

**THE PERCEIVED RELATIONSHIP BETWEEN STRATEGIC  
PLANNING AND PERFORMANCE OF SMES IN NAIROBI CITY  
COUNTY**


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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT  
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## DECLARATION

I, Stella Wanjiru Mbugua, hereby declare that MBA research project titled “The Perceived Relationship between Strategic Planning and Performance of SMES in Nairobi City County” is my original work and has not been presented to any institution, college or university for award of any certificate, diploma or degree.

Signature. -----

Date 1<sup>ST</sup> DECEMBER 2021

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## SUPERVISOR’S APPROVAL

This research project prepared by Stella Wanjiru Mbugua titled “The Perceived Relationship between Strategic Planning and Performance of SMES in Nairobi City County” has been submitted for examination with my approval as the appointed University Supervisor.



Signature

Date: 1<sup>ST</sup> DECEMBER 2021

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## **DEDICATION**

This Research Project is in honour of my Parents Francis Mbugua Njuguna and Jane Wambui Mbugua whom inculcated good values in us as a family, supported me morally as I undertook this challenge of pursuing education and continually encouraged us to read throughout our lives.

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## **LIST OF ABBREVIATION**

<b>ANOVA</b>	Analysis of Variance
<b>CBK</b>	Central Bank of Kenya
<b>GDP</b>	Gross Domestic Product
<b>NGOs</b>	Non- Governmental Organizations
<b>ROI</b>	Return on Equity
<b>SME</b>	Small and Medium Enterprises
<b>SMEDAN</b>	Small and Medium Enterprises Development Agency of Nigeria
<b>SPSS</b>	Statistical Package for Social Sciences



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## ABSTRACT

The research's principal goal was to explore how SMEs in Nairobi viewed the relationship between strategic planning and organizational success. The survey research design was used to investigate the topic at hand. All 30,253 SMEs in Nairobi, Kenya were included in the study. A total of 395 people were appraised from this group. The respondents were chosen using a systematic approach. A structured questionnaire was used to assemble primary data for this investigation. In data mining, descriptive and inferential statistics were used. According to the research's verdicts, 82 percent of SME's had an existing strategic plan in place, while 18 percent did not. According to the data, 36% of SME's had a strategic plan that lasted more than 5 years, 28% of SME's had a 5-year strategic plan, 15% of SME's had a 2-year strategic plan, and 12% of SME's had a 1-year strategic plan. According to the results of the adoption planning process, on average, respondents gave the strategic planning process a high rating, with a mean of 3.582 and a standard deviation of 0.654. The study's discoveries also exposed that, on average, strategic planning had a significant impact on performance, as seen by the overall mean of 3.714 and standard deviation of 0.46. The general mean of 3.593 and standard deviation of 0.472 indicate that SMEs have performed well during the last five years. Strategic planning had a weak but significant relationship with organizational performance, according to correlation analysis. SME's should implement a strategy that assures adequate resource allocation, according to the report. This is due to the fact that resources are essential in the implementation, monitoring, and assessment of strategic goals. As a result, it is critical that all SMEs have processes that allow for equal resource allocation. This is due to the fact that resources are essential in the implementation, monitoring, and assessment of strategic goals. As a result, all SMEs must put in place processes that allow for equitable resource allocation across all departments so as to guarantee that strategic plans are carried out effectively. The research also suggests that SMEs provide ongoing training to their personnel in order to aid in the implementation of strategic initiatives. Employees will be able to carry out the duties required of them with proper training, ensuring that the strategic plans are implemented as planned.

## **CHAPTER ONE:**

### **INTRODUCTION**

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

The Company's performance stands out as a crucial aspect for the survival of various businesses in vast, growing, and competitive environments. Whether small or medium, businesses require laying out strategies essential in helping the firms achieve their goals. Companies across the globe recognize the essence of strategic planning in firm performance. Strategic planning allows firms to maintain the existing size or enhance their growth. Through a strategic plan, companies can combine the best approaches towards improving performance (Akinyele & Fasogbon, 2017). Strategic planning, enable entities gather data that improves understanding of the external and internal factors that affect business uncertainty. Through strategic activities derived from strategic planning, firms successfully go through the environmental factors that affect firm performance hence enabling them to survive in an unstable and uncontrollable business environment (Anyieni et al. 2018).

This research is rooted on the Resource- based theory and reinforced by systems theory, and dynamic capabilities theory. The resource-based approach was coined by Barney (1991) (Omondi-Ochieng, 2019). According to the theory, a firm with strategic resources has the potential and opportunity to develop a competitive advantage against other firms in the same sphere (Edwards et al., 2013). Strategic resources stand out differently from other resources since they are rare, difficult to duplicate, valuable, and un-substitutable. System theory, by Bertalanffy (1970) stipulates that the components of a system and an organization exist in a dynamic relationship of interdependence. According to Friedman and Allen (2011), interactions between such components give rise to an organization's system. Such systems help individuals understand their organizations in the new and changing business environments. As a reaction to Barney's Resource-based view, Teece, Pisano & Shuen (1997) developed dynamic capabilities theory. The new approach included redevelopment of resources and company capabilities in addressing the vast dynamic

macro-environment (Bleady et al., 2018). The model postulated that dynamic capabilities enable the firm to reconfigure its strategy and available resources in accomplishing sustainable competitive advantage in the business sphere.

The exploration concentrates on SMEs in Nairobi, Kenya. The SMEs undertake a vital purpose in the economic progress of Kenya. The SME's potential influences the economic sphere of the country as well as the steps taken towards achieving Kenya's famous Vision 2030. Such businesses stand out as catalysts towards the social and economic growth of the Kenyan nation. Research focusing on strategic planning reveals that firms require an active integration of plans for future encounters and ensure effectiveness (Mahoro, 2017). Rhodes (2015), however, points out that most SMEs ignore the essence of strategic planning. Failure to use a strategic planning result in challenges that hinder such a business's performance and limit its growth potential. O'Regan and Ghobadian (2017) also add that as SMEs fail to engage in strategic planning, their survival potential becomes at risk. Such firms curtail their competitive advantage on a global and national capacity.

### **1.1.1 Strategic Planning**

This refers to the course of examining the external and internal environments of an entity, choosing the best vision and mission, setting goals, and creating strategies worth pursuing with the necessary resources channeled towards achieving such goals (Daniels, 2021). According to Akinyele and Fasogbon (2017), strategic planning also refers to systematic criteria used in formulating, implementing, and controlling strategies that develop procedures and operations that influence a firm's future. The process encompasses underlying processes that manipulate a given situation to create favorable company outcomes. The main aim of strategic planning lies in aligning a firm's activities with the business environment, hence offering survival and effectiveness (Donkor, Donkor & Kwarteng, 2018). Nikols (2016) combines definitions from various scholars and ends up with a simple description, that strategy is a broad plan of actions for achieving the desired objectives. Mallon (2019) defined the same term as a pattern of goals, purposes coupled with significant policies and plans to attain the set goals that define the company and its scope.

The two primary forms of strategic planning include tactical planning and operational planning. Tactical planning points to the change of existing broad goals and plans into specific and actionable goals. Middle-level managers often take the task of tactical planning (Daniels, 2021). The process includes making decisions based on the management of resources within a short period. Operational planning, on the other end, entails supervising the operations of a firm. Company employees not at the management level undertake the process. The plan created in the tactical planning phase becomes implemented. Low-level managers oversee operational planning. The form of strategic planning carries weight since it links an organization's management with other workforce members. Firms should set objectives and come up with activities geared towards achieving the set objectives. The goals become a reference point and a path towards attaining company performance (Donkor, Donkor, & Kwarteng, 2018).

### **1.1.2 Organization Performance**

Almatrooshi, Singh and Farouk (2016) define organizational performance as a concept that entails the outcomes of a firm in terms of financial consequences, product market performance, and shareholder returns. In essence, the terminology points to the actual outcomes compared with the intended output. Richard et al. (2019) define the terminology as value created by an organization by utilizing the existing productive assets related to the assets' expected values. The terminology points to the actual results of a firm measured against the standard output.

Firms can measure organizational performance using various strategies. The first approach entails evaluating the set objectives. Firms can assess their performance by looking at the progress made towards achieving the set goals (Verweire et al., 2016). The measurement strategy looks into the expenditure, profits, growth, and success towards achieving the set goals. The second approach entails evaluating the efficiency of the business process. Firms can gauge their performance by assessing business processes and functions such as speed, outputs, productivity, cost-effectiveness, agility, and adaptability. Companies can also measure organizational performance through economic performance.

The approach entails looking into the financial and market results by assessing the profits, ROI, and sales. Another method includes operational performance, which evaluates observable measures such as customer satisfaction, client loyalty, and competitive advantage stemming from resources and capabilities, and social capital (Haddadi & Yaghoobi, 2014). The operational performance approach details the effectiveness of a firm to execute its projects. Another indicator of organizational performance includes alignment. The measurement tool looks into the synchronization of various departments, how employees synch at work, and the harmonization between a company and its vision and a firm and the market environment.

### **1.1.3 Small and Medium Enterprises in Kenya**

According to the Small Enterprises Act No. 55 of 2012, a "small enterprise" is a company with a total gross income of between 500 and 500 million shillings and between 10 and 50 employees. According to the Small and Medium Enterprises (SME) Survey of 2016, the number of SMEs licensed by county governments across the country was over 1.56 million. Medium-sized businesses have between 51 and 99 employees. According to the survey, there were around 1.56 million SMEs licensed by county governments across the country.

SMEs perform a significant role in providing services and undertaking trade in the economic market. The enterprises produce finished goods and services essential in the business environment. Wairimu (2015) states the economic and social pillars of the nation are greatly supported by SMEs. Wairimu details that SMEs add to the GDP of the country. The sector increased Kenya's GDP from 20% to 25% between 2017 and 2019. Central Bank of Kenya (CBK) issued a report on a recent National Economic Survey that showed that, there is a high representation of SMEs in the Kenyan business since it has a share representation of 98 %. As per the 2019 survey, 80% of the occupations created came from the informal sector that SMEs dominate. Therefore, curbing unemployment at 30 % annually and contributing approximately to 34.5% of the GDP in 2019.

SMEs also can create jobs in the country. The low employment rate and high unemployment numbers in Kenya necessitate alternative approaches to creating employment opportunities. The SMEs serve to solve the job creation stagnation problem

in the public sector to sustainable levels. Therefore, SMEs stand out as income sources for several individuals in the country. Several indigenous people today take part in and contribute towards economic development in the country.

#### **1.1.4 Small and Medium Enterprises in Nairobi County**

SME sector in Nairobi is developing at a high frequency due to the high population in the county, given that it is the capital city of Kenya. As per the (Company Register 2020) we have 30253 registered SMEs operating in Nairobi. Some of the objectives of SMEs include lowering the unemployment rate by creating employment opportunities. The sector generates job opportunities, especially for non-urban people. SMEs also strive to increase income for people living below the poverty line. Such entities give rise to self-employment opportunities by utilizing indigenous resources and technological advancement. Another objective of SMEs includes entrepreneurial development stemming from employment generation. The SMEs also strive to foster geographical dispersion of industries across the county to ensure balanced development (Zafar and Farooq (2014). Research from the two authors and past inquiries describe that SMEs contribute to growth of the economy and foster societal progress. The study focuses on SMEs in Nairobi County for various reasons. First, Nairobi, as a cosmopolitan city, harbors SMEs of all types. The centralization of such entities in the county makes it easier to access enterprises for data. The concentration of SMEs in the county ensures diversity in the data provided.

#### **1.2 Research Problem**

Planning can help preserve the company at its current scope or offer the basis for increasing development. Strategic planning stands out as the basis of every organization. Gure and Karugu (2018) state that strategic planning on product quality, and service innovations lead to growth of firms. On top of that, incorporation of technology, venturing into new markets, better customer service, advertising, and engaging in cost-effective operations result in stable and steady performance. Tapinos et al. (2015) also detail that strategic planning entails planning practices to advance approaches that might add to enactment. Therefore, for organizations to achieve strategic planning, they have to develop certain performance strategies for effectiveness.



Nairobi County is the habitat of a more significant percentage of SMEs in the country. Kenya lacks comprehensive data on SMEs in the country. However, out of the estimated 7.5 million SMEs in the state, a more significant percentage operate within Nairobi County. The high number of SMEs in Kenya's capital city motivated a focus on location. On top of that, the competition of SMEs in Nairobi stands at a higher level. When business surges in a given area, competition becomes high. Companies strive to accomplish a competitive edge in such a competitive business environment. Such a competition, therefore, necessitates firms to take extra measures to survive (Mahoro, 2017). One approach to thriving in the new and dynamic business environment involves strategic planning. Therefore, the stiff competition among numerous SMEs in Nairobi County motivated the study to Nairobi.

There are several studies from a global perspective looking into strategic planning and organizational performance. For instance, Akinyele and Fasogbon (2017) looked into the influence of tactical planning on corporate recital and thriving. The exploration exposed that tactical planning in improves company enactment. The Corporate, administrative, and environmental factors significantly have a long-term impact on firms. Adetowubo-King (2018) showed that in the contemporary business sphere there's a tangible relationship amid planning strategically and business performance. The concept of strategic planning devises a significant impact on firms' performance in all sectors in a global scope According to George et al. (2019). The authors state that strategic planning should form part of firms' standard managerial approaches to enhance effectiveness and performance.

In a local context, various Kenyan scholars have looked into the key concepts of the study. Anyieni (2018) studied the aspect of strategic planning and the employee performance of MFI's in Nairobi. Akolo et al. (2018) also researched on organizational behaviors towards strategic change management. The outcomes of the study detail that SMEs are required to have a strategic plan for effective organizational performance. With strategic performance, firms can set annual objectives, fix budgets, and develop a work plan geared towards achieving the set goals. However, the author states that firm performance does not stem from having a strategic plan. Companies should take an extra step in ensuring strict adherence to the strategic procedures for company success. Mahoro (2017) also looks into

the performance of SMEs in Nairobi in regards to strategic orientation. The author details that combining strategic performance and setting performance targets ensures better performance for SMEs. Through strategic planning, firms translate their visions and strategies into strategic objectives that aid in meeting the set short and long-term goals. Based on the numerous research reviewed, there is a lack of knowledge of the relationship between strategic planning and performance. As a result, the research's principle goal was to discover a solution to the following inquiry: what was the perceived relationship between strategic planning and performance among SME's in Nairobi County?

### **1.3 Research Objective**

The research sought to figure out the perceived relationship between strategic planning and organizational performance among SMEs in Nairobi.

### **1.4 Value of Study**

The inquiry would significantly contribute to the advancement of theories. Every researcher has a mandate of making a theoretical contribution through research. The exploration, however, makes a significant contribution to ideas concerning strategic planning and company enactment. The data derived out of the research acts as evidence of the stipulations of various theories. Resource-based theory, system theory, and dynamic capabilities theory were the three theories applied. The study, therefore, added to the theoretical underpinnings in the study hence cementing the applicability of the views.

The study also stood out as beneficial to policymakers. Stakeholders in small and medium-sized firms made informed decisions stemming from the knowledge gained in the study. The study aids managers in understanding the importance of strategic planning in companies. Therefore, individuals tasked with making strategies for firms understand the best approach to making policies that ensure firm performance and success.

The study also had tremendous implications for practice. Individuals within the SME sector get valuable information to guide them in practice. The study also helped managers and individuals in the business field include strategic planning to ensure organizational performance. The firm also provided room for additional investigation.

## **CHAPTER TWO:**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Theoretical review and related studies that were used to conceptualize this investigation were discussed in this portion.

#### **2.2 Theoretical Foundation**

This segment of the literature review looked at the theories that have been applied to scrutinize the current available link between strategic planning and performance of organizations. It explored the current theories and their underlying significance and relevance to the research.

##### **2.2.1 Resource-based Theory**

Barney (1991) coined the hypothesis of resource-based. According to the model, a firm with strategic resources has the potential and opportunity to develop a competitive advantage against other firms in the same sphere (Edwards et al., 2013). Strategic resources stand out differently from other resources since they are rare, difficult to duplicate, valuable, and un-substitutable. Barney states acquisition of strategic resources requires the execution of several strategies and resources and making them difficult to imitate (Davis & Simpson, 2017).

The theory, however, has its limitations. First, the theory details that strategic resources should be rare, non-substitutable and rare. However, what firms considered strategic resources when the theory was developed may not be the same. The shifts in the economic field necessitate the duplication and substitution of such resources to fit the current market trends and maintain an advantage in the market sector. The theory is pertinent to the exploration since it details how firms can use strategic planning to achieve uniqueness that offers them a competitive advantage, hence achieving organizational performance.

Another limitation is that the theory fails to consider other factors that drive organizational performance. For instance, a firm might have all the strategic resources listed by the approach. However, a failure to take the necessary measures and exploit the opportunities derived from the resources may make the firm fail to achieve strategic performance. Firms should consider their capabilities to attract and acquire resources and use and develop such resources over time. The theory also states that the resources must be inimitable. The current market trends open the way for imitation of resources and alteration to suit the company's needs and strategic plan. The dynamic business environment necessitates the copying of strategies and modifications to achieve uniqueness.

### **2.2.2 Systems Theory**

Bertalanffy (1970) stipulates that the components of a system and an organization exist in a dynamic relationship of interdependence. According to Friedman and Allen (2011), the interactions between such components give rise to an organization's system. Such systems help individuals understand their organizations in the new and changing business environments. The theory has several points of origin. Lai and Huili Lin (2017) detail several sources of the approach. The philosophers state that the systems theory first originated from biology in the 1950s. In the biology discipline, the theory provided a framework or structure of systems to explain the orderly and coherent corpus of knowledge of networks. Lai and Huili, Lin (2017) also state that the cybernetic systems theory in mechanical engineering explains machine systems of machine systems.

The significance of the theory stems from its ability to help organizations solve the complicated issues in their systems (Cordon, 2013). The approach also helps firms develop sustainable changes in the economic environment, ensuring that firms survive the changing business environment and remain relevant. Therefore, the systems theory relates to the study since it helps firms understand the various systems within the business environment interact in the dynamic environment. Through the idea, the researcher will understand how companies can engage in strategic planning by considering how internal and external systems interrelate in the competitive market sphere. The approach, however, has its limitations. The major limitation of systems theory lies in the structural-functionalism of the theory. The view emphasizes the idea of homeostasis, which aligns only to changes that

stabilize systems. Such an emphasis poses a problem, since other changes might arise that disrupt the stability of organizations or existing systems.

### **2.2.3 Dynamic Capabilities theory**

This was expounded to mean that dynamic capabilities enable the firm to reconfigure its strategy and available resources in achieving sustainable competitive advantage in the business sphere Teece, Pisano & Shuen (1997). Dynamics capabilities theory aims at expounding on the changing relations between various elements of systems and organizations. Systems development stems from the structure and patterns of the associations arising from organizations' interactions. Understanding the contexts of such interactions in dynamic settings helps companies establish better systems Gathungu and Mwangi (2012)

Dynamic capabilities theory has some limitations. The first limitation is that the dynamic capabilities provided by the theory can be substitutable. Such a limitation connotes that strategic capabilities and planning can be imitated by other firms (Collis et al., 2021). Another limitation is that dynamic capabilities theories can embody strategic choices that require long-term commitments. The theory, however, stands out as crucial to the current study. The researcher can utilize the theory to understand that identifying and selecting a firm's capabilities significantly improves strategic decision-making. It is essential to strategic planning aimed at increasing firm performance.

### **2.3 Review of related Studies**

Jehad (2011) Discussed Strategic Planning and Company Performance Relationship in Small Businesses. This study focused on the population of the registered 105 Small firms in Amman Stock Exchange. The research methodology adapted by the study was a survey and questionnaires were used as a means for data collection. Spearman's correlation was piloted to assess the relationships amid the strategic planning and corporate performance. Verdicts of this exploration found a positive but insignificant relationship existed between the two research variables at hand.

Khoshtaria (2018) undertook an investigation focusing on the effect of tactical planning on organizational performance as a result of strategy implementation. The target population included manufacturing companies derived from the National statistics office of Georgia. Only companies that made 1.5 million annually with over 50 employees qualified to take part in the study. The study's main aim lay in investigating the strategic planning and implementation procedures utilized by manufacturing companies in Georgia and their consequent impact on performance.

The research used questionnaires as a data collection instrument. The questionnaires focused on the link existing among generic strategies and firm performance. The sample population included 455 firms. Out of the 455 companies, only 104 firms responded to the inquiry. The population sample was determined using a simple random sampling procedure. After collecting data, Khoshtaria applied correlation analysis and ANOVA to scrutinize the data, which revealed that comprehensive strategic planning significantly contributes to enhancement of organizational overall outcome. The Inquiry underpins the essence of strategic planning in attaining firm performance, and the investigation ascertains that strategic planning restored to top notch organizational overall performance with proper strategic implementation.

Makinde, Akinlabi, and Ajike (2015) researched on how firm performance was impacted by strategic planning, by analyzing the correlation between the two variables in the SMEs sector in Nigeria. The descriptive survey was utilized as the blueprint for data collection. The population size was all the 4535 registered companies under Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). The sample size entailed 520 companies that formed part of the respondents. The selection of the sample size used William Cochran's 1977 standardized methods of randomization. Controlled Questionnaires were utilized by the researcher to collect data. The researchers used simple regression analysis and correlation analysis to assess the research findings. The conclusion was that strategic planning variables affirmatively and considerably impact the performance of SMEs in the country. Therefore, if they adopt strategic planning, their performance improves. Despite the study scope being confined to SMEs in Nigeria, the

research is relevant to the Kenyan context. The researchers investigated the same concept in this study, making the finding applicable and suitable for use in the study.

Donkor, Donkor and Kwarteng (2018) explored strategic planning enactment of SMEs in Ghana. The researcher used the quantitative explanatory approach over a sample size of 200 SMEs in the country, and regression analysis methods to analyze the study. The study findings detail that consistency in applying strategic planning methods insignificantly leads to SME's performance in the country. The study also revealed that the market's dynamic nature also impacts firm performance despite the minimal significance of its effect. However, the researchers add that market dynamism impacts SME performance, especially when firms engage in strategic planning. The study reveals an existing connection between the two main study variables. The research shows to the current study, since the researchers handled the same topic currently under investigation. The research narrows down to SMEs hence validating the outcomes as relevant to this research.

In a local context, another study by Mahoro (2017) also investigates the effect of strategic change in managing SMEs in Nairobi. Mahoro research methodology was the descriptive research design. The exploration utilized probability sampling narrowed down to stratify random sampling. The sample size encompassed 30 SMEs in Nairobi County. To obtain data, Mahoro used questionnaires. Correlation analysis was utilized in scrutinizing the variables of the inquiry. Mahoro also used standard deviation to analyze the measure of variability in questionnaire items. The study concluded that strategic planning helps managers create milestones to gauge whether the firm meets the set goals and objectives. The strategic plan also ensures SME managers include employees in the decision-making process.

Nyanaro and Bett (2018) also studied the consequences of tactical planning on the monetary enactment of profitable entities in Kenya. The scholar employed the Descriptive research design. The demographic targeted comprised of 377 members from all the organizational management levels. The scholars used stratified random sampling to select participants in the exploration. The researcher used semi-structured questionnaires to collect primary data within 14 working days. The questionnaires used the Likert scale and the data analysis used SPSS v23, ANOVA test, and multiple regression analysis. It was

deduced that tactical plans encompass the vision of commercial banks aspiring to grow and shape their resource allocation process, hence influencing their ability for development. Despite the survey focusing on commercial banks in Kenya, the researcher's topic is pertinent to the present exploration. The outcomes add to the pool of empirical studies that underpin the essence of strategic planning in any organization's performance.

Kefa and Iravo (2018) study aimed to investigate the impact of strategic planning on the enactment of NGOs in Kenya. A case study research design was utilized on exploration of the information. The study population targeted 350 employees who were chosen by sampling. The researchers also incorporated questionnaires with the Likert scale to gather primary data. The outcome revealed that the execution of strategic plans stands out as pertinent in achieving the effectiveness of firms across the globe. The research also revealed that strategic planning is a pertinent issue in NGOs. The study also showed that practices relating to strategic planning positively impacted the performance of NGOs in Kenya. The investigation widens the scope of the study to include non-governmental organizations. The study's outcomes still cement the essence of strategic planning in the survival and achievement of the effectiveness of any firm. The research findings showcased, strategic planning is necessary for SMEs, NGOs, and government establishments.

Akolo et al. (2018) also engaged in similar inquiry. The inquiry intended at evaluating the influence of tactical orientation on the recital of SMEs in Nairobi City County. The research methodology used was a descriptive research design. The respondents engaged were the management or owners of SMEs. The Nairobi City County Records of 2016 listed 600 registered SMEs in the country's capital city. The exploration utilized stratified random sampling to categorise the populace of the inquiry. Surveys with specific closed ended questions to collect data were used. The study deduced that SME managers should prepare a strategic plan with annual objectives that lead to an effective organizational structure essential in job execution. The study also underlines the essence of having a strategic plan in any organization, especially SMEs, making it relevant for use in the current research.



## **2.4 Strategic Planning and Performance**

The Strategic planning can highly accentuate performance by creating pertinent information and understanding the macro environmental factors. Previous researchers have greatly emphasized that organisations which have incorporated strategic planning tend to record high performance as matched to those without. There is need of analysis for in-depth conceptualisation of ways of applying strategic planning in practise to improve Organisational efficiency on performance (Hodgetts and Kuratko, 2001).

## **2.5 Summary of Empirical Studies and Knowledge gaps**

The explorations above detail that strategic planning significantly impacted on organizational performance in Kenya and on a global scale. Every study discussed above underlines the need for firms to engage in strategic planning to enable them to achieve improved organizational performance. However, few studies are available conducted on SMEs in Nairobi, Kenya. Most studies focused on SMEs in other states, with fewer researchers focusing on SMEs in Kenya and specifically Nairobi. Other studies also took a general approach of looking at the effect of strategic planning on steady performance. Therefore, there was a need for additional studies focusing on strategic planning and its impact on small and medium enterprises in Nairobi County.

**Table 2.1: Summary of Key Studies and Research Gap(s)**

<b>Study</b>	<b>Methodology</b>	<b>Key Findings</b>	<b>Research Gap (s)</b>	<b>Current focus</b>
Strategic Planning and Corporate Performance Relationship in Small Business Firms in Middle East Jehad. S (2011)	Survey Research design	Strategic planning enhances organizational performance with proper strategic implementation.	Focused on only Corporate performance and it was limited to Middle East only	Focuses on overall organisational performance
Impact of strategic planning on organizational performance of manufacturing companies in Georgia.Khoshtaria (2018)	Descriptive survey research design	The study established that strategic planning contributes towards better organizational performance.	The study only reviewed one Industry that is the manufacturing industry and the data was limited to Georgia only.	The current study is comprehensive focusing on the performance of SMEs data will not be limiting to one specific industry.
Strategic planning and its impact on firm performance of companies in the small	Descriptive survey research design	Strategic planning variables positively and significantly affect the performance of SMEs in the country.	It was limited to (SMEs) sector in Nigeria only.	The current study Focuses on SME's in Nairobi City County.

and medium enterprises (SMEs) sector in Nigeria. Makinde, Akinlabi, and Ajike (2015)				
The interrelating impact of market dynamism on the influence of strategic planning and performance of SMEs in Ghana Donkor, Donkor and Kwarteng (2018)	Quantitative Explanatory Approach	The study reveals there is high correlation amid market dynamism and SMEs performance only when subjected to strategic planning.	There exists a conceptual gap as the study looks at the interacting effect of market dynamics on performance	This study main focus is on how Strategic Planning relates directly to overall Organisational Performance
The effect of strategic change on performance of SMEs in Nairobi Mahoro (2017)	Descriptive research design	The study concluded that strategic planning helps managers create milestones to gauge whether the firm meets the set goals and objectives (performance).	The study presents us with a conceptual gap, since the first variable was strategic change.	By focusing on strategic planning and organizational performance, this inquiry aims to close the

				unexplored variable. (SMEs)
The effect of strategic planning on the financial performance of commercial entities in Kenya. Nyanaro and Bett (2018)	Descriptive research design	The study outcomes add to the pool of empirical studies that underpin the essence of strategic planning in any organization's performance	It was limited to companies in the commercial banks in Kenya.	This study will focus on SME's in Nairobi City County This study will look into all the business sectors as per the SMEs in Nairobi
Influence of strategic planning on the performance of Non-Governmental Organizations in Kenya Kefa and Iravo (2018)	Case study research design	Practices relating to strategic planning positively impacted the performance of NGOs in Kenya	Limited to Non-Governmental Organizations in Kenya	This study will look into all sectors of business specifically in SMEs in Nairobi.
Assessed the effects of strategic orientation on the performance of small and medium entities in Nairobi CBD Akolo et al. (2018)	Descriptive research design	It deduced that SME managers should prepare a strategic plan with annual objectives that lead to an effective organizational structure essential in job execution.	A conceptual gap was presented in the study since the first variable was strategic orientation	By focusing on strategic planning and performance, this research aims to close the gap.

## **CHAPTER THREE:**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This segment detailed the research design utilized while conducting the exploration. It also deliberated on the targeted population, sample size, and the design. The area also looked into data collection and analysis methods. A summary is provided at the end.

#### **3.2 Research Design**

Geoffrey (2019) stated that a research design denotes a plan that scholars and researchers use to examine the question under study. It also points to the various ways in which research can be conducted to answer the question under investigation. According to Mahoro (2017) the research design looks at the problem the study aims at solving, the research's blue print such as surveys, interviews and case studies, the extent of to which the research analyst manipulates and control the data, time horizon and the level of data analysis which are all integral to research design.

Exploration of the research at hand was done using the survey research design. The study design entailed a systematic approach of gathering data from entities to construct qualitative attributes of a larger population (Avedian, 2014). Various reasons drive the use of survey study design. The first reason is that the plan presents uniqueness in enabling a scholar to gather information not readily available from other sources. Secondly, the research design allows for probability sampling that results in a non-partisan representation of the population. The study design also can use the data collected to complement information from other secondary sources.

#### **3.3 Target Population**

The target populace denotes the complete cluster of persons; elements or services being explored as a result of having similar characteristics. Creswell (2013) described a population study as an assembly of people selected by the investigator whom are connected

to the study subject. The investigation population were all SMEs in Nairobi, Kenya. Nairobi as a county consist of 30253 SME's (Company's Registrar, 2020).

### **3.4 Sample**

To determine the sample, the researcher employed Slovin's formula:

$$n=N/(1+Ne^2)$$

Where; n=sample size

N= Estimated population i.e.,30253

e=Error tolerance. 95% was this study's Confidence level thus giving a margin error of 5%

The sample size is calculated as follows;

$$n=30253 / (1+30253*0.05^2) = 30253/76.6325=395$$

In order to select a representative sample, the study adopted purposive sampling approach. Purposive sampling empowers the scholar to depend on or trust their own verdict during the selection process of the populace participants of the research. This enables the researcher to focus on the key precise features of a population that are of main concern in relevance to the study, therefore involving the most fit individuals to answer the survey questions to address the research objective.

### **3.5 Data Collection**

The kind of information required for the inquiry was primary data which was attained through a structured questionnaire, that had four major sections. Section A captured the respondent's background. Section B gave information on strategic planning process; Section C and D was determining on how the organizational performance of SME's related to Strategic Planning as perceived. Data was gathered from a member of the top management or the operations manager of each SME.

### 3.6 Operationalization of the Study Variables

Table 3.2: Operationalization of the Study Variables

Variable	Operational Indicators	Measurement	Measurement scale	Data Collection tool	Data Analysis
Strategic Planning	<ul style="list-style-type: none"> <li>• Goal Setting</li> <li>• Strategy formulation</li> <li>• Strategy execution</li> <li>• Strategy monitoring</li> <li>• Strategy evaluation</li> </ul>	Likert Scale	Interval	Questionnaire Section B Section C	Descriptive statistics
Organization Performance	<ul style="list-style-type: none"> <li>• Market penetration</li> <li>• Sales Growth</li> <li>• Profit level</li> <li>• Product quality</li> <li>• New products</li> <li>• Employee retention</li> <li>• customer satisfaction</li> </ul>	Likert Scale	Interval	Questionnaire Section D	Descriptive statistics

Source: Research Data, 2021

### 3.7 Reliability of Research Instruments

The study's replicability explained the procedure of attainment of the identical outcomes by repeating the experiment under parallel conditions while subjected to a similar instrument. In order to attain both consistency and validity objectives should be distinctly definite, as should evaluation measures that are linked to the goals and objectives. Multiple researchers interpreting the identical data or approximating internal consistency, for

example, by having two independent questions with the same topic, were used to measure inter-rater reliability. Pre-testing the data collection tools enhanced validity and reliability before the real data collection. The levels of reliability are listed in the table below.

Table 3.3: Reliability of Research Instruments

Variable	Components of variables	Cronbach Alpha	No. of Items	Decision
Strategic planning	Goal Setting, Strategy formulation, Strategy execution, Strategy monitoring and Strategy evaluation	.852	12	Reliable
Organization Performance	market penetration, sales growth, profit level, product quality, new products, employee retention and customer satisfaction	.791	11	Reliable

Source: Field Data, 2021

### 3.8 Validity of Research Instruments

Validity is demarcated by Mugenda & Mugenda (2003) as the point at which a sampling of test items accurately reflects the test's content. The study's validity was established by whether the key research variables could be measured via the questionnaires, and whether simplification and non-duplication were taken into account in the questionnaire design (Orodho, 2004). The researcher sought expert guidance and support from the research supervisors, as well as discussions and criticisms from contemporaries, for determination of the content validity of the inquiry instrument. To determine the cogency of the study apparatus, the researcher will apply the KMO and Bartlett's Test. According to the



statistics, the KMO value is greater than 0.5, with a significant statistic of less than 0.05 for Bartlett's Test of Sphericity. This indicates that all the statements are highly adequate

Table 3.4: Kaiser-Meyer-Olkin.and Bartlett's Test

KMO and Bartlett's Test			
Strategic planning	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.530
	Bartlett's Test of Sphericity	Approx. Chi-Square	387.007
		df	55
		Sig.	.000
Organization Performance	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.743
	Bartlett's Test of Sphericity	Approx. Chi-Square	343.997
		df	45
		Sig.	.000

Source: Field Data, 2021

### 3.9 Data Analysis

Descriptive and inferential statistics were utilized in data mining. The mean and standard deviation were the tools used to assess the presentation of the analysed output. The correlation analysis method was performed to determine how the variables are connected. For analysis, the raw data was input and coded in the Statistical Package for Social Sciences (SPSS) program.

## CHAPTER FOUR:

### DATA ANALYSIS RESULTS AND DISCUSSION

#### 4.1 Introduction

The drive of this research transpires so as to determine the perceived association between strategic planning and SMEs' performance in Nairobi City County. This chapter presented findings of data analysis and interpretations by presenting results on background information, descriptive statistics, regression analysis and discussion of the verdicts.

##### 4.1.1 Reaction Level

The research's reaction level is indicated below

Table 4.2: Reaction Level

Reaction	Frequency	Percentage
Filled and reverted	330	83.54
Unanswered	65	16.46
Total	395	100

Source: (Research Data, 2021)

Only 330 of the 395 questionnaires sent out were properly completed and reverted. This equated to an 83.54 %reply rate. A response rate of 70% in a study should be regarded excellent for analysis of the data, interpretation, and inference, according to Mugenda and Mugenda (2011). As a result, the study's response rate was enough for data analysis and interpretation.

#### 4.2 Background Information

The researcher set out to define the demographic features of the informants for gaining an enhanced grasp of the participants' characteristics. Among the general information that was sought included: years of SME operation, age and continuous service within the organization.

### 4.2.1 Length of SME Operation

The main objective here was finding out the period that the various SMEs had been operational. The results of the study were as shown below.

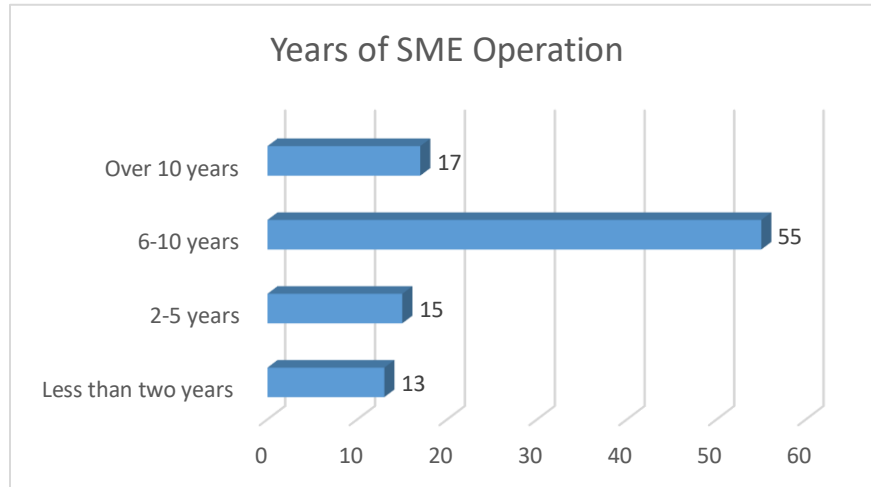


Figure 4.1: Years of SME Operation

Source: (Research Data, 2021)

As per the above figure it was shown that 55% of the SME's had been up and running for a period between 6-10 years, 17% of the SME's had stood running for a period of over 10 years, 15% of the SME's had existed operational for 2-5 years and 13% of the SME had been in action for less than two years.

As per the conclusion of the inquiry the popular percentage of SME's have been in up and running for more than 6 years. This meant that the SMEs had been in existence long enough to apply many strategic plans thus, they had knowledge of how these strategy planning have an impact on performance. Hence, the respondents were well knowledgeable thus; this made them a good source of information.

### 4.2.2 Age

The purpose of the investigation was to figure out what age group the informants belonged to. The study's findings are displayed below.

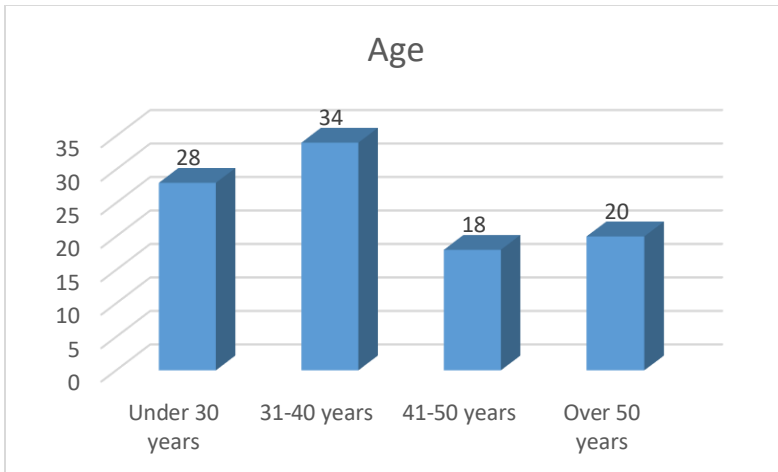


Figure 4.2: Age

Source: (Research Data, 2021)

Commencing the above figure, it is palpable that the majority of the informants were between the ages of 31 and 40 years, 28% were under 30 years old, 18% were between the ages of 41 and 50 years, and 20 % were above 50 years old.

#### 4.2.3 Continuous Service Within the Organization

The length of continuous working experience for the respondents in their current firm was critical in the study. Figure 4.3 presents the results from the study.

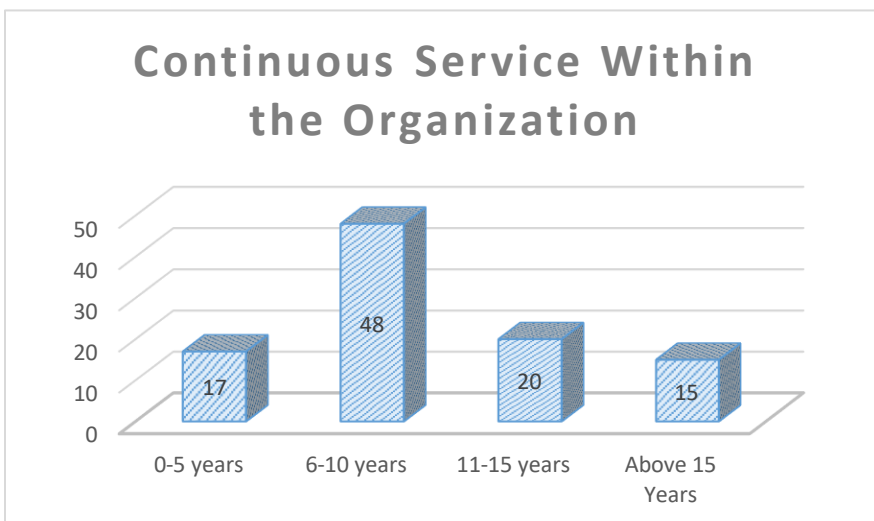


Figure 4.3: Continuous Service Within the Organization

Source: (Research Data, 2021)

In the opinion of the researcher, the majority of the informants (48%) had working experience in their current SME for a duration of 6-10 years, 20% represented the working experience duration of 11-15 years, 17% had working experience for a period of 0-5 years, and 15% had working experience for a period of more than 15 years.

From these findings it was determined that a high percentage of the informants had an overall operational experience in the various firms of more than 6 years thus they were deemed to conversant with the strategic plans that are undertaken by the SME's.

### 4.3 Strategic Planning

In this subsection of the study, the researcher tried to establish if strategic planning was undertaken in the SME's. Among the information that was sought included: the existence of a strategic plan, the time frame for the strategic plan and the adoption process of the strategic plans. Results from the study are as shown below.

#### 4.3.1 Existence of a Strategic Plan

The study wanted to know if there existed a strategic plan in the SME's. Figure 4.4 shows the outcomes of the study.

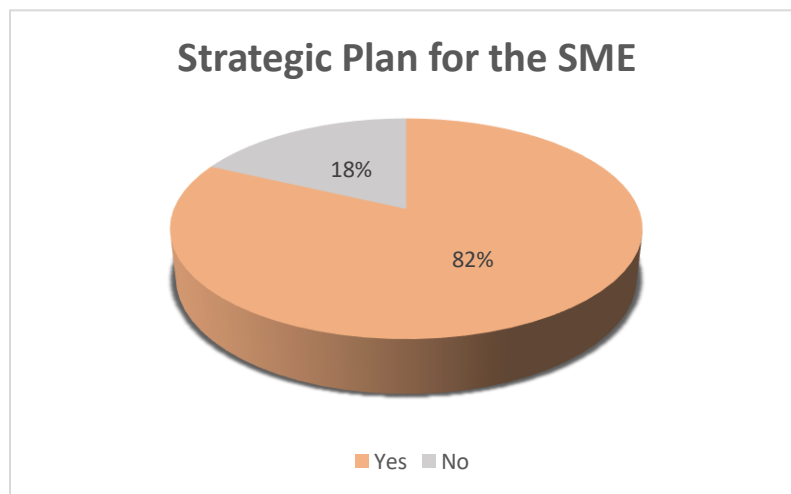


Figure 4.4: Strategic Plan for the SME

Source: (Research Data, 2021)

Shown above, it was discovered that 82% of the SME's had an existing strategic plan while 18% of the respondents reported that their SME's didn't have an existing strategic plan.

From these results, it can be inferred that most of the SME's had an existing strategic plan in place thus, implying that most of the respondents ought to be conversant with the subject under investigation.

### 4.3.2 Time Frame for Strategic Plan

Intention of the research was to govern the time range for the strategic plans implemented by SME's. Findings from the study are as presented below.

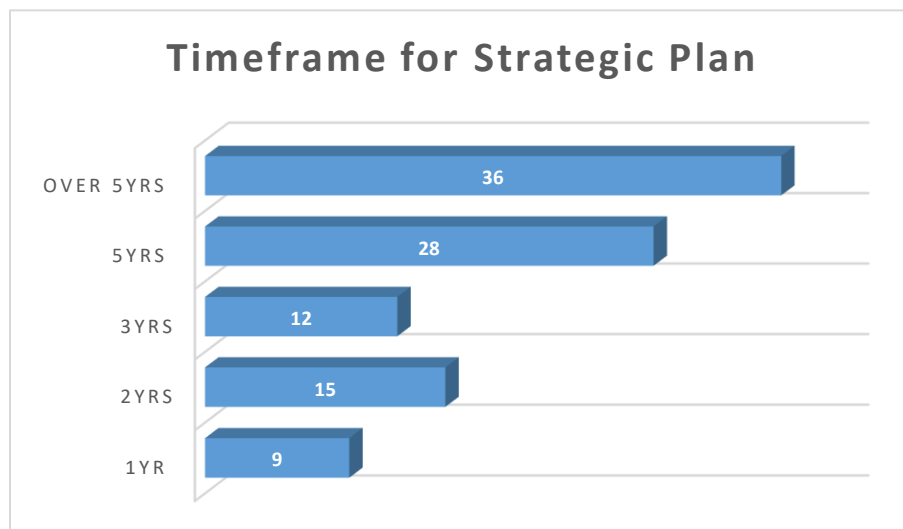


Figure 4.5: Timeframe for Strategic Plan

Source: (Research Data, 2021)

The preceding tabulation point out that 36% of the SME's had over 5years time frame for their strategic plan, 28% of the SME's had a 5-year timeframe for their strategic plan, 15% of the SME's had a 2-year timeframe for their strategic plan ,12% of the SME's had a 3-year timeframe for their strategic plan and 9% of the SME's had a 1-year timeframe for their strategic plan. From the results, it was established that most of the SME's had a long term timeframe for their strategic plans.

### 4.3.3 Adoption of the Strategic Plan Process

To examine the implementation of the strategic plan, process the study asked the respondents to rate their opinions towards the adoption process. To enumerate the responses, the research used a Likert scale that was divided on a 5-point average where:

1=Very low 2= Low 3=Moderate 4= High 5= Very high. Findings from the study are as shown in the table below.

Table 4.3: Adoption of the Strategic Plan Process

Strategic Plan Process	Mean	STD DEV	CV
External and internal analysis	3.31	0.87	0.263
Formulation of strategic plan	3.57	0.65	0.182
Implementation of strategic plan	3.36	0.53	0.158
Monitoring of strategic plan	3.75	0.64	0.171
Evaluation of strategic plan	3.92	0.58	0.148
Average	3.582		

Source: (Research Data, 2021)

Table 4.2, clearly illustrates that the respondents on average gave the strategic plan process a high rating, as demonstrated by the mean of 3.582 and the standard deviation of 0.654. The informants acknowledged that the most prevalent component of the adoption process was the evaluation of the strategic plan, which they rated highly, as seen through the mean of 3.92 and standard deviation of 0.58. External and internal analysis were rated as the least important features of the adoption process by respondents, with a mean of 3.31 and standard deviation of 0.87. The statements' covariance values were poor (less than 1). This indicates that there was little variety in the responses, implying that the mean was correct.

#### 4.4 Strategic Planning and Performance

The research also wanted to see in what way strategy preparation influenced performance. To do this examination, respondents were asked to express their feelings towards statements that linked strategic planning to performance. The researchers utilized a 5-point Likert scale to assess the responses where: 1= Not at all 2= little extent 3= Moderate extent 4= Great extent 5= Very great extent. Findings from the inquiry are as shown in the table below.

Table 4.4: Strategic Planning and Performance

Strategy Planning and Performance	Mean	STD DEV	CV
External and internal environments analysis	3.42	0.34	0.10
Choosing the best vision and mission	3.53	0.39	0.11
Setting goals	3.83	0.14	0.04
Creating strategies	3.77	0.35	0.09
Strategy execution	3.59	0.82	0.23
Strategy monitoring	3.94	0.91	0.23
Strategy evaluation	3.86	0.27	0.07
Average	3.706		

Source: (Research Data, 2021)

As a result of the findings, it was discovered that on average, the informants agreed on the key factor that strategic planning had a significant impact on performance, as elaborated by the average mean of 3.706 and standard deviation of 0.46. According to the mean of 3.94 and standard deviation of 0.91, respondents agreed that strategy monitoring was the most common way that strategic planning influenced performance. Respondents also discovered that external and internal environmental analysis was the least prevalent approach in which strategic planning influenced performance, as verified by the mean of 3.42 and standard deviation of 0.34. The covariance values were insignificant (less than 1). This clarifies that there was little variation in the responses, implying that the mean was correct.

#### 4.5 Organization Performance

To carry out this assessment the research enquired the informants to rate features of organization performance that were experienced in their firms over the past five years. The study used a Likert scale that was divided on a 5-point average where 1=very poor, 2=poor, 3=average, 4=good and 5=very good. The research's findings are listed below



Table 4.5: Business Features

Business Features	Mean	STD DEV	CV
High Market penetration	3.75	0.13	0.03
Growth in Sales	3.51	0.36	0.10
Increase in Profit level	3.62	0.92	0.25
Quality of products or services	3.54	0.32	0.09
Advancement of new sustainable products or services	3.39	0.17	0.05
High Employees retention	3.43	0.53	0.15
Ability to attract essential employees	3.56	0.61	0.17
Employee relations	3.7	0.24	0.06
Customer Satisfaction	3.65	0.67	0.18
Retention of customers	3.84	0.46	0.12
Improved business process	3.53	0.78	0.22
Average	3.593		

Source: (Research Data, 2021)

Outcomes from the inquiry showed that on average respondents rated the performance in their SMEs over the past five years as good which is further specified by an average mean of 3.593 and standard deviation of 0.472. The research informants acknowledged that retention of customers was good and the top mode through which performance was felt as revealed by the mean of 3.84 and standard deviation of 0.46. Respondents acknowledged that advancement of new sustainable products or services was the least effective approach through which performance was detected as it affected performance to an average extent revealed by the mean of 3.39 and standard deviation of 0.17. The covariance values for the statements were low (less than 1). This points out that there was little variety in the responses, implying that the mean was correct.

## 4.6 Correlation Analysis

Table 4.6: Correlations

		Performance	Strategic Planning
Performance	Pearson Correlation	1	.438**
	Sig. (2-tailed)		.000
	N	330	330
Strategic Planning	Pearson Correlation	.438**	1
	Sig. (2-tailed)	.000	
	N	330	330

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

Source: (Research Data, 2021)

In determination of the relationship between strategic planning and organizational performance Correlation Analysis was utilised. This was based on Pearson correlation analysis. The outcomes showed that strategic planning had a correlation coefficient of 0.438 with organization performance with a significance value (0.000) of less than 0.05. This shows that strategic planning contributes 43.8% change in organizational performance. This indicates that strategic planning had a significant but weak link with organization performance.

## 4.7 Discussion of Results

The research was conducted with the intention of assessing the perceived relationship between strategic planning and performance of SMEs. As per the research's findings, strategic planning can account for 43.8% of the variation in organizational performance. Strategic planning was found to have a significant relationship with organization performance.

The findings relate to the theories adopted in this research. According to the resource based hypothesis, for a firm to attain competitive advantage it needs to encompass the key strategic resources that are rare, difficult to duplicate, valuable, and un-substitutable. Agreeing to the findings, optimal performance is achieved through the formulation and

adaptation of concrete strategic plans with well-defined steps and timeframes, as well as extensive environmental research, resulting in plans that are unique to the organization's location and economic climate, and ensuring that the plans incorporated have a well-laid plot that is challenging to duplicate towards achieving the object at hand and providing the solution that custodians require.

The stages of a strategic plan that are external and internal analysis, formulation, implementation, monitoring, and evaluation of strategic plans are well associated with systems theory. It empowers management and allows them to understand the flow of work in their systems and how each stage greatly affects the other and how they are co-dependent. As a result, systems theory is relevant to the research since it aids firms in comprehending how various systems within the corporate environment interact in a dynamic context, thus enhancing organisational efficiency and performance.

Dynamic capabilities theory postulated that dynamic capabilities enable the firm to reconfigure its strategy and available resources in accomplishing sustainable competitive advantage in the business sphere. This model is linked to the research findings in that companies are expected to have long and short term strategic plans in order to get a competitive advantage over their competitors. Firms that have a set of strategic plans that they embark on considerably improve strategic decision-making in an attempt to improve organizational effectiveness in a rapidly changing environment.

Kefa and Iravo (2018) A case study that established how practices relating to strategic planning impacted organizational performance, revealed that the execution of strategic plans stands out as pertinent in achieving the effectiveness of firms across the globe, therefore agreeing with the current study findings. They also agree with those of Nyanaro and Bett (2018) who conducted a study on the consequences of tactical planning on the monetary enactment of profitable entities in Kenya. Strategic plans encompassed the vision of commercial banks aspiring to grow and shape their resource allocation process, hence enhancing their performance. Similarly, to Makinde, Akinlabi, and Ajike (2015), who found that if organizations adopt strategic planning, their performance improves. Khoshtaria (2018) conducted an investigation focusing on the effect of tactical planning on

organizational performance as a result of strategy implementation and found that strategic planning improves organizational performance with proper strategic implementation.

The findings, however, differ with various research findings. They differ with those of Jehad (2011) who established that strategic planning had no significant relationship with organizational performance. They also differ with those of Donkor, Donkor and Kwarteng (2018) who found that strategic planning methods insignificantly leads to SME's performance.

## **CHAPTER FIVE:**

### **SUMMARY, CONCLUSION, AND RECOMMENDATIONS**

#### **5.1 Introduction**

The investigation's findings, which were based on the study's purpose of determining the perceived relationship between strategic planning and SMEs' performance in Nairobi City County, were summarized in this chapter. It also included the study's conclusions, recommendations, limitations, and ideas for future research.

#### **5.2 Summary of the Findings**

Discoveries from the research showed that 82% of the SME's had an existing strategic plan and 18% of the SME's didn't have an existing strategic plan in place. The findings further pointed out 36% of the SME's had over 5 years time frame for their strategic plan, 28% of the SME's had a 5-year timeframe for their strategic plan, 15% of the SME's had a 2-year timeframe for their strategic plan, 12% of the SME's had a 3-year timeframe for their strategic plan and 9% of the SME's had a 1-year timeframe for their strategic plan.

According to the results of the adoption planning process, on average, respondents gave the strategic planning process a high rating, with a mean of 3.582 and a standard deviation of 0.654. The research's findings also discovered that, on average, strategic planning had a significant impact on performance, as proved by the overall mean of 3.706 and standard deviation of 0.46.

The consequence indicated that performance the SMEs over the past five years as good as given away by the overall mean of 3.593 and standard deviation of 0.472. Verdicts from the analysis discovered that 43.8% of the variation in organizational performance was due to strategic planning. Strategic planning has a favourable and significant perceived link with organizational performance, according to the correlation study.

#### **5.3 Conclusion**

Based on the research results it was determined that strategic planning had a favourable impact on the firms' organizational performance. Thus, the research further concluded that

for the SMEs to realize performance features such as high market penetration, retention of customers, high profit level of sales and profit then the SME's must put in place strategic plans through, conducting Internal and external analysis, setting goals, creating strategic objectives, strategic execution and strategic monitoring.

## **5.4 Implications of the Study**

This section discusses how the findings may be important on theory, practical and policy on subsequent research's.

### **5.4.1 Implications to theory**

This research would significantly contribute to the advancement of theories in strategic planning. The study will make a significant contribution to ideas concerning strategic planning and organizational performance across the SME sector. The inquiry added to the theoretical underpinnings adopted in this research, hence, supporting or countering the constructs of the theories. The paper would also add to the literature on strategic planning and organizational performance. This would develop or create a theoretical basis for further research and scholarly assignments.

### **5.4.2 Implications to Practice and Industry**

For practice, the research may provide knowledge to SME owners and other stakeholders in SME sector. The recommendations and findings would guide the management and owners of the SMEs in developing key strategies for improved organization performance. Individuals within the SME sector will get info that would guide them in practice. The study will also create an understanding for investors in the SME sector on how to bring in strategic planning for organizational performance.

### **5.4.3 Implications to Policy Development**

For policy, the study would provide a basis for policy development. The policies that influence strategic planning and organizational performance across the SME sector would be generated based on the research findings.

## **5.5 Recommendations of the Study**

The research advocates that SME's put in place a system in which ensures adequate resource allocation. This is because resources play a critical part in the implementation, monitoring and evaluation of the strategic plans. Thus, it is imperative that all SME's put in place mechanisms that allow equitable resource allocation in all departments to guarantee effective execution of the strategic plans.

The scholar also recommends that the SME's carry out continuous trainings for their employees to assist in the execution phase of the strategic plans. With adequate training the employees will be in a capacity to carry out the roles expected of them to ensure that the implementation of the strategic plans is as expected.

## **5.6 Limitations of the Study**

Time constraints were a key stumbling block. The time set aside to conduct the study was not enough for the researcher to the various aspects within strategic planning that affected performance. However, the researcher utilized time set aside to the best possible use. The study was also limited to the SMEs in Nairobi County. Thus, findings from the study could only hold for the SMEs in Nairobi County.

The research also was also restricted to respondent bias. This was evident when a few of the pre identified research informants refused to dully answer and return the questionnaires. In addition, the truthfulness of the responses received could not be verified by the researcher as they were subject to the respondent's honesty.

## **5.7 Areas for further Research**

The study established that 43.8% of the variation in organizational performance was due to strategic planning. As a result, it is critical for other researchers to investigate the other elements that contribute to the difference in SME performance.

The study was limited to SMEs in Nairobi County, the researcher suggests that the study be expanded and other researchers should investigate how strategic planning affects other SME's outside Nairobi County. This will help establish a knowledge base of what how strategic planning affects SME's performance in the entire country.

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## APPENDICES

### APPENDIX 1: QUESTIONNAIRE

Please take a few minutes to complete this questionnaire.

This questionnaire seeks to establish the perceived relationship between strategic planning and performance of SME's in Nairobi County. All the information provided will be kept strictly confidential and exclusively for academic purposes. Your valued assistance in completing this questionnaire will be highly appreciated.

Kindly tick the appropriate response.

#### SECTION A: BACKGROUND INFORMATION

1. Organization's name (optional) .....

2. Please indicate here your job title .....

3. How many years has the SME been in operation? .....

4. Age bracket

Under 30 years ( )      31-40 years ( )

41-50 years ( )      Over 50 years ( )

5. Period of continuous service within the organization

0-5 years ( )      6-10 years ( )

11-15 years ( )      Over 15 years ( )

**SECTION B: STRATEGIC PLANNING**

6. Do you have a Strategic Plan for the SME's? (Please tick appropriately)

Yes  No

7. What is the time frame for your Strategic Plan? (Please tick appropriately)

1yr  2yrs

3yrs  5yrs

Over 5yrs

8. How do you rate the adoption of the strategic plan process? Please rate on a 5 point

Scale, where: 1=Very low 2= Low 3=Moderate 4= High 5= Very high

Strategic plan process	1	2	3	4	5
External and internal analysis					
Formulation of strategic plan					
Implementation of strategic plan					
Monitoring of strategic plan					
Evaluation of strategic plan					

**SECTION C: STRATEGIC PLANNING AND PERFORMANCE**

9.) To what extent has strategy planning influenced performance? Please rate on a 5 – 1 point scale, where 1= Not at all 2= little extent 3= Moderate extent 4= Great extent 5= Very great extent

Strategy planning influenced performance	1	2	3	4	5
External and internal environments analysis					
Choosing the best vision and mission					
Setting goals					

Creating strategies					
Strategy execution					
Strategy monitoring					
Strategy evaluation					

**SECTION D: PERFORMANCE**

10. How would you rate organization performance on the following features over the past 5 years? Use a 5-point scale where 1=very poor, 2=poor, 3=average, 4=good and 5=very good.

Business Features	1	2	3	4	5
High Market penetration					
Growth in Sales					
Increase in Profit level					
Quality of products or services					
Advancement of new sustainable products or services					
High Employees retention					
Ability to attract essential employees					
Employee relations					
Customer Satisfaction					
Retention of customers					
Improved business process					

## APPENDIX II: LETTER OF INTRODUCTION TO RESPONDENTS



### UNIVERSITY OF NAIROBI FACULTY OF BUSINESS AND MANAGEMENT SCIENCES MBA PROGRAM

Telephone: 020 491 9007  
Telegrams: "Varsity" Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, KENYA

29 November 2021

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

**INTRODUCTION LETTER FOR RESEARCH  
STELLA WANJIRU MBUGUA REGISTRATION NO. D61/11058/2018**

This is to confirm that the above named is a bona fide student in the Master of Business Administration (MBA) Degree program in this University. She is conducting research on *"The Perceived Relationship between of Strategic Planning and Performance of Smes in Nairobi City County."*

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the Project. The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**.

Your assistance will be highly appreciated.



**PROF. JACKSON MAALU**  
DEAN, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES

JM/Jo

## APPENDIX III: TURNITIN REPORT



**1<sup>ST</sup> DECEMBER 2021**

### THE PERCEIVED RELATIONSHIP BETWEEN STRATEGIC PLANNING AND PERFORMANCE OF SMES IN NAIROBI CITY COUNTY

#### ORIGINALITY REPORT

**15%**

SIMILARITY INDEX

**14%**

INTERNET SOURCES

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Submitted to Mount Kenya University