STRATEGIC ADAPTATION AND PERFORMANCE OF SMALL AND MEDIUM MANUFACTURING ENTERPRISES IN KARIOBANGI LIGHT INDUSTRIES

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EXPLANATION

This project is my original work and has not been awarded or published for degree at this or any other university.

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DEDICATION

I dedicate this project to my family and friends for their support during the time I was pursuing my MBA

ACKNOWLEDGEMENT

I thank my supervisor Dr. Muya Ndambuki for his whole hearted support when I was undertaking this project. Your dedication will never be forgotten. In the course of doing my MBA I made many friends who constantly in one or another encouraged me. I am sincerely grateful. My immense gratitude to members of my Family who sacrificed time and resources for me.

Finally, but not least, glory be to God

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ABSTRACT

The aim of this research project was to determine the influence of strategic adaptation on performance of manufacturing SMEs operating at Kariabangi light industries. This study was aligned with both the theories of resource dependency and dynamic capability. The population consisted of 78 registered manufacturing companies in Kariobangi Light Industries. The analysis involved both qualitative and quantitative approaches, in particular, use of descriptive mean and standard deviation statistical parameters. The findings showed that investments in technological innovation, relationship with suppliers, tolerance of changes and errors, and innovation strategy were the most common adaptation strategies of most SMEs. Further, the regression analysis of the data showed that strategic adaptation had a statistically significant influence on the performance of the SMEs. The results supported both the resource dependency and dynamic capability theories. Organizations need resources for their long-term existence, which they are largely able to get from their own environment that also hosts competitors who are after the same resources. Thus, in order to survive such an environment, SMEs need strategic adaptation to overcome these environmental challenges. This study recommends that further studies be undertaken using longitudinal approaches to enhance reliability of the findings and in policy development for the benefit of SMEs.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Managers organize and reorganize business resources in response to changes in their environment. Adaptation is explained as the actions of an entrepreneur as informed by environmental developments. Schindehutte and Morris (2001) note that strategic adaptation leads to superior performance. Firms notice, interpret and act on information about their environments in the belief that this will increase their chances of survival in their environment (Daft & Weick, 1984).

Andries and Debackere (2007) argue that new companies face big challenges coming up with a good model of business, an indication that businesses are having to adapt due to uncertainties and ambiguities in their environment. Thus, the performance of a company depends heavily on the ability of managers to find appropriate environmental strategic adaptation (Yuan, Zhongfeng, Yi & Mingfang, 2011).

The dynamic capability theory and the theory of adaptation provide the framework under which this study is based. Teece and Pisano (1978) explains the relationship between the reconfiguration and readjustment of the company's resources in response to environmental dynamics and performance. The premise of the theory is that a company's resources must respond to changes in the company's environment. Pfeffer and Salancik’s (1978) dynamic capability theory indicate that companies are dependent on their environment for resources. It follows that companies must adapt their strategies to reflect the realities of the environment. The two theories therefore predict the relationship between strategic adaptation and performance.

Kariobangi Light Industry is an industrial cluster located in the north of Kariobangi, Nairobi, Kenya. It was created by the government in the early 1980s to meet the needs of artisans. Over time, these artisans became small manufacturers of various products, such as cardboard boxes, horseshoes and plows and other gadgets in garages and workshops. Originally, the property was intended for small and medium-sized companies, but houses have now also been built on the property.

1.1.2 Strategic Adaptation

Strategic Adaptation is about the specific way the company makes adjustments to survive and take advantage of environmental situations. According to Ginsbergh (1988), the areas in which a company can make adaptations include resource management, marketing and product design. The concept of adaptation is viewed by scholars such as Chakravarthy (1982) as adaptation process, adaptation state and adaptability. Zajac and Shortell (1989) viewed an adaptive state in terms of the ability of an organization to overcome challenges emerging from the environment. This is compared to the strategic fit concept.

The adaptation process, which in turn can be categorized as an adaptive specialization process that consists of the capacity of an organization to be resilient enough to sustain its business objectives in any challenging environmental situation that emerges. Zajac and

Kraatz (1993) confirmed that organizations that are able to adapt to the emerging environmental challenges are more likely to survive s stiff competition.

1.1.2 Firm performance

The performance of an organization is associated with the outcomes of managerial functions, financial position and marketing achievements, all of which, as argued by Verboncu and Zalman as well as Siminica (2008), are influenced by the extent at which the firm is effective and effective in carrying out its objectives and thus competitive in its environment. The concept of performance, in the perspective of a business, is premised on how profitable, productive, competitive and efficient a firm is and the level of growth that the firm have achieved over a given period of used resources (Colase, 2009). This conceptualization of performance is consistent with Bartoli and Blatrix (2015) view, which illuminates the role of managers in processes of securing quality of products or services and effectiveness and the efficacy of operations.

The performance of an organization is determined majorly by non-financial and financial parameters, which enables a firm to gauge its level of output realization from the inputs. According to Atkinson et al. (1997), performance acts as a measure of value derived from resources, especially the contribution of the monetary investments and human resources to the outcomes realized from the strategic objectives of a firm. This is considered an important element in informing decision of the management in the pursuit of particular investment policy.

1.1.3 Manufacturing SMEs in Kariobangi Light Industries

Kariobangi Light Industries is made up of small and medium enterprises located between Kariobangi North and Kariobangi South in Nairobi. It is one of the densely populated areas of the eastern part of Nairobi, which is a region of uncontrolled development by private developers. The Kenyan government supports small and medium enterprises across the country and promotes the development of Kariobangi light industry. Historically, industrial clusters were created for workers made redundant during the structural adjustment program (SAP) implemented by local authorities in the early 1980s (Wagura, 2019).

Kariobangi Light Industries is a cluster of traders with multiple skills. Several workshops and garages were built along the main road to compete for the attention of passers-by and motorists. Due to the influx and outflow of many skills from Kariobangi light industry, it has become a key point of technology transfer in Kenya. It has gradually become an informal technology incubation center in Kenya and other regions. Types of manufacturing activities include: production of mattresses, production of cardboard, production and sale of paints, thinners and adhesives, production of plastic products, bakery, shoe polish, polishing and dyeing production for leather, cosmetics / beauty products. chips and peanuts.

1.2 Research Problem

An organization must adapt its strategy to the evolution of its environment. Strategic adaptation leads to improvements in economic and non-financial performance (Schindehutte & Morris, 2001). This means that leaders must analyze their environment, interpret the information around them and take actions to increase their chances of survival in the environment (Daft & Weick, 1984). Yuan, Zhongfeng, Su, Yi and Mingfang (2011) also support this view. They point out that a company's performance depends largely on management's ability to adapt resources to evolving situations in its environment. Information obtained from surveys of the business environment can be used to formulate and adjust strategies. According to Andries & Debackere (2007), existing and new business units have encountered major problems in finding viable business models. Due to the uncertainties and ambiguities of the environment, they often need to adjust their original business model.

The role of SMEs towards achieving Vision 2030 has been recognized by the Kenyan government in a number of initiatives and interventions. The fact that the Kenyan economy is largely driven by the activities of SMEs is well documented (Malita, 2014). Over the past two decades, Kenyan businesses operate in an environment that is unpredictable, which heightens business risks. The wisdom of the industry that has long been considered correct has been fundamentally questioned. Entrepreneurs and SME managers face an extremely disruptive environment, and it is not easy to thrive (Malika, 2015). These owners or managers are forced to constantly review their strategy and adapt it to the evolution of their business environment.

Exploration of the relationship between strategic adaptation and organizational performance show shortcomings in methods, concepts and antecedents. International and local studies on strategic adaptability and impact on performance have produced uncertain and sometimes contradictory results. Lages and Gap (2002) studied the impact of contingency on marketing mix on performance under international marketing conditions. McKee, Varadarajan and Pride (1989) used a conditional perspective to study the significance of strategic adaptability on the performance of organizations. Maosa (2015) Investigated the significance of strategic operations on the performance of commercial banks of Kenya. Raila (2017) investigated the relation strategic position had with performance of SMEs in the Nairobi CBD. All these studies aimed to address different approaches to improve organizational performance through strategic means, however, non the studies have so far focused on strategic adaptation of Manufacturing SMEs, in particular, those operating in Kariobangi light industries. This study therefore sought answers to the influence of strategic adaptation on the performance of SMEs operating at the Kariobangi Light Industries in Nairobi.

1.3 Research objectives

The aim of the study was to investigate the influence of strategic adaptation on the performance of manufacturing SMEs at the Kariobangi Light Industries in Nairobi.

1.4 Value of the study

The value of the study to SMEs is that appropriate policies may be generated in the sector based on growth of the sector desires of the government. In particular, managers of SMEs and other parastatals in Kenya and other regions to understand best practices of adaptive strategies in the wake of environmental uncertainties and ambiguities. A manager or owner of an MSE will find this report useful for developing effective systems for realizing strategic goals, especially for adapting to a dynamic environment. This research will enrich strategic adaptation literature as well.

The assumptions of the dynamic capability and resource dependence theories have been tested in different scenarios, but they have not yet been tested within the scenario of strategic adaptation and performance. This research will also provide guidance to decision makers in the SME sector of the economy. The government has taken various measures to support the sector, but it needs to understand how specific SME policy adjustments affect performance. Thus, political players will be able to provide enlightened support to the development SMEs.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter reviewed literature associated with strategic adaptation and performance of firms. The key literature sources include articles obtained from journals, periodicals, libraries and theses documents from University archives. The chapter is divided into sections beginning with a discussion of theories on which the study is grounded, followed by a review of empirical literature and a summary.

2.2 Theoretical foundations

Dynamic capability theory and resource dependence theory are the main theoretical foundation informing research focus, which is to understand the influence of strategic adaptation and the performance of organizations, more so those that qualify as SMEs in the manufacturing sector. The substantive theories are discussed in the subsequent sections.

2.2.1 The dynamic capability theory

According to Eisenhardt and Marty (2000) dynamic capability theory refers to processes embedded within an organization, which can help an organization adapt to the external business environment. According to Teece, Pisano and Shuen (1997), dynamic capability is the driving force behind a company's ability to fit in and reinforce its position amidst changing environments is its internal and external resources. Supporters of resource theory believe that an organizations strength lays in its ability to master scarce resources in a way that boosts its competitive advantage other organizations (Barney, 1991). It is a powerful theory that can enable an organization to achieve better results in risk filled environments (Teece et al., 1997). The dynamic capability theory therefore helps a firm build a resource-intensive capacity (Eisenhardt & Martin, 2000).

Dynamic capabilities, according to Ambrosini, Bowman, and Collier (2009), are utilized to sustain performance in a continuously changing environment, updating the nature of the resource pool and gradually adjusting to it. When a firm's dynamic skills are harmed, its capacity to endure environmental difficulties is likewise harmed to some extent. Examples of such dynamic capabilities are brand extension. Essentially, dynamic capability theory (DCT) emphasizes that to respond to the ever-changing organizational environment, strategic adjustments are needed to enable organizations to maintain and improve their rent-seeking capabilities.

Dynamic capabilities are deeply rooted in an organization's resources, depending on the products or services they provide, and must have different capabilities to differentiate them. Dynamic capabilities are the foundation for a company to achieve its productivity, competition and time advantage (Breznik & Lahovnik, 2016).

Strategic planning and practice is guided by a dynamic capability, which decision makers acquire, and use to reject or modify resources and add or rearrange resources to create and add strategic value. Marketing skills, product development, strategic decision-making, and integration processes are just examples of dynamic capability (Sansone, Colamatteo, and Pagnanelli, 2021). Dynamic Opportunity is an effective process for adapting to changing market conditions in a fast-paced trading environment. It has become critical for companies to introduce or phase out practices in the broadband market without even considering sticking to existing practices.

Adaptability in developing markets is an ability of the firm to recognize and use opportunities according to Miles, Meyer and Coleman (1978). The distinction between agility and adaptability is that the former focuses largely on a successful investigation of research and balance, and is founded on development methods. Agility allows organisations, as an alternative to developing external environments, to improve their capacity to integrate, configure, update and reconstruct their resources and capacities.

2.2 Resource dependence theory

Th origin of this theory is as a result of the work of Pfeffer and Salancik (1978). The assumption of this theory is that firms depend on resource capability to effectively run their operations and to achieve growth. Other researchers (Pfeffer and Salancik, 1978) argue that an organization can only obtain these resources from its own environment, whereby other competitors are operating in as well. Fink et al. (2006) Emphasize that the organizational change strategy is determined by access to resources, which at the same time increases their dependence on the environment and on other organizations. It is therefore necessary to properly manage power relations and interdependence of organizations operating in the same environment (Delke, 2015).

According to Delke (2015), in the context of resource dependence theory (RDT), the concept of analyzing organizational behavior from the perspective of the organizational environment has been widely discussed in the literature. The prerequisite for RDT is that the behaviour of the organization is dictated by its strategic adaptability from time to time. This theory is applicable to current research because whatever strategy the organization adopts will be affected by current and expected developments in the environment.

The resource-based view emphasizes that companies have resources, which represents one subset that helps them gain a competitive advantage and excellent long-term results. Empirical studies using RBV and within a limited range of different industry groups have found differences between firms operating in the same industry (Donnellan & Rutledge, 2019). This suggests that personal skills and professional activities can have a significant impact on business performance. For RBV theorists, defining resources has always been a challenge. The general view held by researchers is that resources encompass skills, assets, capability and inventories. These provide a firm with the ability to thrive in a dynamic environment. Due to customer preferences, the external environment continues to change rapidly, highlighting the need to adjust market direction and adaptation strategies as well (Osobajo & Bjeirmi, 2021).

2.3 Empirical Review

Schindehutte and Morris (2001) studied the concept of small business adaptation over time. When a small business progresses from the first investment philosophy to a successful company, they found that there is a strategic fit that suited their business and direction. The findings demonstrate that SMEs have specific entrepreneurial qualities that enable them to adjust to the changing environment and that environmental and political adaptability have a significant role to play in organisation.

Ciszewska-Mlinariˇ and Trapczynski (2019) have pointed out that the role and importance of adaptation on the performance of foreign markets has sparked significant debate in academia. In their article, Ciszewska-Mlinariˇ et al. (2019) argued that adaptation is positively correlated with the performance of foreign markets. This relationship is also actively regulated by institutional distance, and negatively regulated by relationships and technological capabilities. This research mainly focused on foreign markets.

Sánchez, Lago, Ferràs and Ribera (2011) studied innovation management, strategic adjustment and the practice of business results in the electronics industry. The fundamental idea of this research was to understand the influence of the factors on the company's performance over a lengthy time. Systematic and creative approaches lead to revenue growth, while profitability and productivity were not necessarily increased. Assuming that the innovative practice is a response to environmental development, it can be correctly interpreted that strategic adaptation is relevant. Therefore, the survey results did not match those reported by Schindehutte and Morris (2001).

Yusof and Aziz (2007) studied the lack of emphasis on predictive value in the context of strategic adjustment. Yusof et al. (2007) conducted three different studies. They proposed a readiness-based forecasting framework and a resource-based vision theory. Another approach was the adaptation theory, which posits that organizations' existence or failure depends on their ability to adjust through time to environmental change. The theory is attributed to Morris & Zahra (2000).

Tayauva (2011) investigated the link between international orientation and strategic adaptability in business. The research was carried out in Kazakhstan and Kyrgyzstan. Data was collected from the owners and chief executives of 114 businesses, and entrepreneurship's international orientation was examined across three dimensions: creativity, proactiveness, and risk-taking proclivity. Strategic adaptation on the other hand was measured by tools generated by Zajac and Shortell (1989) from the typology of Miles and Snow (1978). Research has shown that, compared to advocates and analysts, prospecting organizations are more likely to be more innovative, adventurous, and proactive.

McKee, Varadarajan and Pride (1989) used a contingent market perspective to study the strategic adaptability and performance of firms. The study tested the effectiveness of Defender, Reactor, Prospector and Analyzer strategic directions in a dynamic market regime and found that in a moderately volatile market, analyzer organizations outperform other types of market. organizational strategy. However, in a very volatile market, the effect of the market environment was not clearly defined as being associated with a particular strategic direction.

Schindehutte and Morris (2001) examined the relationship between the concept of adaptation and the survival of small businesses over a 15-year period in Ohio, businesses with 100 or fewer employees and listed in Ohio, United States of America. The research collected data from respondents who were mostly CEOs or business owners through telephone survey. Analysis of subsequent data revealed that business owners were more adaptable than managers in managing newly acquired businesses. Those who previously had a startup were also more likely to use collaboration as a coping strategy. Compared to entrepreneurs who call themselves artisans or inventors, entrepreneurs who see themselves as opportunists have shown a greater ability to adapt in their business. Non-family businesses showed a higher level of adaptation than family businesses. There was greater adaptability and innovation from firms that were operating in a dynamic environment (Schindehutte et al., 2001). In addition, a statistically significant relationship was found between adaptation and performance (Schindehutte et al., 2001).

2.4 Summary

Organizations operating in a high-speed environment (demand, competition, technology and regulation regimes) exhibit very different behavior than those that operate in a static environment. In a high-speed environment, business strategy often places more emphasis on change and agility, and less focused on the degree to which specific strategies more or less are reflective of adaptability. Organizations use survival strategies, which includes specific ways of adaptation to survive the external environment forces. These changes may be implemented in a number of products, market, and tool management areas, including full manufacturing portfolios, product development, new market research and market segmentation, distribution, resource usage, and strategic alliances. The focus of this study is on the link between strategic adaptability and the performance of small and medium-sized companies (SMEs). According to a review of the literature, no technical study has been performed in this area, particularly in Nairobi. The approach utilized to perform the research is the subject of the next chapter.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discuss the research methodology in a number of parts. These cover the design of the research, population of the study, data collecting and data analysis. The general aim of the study, which is to explore the link between strategy adaptability and performance was undertaken through mainly the approaches presented in this chapter.

3.2 Research Design

The research approach explains the general plan of the scholar while responding to questions posed. (Churchill & Emory, 2011). The study design aims to guide implementation until conclusions are drawn. According to Nachmias and Nachmias (2000), a good research plan takes into account the philosophical convictions of the researchers and the reality of the research. This study used a cross section survey and descriptive approach in dealing with the data. The aim of this research was to determine the manifestations of large population phenomena.

3.3 Study population

The research population explains the entire universe, all objects, people, events, institutions or scenes under study (Chrchill & Emory, 2000). It defines the areas of interest and / or relevance of the research. The population of this study will be made up of all production SMEs in Kariobangi light industry. According to the Nairobi City and County Licensing Department (2019), Kariobangi Light Industry has 78 registered SMEs. Considering the size of the population, this study was a census study. Therefore, all small and medium enterprises involved in the production participated in this research.

3.4 Data Collection

The most relevant data were obtained via surveys., which consisted of three parts: Part A includes demographic information about these SMEs, including age, number of employees, approximate turnover and number of products. Part B collected operational data for strategic adaptation in the conceptual definition of Chapter 1. Part C collected data on the performance of SMEs and indicators such as turnover, customer loyalty and staff turnover. Interviewees were owners / managers or other senior executives of large SMEs. These people were chosen as interviewees because they were the custodians of the information relevant to this study.

3.5 Data Analysis

The technique of sifting, altering, and generating data in order to disclose crucial information for decision making is referred to as analysis. The analysis's goal is to extract significant information from the data and make successful judgments during the analytical process. Data was analysed using SPSS. The results of this analysis are tabulated as shown in the next chapter. The descriptive approach is presented in the form of means and standard deviation and includes regression methods of analysis and inferences can use the following mathematical equations to establish the link between strategic adaptability and performance.

$Y = a + BX + e$

Whereby:

Y = Performance

A = Constant

E = Error Term

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The purpose of this chapter is to provide a concise data analysis, results and to present a discussion of the findings. This chapter first describes response rates, then descriptive statistics, and finally advanced inference statistics made up of regression tests.

4.2 Response Rate

This study's primary population, according to the Nairobi City and County Licensing Department (2019), consists of a total of 78 SMEs were listed as registered. All 78 participated in this research using the questionnaire. Thus, a total of 70 companies responded to the questionnaire. The other units under investigation did not respond for various reasons. This response represents a rate of 89.7%. This response rate was deemed sufficient for further analysis of the data.

4.3 Descriptive Statistics

The presenting of descriptive statistics comprises assessments of the mean and standard deviation, that were also computed to get an understanding of the data's relationship characteristics with reference to the variables.

4.3.1 Descriptive statistics for strategic adaptation

This part of the questionnaire aimed to measure the extent to which strategic adaptation has manifested itself in SMEs. Table 4.1 presents descriptive statistics.

Table 4.1: Strategic Adaptation

STATEMENT	Mean	Std. Dev
We have invested in Innovation strategy	4.56	0.089
We have invested in Innovation systematization	3.67	0.124
We have invested in Product lifecycle planning	4.23	0.43
We have invested in Quality systematization	2.87	0.065
We have invested in Project management	4.10	0.069
The company undertakes advanced methods and ICT in production	2.89	0.064
We use Process management tools	3.22	0.089
We do Process engineering	2.13	0.90
We have invested in Brand management	4.45	0.061
We venture into New commercial practices	4.10	0.12
We invest in Professional development	2.78	0.06
We value Knowledge management	4.34	0.056
We invest High-level professional profiles	3.00	0.084
We have a high Tolerance to change and error	4.56	0.041
We invest in Technological innovation	4.78	0.067
We invest in Collaborative R&D and subsidies	3.69	0.045
We value our Relationship with suppliers	4.67	0.054

Source: Research Data, 2021

Table 4.1 on strategic adaptation indicates that investment in technological innovation, relationship with suppliers, tolerance for change and error and innovation strategy are the most common adaptive strategies by most SMEs (all have a Mean of 4.5 and above). Investment in knowledge management, brand management, venturing into new commercial territories, investment in product lifecycle management and project management are also common adaptive strategies (all have a mean of above 4.00).

Conversely, statements on use of quality systematization, professional development, process engineering and use of advanced methods and ICT in production were not as heavily supported (all have a mean of 3.00 and below). What is noteworthy in all these methods is that they involve high level managerial practices. The implication is that these SMEs want to remain as basic as possible even as they pursue strategic adaptation. In order to establish any emerging pattern in the responses, the researcher performed factor analysis to establish the key statements. The results are as provided in the factor analysis in the following section.

4.3.2 Factor analysis for strategic adaptation practices

Confirmatory factor analysis was performed to establish the factors that were deemed critical in terms of strategic response by respondents. The factor analysis in Table 4.2 shows that only 2 factors were retained. In terms of focus the 2 factors retained can be summarized as innovation and product management. Clearly then, these are the most important in terms of strategic adaptation practices of SMEs in Kariobangi Light Industries.

Table 4.2 Rotated Component Matrix for Strategic Adaptation Practices

	Component	
Item Description	**1**	**2**
We have invested in Innovation strategy	0.987	
We invest in Technological innovation	0.975	
We value our Relationship with suppliers	0.888	
We have invested in Product lifecycle planning	0.897	
We have invested in Innovation systematization		0.856
We have invested in Project management		0.854
We have invested in Brand management		0. 835
We value Knowledge management		0.789
We venture into New commercial practices		0.785

This involved use of principal component analysis

4.3.3 Descriptive statistics for Performance

Table 4.3 shows the mean and standard deviation of these measures, which were scaled from 1 to 5. According to the data in Table 4.3, respondents agree with virtually all of the performance insights employed (the averages are all above 4.00). Increase in turnover and reduction in returns were however the most highly ranked performance measures. Employee turnover and repeat business were not as highly ranked as the rest of performance measures.

Table 4.3 Performance

STATEMENT	Mean	Std. Dev
Our turnover has increased	4.80	0.110
The turnover of our employees is low	4.23	0.032
Repeat business is quite high	4.35	0.452
Complaints have decreased	4.67	0.067
We have reduced returns	4.78	0.078

Source. Author (2021)

4.4 Result of the Regression Analysis

The regression analyses were carried out in order to determine the link between strategic adaption practices and performance; the findings of the analysis are as follows:

Table 4.4 The summary model of straight adaptation effect on performance

Model	R	R SQUARE	ADJUSTED R SQUARE	STD. ESTIMATE ERROR
1	.643[a]	.413	.217	.3013
a. Predictors: (constant), strategic adaptation practices				

Table 4.4 shows the fit of the model. There is moderate correlation between strategic adaptation practices and performance (R2 = 0.413). The model shows that 41% of performance can be explained by strategic adaptation practices. This means that 51% of

the variability in performance is explained by factors outside of those measured in the model.

Table 4.5 ANOVA for strategic adaptation practices and performance

MODEL		SUM OF SQUARES	DF	MEAN SQUARE	F	SIG.
1	Regression	2.675	1	2.567	14.447	.000b
	Residual	6.980	69	.174		
	Total	9.655	70			

a. Dependent variable is performance

b. Independent variable is strategic adaptation practices

The ANOVA statistics are shown in Table 4.5. In the analysis, the model is utilized to demonstrate the significance of the connection between the independent and the dependent variables. Because the significance level is less than 0.05. In this study, the conclusion is that there is a statistically significant link between strategic adaption techniques and performance.

The beta coefficient is shown in Table 4.6. The constant value is 2.456, whereas the standardized beta value is 2.895. Both the constant and the predictor variable are significantly related to the dependent variable, that is, performance. The resulting model equation is as follows:

Performance = 2.46 + 2.985 Strategic adaptation practices

Table 4.6

Table 4.6 Coefficients for strategic adaptation practices and performance

Model		**Unstandardized coefficients**	**Standardized coefficients**	**Mean square**	**t**	**Sig.**
		B	**Std. error**	**Beta**		
1	(constant)	2.456	0.542	2.567	3.109	0.001
	Strategic adaptation practices	3,727	0.243	2,895	3,929	.000
a. Dependent variable: performance						

The presence of a constant implies that some activity is present in the dependent variable is present even in the absence of the predictor variable. The beta coefficient of 2.985 means that the elasticity of the model is 1 unit of the dependent variable for every 2.985 units of the predictor variable.

4.5 Discussion of the Findings

The factor analysis revealed that the presentation could be reduced to simply two factors: innovation and product management. These results are comparable to those of Tayauva (2011), who investigated the link between international orientation trends in entrepreneurship and strategic adaptability. The focus of global entrepreneurship is analyzed from three dimensions: innovation, proactivity and risk-taking propensity. The study used the tools of Zajac and Shortell (1989) and the typology of Miles and Snow (1978) to measure strategic adaptation.

Research shows that, compared to advocates and analysts, prospecting organizations are more likely to be more innovative, adventurous, and proactive. This confirms that innovation is the practice of strategic adaptation of SMEs. The findings suggest that there is a favorable link between SMEs' strategic adaption practices and business performance. The study's findings are consistent with prior publications by Sánchez, Lago, Ferràs, and Ribera (2011). Implications imply that firms with comparable standards seek similar innovations in a geographical setting, and that such creative techniques are used to enhance growth.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter offers the study summary and the results reached based on the analysis performed, followed by recommendations based on the research findings and proposals for further research.

5.2 Summary

Descriptive statistics show that when it comes to strategic adaptation, investment in technological innovation, relationship with suppliers, tolerance to change and error, and innovation strategy are the strategies of most common adaptations of most SMEs (all have an average of 4.5 and above). Investing in knowledge management, brand management, exploring new business territories, investing in product lifecycle management, and project management are also common adaptation strategies (all have an average greater than 4.00). Factor analysis narrowed the claims down to just 2 factors, namely: innovation and product management. The regression findings indicate a statistically significant link between strategic adaption techniques and SMEs' success.

5.3 Conclusion

The following conclusions can be reached about the topic of this study based on the analysis in Chapter 4. The goal of this research was to see if there was a link between strategy adaptability and the performance of SMEs in Nairobi's Kariobangi Light Industries Sector. A statistically significant link exists between strategic adaptability and performance, according to the results of the regression coefficients. As a result, as the amount of adaptability to environmental challenges increases, so does the desired performance.

The study's findings verified that the capability of the theory of dynamics may change a vision to the point of retaining a competitive advantage in a dynamic environment (Teece et al., 1997). In the framework of this study, the organization has made attempts to change its strategy for investing its resources in order to improve the organization's performance. This results in competitive advantages and enhanced performance.

The study's findings also provide credence to the resource dependency theory. The idea behind this notion is that organizations require resources to ensure their long-term viability. Certain organizations can only access these resources from their own environment; nevertheless, other organizations would like to have the same resources in that environment. Thus, strategic adaptation pertains to an organization's spontaneous attempt to modify its strategic orientation in terms of environmental development in order to improve its value (Pfeffer & Salancik, 1978).

5.4 Recommendations

This section covers practical suggestions as well as research recommendations for the future:

5.4.1 Recommendation for Practice

Judging from the previous findings, it is recommended that SMEs generally should embrace strategic adaptation. This will allow them to take advantage of positive changes in the environment while avoiding negative changes. Research findings and theoretical hypotheses support the relationship between strategic adaptation and performance.

5.4.2 Recommendations for future research

It is suggested that more research be conducted to expand on the findings of this study in terms of strategic adaptability and performance. This is especially bearing in mind that there are other variables that may influence the relationship between the two such as the size of the firm and intra and inter industry competition. Future research could also be longitudinal so that the strategic adaptation and the performance of the firm may be tracked for a period of time. This will provide more stable results, bearing in mind that there are other variables that may influence the relationship between the two factors, such as the size of the firm and intra and inter industry competition. Future research could also be longitudinal so that the strategic adaptation and the performance of the organization may be tracked for a period of time. This will provide more stable results.

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APPENDICES

APPENDIX 1; QUESTIONNAIRE

PART A

1. Name of Business……………………………
2. Number of years of operation
3. Number of Employees
4. Number of Products
5. Approximate annual Turnover

PART B: STRATEGIC ADAPTATION

Select the extent to which you agree with the following statements on a scale of 1-5.

Statements	**1**	**2**	**3**	**4**	**5**
Project management					
Product life cycle planning					
Innovation strategy					
Quality system design					
Process engineering					
Advanced ICT methods in production					
Brand management					
Professional development					

Novel commercial practices					
Technology innovations					
Knowledge management					
Relationship with suppliers					
Tolerance to change and error					
Local technology suppliers					
High level of professional profiles					

PART C; PERFORMANCE

On just a scale of 1-5, rate how much you agree with the following statements.

Statement	**1**	**2**	**3**	**4**	**5**
Our turnover has increased					
The turnover of our employees is low					
Repeat business is quite high					
Complaints have decreased					
We have reduced returns					