 4.4

Table 4.3: Years of Operation of the Firm

	Frequency	Percent
Less than 5	29	17.4
Between 5-10	78	46.7
Between 11-20	38	22.8
Above 20	22	13.2
Total	167	100.0

From the findings, the majority of the firms have operated for between 5-10 years as depicted by 46.7%, 22.8% between 11-20years, 17.4 less than 5 years while 13.2% of the firms have operated for 20 years and above. This implies that the firms have operated for a quite period of time thus higher chances of getting reliable information.

4.3.2 Branches the company have in Kenya

The respondents were also requested to indicate the number of branches the organizations had in Kenya. The findings were indicated in the table 4.5.

Table 4.4: Branches the company has in Kenya

	Frequency	Percent
Less than 5	160	95.8
Between 5-10	7	4.2
Total	167	100.0

As per the findings 95.8% of the respondents noted that their organizations had less than 5 branches, 4.2% indicated that their organizations had between 5-10 branches. The finding implies that most SMEs in Nairobi City County have total branches in Kenya had less than 5 branches

4.4 Manifestation of Study Variables

The study sought to determine the influence of strategic agility on the performance of small and medium enterprises in Nairobi Central Business District, Kenya. The study findings are as shown below

4.4.1 Organizational Structure and Policies

The respondents were asked to indicate the extent of effect to the various aspect of Organizational Structure and Policies on strategic agility

Table 4.5: Organizational Structure and Policies

	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Organizational flexibility	33.574	166	.000	2.63473	2.4798	2.7897
Functional coordination	57.121	166	.000	4.26946	4.1219	4.4170
Business units	115.574	166	.000	4.40719	4.3319	4.4825
Coordination between departments	79.896	166	.000	4.37126	4.2632	4.4793
Number of hierarchical levels	40.014	166	.000	3.62275	3.4440	3.8015
Hierarchical arrangement of lines of authority	87.174	166	.000	4.31138	4.2137	4.4090

From the findings business units affects performance of small and medium enterprises to a very great extent (mean=4.4072). The study also established that coordination between departments affects performance of small and medium enterprises to a great extent (mean=4.3713), Hierarchical arrangement of lines of authority affects performance of small and medium enterprises to a great extent (mean=4.3114) and that Functional coordination affects performance

of small and medium enterprises to a great extent (mean=4.2695). In addition, the respondents indicated that Number of hierarchical levels affects performance of small and medium enterprises to a great extent (mean=3.6228) and that Organizational flexibility affects performance of small and medium enterprises to a moderate extent (mean=2.6347). This implies that the performance of the SMEs firms in Kenya is greatly affected by the organizational structure with business units, coordination between departments, hierarchical arrangement of lines of authority and functional coordination having the greatest effect. Currently, many firms intend to be flexible and have much focus areas and directions. The formation gives more policy choices and directions as a key quickness enabler. Hence organizational structure has an effect on performance of SMEs firms Kenya. Due to higher competition on SME's in Nairobi, the firms are strategically adopting business units and coordination between departments which enables them to acquire a competitive advantage and thus their higher ranking. The one sample t-test statistics was calculated with 5% level of significance. The t- test value for all the metrics of organizational structure and policies lied on the rejection area which is outside the lower limit and upper limit. Hence the rejection of the null hypothesis that there is no association between organizational structure and policies and performance of SMEs. This leads to the acceptance of the alternative hypothesis that there is an association between organizational structure and policies and performance of SMEs. The association is not significant as indicated by the significance of .000 which is less than the p-value of 0.05. This is a clear indication that organizational structure and policies have a significant effect on the performance of SMEs in Nairobi Central Business District, Kenya

4.4.2 Discontinuous Innovation

The respondents were requested to indicate the extent aspects of discontinuous innovation affect the performance of SMEs firms in Nairobi City County Kenya. The findings were indicated in the table 4.7

Table 4.6: Discontinuous Innovation

	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Experimentation with new ideas	47.379	166	.000	4.11976	3.9481	4.2914
Exploration of new paradigms	59.320	166	.000	4.04192	3.9074	4.1764
Exploration of new knowledge	71.786	166	.000	3.77844	3.6745	3.8824
Product development	53.219	166	.000	3.91018	3.7651	4.0552
New business models	33.975	166	.000	2.61078	2.4591	2.7625

The study findings as presented in Table 4.7 established that pursuit of new strategies affects performance of small and medium enterprises to a great extent (mean=4.2036), experimentation with new ideas affects performance of small and medium enterprises to a great extent (mean=4.1198), and that exploration of new paradigms affects performance of small and medium enterprises to a great extent (mean=4.0419). Further the study revealed that product development affects performance of small and medium enterprises to a great extent (mean=3.9102), exploration of new knowledge affects performance of small and medium enterprises to a great extent (mean=3.7784), and that new business models affects performance of small and medium enterprises to a great extent (mean=3.4311). This implies that the SMEs firms are good at experimentation with new ideas and the pursuit of new strategies which goes a long way in enhancing their performance. The t- test value for all the metrics of discontinuous innovation lied on the rejection area which is outside the lower limit and upper limit. Hence the rejection of the null hypothesis that there is no association between discontinuous innovation and performance of SMEs, this leads to the acceptance of the alternative hypothesis that there is an association between discontinuous innovation and performance of SMEs. The association is not significant as indicated by the significance of .000 which is less than the p-value of 0.05. This is a clear indication that discontinuous innovation has a significant effect on the performance of SMEs in Nairobi Central Business District, Kenya

4.4.3 Human Capital

The respondents were requested to indicate the extent to which human resource personnel as an enabler of strategic agility affect the performance of SMEs firms in Nairobi City County, Kenya and its ability to transform and renew the organization without losing momentum. The findings were indicated in the Table 4.8 and Table 4.9

Table 4.7: Extent Human Capital affects performance

	Frequency	Percent
Moderate extent	61	36.5
Great extent	82	49.1
Very great extent	24	14.4
Total	167	100.0

From the findings 49.1% of the respondents indicated that human capital affects performance of SMEs firms in Nairobi City County to a great extent, 31% indicated moderate extent, and 14.4% noted to a very great extent. This implies that human capital has a significant effect on the performance of SMEs firms in Nairobi City County. This is because due to high competition among SMEs in Nairobi County, most of the firms are investing on human capital so as to increase employees' productivity hence acquiring competitive advantage

Table 4.8: Aspects of Human Capital

	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Employee Competences	34.565	166	.000	3.49701	3.2973	3.6968
Employees Behaviors	38.324	166	.000	3.13772	2.9761	3.2994
Staff Experience	107.374	166	.000	3.96407	3.8912	4.0370
Skills and attitude	90.220	166	.000	4.73653	4.6329	4.8402
Teamwork	124.620	166	.000	4.64072	4.5672	4.7142
Cooperation with suppliers as well as customers	68.080	166	.000	4.41317	4.2852	4.5412

As per the findings respondents indicated that skills and attitude affects performance of small and medium enterprises to a very great extent (mean=4.7365), teamwork affects performance of small and medium enterprises to a very great extent (mean=4.6407), and that cooperation with suppliers as well as customers affects performance of small and medium enterprises to a very great extent (mean=4.4132). Further, the respondents indicated that staff experience (mean=4.0659) affects performance of small and medium enterprises to a great extent and that employee competences affects performance of small and medium enterprises to a great extent (mean=3.4970). However, employees Behaviors affects performance of small and medium enterprises to a moderate extent (mean=3.1377). This depicts that the staff skills and attitudes, teamwork and cooperation with suppliers as well as customers are very significant in the performance of small and medium enterprises. However, employees Behaviors have moderate influence. . The t- test value for all the metrics of human capital lied on the rejection area which is outside the lower limit and upper limit. Hence the rejection of the null hypothesis that there is no association between human capital and performance of SMEs, this leads to the acceptance of the alternative hypothesis that there is an association between human capital and performance of SMEs. The association is not significant as indicated by the significance of .000 which is less than the p-value of 0.05. This is a clear indication that human capital has a significant effect on the performance of SMEs in Nairobi Central Business District, Kenya

4.4.4 Management Commitment and Support

Respondents were asked to indicate the extent to which the management commitment and support as an enabler of strategic agility affect the performance of SMEs firms in Nairobi City County and its ability to transform and renew the organization without losing momentum. The findings were indicated in the Table 4.10 and Table 4.11 respectively

Table 4.9: Extent management commitment and support affects performance

	Frequency	Percent
Moderate extent	22	13.2
Great extent	78	46.7
Very great extent	67	40.1
Total	167	100.0

As per the findings 46.7% of the respondents indicated that management commitment and support affects performance of small and medium enterprises to a great extent, 40.1% indicated a very great extent, and only 13.2% noted moderate extent. This implies that management commitment and support has a significant effect on the performance of small and medium enterprises. The prosperity of firms is hinged on timely responsiveness, quick and flexible product innovation and a management capability to effectively control and redeploy internal and external competences rather than the mere accumulation of valuable resources

Table 4.10: Aspects of management commitment and support

	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Development and approval of the proposal plans	124.620	166	.000	4.64072	4.5672	4.7142
Encouragement of employees	124.620	166	.000	4.64072	4.5672	4.7142
Participative and team-based leadership method	81.079	166	.000	4.50898	4.3992	4.6188
Organizational Learning culture	94.508	166	.000	4.04192	3.9575	4.1264
Incentives and organic remuneration systems	80.483	166	.000	4.47305	4.3633	4.5828

From the findings development and approval of the proposal plans affects performance of small and medium enterprises to a very great extent (mean=4.6407), encouragement of employees affects performance of small and medium enterprises to a very great extent (mean=4.4731), and that participative and team-based leadership method affects performance of small and medium enterprises to a very great extent (mean=4.4311). Further, respondents indicated that incentives and organic remuneration systems affects performance of small and medium enterprises to a great extent (mean=4.3174), budgetary allocation affects performance of small and medium enterprises to a great extent (mean=4.1916), and that organizational learning culture affects performance of small and medium enterprises to a great extent (mean=3.9820). It is therefore clear that management commitment and support has a significant effect on the affects performance of small and medium enterprises through their ability to make development and approval of the proposal plans encouragement of employees affects performance and participative and team-based leadership method. The t- test value for all the metrics of management commitment and support lied on the rejection area which is outside the lower limit and upper limit. Hence the rejection of the null hypothesis that there is no association between management commitment and support and performance of SMEs, this leads to the acceptance of the alternative hypothesis that there is an association between management commitment and support and performance of SMEs. The association is not significant as indicated by the significance of .000 which is less than the p-value of 0.05. This is a clear indication that management commitment and support has a significant effect on the performance of SMEs in Nairobi Central Business District, Kenya

4.5 Performance Measures of SMEs

Results on the effect of strategic agility on performance in enabling SMEs to know whether the strategies they had undertaken had enabled them to achieve its objectives. The findings are shown in Table 4.6:

Table 4.11: Performance Measures of SMEs

	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Increased customer satisfaction	64.511	166	.000	4.34132	4.2085	4.4742
Increased market share	64.555	166	.000	4.29341	4.1621	4.4247
Innovativeness of the SME in comparison with major competitors	108.164	166	.000	4.78443	4.6971	4.8718
SME effectiveness (the relative quality of the products, success in the provision of new products, and the ability of the organization to keep the customers)	62.535	166	.000	4.10180	3.9723	4.2313
Increased profits	56.986	166	.000	4.00599	3.8672	4.1448
Efficiency	33.319	166	.000	3.31138	3.1152	3.5076

The finding indicate that adoption of strategic agility in SME result to SME in comparison with major competitors (M=4.78443). The respondents noted that the knowledge management strategies enable the SMEs increase customer satisfaction (M=4.34132); market share (M=4.29341); SME effectiveness (the relative quality of the products, success in the provision of new products, and the ability of the organization to keep the customers) (M=4.10180); profits (M=4.00599) and efficiency (M=3.31138). From the finding it can be concluded that strategic agility in SME result to efficiency, effectiveness, increase in profits and customer satisfaction. In addition, strategic agility also increases market share in SME.

4.6 Strategic Agility and Performance of Small and Medium Enterprises in Nairobi Central Business District, Kenya

Regression analysis was used to ascertain the relationship between the variables. The scores for the study variables were obtained by transforming and computing the variables using the SPSS whereby all the parameters representing each variable were collated to a single variable which was then used to run the regression analysis.

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.921 ^a	.849	.845	.04131

Dependent Variable: performance

Predictors: (Constant), organization structure and policies, discontinuous innovation, human capital and management commitment and support

The R^2 was used to establish the predictive power of the study model and it was found to be 0.845 implying that 84.5% of strategic agility enablers and performance of small and medium enterprises in Kenya is affected by the following variables; organization structure and policies, discontinuous innovation, human capital and management commitment and support leaving 15.5% unexplained. They create both long-term enduring excellence and at the same time enable short-term dynamic performance

Table 4.13: ANOVA of the Regression

	Sum of Squares	df	Mean Square	F	Sig.
Regression	195.568	4	48.892	9.44956	0.000817
Residual	838.188	162	5.174		
Total	1,033.756	166			

Dependent Variable: performance

Predictors: (Constant), organization structure and policies, discontinuous innovation, human capital and management commitment and support

The significance value of 0.000 shows that the relationship between the variables was highly significant in determining how organization structure and policies, discontinuous innovation, human capital and management commitment and support affects performance of small and medium enterprises in Kenya. The F calculated at 5 percent level of significance was 9.44956. Since F calculated is larger than the F critical (with a value of value 2.4495), this implies that the general model was significant.

Table 4.14: Coefficients of Determination

	Un-standardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	3.77	0.451		8.359202	0.004
organization structure and policies	0.473	0.073	0.045	6.479452	0.005
discontinuous innovation	0.463	0.079	0.126	5.860759	0.001
human capital	0.782	0.121	0.146	6.46281	0.003
management commitment and support	0.532	0.073	0.142	7.287671	0.004

a. Dependent Variable: performance

The established model for the study was:

$$Y = 3.77 + 0.782 X_1 + 0.463 X_2 + 0.473 X_3 + 0.532 X_4$$

The regression equation above has established that taking all the agility enablers into account (organization structure, discontinuous innovation, human capital and management commitment and support) constant at zero performance in small and medium enterprises in Kenya is 3.77. Further, taking all other independent variables constant, a unit change in the organization structure would result in a 0.473 change in performance and a unit change in the scores of discontinuous innovation would lead to a 0.463 change in the performance of small and medium enterprises. In addition, a unit change in human capital would lead to a 0.782 change in performance in small and medium enterprises. The study also found that a unit increase in the score of management commitment and support will lead to 0.532 increase in score of

performance in small and medium enterprises. Overall, human capital had the greatest effect on the on the performance of small and medium enterprises in Kenya; followed by management commitment and support, discontinuous innovation and organization structure in order of reducing effect. All the variables were significant ($p < 0.05$).

4.7 Discussion on Findings

The study revealed that organizational structure and policies have a significant effect on the performance of SMEs in Nairobi Central Business District, Kenya. The study also established that discontinuous innovation has a significant effect on the performance of SMEs in Nairobi Central Business District, Kenya. Further the study established that human capital has a significant effect on the performance of SMEs in Nairobi Central Business District, Kenya. In addition, the study revealed that that management commitment and support has a significant effect on the performance of SMEs in Nairobi Central Business District, Kenya. In tandem with the study findings Waweru, (2016) undertook a study on strategic agility enablers and performance of small and medium enterprises in Kenya. The study found that organisation structure, discontinuous innovation, human capital, management commitment and support, information technology integration and operational processes effectiveness affects the performance of small and medium enterprises in Kenya. The study also found that discontinuous innovations such as experimentation with new ideas and exploration of new paradigms affect performance of small and medium enterprises in Kenya. The study found that staff skills, attitudes, experience and competence are very significant in the performance of small and medium enterprises.

Further, the results findings tally with the findings of Kinako (2016) who did a study on agility strategies and competitive advantage of insurance companies in Kenya. The researcher found out that human resource management and product design are total quality management strategies adopted by most of the insurance companies in Kenya affects to a great extent competitive advantage. The study findings also established that most companies are always pro-active and take the 1st step and also have flexible and easily adapts to changes in the environment in order to adjust its competitive a advantage. The study concludes that agility strategies affect competitive advantage of insurance companies in Kenya. The study further concludes that the insurance companies have put in place four major agility strategies namely; innovativeness,

operation dexterity, total quality management and resource fluidity in order to improve its competitive advantage.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary of findings, the conclusions and recommendations based on the objective of the study. The objectives of this study were to determine the strategic agility enablers among small and medium enterprises in Kenya and to establish the effect of strategic agility enablers on performance of small and medium enterprises in Kenya.

5.2 Summary of Key Findings

The study revealed that the t- test value for all the metrics of organizational structure and policies lied on the rejection area which is outside the lower limit and upper limit. Hence the rejection of the null hypothesis that there is no association between organizational structure and policies and performance of SMEs. This leads to the acceptance of the alternative hypothesis that there is an association between organizational structure and policies and performance of SMEs. The association is not significant as indicated by the significance of .000 which is less than the p-value of 0.05. This is a clear indication that organizational structure and policies have a significant effect on the performance of SMEs in Nairobi Central Business District, Kenya

The study also established that the t- test value for all the metrics of discontinuous innovation lied on the rejection area which is outside the lower limit and upper limit. Hence the rejection of the null hypothesis that there is no association between discontinuous innovation and performance of SMEs, this leads to the acceptance of the alternative hypothesis that there is an association between discontinuous innovation and performance of SMEs. The association is not significant as indicated by the significance of .000 which is less than the p-value of 0.05. This is a clear indication that discontinuous innovation has a significant effect on the performance of SMEs in Nairobi Central Business District, Kenya

Further the study established that the t- test value for all the metrics of human capital lied on the rejection area which is outside the lower limit and upper limit. Hence the rejection of the null hypothesis that there is no association between human capital and performance of SMEs, this leads to the acceptance of the alternative hypothesis that there is an association between human

capital and performance of SMEs. The association is not significant as indicated by the significance of .000 which is less than the p-value of 0.05. This is a clear indication that human capital has a significant effect on the performance of SMEs in Nairobi Central Business District, Kenya

In addition, the study revealed that the t- test value for all the metrics of management commitment and support lied on the rejection area which is outside the lower limit and upper limit. Hence the rejection of the null hypothesis that there is no association between management commitment and support and performance of SMEs, this leads to the acceptance of the alternative hypothesis that there is an association between management commitment and support and performance of SMEs. The association is not significant as indicated by the significance of .000 which is less than the p-value of 0.05. This is a clear indication that management commitment and support has a significant effect on the performance of SMEs in Nairobi Central Business District, Kenya

The study revealed that taking all other independent variables constant, a unit change in the organization structure would result in a 0.473 change in performance and a unit change in the scores of discontinuous innovation would lead to a 0.463 change in the performance of small and medium enterprises. In addition, a unit change in human capital would lead to a 0.782 change in performance in small and medium enterprises. The study also found that a unit increase in the score of management commitment and support will lead to 0.532 increases in score of performance in small and medium enterprises. Overall, human capital had the greatest effect on the on the performance of small and medium enterprises in Kenya; followed by management commitment and support, discontinuous innovation and organization structure in order of reducing effect. All the variables were significant ($p < 0.05$).

5.3 Conclusion

The study concludes that organisation structure affects performance of small and medium enterprises firms in Kenya mainly through business units, coordination between departments, hierarchical arrangement of lines of authority and functional coordination. The study also concludes that discontinuous innovations such as experimentation with new ideas and exploration of new paradigms affect performance of small and medium enterprises in Kenya.

The study further concludes that staff skills and attitudes, team work, experience and competence are very significant in the performance of small and medium enterprises. This also concludes that management commitment and support has a significant effect on the affects performance of small and medium enterprises firms through their ability to make bold decisions fast and the development and approval of the proposal plans. As found by Mason (2010) there exists a connection between internal overall performance and operational agility enablers in active and vague circumstances. In addition, he indicated that there is a link between markets related overall performance and operational agility in general performance in similar situations. In the other words, the agility drivers are the changes which happen in an environment and stimulate a firm to revise the current strategy, admit the need to become agile and consider the agility as a method of attaining the desired outcomes, survival, and progress.

5.4 Recommendations for theory, policy and practice

The study recommends that the management of small and medium enterprises should put in place cost-effective measures for timely risk identification and effective risk mitigation so as to ensure that their financial performance is not impacted negatively. The study also recommends that the management of small and medium enterprises should continuously assess their risk management practices to see if they are still practical in the face of a continuously changing operating environment, for instance the new regulatory pressures of solvency and Basel regulatory regimes.

Academic qualifications and work experience should be considered during selection. Small and medium enterprises should also reward length of service as a retention strategy aimed at building work experience. Intensive training programs aimed at imparting job related skills should be designed after proper needs assessment has been done. Such training programs should also be offered regularly. Organizing as many relevant short courses as possible with an aim of imparting job-specific skills would enhance the human capital base.

The research results showed that human capital significantly influences firm performance. The implication of this to the practice is that building a firm's human capital is an effective strategy for improving small and medium enterprises performance. Small and medium enterprises should

strive at increasing their human capital because high human capital can generate superior organizational outcomes. The human resource professionals can help their respective organizations in achieving this by embracing rigorous selection procedures and matching the right people with the right jobs.

The study further recommends that small and medium enterprises should enhance the quality of strategic decisions by obtaining as much information as possible through their social networks. The quality of strategic decisions depends on the amount of human capital possessed by the social networks whose input organizations heavily rely on.

5.5 Implications for Theory, Policy and Practice

The management should leverage information technology in risk management by installing information systems that can carry out risk assessment & measurement more accurately and for monitoring their risk management programs for effectiveness. This should further be complimented by training of employees on risk management policies of the firm, with clearly defined roles and responsibilities for risk management.

The study additionally recommends that Small and medium enterprises should develop vigorous IT-enabled modernization strategies to help come up with persuasive new customer experiences, services, products and business models. In addition, and with regards to compensation, innovative companies were suggested to give top Research & Development executive's salaries that are competitive within the industry since it encourages them to accept the high risks associated with innovative environments.

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5.6 Limitation of the Study

Due to confidentiality, the researcher encountered unwillingness by participants to reveal information which was classified as confidential. This was overcome by carrying an introduction letter from the university showing it is an academic work and assuring the respondents of confidentiality since they were not required to write their names in the questionnaire. The researcher also encountered a challenge in securing the employees precious time considering their busy working schedules.

The researcher was forced to make prior plans with representatives to avail themselves for the study off-time hours and in addition encouraging the workers on the estimation of the study. The researcher additionally needed to practice most extreme persistence and mind and in perspective of this the scientist needed to bend over backward conceivable in order to procure adequate information from the participants.

The study focused on agility and performance which was mostly on financial performance but not non financial performance i.e. it did not look at both and this limited the study

This study was limited to SMEs in Nairobi CBD and thus it cannot be generalized to other SMEs in different geographical setting.

The study sample was not homogenous since it studied SMEs dealing with different businesses. It could have been more robust if the study could have had a homogenous sample and this limited the study findings

5.7 Suggestion for Further Research

This study did not include all the firms in the small and medium enterprises industry so a further study is recommended that another study should be done to influence of strategic agility on performance of other organizations on different industries rather than the small and medium enterprises. Examples of such industries like hospitality and banking industries would be ideal.

Since there is a 15.5% error term, other studies should work at other factors not tackled by the study. The study can be done by focusing on different variables not tackled in this study. Future studies should also consider employing secondary sources of data to collect data for their studies. This would be time saving and would also facilitate detailed information collected from original

sources which would as well give reliable and accurate results that explain the details of the subject.

Studies would also be undertaken on areas of the determinants of the small and medium enterprises' growth as well as the factors affecting its efficiency in service delivery and operations. Also future researchers should consider evaluating the relationship between different agility enablers and the operational efficiency of the small and medium enterprises in Kenya.

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APPENDICES

Appendix I: Research Questionnaire

This questionnaire is to collect data for purely academic purposes. All information will be treated with strict confidence. Do not put any name or identification on this questionnaire. *Answer all questions as indicated by either filling in the blank or ticking the option that applies.*

Section A: Background Information

1. Name of the Company.....
2. How many years has the firm operated?(Tick one)
 - a) Less than 5 ()
 - b) Between 5-10 ()
 - c) Between 11-20 ()
 - d) Above 20 ()
3. How many branches does the company have in Kenya? (Tick one)
 - a) Less than 5 ()
 - b) Between 5-10 ()
 - c) Between 11-20 ()
 - d) Above 20 ()

Section B: Strategic Agility and Performance

Organizational Structure and Policies

4. To what extent do the following Organizational Structure and Policies of strategic agility relate to organizational structure affect performance in your organization?

	Very great extent (5)	Great extent (4)	Moderate extent(3)	Little extent (2)	Not at all (1)
Organizational flexibility					
Functional coordination					
Business units					
Coordination between departments					

Number of hierarchical levels					
Hierarchical arrangement of lines of authority					

Discontinuous Innovation

5. What are some of the innovations adopted by your company for the last five years in its endeavour to continuously and adequately adjust and adapt in appropriate time in relation to changing circumstances

.....

6. Please indicate the extent that the following Discontinuous Innovation enablers of strategic agility related to innovativeness affect the performance of your company in the event that it wants to change tactics?

	Very great extent (5)	Great extent (4)	Moderate extent(3)	Little extent (2)	Not at all (1)
Experimentation with new ideas					
Exploration of new paradigms					
Pursuit of new strategies					
Exploration of new knowledge					
Product development					
New business models					

Human Capital

7. To what extent do the human resource personnel as an enabler of strategic agility affect the performance at your organization and its ability to transform and renew the organization without losing momentum?

- Very great extent []
- Great extent []
- Moderate extent []
- Little extent []
- Not at all []

8. To what extent do the following human resource personnel as an enablers of strategic agility related to human capital affect performance in your organization?

	Very great extent (5)	Great extent (4)	Moderate extent(3)	Little extent (2)	Not at all (1)
Employee Competences					
Employees Behaviors					
Staff Experience					
Skills and attitude					
Teamwork					
Cooperation with suppliers as well as customers					

Management Commitment and Support

9. To what extent do the management commitment and support as an enabler of strategic agility affect the performance at your organization and its ability to transform and renew the organization without losing momentum?

Very great extent []

Great extent []

Moderate extent []

Little extent []

Not at all []

10. To what extent do the following management commitment and support as an enablers of strategic agility related to human capital affect performance in your organization?

	Very great extent (5)	Great extent (4)	Moderate extent(3)	Little extent (2)	Not at all (1)
Development and approval of the proposal plans					
Encouragement of employees					
Participative and team-based leadership method					
Budgetary allocation					
Organizational Learning culture					

Incentives and organic remuneration systems					
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Section C: Performance Measures of SMEs

11.To what extent has the adoption of strategic agility by your firm influence the following performance measures. Use 1-Not at all, 2-Small extent, 3-Moderate extent, 4- Great extent and 5-Very great extent.

	Greatly Improved (5)	Improved (4)	Constant (3)	Decreasing (2)	Greatly decreased (1)
Increased customer satisfaction					
Increased market share					
Innovativeness of the SME in comparison with major competitors					
SME effectiveness (the relative quality of the products, success in the provision of new products, and the ability of the organization to keep the customers)					
Increased profits					
Efficiency					