

**THE INFLUENCE OF ORGANIZATIONAL AGILITY ON PERFORMANCE OF SMES
IN NAIROBI COUNTY**

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DECLARATION

I, the undersigned, declare that this research project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

Signature:



Date: 8 December 2021

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This research project has been submitted for examination with my approval as university supervisor.

Signature



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DEDICATION

This project is dedicated to my parents for their encouragement and prayers which have motivated me in life and in doing this project.

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First, I am thankful to God for seeing me through every step of this study. I am also thankful to my supervisor Dr Mercy Munjuri and moderator Prof. Bitange Ndemo for invaluable and insightful support and guidance that has facilitated the conduct and successfully completion of this project.

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LIST OF ABBREVIATIONS AND ACRONYMS

SMEs	Small and Medium Enterprises
GDP	Gross Domestic Product
CSF	Critical Success Factors
RBT	Resource Based Theory
ERP	Enterprise Resource Planning
IT	Information Technology
CEOs	Chief Executive Officers

ABSTRACT

The business environment continually changes and if firms do not adjust to the fast changing needs of consumers, the changing competitive landscapes, and the need to acquire competent talent, their operations could be unprofitable. Given the unpredictable nature of the business environment, organizations are expected to be agile. There is a need for SMEs to rapidly and proactively identify and adapt to changes in the environment to mitigate the risk of being out-done by their competitors and to serve their customers well. This research investigated the link between organizational agility and performance of SMEs in Nairobi County. Judgemntal sampling design was used and a sample size of 99 SMEs was selected from which 84 fully completed questionnaires were gathered and data analyzed. Employee engagement has a positive and significant influence while IT systems adoption and customer engagement were noted to have insignificant negative effects on SMEs performance. It was noted that 99.2% change in SMEs performance was explained for by change in employee engagement. The study recommends that top management should ensure employee commitment and locality which will then transcend to improved services delivery to their clients. However, IT adoption and customer engagement should not be avoided but their implementation should start with equipping employees with skills and competencies to not only meet customers' expectations – but exceed them.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The environment in which business organizations conduct their activities is continually evolving, increasingly unpredictable, turbulent, and complex (Uhl-Bien & Arena, 2017). Businesses ought to be dynamic and adopt management practices oriented towards agility. Firms have to rapidly respond by adopting strategies that equip their personnel, invest in technology, and research to compete favorably to manage uncertain situations. Agile organizations have structures, information systems, and personnel to respond to market variations and probable disruptions through their conversion into competitive opportunities. Garcia-Alcaraz et al. (2020) opine that agility is mandatory for ensuring the business thrives and expands with customer satisfaction as the core pillar.

Irrespective of a firm's size, industry, or age, the concept of organizational agility cannot be ignored. These businesses operate in open systems where interactions with other businesses and stakeholders present diverse challenges and uncertainties that ought to be handled to guarantee business continuity (Arokodare, Asikhia & Makinde, 2019). Strategic agility enables businesses to respond to global trends as it enables firms to continually and adequately adjust to the business environment that is both very unpredictable and uncertain (Weber & Tarba, 2014). In the same breath, Aminattalab and Ansari (2016) posit that a company's performance is dependent on its strategic agility approaches towards its rivals, clients, suppliers, partners, and government policies. This proposal was anchored on two basic theories; contingency and dynamic capabilities theories. The dynamic capabilities theory posits that firms are obligated to incorporate, build, and reconfigure their internal and external competencies to respond effectively and efficiently to the

fast evolving business environment. On the other hand, the contingency theory was proposed by Tosi and Slocum (1984) and posits that the best solution to a problem depends on diverse aspects such as the environment, technology, and people involved. Thus, this study adopts an open systems approach where SMEs interact with other factors and participants in the business environment besides drawing the resources to achieve their goals from the same environment.

Small and medium enterprises (SMEs) are an important sector in the growth and development of any economy in the world. For instance, in the European Union's businesses, 99% were SMEs and contributed 84% of the jobs created between 2002 and 2012. Across the Asian Pacific, 90% of all businesses are SMEs and account for more than 60% of the labor force (Waithaka, 2017). The World Bank (2015) emphasized the significance of SMEs in developing countries economic growth – up to 45% of the labor force and accounted for more than a third of gross domestic product (GDP). In Kenya, SMEs contribute 22.8% to GDP, and 85% of new jobs created annually arise from SMEs and the informal sector. These firms face many challenges, including inadequate technical skills and training, restrictive requirements for capital, and continually changing technology, among others (Makori, 2013). Like all other organizations, SMEs that are not agile enough to respond to these changing dynamics would not survive the rivalry in the market.

1.1.1. Organizational Agility

Organizational agility is a firm's ability to swiftly adjust its structures, reconfigure resources before responding to the emerging developments in the business environment to safeguard business continuity. Lu and Ramamurthy (2011), in their study they viewed organizational agility from two standpoints. First, market capitalizing agility is a company's ability to swiftly respond and capitalize on changes through an assessment and swift improvement of both product and service offered to clients. Secondly, operational adjustment agility focuses on the businesses'

internal activities and how they are positioned to cope with the dynamic business environment through innovative initiatives (Cheng, Zhong & Cao, 2020).

Organizational agility enables organizations to forecast and proactively institute measures that cushion them against the turbulence and complexities in the business environment. Chakravarty, Grewal, and Sambamurthy (2013) discuss two forms of organizational agility; entrepreneurial and adaptive dimensions. Entrepreneurial agility entails anticipating and seizing market opportunities proactively, thus allowing the organization to modify its positions and strategies to attain a competitive advantage. The adaptive dimension arises as a reaction to the disruptive market forces to improve the existing business processes and adapt to challenges posed by the market.

On the other hand, Sharifi and Zhang (1999) categorized agility into three facets; drivers, enablers (capabilities), and providers. Driver is a reference to the market changes, including competition, social factors, and technological changes. Enablers help a firm manage environmental changes while providers are the measures to achieve the capabilities – technology, people, and innovation. However, for this study, entrepreneurial and adaptive dimensions of organizational agility were adopted to measure the degree of agility of the SMEs using a 1-5 Likert Scale.

1.1.2. Organizational Performance

Organizational performance is a common standard used to evaluate firms, and it encompasses multiple aspects, including efficiency, effectiveness, and efficacy (Provan & Sebastian). However, Venkatraman and Ramanujam (1986) is an affirmation that performance comprises financial metrics (profitability and sales growth), business performance (quality of the product and market share), and organizational effectiveness (employee morale and customer satisfaction). In measuring organizational performance, there is a need to have a standardized measure. However, performance indices vary depending on the objectives and needs. Kaur and Kumar (2014) state

that the performance of an entity relates to the extent to which objectives, customer needs, and employee needs are achieved.

Organizational performance is an aspect that many firms grapple with to improve, and thus, different strategies are undertaken to increase market share, profits, client satisfaction, and/or augment their efficiency in operations. A firm's performance is a function of multifaceted variables; managerial capabilities, technological, and capability to quickly and accurately respond to environmental uncertainties. Some authors infer that innovativeness is a core aspect in enhancing firm performance in light of the tumultuous and highly unpredictable business environment. Calli and Calli (2021) argue that despite the diverse challenges businesses face, organizational performance can be improved by offering value-added products and services to customers, being effective and efficient in customer and supplier relationships, and strengthening their digital capabilities.

1.1.3. SMEs in Nairobi County

SMEs are firms whose definition varies depending on variables such as the number of employees, turnover per year, or a combination of both. Firms with 11-50 employees are considered small, while medium-sized enterprises have 51-250 employees (Osano, 2019). Nairobi County is an important economic hub in Kenya, and understanding SMEs' agility in an innovation-driven global economy is paramount; firms need strong local capabilities and linkages with global partners to gain and sustain competitive advantage (Osana, 2019). SMEs need to be agile in light of global pandemics, increased competition, advancements in technology, and declining trade barriers. Agility enables SMEs to focus on looking for funding and critical success factors (CSF) to compete within a given market. Kojic, Jaksic, and Marinkovic (2013) argue that African SMEs can improve chances of competing internationally by developing better quality goods and services while also

understanding and responding to customers' needs. In Kenya, the constitution grants county governments the mandate to regulate trade and development functions. Aspects such as markets, trade licenses, cooperative societies and, fair trading practices are devolved, meaning that counties play an integral role in SMEs growth.

A report by the Capital Markets Authority (2020) on corporate governance of SMEs in Kenya indicated that to be resilient, these enterprises had boards of management (90.4%) whose aim was to develop strategic plans to enhance long-term success and sustainability. Among the challenges that SMEs in Nairobi face, according to Kenya's Economic Outlook report by Deloitte (2016), inadequate capital, rapid changes in technology, and inadequate technical skills and training ranked top. To combat these challenges and remain competitive, these SMEs need to adopt agile strategies to enhance flexibility and responsiveness to the uncertain business environment. Kedogo (2013) noted that Nairobi and Mombasa have the highest proportion of SMEs (61%) in the country; thus, investigating the status of these firms is justifiable as they contribute immensely to Kenya's GDP and job creation.

1.2. Research Problem

Agile organizations quickly sense and respond to uncertainties in the market to maintain and improve their performance, while companies that lack agility lose their market share to competitors (Lee, 2004). It is an accepted fact that the turbulence in the business environment is unpredictable, and this means that without effective response to these uncertainties in the marketplace, firms' performance becomes suboptimal (Chakravarty, Grewal & Sambamurthy, 2013). Organizational agility ensures that a firm's performance is maintained or improved by making the organization resilient to upheavals in the environment, adaptable, innovative in using new business models and ultimately augmenting their productivity (Chirchir, 2015).

Kiraka, Kobia, and Katwalo (2013) noted that SMEs in Kenya operate in a highly volatile environment – bombarded with technological changes, globalization, and short product cycles. To remain competitive and enhance their survival, the authors suggested that the formulation and implementation of agile business practices were paramount for SMEs in Kenya. Deloitte Kenya (2018) indicated that 46% of SMEs in Kenya close their business within a year of starting, with another 15% closing up in the subsequent year. Lack of organizational agility has been attributed to these business failures. Wangui (2020) notes that businesses that do not keep up with the pace of technological changes, have inadequate technical knowledge and skills, and fail to respond to varying stakeholder needs are poised for failure.

Qosasi et al. (2019) studied SMEs' developing a competitive advantage and organizational agility of clothe retailing in Indonesia and noted that ICT could help SMEs transform their operations, become agile, and attain competitive advantage. The study focused on a narrow scope of enterprises whose findings may not be generalizable to other businesses. Govuzela and Mafini (2019) analyzed South African business best practices, organizational agility, and SMEs' performance in South Africa. The authors found out that collaborative innovation, technology capability, organizational learning, and internal alignment positively and significantly influence agility, influencing business performance. The authors do not distinguish the different organizational agility dimensions – a gap this study intends to fill. Kessio (2017) investigated the connection between SMEs' strategic agility and performance in Nairobi. The author used purposive sampling and descriptive research design to analyze the data from the SMEs and concluded that innovativeness and investment in human capital are core determinants of SMEs' performance. The study's limitation relied on financial metrics as measures of organizational performance.

Kitur (2020) investigated the relationship between the performance of tours and organizational agility and travel companies in Nairobi. The author used a descriptive research design and noted that promoting creativity, the emotional well-being of employees, and adopting technology enhance a firm's agility, which positively influences organizational performance. The limitation of the study is that it had a narrow scope of companies. Chirchir (2015) analyzed Kenya Ports Authority's association between organizational agility and operational productivity. The author found a significant positive link between agility factors and operational productivity. The study's limitation is that there is no distinction between agility adaptive and entrepreneurial agility factors, so it is unclear whether these need to be reactive or proactive when implemented in organizations. While these researches have analyzed the connection between organizational agility and organizational performance, none of them shows a distinction between adaptive and entrepreneurial agility factors and their influence on the organizational performance of SMEs. To fill this gap, this study intended to answer this question; What is the influence of organizational agility on performance of SMEs in Nairobi County?

1.3. Research Objectives

This study's general objective was to establish the influence of organizational agility on the performance of SMEs in Nairobi County.

1.4. Value of the Study

Scholars will find this study useful as it contributes to the theoretical literature on the relatively unexplored topic of organizational agility. The study relied on existing theoretical assertions and critically reviewed evidence-based studies to act as a solid ground for future studies on the concepts of agility and performance. This study also contributes to strategic management by linking theory and practice, especially regarding agility and performance. The fact that few studies

have been done on these variables in Kenyan SMEs implies that the study is an important reference for future studies. The findings in this study solidify the existing theoretical assertions and provide a basis for subsequent comparative or cross-national studies on agility and performance.

The study is expected to inform policy and strategy formulation among SMEs, especially on strategic measures to buffer themselves against the tumultuous business environment. Aspects such as product and service development, quality, flexibility in responding to customer and employee needs were the basis for policy recommendations. Adaptive and entrepreneurial dimensions of organizational agility are further explored to build on existing literature and help businesses become more efficient in their operations.

The uncertain business environment in which firms operate requires creativity, innovativeness, and adoption of strategic management practices, making organizations flexible, agile, and competitive. This study forms a basis for improvements in organizational management concerning the formulation of agile strategic plans, adoption of technology, people management, and other principles that enable firms to predict and counter shocks in the business environment. The need for adopting predictive and proactive approaches in decision-making coupled with flexibility, high-skilled, and adaptable workforce are some of the strategic management practices explored.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

An aspect that has received recognition as central to firms' ability to compete favorably in highly unclear, competitive, or explosive environments is organizational agility. This aspect is vital for firms in unpredictable business environments as it permits them to forecast and rapidly react to unpredicted developments in the environment (Teece, Peteraf, & Leih, 2016). While there are multiple scholarly publications on organizational agility, literature on its relationship with performance, especially in the SMEs sector, is scanty. This chapter discusses the theoretical and empirical literature followed by the conceptual review, literature review summary, and research gaps.

2.2 Theoretical Review

Organizational agility is not innate to firms; it has to be developed by deploying resources, incurring costs, and managing interrelationships among different stakeholders. The proposed study was anchored on three theories to support the study; resource-based theory, dynamic capabilities theory, and contingency theory.

2.2.1 Resource-Based Theory

Barney (1991) and Wernerfelt (1984) provide a clear case of the significance of this theory by arguing that organizations gain competitive advantage through using diverse resources that are rare and that such firms can sustain competitive advantage when the said resources are inimitable or non-substitutable by competitors. This theory notes that possessing the resources alone is not sufficient; organizations need to leverage their internal capabilities to respond to the changing economic environment to be agile (Badrinarayanan, Ramachandran & Madhavaram, 2019).

According to this theory, firms achieve a competitive advantage by possessing valuable and rare resources and competencies that are not easily imitable and hard to substitute by the competitors. By possessing these resources and capabilities, firms can deploy them and attain superior performance relative to their competitors.

While this theory is applicable to this study as it can inform the acquisition and deployment of strategic resources, it is critiqued for only focusing on firms that want to achieve competitive advantage. Another limitation of this theory is that it places little emphasis on its capabilities to utilize its resources to attain a competitive advantage. The theory provides insufficient information on how managers acquire these resources and orchestrate them by leveraging their capabilities to augment organizational productivity, agility, and competitiveness (Sirmon, 2011). However, to stay competitive, SMEs need to adjust to the changing business environment by using diverse resources, including technology, human resources, and their networks with other industry players. These assertions imply that the propositions of the RBT would enable SMEs to capitalize on the resources and capabilities they have to become agile and perform better.

2.2.2 Contingency Theory

The contingency theory was initiated in 1964 by Fiedler, who argued that an optimal course of action relies on the internal and external situations of an organization. This assertion implies that inter and intra-organizational factors are vital in how a firm is prepared to respond to the environment's unexpected changes. The contingency theory attempts to comprehend the interrelationships within and among a firm's subsystems and the way the organization as a whole interacts with the business environment in which it operates (Weill & Olson, 1989). The underlying assumptions of this theory include; that the better fit between the firm's subunits and the environment, the better the performance; that performance is measured using financial

measures only; and that causal inference is made amid the respective variables, even though the deterministic causal model may not be applicable. The suggested theory mirrors the current study as it considers firms operating in an open system where information and resources are exchanged through the input-process-output approach.

In the case of SMEs, the input encompasses the internal and external variations; the process encompasses firms' responses to these changes and the outputs as results or performance of the firms based on responses to these variations in the environment. The contingency theory is critiqued for lack of clarity as there are no concrete contingent variables that organizations have to focus on to improve their performance. The theory was also criticized for being simplistic and adopting a deterministic approach that cannot solve circular problems (Weill & Olson, 1989). However, the continued interest in research on organizational agility and performance validates the assumptions of the contingency theory, especially regarding the need to identify diverse environmental factors that firms have to focus on to achieve a competitive edge.

2.2.3 Dynamic Capabilities Theory

David Teece, Amy Shuen, and Gary Pisano (1994) originated the dynamic capabilities theory as an extension of the Resource-Based View. The theory explains the development and redevelopment of resources and competences towards addressing a business environment that is constantly changing. The theory surpasses the norm that success in firm hinges on sustainable management and its acquisition of valuable, inimitable, rare, and non-substitutable resources. Dynamic capabilities theory requires a firm to constantly adapt to the ever-changing business environment, where they understand when to expand, retreat or be constant. Different scholars hold different perceptions and ideologies concerning dynamic capabilities theory, which has resulted in the absence of a consensus on what is right or wrong.

This theory is suitable for this study because it explores how firms can survive when faced with numerous market and competitive uncertainties. As illustrated, the business environment is ever-changing; such change cannot be prevented due to legal or competitive reasons. The agility for an organization in grasping opportunities and letting go of potential errors requires a high level of dynamism, which can be best presented in this theory. SMEs can anchor their operations on the dynamic capabilities theory by adopting innovative measures that would enable them to predict the future or promptly respond to the constantly changing business environment to attain a competitive advantage and improve their performance.

2.3 Forms of Organizational Agility

Organizational agility entails identifying opportunities, seizing them, and acting on them with dynamic capabilities to attain competitive advantage. Lee et al.'s (2009) work conceptualized organizational agility as a two-dimensional dynamic capability; entrepreneurial agility and adaptive agility. The former entails anticipating and seizing market opportunities proactively. This approach ensures that a firm can modify its approaches and positioning to gain first-mover advantages in the changing business environment. The latter involves detecting and responding defensively to market dynamics by protecting the organization and remaining resilient to recover from disruptions in the external business environment. As Chakravarty, Grewal, and Sambamurthy (2013) note, IT competencies enable organizations to react to opportunities and challenges irrespective of whether the feedback is proactive or reactive.

Park (2011) identifies three forms of organizational agility; decision-making agility, sensing agility, and acting agility. Sensing agility entails inspecting and monitoring events and variations in the business environment timely. The variations in the environment could entail customer preferences, competitors' strategies, and technological changes. Decision-making agility, on the

other hand, involves collecting, accumulating, restructuring, and evaluating relevant market information from multiple sources to support their impact on the business instantly. The aim is to reconfigure the organization's resources to reflect maximum opportunities and minimize the environmental threats to the firm's productivity. Acting agility, also called practicing agility, refers to a combination of activities essential in re-assembling resources within an organization accompanied by modification of business processes in light of the decision-making agility to handle changes in the business environment.

Lu and Ramamurthy (2011) recognize two categories of organizational agility; market capitalizing agility and operational adjustment agility. The former refers to an organization's ability to rapidly respond to and benefit from changes through continuous monitoring and rapidly improving products/services to satisfy customers' needs. This form of agility is entrepreneurial, growth-oriented, and change-embracing strategy in uncertain business environments. However, operational adjustment agility deals with a firm's internal business processes that manage environmental changes. There is a rapid and fluid translation of innovative approaches to achieve speedy execution or implementation based on the prevailing changes in the business environment.

2.4 Measures of Firm Performance

Financial performance, which assesses the attainment of a company's economic goals, has been an area of interest in strategic management research (Barney, 2002). However, market-based performance measures are adopted to assess firm performance in recent financial theories and through shareholder activism and the need to focus on shareholder value maximization. Gentry and Shen (2010) distinguish between two forms of firm performance; accounting measures (such as ROA, ROE, and ROI) and market-based measures (such as market to book value, Tobin's Q, Market capitalization). Researchers view accounting measures as past or not long-term financial

performance reflections and market measures as prospective or long-term financial performance. While studies have shown both the pros and demerits of these measures of firm performance, many management researchers adopt both of them as valid measures of firm performance.

Santos and Brito (2012) note that the relevance of firm performance in strategic management research hinges on its frequent use as dependent variable. However, irrespective of this construct's relevance, there is hardly any consensus on the best approach to measure it. These authors propose a model for measuring firm performance that encompasses first-order dimensions (growth, employee satisfaction, customer satisfaction, profitability, social and environmental performance). The second-order dimension entails financial and strategic performance (which are essentially groupings from the first-order dimension).

Taouab and Issor (2019) categorize firm performance measures into financial and non-financial approaches. The authors argue that using composite measures that encompass these approaches presents more information to aid in decision-making. For instance, the balanced scorecard, the performance prisms (that entails capabilities, stakeholder satisfaction and contribution, and processes and strategies), the Malcolm Baldrige Model, and finally, the performance pyramid. In this study, the performance of SMEs was measured using a combination of financial and non-financial aspects using factors derived from some aforementioned models/dimensions.

2.5 Organizational Agility and Organizational Performance

Cegarra-Navarro, Soto-Acosta & Wensley (2016) investigated the link between firm performance and organizational agility through knowledge application or product development. The study relied on data from Spanish companies as the target population. One hundred employees that utilized the Editran tool, which is recognized as a communication platform for data networks and internet operations, helped ensure both validity and reliability of the collected data. The findings

held that agility in any organization had a close link and influence on product development and performance. The product dictated how organizations reacted to the market, with performance being influenced. The results ascertained that companies that were quick in linking agility, performance, and product had a higher market margin than those that neglected the practice. However, the study failed to offer more insights concerning the company's reactions to the market and the implications of such negligence. Therefore, a gap exists requiring further research to explore the influence of the market on an organization's performance agility.

Aldalimy, Al-Sharifi, and Bannay (2019) studied the strategies for change to achieve organizational excellence by focusing on organizational agility. The researchers employed a descriptive research design that focused on various colleges in Karbala University in Iraq. The size of the sample was 80 respondents. The research conclusion was that alignment of strategic measures required a combination of attributions and behaviors that prioritized the development of transformational and innovation in finding new ways to explore innovative ideas. Simultaneously, the available synergy was a crucial inclusion; however, the study failed to provide more information related to the synergies.

Chacha (2018) explored the influence of management practices and strategies that enhance firms' agility while targeting ministries in Kenyan. The study relied on 340 census survey respondents. The findings show that the selection of the right people is core to ensuring successful strategic change management. Effectiveness in the ministries, therefore, relied on the expertise of those employed. However, the study also failed to provide information on enablers for organizational agility and how they influenced performance in the various ministries.

Ributhi (2017) investigated the influence of tacit knowledge on organizational agility. Priority was placed on approaches focused on knowledge culture to facilitate sharing of tacit knowledge in the

Kenyan government. The paper used an empirical review methodology focusing on existing literature on the topic. According to the findings, organizations are tasked with establishing a tacit knowledge environment to promote organizational agility. Furthermore, the established tacit knowledge bases had to be linked to the organization's vision, which allowed each aspect and development to be geared towards better outcomes. Organizational agility is closely linked to the available knowledge and information, which also explains the various arguments in the paper.

Ogolla Atieno, Senaji & Thomas (2017) studied strategic agility constructs and how they influenced performance throughout the organization, including service effectiveness, efficiency, and equity of State corporations in the Kenyan government. The core objective of the study was an analysis between strategic agility and organizational performance. Top managers and senior staff working in different positions in Kenyan corporations were selected for the study. The study findings showed that performance and organizational agility are intertwined, where success equals success and vice versa. While different variables could be included as influential factors, organizations that managed to align agility and performance had a higher probability of emerging successful when compared to those that did not.

Seethamraju and Seethamraju (2009) investigated how enterprise systems influence business agility in the manufacturing industry. While the target segment was Australia, recommendation and peer review of the article promote generalization with occurrences in other nations. Enterprise Resource Planning (ERP) is core in achieving both efficiency of the process and agility in business processing and production processes. Customers might be the core of the business operations; however, speed and flexibility have become factors influential in determining business outcomes in the modern world. IT innovations are therefore modeled to emphasize both efficiency and speed, which has also relegated traditional business models to the sidelines. Thus, the enterprise system

is limited and directed at being both direct and significant in serving the clients. The flexibility in the IT innovations allows people to either learn or rely on them while furthering the potential of a business to the highest levels. However, a reluctance has been noted, where most institutions are prepared to explore outside forces while neglecting their practices' influence on stalling development. Staff involvement or lack of involvement pushes some groups to emerge as winners while others are relegated to underdevelopment.

Mwiriki's (2015) investigation in Kenya focused on strategic management practices on organizational agility about strategic management practices. The study used Nairobi's supermarkets. According to the collected data accessed through questionnaires with the analysis done through SPSS, the findings held that different management practices influenced a firm's agility capability. Incompatibility in the firm structure harmed organizational agility. However, the research failed to include more insight into corporate culture and change resistance and how such factors influenced organizational agility.

Sofat, Kiran, and Kaushik (2015) investigated the role of a change initiative on organizational agility. The target population was the IT firms located in Northern India. The study also relied on over 399 questionnaires that were modeled based on a structural equation. The paper's focus was on the change initiative and the influence it had on performance. Firms that were well inclined to adapt to a changing environment had a higher chance of positive organizational agility than firms that did not.

Abbas & Awan (2017) also examined the effect of change management on business agility in the Pakistani banking sector. Descriptive methods were used, while arithmetic methods were used in analyzing the data. Fifteen employees were targeted with their responses providing the core data for the project. Data analysis was done using regression analysis. The findings concur with

numerous publications that employees are affected by the internal change or politics in the firm. While some firms promoted a change-oriented environment, others opted for a conservative perspective. According to the findings, employee satisfaction had a significant influence on performance agility. Dissatisfaction affected morale among the employees, reflected in their inability to give their best in production.

This section highlights both theoretical and empirical studies about organizational agility, business process, development of products, and performance that have been analyzed. Business agility and performance are governed by theories such as Resource-Based Theory, Contingency Theory, and Dynamic Capabilities Theory, which also imply that success in the modern business environment hinges on the ability of a business to build an interactive-interdependent open system. According to the empirical literature, the different publications hold a comprehensive review of the composition of organizational agility while also suggesting that it is contingent and can be capitalized to attain competitive advantage in SMEs and all forms of businesses. Conceptual and contextual gaps, organizational agility dimensions, and a focus on SMEs in Nairobi County were filled in this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the study's research methodology. The procedure used in collecting data and how the data was analyzed have been included. The chapter also covers the research design and methodology, including the study population, sample size, research ethics, analysis, and data collection process.

3.2 Research Design

The researcher used a cross-sectional survey design as data was collected on multiple variables at one point to reach the study's findings. The design is a scientific method that focuses on the observation and description of the subject's behavior in question without influencing them in any way. The design is crucial in social case studies of individual subjects where the observation process must not affect the normal behavior of the subjects under study (Mishra, 2019). The cross-sectional survey design is ideal, especially in analyzing the existing relationship between agility and SME performance in Nairobi County. This design allowed the researcher to gather comprehensive information about diverse aspects of organizational agility and SMEs performance to aid in making informed decisions on SMEs' management, investment, and operations.

3.3 Population of the Study

According to Maali (2020), an approximation of over 8,000 registered enterprises at small and medium levels exists in Nairobi County. The Capital Markets Corporate Governance Survey of SMEs in Kenya also reported an increase in the employment rate, with the SMEs sector employing over 80% of the Kenyan workforce (Maali, 2020). Ideally, relying on such statistics helped present an excellent grasp of the study's ideal sections and the varying measures for improvements.

3.4 Sample Design

The researcher, in selecting 99 SMEs, used the judgmental sampling method. The method is ideal for the research because the researcher has an advanced familiarity with the various SMEs in Nairobi. Furthermore, the researcher holds that the 99 SMEs selected for the research were an excellent and reliable number for adequate representation and generalization of the population (Taherdoost, 2016). The researcher is conversant with Nairobi County, making it easy for him to identify the distribution patterns of the SMEs in the region.

Taro Yamane's formula was used to determine the sample size with a 10% error term as follows:

$$n = \frac{N}{1 + Ne^2}$$

Where:

n= Sample size

N= Population size

e= Margin of error

In this study, the proposed error term is 0.1 or 90% significance level. Thus, the sample size is:

$n = 8000 / (1 + 8000 * 0.1^2) = \sim 99$ SMEs in Nairobi County.

3.5 Data Collection

The core instruments for the data collection process were questionnaires. This made it possible for a myriad of information to be collected by the researcher. The questionnaires were selected due to the need to collect an extensive data set in a short period and in a relatively less costly way. Most of the businesses that the researcher reached out to were willing to take the questionnaires and participate in the research, a trend that is both appealing and informative. The questionnaire was structured as follows: Part A explored organizational agility, part B focused on customer engagement, part C focused on Internet Technology (IT) systems, and part D focused on

organization performance. The respondents were employees from different management cadres within the sampled SMEs in Nairobi County.

3.6 Data Analysis

The structure of the questionnaire allowed the collection of quantitative data on the study variables. After the data collection, the other processes included checking, cleaning, and tabulating for completeness and consistency. Towards the realization of the different research objectives, both descriptive and inferential statistical analyses were used. The presentation of data encompassed pie charts, frequency tables, and percentages. The analytical model assumes that SMEs performance is a function of different organizational agility aspects as shown here:

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

Where:

Y: SMEs performance

X1: Employee engagement

X2: Customer engagement

X3: Adoption of IT systems

β_0 : Constant

β_1 - β_3 : Regression coefficients

ε : error term

CHAPTER FOUR

DATA ANALYSIS, RESULTS, AND DISCUSSION

4.1 Introduction

This chapter presents the analysis and findings of the study as stated in the research methodology. The study aimed to ascertain the influence of organizational agility on the performance of SMEs in Nairobi County. The study's findings are linked to the research objectives, and both descriptive and inferential statistics are presented.

4.2 Response Rate

This study focused on 99 SMEs in Nairobi County. Structured questionnaires were employed to gather data, and out of the 99 questionnaires sent to the targeted companies, only 86 questionnaires were responded to and returned. The 86 questionnaires represent a response rate of approximately 87%, which is deemed adequate for analysis. These assertions are consistent with Earl (2002), who noted that a response rate of 50% or more is considered suitable for analysis.

4.3 SME Characteristics

4.3.1 Number of Employees

Table 4.1 Number of Employees

		Number of Employees			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 50	58	67.4	67.4	67.4
	50-100	28	32.6	32.6	100.0
	Total	86	100.0	100.0	

From the table above it can be noted that 58 out of the 86 SMEs surveyed had less than 50 employees while 28 of them had between 50 to 100 employees. This is a representation of 67.4% and 32.6% for firms with less than 50 employees and between 50-100 employees respectively.

4.3.2 Annual Turnover

Table 4.2 Annual Turnover

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below Kes 50 Million	49	57.0	57.0	57.0
Kes 50 million to 250 million	9	10.5	10.5	67.4
Kes 250 million to 500 million	20	23.3	23.3	90.7
Above 500 million	8	9.3	9.3	100.0
Total	86	100.0	100.0	

The annual turnover for the SMEs ranged between less than Ksh. 50 million to over Ksh. 500 million with 49 of the companies having less than Ksh.50 million, 9 SMEs in the range of Ksh.50 million to 250 million, 20 firms in the range of Ksh.250 million to 500 million and 8 of them with annual turnover of more than Ksh.500 million. This is a representation of 57%, for firms with annual turnover of less than Ksh.50 million, 10.5% in the range of Ksh.50 million to 250 million, 23.3% in the range of Ksh.250 million to 500 million and 9.3% with above Ksh.500 million.

4.4 Organizational Agility

4.4.1 Employee Engagement

The study sought out to determine whether employee engagement affects organizational performance. Employee engagement was considered a determinant of agility as engaged employees would receive and communicate customer feedback to the management to adopt an appropriate agile strategy. As such, respondents were asked about the level of employee engagement, and the results were as presented in Table 4.3;

Table 4.3: Employee Engagement

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Your organization defensively responds to market dynamics through equipping its staff with requisite skills	86	1.00	5.00	3.9070	1.18449	1.403
Your organization encourages employee participation in innovation and decision making with a view of improving firm performance	86	3.00	5.00	4.4651	.68079	.463
Your organization hires talent that is aligned to its customer centric thinking	86	4.00	5.00	4.8953	.30790	.095
Your organization relies on IT to identify, hire and train employees	86	1.00	5.00	3.6279	1.38943	1.931
Average "Mean"				4.224		
Valid N (listwise)	86					

The study noted a mean of 3.907 and a standard deviation of 1.184 when respondents were asked whether their organizations defensively respond to market dynamics through engaging their employees in training. There was a mean of 4.465 and standard deviation of 0.681 when respondent were asked whether employees were engaged in innovation and decision-making. On whether the organization hires talent that is customer-centric thinking, there was a mean of 4.895 and a standard deviation of 0.308. On the other hand, on whether employees are hired and trained through reliance on IT, responses showed a mean of 3.628 and a standard deviation of 1.389. These findings indicate that majority of the respondents believe that, to a large extent, employee engagement is a core aspect of their organizational strategy- this is shown by average mean value of 4.22 implying that respondents agree that customer engagement is an integral aspect in their operations. A high

variance or standard deviation indicates how diverse the opinions of the respondents were – with a value of 1 indicating strongly disagree while a value of 5 showing strong agreement to the given statements.

4.4.2 Customer Engagement

The study investigated whether customer engagement as an aspect of agility since engaged customers would provide feedback on the firm’s products as well as their preferences. In light of these, the questionnaire sought the respondents’ opinions on the same. The results are tabulated in Table 4.4 underneath:

Table 4.4: Customer Engagement

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
In your opinion to what extent does the firm adopt customer related strategies?	86	4.00	5.00	4.5465	.50075	.251
Your organization collects customer data to understand their purchasing behavior and interests.	86	3.00	5.00	4.0814	.55762	.311
Your organization relies on customer feedback to continuously improve their experience.	86	3.00	5.00	4.3953	.67352	.454
Your organization’s culture is premised on understanding customer needs and how to address the same in an effective and efficient manner	86	3.00	5.00	4.7209	.62593	.392
Average “Mean”				4.4360		
Valid N (listwise)	86					

When asked on whether they adopted customer related strategies, a mean value of 4.55 and a standard deviation of 0.50 was noted; an indication that they agreed or strongly agreed that customer related strategies were adopted. A mean of 4.08 and standard deviation of 0.5576 were noted when asked whether their organization collects customer data to understand their purchasing behavior and interests. Similarly, there was a mean of 4.395 and a standard deviation of 0.6735

when respondents were asked if they rely on customer feedback to improve their experience. This was an indication that most respondents agreed to using feedback from customers to improve their service and experience. Organizational culture that focuses on customers and understanding their needs was also noted to be a top priority for the SMEs given the mean value of 4.72 and a standard deviation of 0.625. The average mean of 4.4360 indicate that majority of the respondents believe that, to a large extent, customer engagement is an essential aspect of their organizational strategy.

4.4.3 Adoption of IT

The study sought to ascertain whether the SMEs have adopted IT, an aspect of organizational agility, in their overall strategy. In light of this, the respondents were asked if they have adopted IT in their overall business strategy:

Table 4.5: Adoption of IT

Descriptive Statistics							
	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
Your organization uses IT systems to drive its innovations and future growth	86	4.00	1.00	5.00	3.0465	1.51002	2.280
Your organization relies on IT to identify, hire and train employees	86	4.00	1.00	5.00	3.6279	1.38943	1.931
Your organization relies on IT systems to improve customer experience	86	4.00	1.00	5.00	3.3140	1.53594	2.359
Your organization relies on IT systems to enhance management capabilities, analytical decision support and enhanced communication with stakeholders	86	4.00	1.00	5.00	3.9535	1.25470	1.574
Your organization has embraced IT systems in its overall strategy	86	4.00	1.00	5.00	3.9186	1.26691	1.605
Average Mean					3.5721		
Valid N (listwise)	86						

When asked whether the firms use IT to drive their innovations and future growth, a mean value of 3.0465 and standard deviation of 1.510 were recorded. On the question on whether their

organization rely on IT to identify, hire, and train employees, the responses show a mean of 3.628 and a standard deviation of 1.389. As to whether the firms rely on IT systems to improve customer experience, a mean score 3.314 and standard deviation of 1.536 were recorded. On whether the firms use IT to enhance management capabilities, analytical decision support, and enhanced communication with stakeholders, a mean value of 3.953 and standard deviation of 1.2547 were recorded. When asked whether the SMEs have embraced IT systems in their overall strategy, a mean score of 3.918 and standard deviation of 1.2669 were recorded. The mean scores for the questions on adoption of IT among the SMEs was low as it was less than 4 (agree) as shown by an average mean of 3.5721. This means that most of the SMEs surveyed have a moderate or minimal adoption of IT systems in their operations. A high standard deviation (of more than 1) was observed for all the questions - an indication that there was a huge variance among the SMEs regarding the extent of adoption of IT systems.

4.5 SMEs Performance

The study sought to establish the firms' level of performance by looking at all the aspects its aspects including financial, business and organizational effectiveness. In light of this, the respondents were asked for the firm's performance and the responses are as tabulated below.

Table 4.6: SMEs Performance

Descriptive Statistics							
	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
The firm has been in a profitable position	86	4.00	1.00	5.00	3.2558	1.19986	1.440
The firm's sales have been growing steadily	86	3.00	1.00	4.00	3.2326	.90325	.816
The firm's market share has been growing steadily	86	3.00	2.00	5.00	3.6744	.80355	.646
The firm has a high percentage of return customers	86	3.00	2.00	5.00	3.8837	.88675	.786
The firm reacts timely to changing environment	86	2.00	3.00	5.00	4.3256	.81806	.669
The firm predicts future trends and identifies opportunities effectively	86	3.00	2.00	5.00	4.0000	.95794	.918

Average mean					3.7287		
Valid N (listwise)	86						

When asked about whether the firms have been profitable, a mean value of 3.2558 and standard deviation of 1.1998 were recorded. The respondents were also asked if the sales have been growing steadily and a mean and standard deviation of 3.2326 and 0.90325 respectively were recorded. The study sought to know whether market share has been growing and a mean and standard deviation values of 3.6744 and 0.80355 respectively were recorded. On whether firms had a high percentage of return customers, a mean value of 3.8837 and standard deviation of 0.88675 were recorded. The respondents were asked if the firms react timely to changing business environment a mean and standard deviation of 4.3256 and 0.81806 were noted respectively. On whether the firms predict future trends and opportunities, a mean value of 4.00 and a standard deviation of 0.958 were recorded. Besides, an average mean of 3.7827 was noted and this indicates that there is a moderate consensus that SMEs surveyed performed well and there is a set of factors that influence or lead to these results.

4.6 Regression Analysis

Multiple linear regression analysis was used to ascertain the relationship between the independent variables (IT adoption, employee engagement, and customer engagement) and the dependent variable (SMEs performance). The analysis was conducted using the statistical package for social sciences (SPSS) version 23.

4.6.1 Model Summary

The adjusted R-squared is the coefficient of determination, which explains the variation in the dependent variable due to changes in the independent variables. In this study, R-squared was 0.904, indicating that 90.4% variation in SME performance in Nairobi County is explained by

changes in organizational agility measured by customer engagement, IT systems adoption, and employee engagement at a 95% confidence interval.

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.953 ^a	.907	.904	.38010	.907	261.146	3	80	.000

a. Predictors: (Constant), IT_Adoption, Customer Engagement, Employee Engagement

b. Dependent Variable: SMEs Performance

4.6.2 Analysis of Variance (ANOVA)

The ANOVA helps determine whether the model adopted is fit to predict the relationship amid the independent and dependent variables. The findings from this study are as presented in table 4.8;

Table 4.8: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	113.189	3	37.730	261.146	.000 ^b
	Residual	11.558	80	.144		
	Total	124.747	83			

a. Dependent Variable: SMEs Performance

b. Predictors: (Constant), IT_Adoption, Customer Engagement, Employee Engagement

The ANOVA results indicate that the p-value is less than the 0.05 significance level. The p-value of 0.000 shows that the model is fit and significant, thus predicting the link between the variables under consideration. The F-statistic is also high at 261.146, implying that IT adoption, customer engagement, and employee engagement significantly influence SMEs' performance in Nairobi County.

4.6.3 Coefficients

Table 4.9: Coefficients

		Coefficients ^a										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics		
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF	
1	(Constant)	.935	1.138		.822	.414						
	EmployeeEngagement	1.116	.054	.992	20.539	.000	.952	.917	.699	.497	2.013	
	CustomerEngagement	-.203	.227	-.043	-.891	.375	-.112	-.099	-.030	.501	1.998	
	IT_Adoption	-.072	.061	-.072	-1.184	.240	.570	-.131	-.040	.311	3.211	

a. Dependent Variable: SMEsPerformance

From the coefficients table, only employee engagement has a significant and positive influence on performance. This was shown by the p-value < 0.05, while customer engagement and IT systems adoption had p-values greater than 0.05. Employee engagement explains 99.2% variation in SMEs performance while customer engagement and IT-Adoption have negative but insignificant effects of 4.3% and 7.2% on SMEs performance, respectively. These findings are consistent with Abbas and Awan (2017) who argued that employee engagement is vital in boosting their morale, which is a form of organizational agility. Thus, engaged employees had high morale to work harder towards achieving organizational goals.

From the coefficients table above, the established regression equation is;

$$Y (\text{SMEs Performance}) = 0.935 + 0.992 (\text{employee engagement}) - 0.043 (\text{customer engagement}) - 0.072 (\text{IT Adoption}) + 1.13 (\epsilon)$$

This regression equation implies that while holding employee engagement, customer engagement, and IT adoption constant, SMEs performance would be at 0.935, a unit increase in employee engagement would increase SMEs performance by a factor of 0.992. A unit increase in customer engagement reduces SMEs' performance by 0.043, while a unit increase in IT adoption would reduce SMEs' performance by a factor of 0.072. Only employee engagement has a significant effect on SMEs performance (shown by a p-value < 0.05), while customer engagement and IT

adoption have insignificant effects on SMEs performance as portrayed by the p-value of 0.375 and 0.24 (which are greater than the significance level of 0.05).

4.7 Discussion of Results

The research showed that employee engagement has a significant and positive effect on SMEs performance in Nairobi County, while customer engagement and IT systems adoption have negative but insignificant effects on SME performance. On the notion of IT adoption and how it enhances or impedes organizational effectiveness and performance, these findings are similar to Lu and Ramamurthy's (2011). These authors noted that IT adoption could impede agility due to the fast pace of change, the cost-intensive nature of adopting IT systems, and the eventual “technological trap” where organizations are trapped in obsolete information systems. The findings also support those of Nold and Michel (2016), who argued that organizational agility has to start with people agility, equip people with skills, and build a leadership culture that allows participative decision-making processes.

Customer engagement is an integral aspect in any organization as services or products offered by the business have to be congruent to the needs of the targeted clients. Customer engagement is about value creation which means that customers have to receive value for their time and money spent on the organization's products or services (Heisterkamp, 2019). Emergent product development coupled with multidisciplinary teams can enhance value creation for the customers. Frequent and timely customer feedback can be attained through the adoption of IT systems though this would not be possible without having skilled teams, commitment from the top management, and allocation of funds to predictively adapt to the volatile business environment (Hallberg, 2017). Bain and Company (2019) noted that very few firms could attain or sustain high customer loyalty without having loyal, engaged employees – this study reiterates their assertions. Employee

engagement ensures that employees are enthusiastic about their work, and through “contagion effects,” customers get superior experiences dealing with the company in question. Engaged employees created productive, creative, and innovative ideas for product, process, and service improvements for the company- this is agility. Top management needs to tap the loyalty of their employees to be engaged and support high customer loyalty.

Organizational agility is a broad topic, but existing literature has mostly focused on adopting information technology which has yielded partial findings. An agile organization has to integrate predictive and defensive strategies into its overall business strategy. Agile strategies, as stated by Sharifi and Zhang (1999), encompass drivers (changes in the business environment, such as competition), enablers (those that help manage environmental changes), and providers (people, innovation, and technology). The focus has always been on drivers and enablers without much focus on the providers, especially employee engagement.

Employee engagement is part of providers and entrepreneurial agility where employees are equipped with requisite skills, involved in decision-making, and management supports them to be creative. By involving employees in the decision-making and strategy formulation (not just implementation), the company becomes agile and can adapt easily to the changing business environment. Employee engagement means employees are trained and given opportunities to showcase their innovativeness and creativity (market capitalizing agility), which translates to collection of information from the market and proactively working on it to ensure that products and services delivery to customers meets or exceeds their expectations (Felipe et al., 2020).

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

The combined data collection and the analytical process resulted in the following discussion, conclusion, and recommendations. A discussion of the limitations and suggestions for further research is also presented. The following responses are the outcome of the study's objectives. The study sought to establish the influence of organizational agility on organizational performance of SMEs in Nairobi County.

5.2 Summary of Findings

According to the study, employee engagement has a significant and positive effect on SMEs performance in Nairobi County, while customer engagement and IT systems adoption have negative but insignificant effects. The findings indicate that organizational agility, especially through employee engagement, has a positive impact on SME performance in Nairobi. Employees are the face of the organization and when they are fully engaged in organizational activities, their enthusiasm will, through contagion, be passed on to customers who will become loyal to the firm and ultimately lead to increased performance.

The research also established that customer engagement forms an integral pillar in developing and promoting agility of a firm. The various SMEs sampled had different strategies to satisfy both internal and external stakeholders (i.e. employees and customers), which made it easy and possible for them to thrive and introduce various innovations towards a more developed working environment. Frequent and timely feedback from the customers can be attained through the adoption of IT systems though this would not be possible without having skilled teams,

commitment from the top management, and allocation of funds to predictively respond to the fast-changing business environment.

The SMEs surveyed were diverse enough to warrant generalization of the findings in this study to the SMEs in Nairobi County. For instance, the annual turnover (ranging from less than Ksh. 50 million to over Sh.500 million) and the number of employees for each of the SMEs were spread between firms with less than 50 employees to those with more than 100 employees. The interviewees ranged from CEOs, to owners, to business development managers, and finance managers meaning that the diversity of the opinions enhances the objectivity and reliability of the findings from the study. Employee engagement is an integral facet that SMEs must focus on and this has to get support from the top management so that other strategies for enhancing agility can be effectively implemented to bolster organizational performance.

5.3 Conclusions

The study's findings indicated that organizational agility hinges on different phases or departments of the organization. Ideally, the SMEs have to develop superior information, analytical decision support systems and enhance their communication system. Organizational agility calls for different groups, staff, and management to contribute towards a more reliable and developed work environment. Skills and innovations are tied to the experts in the firm; hence, the more agile a firm is, the higher the probability of both making profits and sustaining continued growth.

While employee engagement is a key factor in organizational agility in SMEs, customer relationship is key to developing an innovative work environment. The modern business world is customer-oriented. The customers have an array of alternatives, making it mandatory for the SMEs to present innovative and quality products to guarantee business survival and profitability. Achievement of such a feat requires contributions and insight from an agile work environment in

that, the involved personnel are quick to understand and act on the ever-changing the intricate elements. While different variables exist, each serving to limit or prevent the SMEs from attaining superior performance in the market, being agile is an aspect that they should constantly focus on.

The study revealed that organizational agility is an aspect that is multi-faceted and that organizations have to constantly monitor their operations, interactions with their employees and customers, as well as rivals in the marketplace. It appears that there is no one approach on how a firm can be agile but employee engagement ranks among top factors to consider when implementing agile business strategies. While it is noted that employee engagement has a positive effect on firm performance, it can be inferred that these employees use tools and interact with customers to ensure that they serve them to meet or even exceed their expectations. Thus, focusing on employees' well-being will help the SMEs to translate this into satisfied customers who would in turn influence organizational performance.

5.4 Limitations of the Study

The study was not without limitations; instead, the above results resulted from bypassing various obstacles. Notably, the limitations did not impair the soundness and reliability of the project. A key issue was when some of the respondents appeared reluctant to provide information especially on their annual turnover. This challenge was overcome by informing the respondents that data gathered would only be used for academic purposes and not ill-intentions or victimization. Validity of the responses was also done by giving respondents adequate time to provide feedback to the questions and whenever clarifications on ambiguous questions were encountered the researcher was available to explain.

Another study limitation is this study was conducted on a few SMEs in Nairobi County, so the findings are conditional and there is a need to verify the finding in other contexts; with larger

sample sizes. The study focused on only three predictor variables; employee engagement, customer engagement, and IT systems adoption. While the regression model doesn't show severe signs of multicollinearity, these variables may not be pursued singly without considering other dynamic capabilities that could enrich the validity of the findings on the link between organizational agility and SMEs performance.

5.5 Recommendations

The study recommends adopting agile strategies among SMEs as part of their daily business operations. A positive environment that promotes employee growth and development was identified as part of market capitalizing organizational agility. Implementing staff training, involving them in decision-making, and promoting innovativeness and creativity ensure employees are always updated and ready to work towards improving the company's performance. The SMEs have a responsibility to institute a strategic human resource plan that prioritizes organizational agility. Top management teams should recognize the role and influence of employee engagement on the success of the organizational agility initiatives. As reported, employee engagement was recognized as part of providers and entrepreneurial agility where employees are equipped with requisite skills, involved in decision-making, and management supports them in being creative. Firms should prioritize education or training and involvement of the employees in the overall organizational strategy. In fact, as Aghina et al. (2021) note, optimizing the entire business operating model –across strategy, structures, processes, people, and technology is what makes firms agile. Promoting cross-functional teamwork and putting in place mechanisms to build strong cultures will enable SMEs attain competitive advantage and increase their performance.

5.6 Suggestions for Further Research

The study focused on establishing the influence of organizational agility in SME performance in Nairobi County. Therefore, this study recommends similar studies to explore the challenges faced in implementing agile business strategies. The focus of the study was limited to three predictor variables but this was not exhaustive; future studies can widen the scope of the independent variables to expand knowledge on organizational agility.

Another recommendation for future research entails the role and influence employees have on the success of the organizational agility program. Future studies can conduct cross-county studies to determine whether agile strategies adopted among SMEs vary across counties and what the reasons might be. Aspects such as organizational learning, strategic capabilities, and the target markets that the SMEs ought to be investigated to so that more dynamic models can be developed to explain how agility is linked to organizational performance.

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APPENDIX: QUESTIONNAIRE

1. Name of your enterprise:
2. What management position do you currently hold in the enterprise?
3. What is your firm's current annual turnover? *(Kindly tick where applicable)*

Below KES 50 million	
> KES 50 to KES 250 million	
> KES 250 to KES 500 million	
Above KES 500 million	

4. What is your firm's current number of employees? *(Kindly tick where applicable)*

Below 50	
> 50 to 100	
> 100 to 200	
Above 200	

Part A: Organizational Agility

5. Using a scale of 1 to 5 where 1 indicates strongly disagree and 5 indicates strongly agree, indicate the level of agreement with the statements below.

Statement	1	2	3	4	5
Your organization defensively responds to market dynamics through equipping its staff with requisite skills					
Your organization encourages employee participation in innovation and decision making with a view of improving firm performance					

Your organization hires talent that is aligned to its customer centric thinking					
Your organization relies on IT to identify, hire and train employees					

Part B: Employee Engagement

6. Using a scale of 1 to 5 where 1 indicates strongly disagree and 5 indicates strongly agree, indicate the level of agreement with the following statements.

Statement	1	2	3	4	5
Your organization defensively responds to market dynamics through equipping its staff with requisite skills					
Your organization encourages employee participation in innovation and decision making with a view of improving firm performance					
Your organization hires talent that is aligned to its customer centric thinking					
Your organization relies on IT to identify, hire and train employees					

Part C: Customer Engagement

7. Using a scale of 1 to 5 where 1 indicates strongly disagree and 5 indicates strongly agree, indicate the level of agreement with the following statements.

Statement	1	2	3	4	5
In your opinion to what extent does the firm adopt customer related strategies?					

Your organization collects customer data to understand their purchasing behavior and interests.					
Your organization relies on customer feedback to continuously improve their experience.					
Your organization's culture is premised on understanding customer needs and how to address the same in an effective and efficient manner					

Part D: Adoption of internet technology (IT) systems

- 8. Using a scale of 1 to 5 where 1 indicates strongly disagree and 5 indicates strongly agree, indicate your level of agreement with the following statements.**

Statement	1	2	3	4	5
Your organization uses IT systems to drive its innovations and future growth					
Your organization relies on IT to identify, hire and train employees					
Your organization relies on IT systems to improve customer experience					
Your organization relies on IT systems to enhance management capabilities, analytical decision support and enhanced communication with stakeholders					
Your organization has embraced IT systems in its overall strategy					

Part E: Organizational Performance

9. Using a scale of 1 to 5 where 1 indicates strongly disagree and 5 indicates strongly agree, indicate your level of agreement with the statements below. (Tick appropriately)

Statement	1	2	3	4	5
The firm has been in a profitable position					
The firm's sales have been growing steadily					
The firm's market share has been growing steadily					
The firm has a high percentage of return customers					
The firm predicts future trends and identifies opportunities effectively					
The firm reacts timely to changing environment					