

**STRATEGIES ADOPTED BY SMALL AND MEDIUM
ENTERPRISES AND THEIR EFFECT ON ORGANISATIONAL
PERFORMANCE IN KITUI COUNTY, KENYA**

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DECLARATION

This research project is my original work and has not been presented for a degree at any other University.

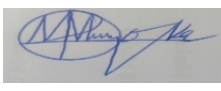
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DEDICATION

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ABBREVIATIONS AND ACRONYMS

RBV	Resource Based View Theory
SMEs	Small and Medium Enterprises
MSEs	Micro and Small Enterprises
MSMEs	Micro, Small, and Medium Enterprises
KAM	Kenya Association of Manufacturers
KNBS	Kenya National Bureau of Statistics
GDP	Gross Domestic Product
SWOT	Strengths, Weaknesses, Opportunities, and Threats

ABSTRACT

Businesses constantly experience multiple challenges and opportunities; therefore, it is increasingly important for firms, including SMEs, to understand how to adapt to the changes in their environment while focusing on their vision, mission, goals, and objectives. Strategies are tools and mechanisms that help firms determine how to respond to environmental changes. SMEs are particularly at risk of the changes because of the specific internal challenges typical for them, such as limited resources. Therefore, strategies may present a valuable opportunity for SMEs to maneuver the constant changes while remaining on target for their goals and objectives. The current study is steered by a general purpose: to determine the tactics used by small and medium-sized businesses in Kitui County, Kenya, and how they affect the company's performance. The specific goals are to determine which approaches small and medium-sized businesses have adopted and how those approaches jeopardize the organization's performance; which approaches small and medium-sized businesses have adopted and how those approaches affect the organization's performance; which approaches small and medium-sized businesses have adopted and how those approaches jeopardize the organization's performance; and which approaches small and medium-sized enterprises in Kitui County, Kenya, have adopted and how those approaches affect the organization's performance. The resource-based view theory (RBV) and contingency theories are the study's key ideas. Return on assets is a helpful metric to assess the performance of SMEs. To help collect data and material that aids in explaining the phenomena related to strategies and performance, the current study has adopted a descriptive research approach. The study's target population is the 165 SMEs and 17 businesses that comprise the sample population of SMEs registered with the Kitui County government. The study employed semi-structured questionnaires to gather the primary data, while data collection forms were utilized to get secondary data. The research included regression and descriptive analysis, and the findings were presented using text, figures, graphs, and tables. The results demonstrate how SMEs in Kitui adopt and often use techniques to improve organizational performance. The outcomes also showed a strong and favorable correlation between the tactics used and SMEs' corporate success. Personalized approaches, benchmarking procedures, ongoing innovation, and capacity building are advised.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In order for firms to acquire a competitive edge in the market, strategic management highlights the critical role of business strategy in both large and small enterprises. Businesses utilize strategy to lay out the fundamental actions that must be taken to accomplish their objectives and acquire a competitive edge over their rivals. Businesses may employ a single strategy or a variety of strategies methods. Lewis (2015) contends that businesses' worldwide strategies are made to provide them an edge over current industry competitors so they may take the lead in marketing. Competitive strategies affect how thriving businesses operate, mainly when company success is unclear. In his study, Sifuna (2017) highlights the importance of business strategies for every corporation in producing financial rewards and maintaining its position in the face of industry dynamics and competition. As a result, the literature has provided explanations of attaining competitive edge at the business unit level (James, Payne & Benson, 2018).

The Resource-Based View (Wernerfelt, 1984) and the Contingency theory will serve as the study's guiding theories (Bruns, 2003). The RBV was created by Wernerfelt (1984) as a theory of competitive advantage. RBV was developed in parallel to Porter's framework of competitive advantage. Understanding why businesses thrive or fail requires an "inside-out" or firm-specific approach (Bless, & Higson-Smith, 2003). To improve its competitive position in the market during unpredictable times, the strategy recognizes the capacities

that an organization requires to manage its commercial center. The main contingent factors are environment, technology, size, product diversity, and people employed. The Contingency theory contends that an organization's effectiveness depends on managers considering various factors that may impact the firm (Bruns, 2003). The theory highlights the task features, particularly the task of selecting the control technique.

In light of the market fluctuations caused by the covid-19 epidemic, this study will concentrate on the performance improvement measures used by small and medium-sized businesses in Kenya to improve operations. The contribution of SMEs to Kenya's growth is significant, particularly in generating wealth, employment, and income prospects for a sizable portion of the people nationwide (Danson, 2020). The second-hand industry is an example of an informal business sector classified as an SME developing rapidly despite the intense rivalry and difficulties encountered in the business environment. Kenyan SME companies are intensely competitive (Kimani & Douglas, 2017). Depending on a company's approach, operating in such a setting can either influence its market position in the sector. Kenyan SMEs discovered that a good strategy is needed to ensure success in the face of the intense competition faced in the business. As a result, solutions to balance the cost and quality of small firms are required (Otieno, 2019).

1.1.1 Concept of Strategy

David (2021) defines strategy as a company's capacity to adapt to a changing environment through systematic activities and ongoing modifications. This indicates that an organization's strategic activities must be adaptable when functioning in a dynamic environment. According to Gray and Henry (2017), the coordination flexibility of an

organization in coping with an unpredictable business environment should lead to the development of response strategies. Davis (2018) claim that it is acceptable to conclude, that strategy is elusive and somewhat abstract, especially in an area that is fast expanding. The long-term focus and direction of an organization is its strategy. Green (2018) states that a strategy is a long-term action plan created to accomplish a certain objective. The strategy is long-term focused and entails painstaking preparation and use of resources which require adjustments from time to time. Strategy measurement denotes a process of assessing how well an organization's strategy is attaining its desired outcomes. Strategy measurement entails defining and tracking various targets, metrics, and indicators that reflect the strategic priorities and objectives.

John (2017) claims that strategy is about how a firm seeks a competitive edge in the marketplace. According to Lawson (2016), strategic choices relate to how an organization may balance its resources with environmental demands through a co-evolving process to accomplish long-term goals. Organizations must make decisions and carry out multifaceted action plans to satisfy the rising demands of their business environment. Among these dimensions are time (short and long term), location (local, national, regional, or global), and matter (product or services).

1.1.2 Organizational Performance

The capacity of a business to meet its goals and objectives and maximize outcomes in a changing environment is known as organizational performance. Organizational performance is defined by Kaplan and Norton (2018) as the effectiveness and efficiency of the management team's actions. At this point, the job, people, and organizational structure

were the main topics of performance appraisal. Kaplan and Norton developed the balanced scorecard as a performance management and strategy planning tool. The Kaplan and Norton method helps managers assess how well their firms are doing regarding staff monitoring and planned activity execution toward achieving the goals. In the late 1960s and early 1970s, companies started considering new techniques to assess worker performance. Yuchtman and Seashore (2007) define performance as an organization's capacity to use its surroundings to get and use its limited resources. The understanding that defining organizational goals is more complex than it first seems characterized the 1980s and 1990s. Managers realize that an organization is successful if it uses the fewest resources possible to accomplish its objectives (efficiency). As a result, the notion that an organization meets its performance goals in light of resource limitations was validated by subsequent organizational theories (Campbell, 2010).

The concepts around organizational performance have evolved recently. According to Isik, Arditi, Dilmen, and Birgonul (2015), corporate performance is a business's accomplishments with a set of standards. They define success as outcomes, such as monetary gain or quantifiable goals. The performance continuum has success and failure as its extremes (Njanja, 2017). Mukulu and Gachunga (2014) define organizational performance as the discrepancy between an organization's actual and expected outputs. Although the writers may have varying definitions of corporate performance, they all concur that achieving better outcomes and objectives is organizational performance's primary objective.

A balanced scorecard is utilized to evaluate the company's performance level. The balanced scorecard analyzes business strategy and performance via four unique but complementary lenses. Through the use of perspectives, the organization can develop a model that illustrates the link between the more "tangible" parts (well-defined procedures and dollars invested in sales) and the "intangible" factors (creativity, talent, new ideas, and cooperative customer engagement). The result is an innovative, adaptable company that can deal with change. The balanced scorecard approach considers stakeholders, internal procedures, financial concerns, and organizational performance. Both financial and non-financial metrics are used in the balance scorecard's performance evaluation process (Njanja, 2017).

1.1.3 Small and Medium Enterprises

The term "SMEs" has several concepts, and other titles are sometimes used interchangeably. Micro and Small Enterprises (MSEs), Micro, Small, and Medium Enterprises (MSMEs), and Small and Medium Enterprises (SMEs) are some of the terms used. The businesses in these categories are grouped based on the number of employees, economic activity, and revenue generated (KNBS, 2016). The SME sector significantly aids each East African nation's economic progress. Based on performance factors like profitability, liquidity, return on equity, and amount of debt, Mwaura's (2015) study focused on businesses with annual revenue between Sh70 million and Sh1 billion (Mwaura, 2015).

According to the Micro and Small Enterprise Act of 2012, micro-enterprises have maximum annual revenue of KES 500,000 and fewer than ten employees, while small businesses with yearly revenue of KES 500,000 to KES 5,000,000 and 10 to 49 workers.

This law does not cover medium businesses. However, they have been identified as businesses having annual revenues of KES 5 million to KES 800 million and 50 to 99 employees (GoK, 2012). MSME are businesses with one to 99 workers and an annual sale of fewer than 5 million shillings, according to KNBS (2016). Most SMEs are classified as informal sectors and, thus, as those engaged in self-employment, regardless of the quantitative definition of businesses in these sectors.

SMEs' role in Kenya's development process is significant, particularly in creating employment and providing opportunities for income to a variety of people across the country (KIPPRA, 2020). In Kenya's Vision 2030, SMEs play a significant role (GoK, 2017). An economic survey claims that the sector contributed significantly to Kenya's social and economic progress by creating more than 800,000 new jobs (KNBS, 2020).

This study was based on SMEs and how they adopt strategies to improve their performance. SMEs operate in most of the industries and sectors including retail, hotel and restaurant, manufacturing, and construction among others. SMEs play an important role in; the value chain, income generation, wealth creation, employment, tax revenue, and poverty reduction. SMEs are involved in creation of a wide range of products and services. Therefore, data was sourced from assorted SMEs across different industries.

Most SMEs in Kenya are found within the informal sector, which account for nearly 98 percent of all businesses; contribute 30 percent of the jobs, employs over 15 million people (80% of workforce) (Omondi et al., 2022), and contribute 3 percent of the GDP in Kenya (Rotich, Kevin, 2022). SMEs contribute about 40 percent of the GDP in Kenya and this is projected to reach 50 percent in the next three years (Business daily Africa.com, 2022).

Despite the enormous role the SMEs play in propelling economic growth, it is appraised that their impact to production is minimal (Phyllis, 2022). SMEs significant operations are in the informal economy and this minimize their potential for access to resources, growth, and limit their socioeconomic effect (Kenya Association of Manufacturers, 2021). Out of about 7.41 million SMEs, the formal or licensed are about 20% and the informal make 80% (KIPPRA, 2020). In a survey by the KNBS (2018), findings showed that nearly 400,000 SMEs close in under two years, and very few reach five years. SMEs are hindered by limited market access, inadequate capital, inadequate skills and knowledge, poor infrastructure, and rapid changes in technology (Deloitte Kenya Economic Outlook, 2017). According to the World Bank data (2022), SMEs account for the bulk of businesses globally (90%) and provide over 50% of employment. Equally, formal SMEs account for up to 40 percent of GDP in emerging economies.

The SME sector is important for its role in mobilizing resources for production and value creation, employment, tax revenue, skills and knowledge development, reduction of poverty, and social stability. Problems in the SME sector can cause distress among individuals and organisations. An example of this is when interest cap was introduced in 2016, many SMEs suffered financial distress due to their high-risk levels according to creditworthiness assessments. Therefore, strategies adapted by SMEs are critical because they echo how the businesses in this sector plan to achieve their goals and objectives while overcoming various problems and challenges that are unique to them. Strategy adaption will indicate the SMEs capacity to adapt to a changing environment, and an atmosphere of increased regulations and uncertain economic recovery.

This study examines strategy adopted by SMEs in their pursuit for performance improvement. Strategy adopted is about action plans created to accomplish a certain objective in a changing environment and entails systematic activities and ongoing modifications. The proposed study examines the topic in the context of Kitui County, Kenya. SMEs face challenges and therefore, strategy becomes an important tool the businesses can use to maneuver and align efforts towards better performance. It is on this basis that the current study seeks to find out how SMEs in Kitui County adopt their strategies to match performance expectations.

1.2 Research Problem

Over the past few decades, researchers have focused on assessing the strategies adopted by firms for performance improvement. Although several articles link strategies with improved firm performance, little attention has been given to investigating the indirect influence of strategies on organisational performance. While several management aspects, including applications of strategies may either hinder or reinforce the performance outcome, empirical evidence on the strategies adopted by firms for organisational performance is scant.

Numerous studies have examined the range of performance-improving tactics SMEs use in Kenya. On the other hand, local research needed demonstrate a connection between the evaluated overseas studies and the organizational performance techniques employed by small and medium-sized businesses. Heugens (2017) investigated corporate results and strategic management in Dutch food industries. Studies have indicated that firms dealing with social or political issues might improve organizational outcomes using issue

management initiatives. According to Muogbo's (2014) research, strategic management significantly influences organizational productivity and competitiveness. It also has an impact on an organization's growth and development. Yunus (2016) found that strategic management methods increased corporate profitability and firm market share in a study of a sample of SMEs in the Lagos metropolitan region. Otieno (2017) examined the strategic approaches to problem-solving that Kenya's Mombasa County small- and medium-sized businesses used. The vast majority of companies questioned believed that addressing strategic obstacles would help them succeed in the future. Research has been done on several facets of strategy, including the practices and how they affect many elements of organizational performance, by Yunus (2016), Otieno (2017), Heugens (2017), and Muogbo (2014). The application of strategy has a favorable effect on organizational performance.

Ninja (2017) investigated how management techniques affected Kenyan micro, small, and medium-sized enterprises' ability to succeed. The study's findings indicated that globalization was the primary factor affecting SMEs' success. Wanjohi and Mugure (2018) examined the variables influencing MSE expansion in Kenya's rural areas. They discovered that SMEs used customer service, quick service delivery, product differentiation, and pricing battles as tactics. Machuki and Rosa (2014) investigated how Kenyan publicly listed firms performed compared to external markets. The study showed that, despite the external environment's statistical insignificance concerning corporate performance, firms' strategic decision-making was influenced to varying degrees. The research above by Wanjohi and Mugure (2018), Machuki and Rosa (2014), and Ninja (2017) looks at how businesses adapt their strategy in response to outside environmental influences.

The number of registered SMEs is rising hence; SMEs must employ effective methods to acquire a competitive edge since they must deal with dangers and difficulties in volatile business environments like any other company (Njanja, 2017). The COVID-19 pandemic has changed how businesses run and how much money they make. The disruptions in supply chain, trade wars, and increased regulations present increased challenges that SMEs firms need to address and this presents strong basis to study how SMEs are responding. Reviews of existing studies show mixed findings in terms of strategies adopted by SMEs in pursuit for better performance. The current study will seek to clarify the common strategies that are adapted by most SMEs and how this relates to strategies adapted by larger firms. Most studies on the topic address firms located in larger counties such as Nairobi, Mombasa, and Nakuru. However, the current study seeks to apply the topic in peripheral counties and in this case, Kitui County.

The above studies have examined the use of strategies and its effects on organizational performance. However, most have been done in different context particularly in pre-COVID-19 pandemic. The pandemic has changed the business environment and this is expected to affect how SMEs approach its plans on goals and objectives. The business environment is constantly changing and evolving influenced by factors such as technology advancements, hence, SMEs are expected to adapt measures including strategies to meet their goals. There is need to gain new knowledge on how SMEs are using strategies to respond to the changing environment. Essentially, there is need for latest studies on how SMEs are applying strategies to achieve desired performance outcomes. Equally, most studies have examined the effect of strategy implementation of performance of typical organisation. Therefore, the current study addresses the issue of strategies used for

performance improvement in the current context and for SMEs. This study will address this issue by addressing this research question: What strategies are small and medium-sized businesses using for organizational performance improvement?

1.3 Research Objective

1.3.1 General Objective

The study's objective is to establish strategies adopted by small and medium enterprises and their effect on organisational performance in Kitui County, Kenya.

1.3.2 Specific Objective

- (i) To identify the various strategies adopted by small and medium enterprises and their effect on organisational performance in Kitui County, Kenya.
- (ii) To identify the various cost leadership strategies adopted by small and medium enterprises and their effect on organisational performance in Kitui County, Kenya.
- (iii) To identify the various differentiation strategies adopted by small and medium enterprises and their effect on organisational performance in Kitui County, Kenya.
- (iv) To identify the various focus strategies adopted by small and medium enterprises and their effect on organisational performance in Kitui County, Kenya.

1.3.3 Research Questions

- (i) What strategies are adopted by small and medium enterprises and their effect on organisational performance in Kitui County, Kenya?
- (ii) Which cost leadership strategies are adopted by small and medium enterprises and their effect on organisational performance in Kitui County, Kenya?
- (iii) What differentiation strategies are adopted small and medium enterprises and their effect on organisational performance in Kitui County, Kenya?
- (iv) What focus strategies are adopted by small and medium enterprises and their effect on organisational performance in Kitui County, Kenya?

1.4 Value of the Study

The study benefits the general public, scholars, company owners, SME managers, and entrepreneurs. SME managers and entrepreneurs across various SMEs felt that the study's findings might identify the areas requiring revaluation, flexibility, and adaptation to handle environmental issues and develop better regulations. It will enable them to ascertain whether adopting better practices is responsible for the higher performance of SMEs. They had access to tried-and-true strategies that other SMEs had successfully employed. The research will provide further information on the subject and the concept of strategic management. Academics can expound on the topic and encourage its progression into a recognized area. The strategy and organizational performance theory constantly evolves in response to new information and competing hypotheses. As a result, the investigation's findings will add to the corpus of knowledge that academics may draw upon when developing ideas.

The government would benefit significantly from the results as they will help it better understand the tactics used by SMEs and provide them with practical and knowledgeable assistance. In addition, the Kenyan government has won recognition for its steps to help and revive the community of small and medium-sized businesses. Governmental agencies can determine future regulations that might impact this business. SMEs continue to face a variety of challenges, including compliance-related ones. Ministerial and local government decision-makers may thus develop more competitive policies, such as funding programs for SMEs, to facilitate the implementation of their goals.

Interested parties in the sector will learn about the company's operations before investing capital. An unbiased SWOT analysis—a review of the organization's advantages, disadvantages, opportunities, and threats—could determine the company's standing in the market. Practitioners might use the study's results to identify professional developments and advise others.

The study's results will provide valuable information and serve as the basis for several suggestions to improve SMEs' performance. The performance and tactics of SMEs have been the subject of much research. Even though the business environment is rapidly changing and most firms in this sector are informal, further study is required to determine the industry's current situation regarding this issue. Moreover, as most earlier studies on the topic concentrated on global contexts, the local environment is the main focus of this investigation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The resource-based view (RBV) theory, product life cycle, transactional theory, and contingency theory will support the investigation.

2.2 Theoretical Foundation of the Study

The foundation for this study is provided by the resource-based perspective theory and the contingency theory, which provide information on performance enhancement tactics used by small and medium-sized firms.

2.2.1 The Resource-Based View (RBV)

Wernerfelt (1984) developed the Resource-Based View (RBV) to assist firms in identifying and building their competitive and strategic advantage based on their assets, skills, knowledge, capabilities, and other resources. The Resource Based View holds that every company has unique resources and competencies that set them apart from competitors. To gain a competitive advantage and ultimately boost profitability and performance, each company or organization uses its resources to develop and maintain unique skills (Walsh & Kalika, 2018). The RBV states that companies and firms should conduct internal assessments to identify potential assets that may provide them with a competitive advantage. According to the RBV, a company may gain a competitive advantage in the market by using its internal resources. Strategies are plans of action intended to achieve a specific goal; they need intentional acts and continuous modifications. Resources and

capabilities are required to carry out the tasks and make the necessary adjustments. Consequently, it highlights that internal strategy adoption improves organizational performance in the context of the current study. The RBV is also criticized for assuming that internal resources alone would be sufficient to sustain the creation of a competitive advantage. Stated differently, including unique or distinctive internal resource features is challenging because it is easy to replicate specific attributes across several companies.

The present SME study indicates that to initiate activities that subsequently impact performance and the formation of competitive advantage, SMEs primarily and significantly depend on financial and non-financial resources, tangible and intangible. For example, an SME that chooses innovation as one of its strategies to meet its revenue targets would require human input, i.e., people with the knowledge, experience, inventiveness, and ideas necessary to produce inventions. Resources frequently facilitate and enable the actualization of choices, intentions, and actions. The study's dependent variable is the performance of SMEs, whereas the independent variables are any other factors, such as strategies and resources, that could affect performance. .

2.2.2 Contingency theory

The contingency theory offers methods for organizational structure. It explains how external circumstances such as resources, internal culture, task context, technology, and organization scope affect or depend on an organization's system (Woods, 2009; Cadez & Guilding, 2008). The organizational structure influences and defines a wide range of administrative features, such as the distribution of resources, the exchange of information, the authority and style of leadership, motivation, and work duties. People, capital,

equipment, variety of goods and services, scale, technology, environment, and equipment are some of the most important internal factors. The contingency theory explains how companies adapt their strategies, operations, and designs to their external environment. The idea was that an organization will always try to adapt to changes in its surroundings while keeping its goals and objectives front and center. According to contingency theory, organizations are logical beings that may adapt to their surroundings to create a structure that works well for them. Fundamentally, organizations are dynamic entities that take cues from their surroundings to adjust to changing circumstances. The idea is that businesses will use these tactics to adapt to environmental changes. One criticism of the concept is that it needs to adequately illustrate how organizations may act in light of their various circumstances. Environmental disturbances may prompt small and medium-sized enterprises (SMEs) to reevaluate and modify their strategies to ensure alignment with their goals, objectives, and purposes. The effectiveness and success of their response will thus depend on how well they align their organizational systems, features, and structure to fit the changes in the environment—such as organizational size, culture, technology development, and volatility, among other differences (Islam & Hu, 2012). The dynamism and changes in the business environment reveal the need to adapt the organizational structure to the new environment and, ultimately, to support the planned performance path (Teece, 2018). Contingency theory, which explains and guides why SMEs may employ various strategies to increase performance, is the foundation for this investigation. SMEs would modify their plan to improve performance per predetermined goals and objectives. The contingency theory serves as the foundation for this study's explanation of strategy and performance improvement.

2.3 Strategy and organizational performance

Mehran and Zeinab's (2018) work have been referenced in several studies on the impact of innovative marketing strategies and entrepreneurial marketing on the performance of SMEs that manufacture industrial equipment and mechanical components. The study finds that marketing initiatives provide value and innovation for consumers, which significantly impacts output. A survey by Chatterjee & Kar (2020) sought to investigate how social media marketing affected the performance of Indian SMEs. The study found that SMEs' overall use of social media marketing significantly improved business results.

In a 2019 study, Udriyah et al. investigated the effects of innovation and market orientation on SMEs' competitive advantage and performance. The study found that market orientation and innovation initiatives positively affected competitive advantage, which significantly impacts SMEs' performance. Additionally, innovation and a focus on the market have a substantial direct and indirect impact on the performance of SMEs through competitive advantage. Udriyah et al. (2019) assert that competitive edge, innovation, and market orientation significantly impact SMEs' performance.

On the other hand, Wangui's (2020) research examined how business survival strategies impacted the growth of SMEs in Narok Town. This study investigated the impact of marketing, innovation, and operations activities on the development of SMEs. The study's findings showed that operational, marketing, and innovative tactics positively impacted the development of SMEs in Narok Town. Wangui's research suggests that variations in the development and performance of SMEs might be attributed to their survival strategies. Therefore, SMEs should evaluate their internal business processes, marketing tools, and

creative activities to promote sustainable development and performance.

In reaction to digital improvements, businesses must evaluate and modify their business models. However, SMEs need help finding the time and resources to investigate novel business concepts and methodologies. Bouwman et al. (2019) investigated whether SMEs undergoing digital transformation perform better than those focusing more on strategy implementation, business model research, and experimentation and those reporting higher levels of strategy execution. Fuzzy-set qualitative comparative analysis (fsQCA), which identified a variety of configurations in which the antecedent conditions affect the overall performance of SMEs, was used to demonstrate the presence of equifinality. According to the report, small and medium-sized enterprises (SMEs) may enhance their performance by using several strategies when they use digital transformation to modify their business models. Consequently, this study by Bouwman et al. (2019) consistently shows a positive correlation between organizational success and digital activities.

Organizations must implement their plan to survive because of the severe business volatility. Organizations may lessen their vulnerability to and adjust to shifting market conditions with effective strategic planning. Agwu (2018) investigated how strategic management approaches are employed by small and medium-sized enterprises (SMEs) in Nigeria to increase their market share, customer base, and overall performance. It was discovered that the expansion of their clientele and market shares, respectively, was significantly impacted by SMEs' competitive advantage and business plans. Nonetheless, organizational structure positively impacted the volume of transactions between SMEs.

2.4 Empirical Studies

The relationship between competitive strategy and business performance in SMEs is examined in research by Acquah & Agyapong (2015) since SMEs lack the economies of scale that give rise to cost leadership. It has been established that while differentiation is SMEs' strength and positively affects performance, cost leadership does not affect the latter. Put differently, small and medium-sized enterprises (SMEs) build their foundations on distinction rather than cost. In the context of strategy and organizational performance, it is undesirable for SMEs to use contingency theory while developing a competitive process.

In a different research, Gure & Karugu (2018) assessed strategic management practices and their impact on SMEs' performance in Nairobi County, Kenya. The same factors and characteristics that drove the study by Njoroge (2021) were also surveyed by Gure & Karugu: cost leadership strategy, focus strategy, differentiation strategy, and mixed strategies. The study's guiding principles were Porter's generic strategies model, resource-based perspective theory, and resource dependence theory. Finding correlations between variables and facilitating comparisons are two benefits of this study. Focus, distinction, cost leadership, and hybrid strategies positively affect the performance of small and medium-sized businesses in the community. The performance of SMEs would increase overall with a unit increase in each of the following variables: focus, differentiation, cost leadership, and hybrid strategies.

Agwu (2018), Angeles et al. (2022), Acquah & Agyapong (2015), Gure & Karugu (2018), Wangui (2020), and Njoroge (2021) are just a few of the countless studies that examine the

various elements of strategic management methods that SMEs use to succeed in multiple contexts, including time and geography. The study's findings yielded different conclusions, some suggesting that organizational structure modifications and other strategic management techniques may have less significant advantages. It has been established those competitive strategies, as well as structural and strategic flexibility, impact the success of organizations. In addition, several studies, including one by Gure & Karugu (2018), contend that to promote growth among SMEs in Nairobi, it is necessary to support stakeholder participation and internal capacity building. In the current evaluation, the suggested study seeks to investigate these recommendations. Overall, there are several gaps in the information that is now accessible, including when the studies were conducted (past), which means that new changes have happened, the setting, which is primarily outside of Kenya, the range of variable indicators, and the highlighted study subjects that have been suggested. In light of this, the recommended approach aims to close these knowledge gaps in the Kenyan context by considering the issue, time, context, and historical advice.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The study plan used to achieve the stated goals is covered in this chapter. This chapter focuses on the following specific topics: the selected study design, the targeted population description, sample design (including sample size and procedure), data collection method and instrument, pilot testing, data processing strategy, and data presentation..

3.2 Research design

In this study, descriptive research methodology was used. Primary data was gathered and utilized the methods used by small and medium-sized businesses to improve performance; direct descriptive survey design is beneficial as it allows researchers to systematically collect data and information necessary to address the research issues. A descriptive study technique lets the researcher identify the features and characteristics of a population or phenomena under investigation by defining, determining, and reporting the state of affairs. Given that it tackles the "What" issue, the descriptive research technique is ideal for the current study's problems about strategies and organizational performance. Babbie (2002) advocates using descriptive survey techniques to collect data on phenomena that are not visible immediately or that do not require experimentation. Descriptive studies have been used in similar studies conducted to examine the relationship between strategies and SME performance (Abdikadir, 2017; Gure and Karugu, 2018; Muthoni and Severina; Njoroge, 2021; Wangui, 2020). The descriptive research design is ideal because it has been used successfully in similar studies. It will help identify how the variables—strategies and

performance—relate, and it will help address both qualitative and quantitative aspects of the inquiry.

3.3 Population of the study

According to Cooper and Schindler (2014), the population of the study is the entire range of objects having shared observable characteristics and patterns from which the researcher hopes to draw certain conclusions. The people under investigation comprise small and medium-sized firms (SMEs) licensed by the Kitui County government and those approved by the Single Business Permit licensing office. The SMEs operated inside Kitui and were hired from the central sub-county. The population of SMEs was drawn from various businesses, including retail, lodging, and construction. .

3.4 Sample design

A representative sample size for the intended population is necessary (Majid, 2018). This study uses a straightforward random sampling technique to choose responders from the specified sample size. By using this method, it will be guaranteed that every business in the SME category has an equal chance of being selected for the sample. Utilizing a random sample technique can also aid in minimizing bias or enhancing objectivity throughout the selection process. A sample size of 10% may represent a small population. In contrast, a sample size of 30% may be used to express a large population, according to Mugenda & Mugenda's (2003) theory on sample size. Since it is anticipated that few SMEs in Kitui County will be appropriately registered with the national government, 10% of the population might be used as the sample size. Out of the 165 SMEs in the people, the total sample size is 17. The method used to determine the sample size is referred to as the sampling technique. The methodology will have the following elements: the enterprises

must employ a minimum of 10 but a maximum of 40 people; the businesses must operate in the designated locations; and the enterprises must generate a minimum of Kshs 5 million in revenue annually.

3.5 Data collection method

Questionnaires will be used throughout the study to collect the primary data. Saunders et al. (2016) state that questionnaires effectively collect information from willing respondents. Furthermore, secondary data from publications, journals, reports, and other sources within the scope relevant and appropriate to this inquiry will be found and used in this study. While the primary data will include information on SMEs' strategies, the secondary data will mostly feature information on organizational performance. Data was gathered using self-administered, semi-structured questionnaires. Using questionnaires, the study will be able to efficiently and affordably collect large amounts of data from a diverse population. The need to provide respondents some leeway in responding to questions that demand clarification or whose nature is diversified led to the use of semi-structured surveys. The opinions of different statements on the variables were examined using a Likert scale approach, which would help the study identify strategies used by distinct SMEs. The actual performance was gathered from existing reports to address the many dimensions of the dependent variable, namely the organizational performance.

Owners or managers of SMEs who actively participate in the day-to-day operations of the SMEs were given access to the questionnaire. To help improve their validity, the data collection tool was pre-tested on six managers and a supervisor. Based on their feedback, the questions were revised. A cover letter and consent form outlining the study's purpose

and the conditions of participation, including the opportunity to withdraw and the guarantee of the privacy of participant information, were included in the questionnaires.

3.6 Data analysis

Van de Vijver & Leung (2021) define data analysis as carefully examining received data to draw conclusions and inferences. Both descriptive and inferential statistics were used in this investigation. Descriptive statistics, including averages or mean scores, frequencies, and percentages, were used in the data analysis process. For better understanding, this study will define, describe, and clarify the many components of the research. This information was essential for understanding concepts and variables. Regression analysis, an inferential statistic, will also be used to assist in solving the issue of how SMEs' strategies connect or affect the SMEs' organizational performance. The regression analysis will address the question of how much of a relationship there is between the independent variables (systems) and dependent variables (organizational performance). Determining the association was essential for many potential users of the study results who may utilize it to form opinions. The study's results were displayed using tables, frequencies, graphs, figures, and percentages.

CHAPTER FOUR

DATA ANALYSIS AND RESULTS AND DISCUSSION

4.1 Introduction

This section details the techniques and methods used for data analysis, the results of findings of the analysis study, and a discussion of results based on objectives and existing knowledge. Out of the 17 samples firms, 15 had their responses complete and properly filled which is what is used for this analysis.

4.2 Descriptive Analysis

4.2.1 Response Rate

Seventeen questionnaires were administered to the identified respondents and fifteen were fully filled, finalised and returned while two were substantially incomplete hence removed from the analysis. Based on this, the table 4.1 below shows the response rate

Table 4.1 The Response Rate

	Frequencies	Proportion of Response
Used	15	88
Discarded	2	12
	17	100

Source: Derived From Data

The response rate of above 70 percent is considered adequate for use in the data analysis process. According to Kothari (2004), a response rate of 50 percent is largely average, while 60-70 percent is sufficient or adequate. Hence, a response of 88 percent is sufficient depiction of the respondents and their data can be used analysis, interpretation, and conclusions.

4.2.2 Respondent Gender

The respondents were requested to indicate their gender and the responses captured in Figure 4.1 below

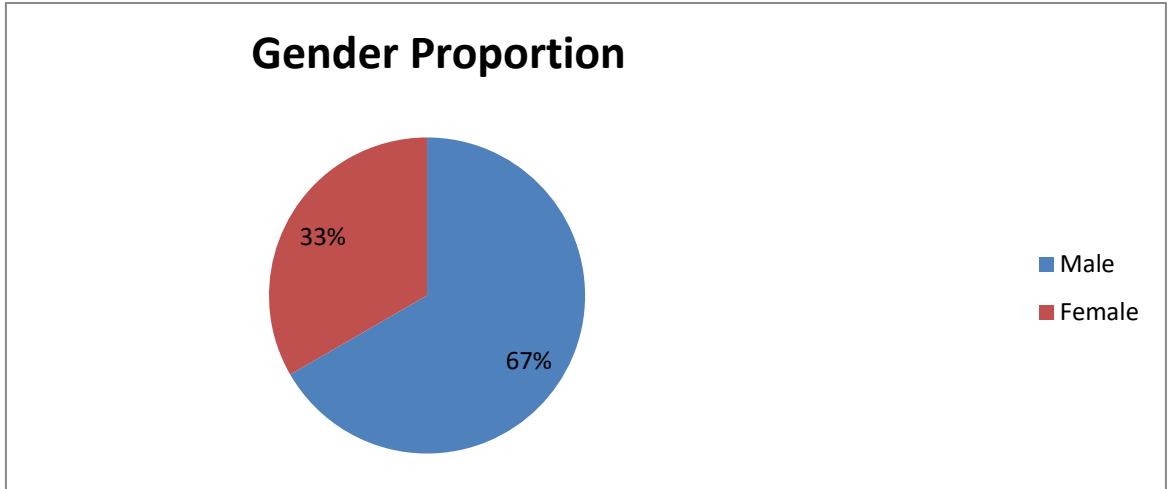


Figure 4.1 Gender Proportion

Source: Derived From Data

The gender response shows that a larger proportion of Male participated in the study as respondents. This shows that more male participated in running the small businesses in the county based on the random probability sample that was used for this study.

4.2.3 Education Level

The respondents were requested to indicate their highest education qualification and the responses were captured and tabulated in table 4.2 below

Table 4.2: Highest Education Qualification

	Frequencies	Proportion of Response
Diploma	3	20
Graduate	7	41
Post graduate	3	20
Tertiary	2	13
	15	100

Source: Derived From Data

The results in Table 4.2 show that respondents with graduate qualification were the majority at 41 percent. Post graduate and Diploma qualification account for 20 percent each. Therefore, graduate and post graduate account for 62 percent of the respondents and this implies their potential ability and competency to decipher and respond appropriately to the questions based on their knowledge and experience.

4.2.4 Number of Years the Business has been in Operation

The respondents were requested to indicate the number of years the business has been in operation and the responses were captured and tabulated in table 4.3 below

Table 4.3: Years the Business has been in Operation

Years	Frequency	Percentage
1-5 years	1	6.67
6-10 years	3	20.00
11-15 years	5	33.33
16-20 years	2	13.33
21-25 years	1	6.67
26-30 years	2	13.33
31-35 years	1	6.67
	15	100

Source: Derived From Data

The results in Table 4.3 show that majority of businesses had operated for an average of 11-15 years at 33 percent score. About 73 percent of the businesses had operated for a period of between one and twenty years. The length the business has been in operation has an influence on the experience and the capability for the management to develop and

implement numerous strategies based on the developments in the internal and external environment. Overall, the business and management experience enrich the anticipated responses from the targeted respondents.

4.2.5 Position in the Business

The respondents were requested to indicate their positions in the business and the responses were captured and presented in Figure 4.2 below. The results show that the majority of respondents were owners and directors of their businesses at 40 percent score each. Managers account for 20 percent of the respondents. This is important information because owners and directors who form a large part of the respondents (80 percent) have more authority and responsibility to disclose information on behalf of their businesses. This is echoed in the response rate where 88 percent of the returned responses were complete. Further, most of the directors in the small businesses are owners or part of the ownership teams and this enhances above position.

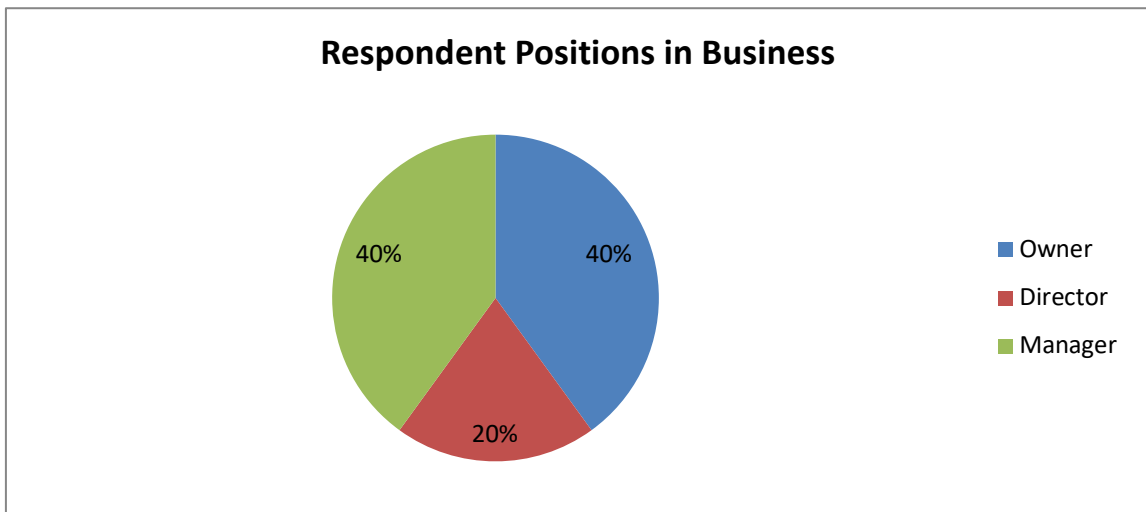


Figure 4.2 Respondent's Positions

Source: Derived From Data

The positions of owner and directors in small businesses are held by people who have served in them for relatively extended periods of times. Therefore, they have the knowledge and experience of their businesses and at better position to provide relevant information.

4.2.6 Number of Employees in the Business

The respondents were requested to indicate the number of employees in their businesses and the responses were captured and presented in table 4.4 below

Table 4.4: Number of Employees in the Business

Number of Employees	Frequency	Percent (%)
1 to 5	0	0
6 to 10	2	13
11 to 15	4	27
16 to 20	3	20
21-25	2	13
26 to 30	2	13
31 to 35	1	7
36 and above	1	7
Total	15	100

Source: Derived From Data

The results in table 4.4 above show that the majority of respondents indicated that their businesses had an employee average of 11 to 15 followed by those with 16 to 20 employees. Essentially, businesses with 1 to 20 employees formed a bulk of the respondents at 60 percent. The workforce capacity reflects the diversity in specialisation and richness in skills and knowledge which consequently has implications on the kind of information divulged through the respondents.

4.2.7 Nature of Organisation

The respondents were requested to indicate the nature of organisation they represented and the responses were captured and presented in Figure 4.3 below

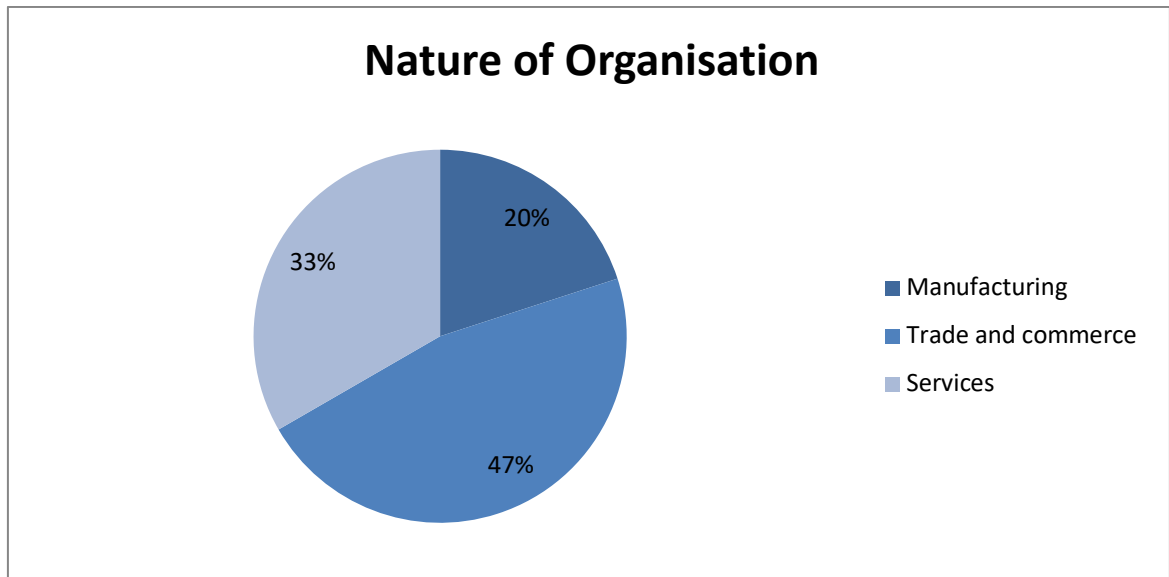


Figure 4.3 Nature of Organisation

Source: Derived From Data

The results in Figure 4.3 above show that the majority of businesses are Trade and commerce at 47 percent followed by services at 33 percent while the rest are manufacturing businesses. This result represents a balanced mix of expected data and information about small businesses in the location. Further, the mix of businesses shows the dominance of Trade and commerce and services which generally requires less capital to start and run relative to the manufacturing businesses.

4.3: Strategies

Below are statements associated with various strategies adopted by your business's organisation and their effects on performance. Please indicate to what extent you agree

with the statements using a 1-5 scale where 1 is strongly disagree while 5 is strongly agree and 3 is neutral

4.3.1 Information Technology (IT)

The respondents were asked to indicate their opinions/views on Information Technology related strategies and the responses were analyzed and presented as in table 4.5 below.

Table 4.5: Information Technology (IT)

	Information Technology (IT) Factors/statements	Respondents Rating					Total	Mean	SD
		5	4	3	2	1			
1	Computer systems are used to save and enable ease of access	4	8	2	1	0	15	4.00	3.54
2	Information is backed up for security and stability purposes	2	9	3	1	0	15	3.80	3.32
3	Employees are competent and skilled to use and share IT	2	7	4	1	1	15	3.53	3.12
4	Employees have an easy and effective access to the information they require for their work	1	7	4	2	1	15	3.33	2.92
5	Security mechanisms ensure that only authorized persons have access to sensitive information	4	6	3	2	0	15	3.80	3.38
Average							3.69	3.25	

Source: Derived from data analysis

Standard deviation	2.92–3.54
Mean range	3.33 - 4.00

According to the adoption of information technology and its effect on organisational performance of small and medium enterprises, the descriptive analysis presented in table 4.5 shows that most respondent's views agree with the various statements on information technology. The mean values range from 3.33 to 4.00 which is an average score and this shows that information technology strategies have effect on the performance of SMEs in Kitui County. In particular, computer systems are used to save and enable ease of access by designated users with the highest mean of 4.00 and standard deviation 3.54. The overall average/mean score of 3.69 echoes agreement among respondents on the proposition that the adoption and application of information technology have an effect on organisational performance of SMEs in Kitui County, Kenya. The standard deviation of 3.54 is a relatively low, signifying that the respondents have a similar understanding of the strategies to each other and that the average score of 74 percent (3.69 out of 5) echoes these results of SD. The low SD shows that most of the scores on information technology are close to the average and further that the views from respondents are largely similar and therefore the businesses apply similar information technology strategies.

4.3.2 Learning Strategies

The respondents were asked to indicate their opinions/views on learning related strategies and the responses were analyzed and presented as in table 4.7 below.

Table 4.7: Learning Strategies

	Learning Strategies Factors/statements	Respondents Rating					Total	Mean	SD	
		1	2	3	4	5				
1	The business has considerable work organized around teams	2	9	3	1	0	15	3.80	3.35	
2	The organisation offers good learning environment including facilitation with materials and resources	1	6	5	2	1	15	3.27	2.90	
3	Average							3.53	3.12	
Source: Derived from data analysis										
	Standard deviation	2.90 –3.35								
	Mean range	3.27 - 3.80								

Table 4.7 above present the results on adoption of learning strategies and their effect on organisational performance of small and medium enterprises in Kitui County. The descriptive analysis results based on mean and SD shows that most respondents agree with the two statements on adoption of learning strategies. For example, the respondents agree that their businesses have considerable work organized around teams. However, the agree view that organisation offers good learning environment including facilitation with materials and resources is a weak because of the weak mean of 3.27. The overall average/mean score of 3.53 echoes the assertion that respondents agree that their businesses have adopted learning strategies which have effect on organisational performance of SMEs in Kitui County, Kenya. The SD average of 3.12 is a relatively low one, indicating that the respondents share similar understanding and views on the strategies they apply in their

businesses. The average score of 70 percent (3.54 out of 5) resonates with the SD results. The relatively low SD indicates that the two scores on learning strategies are close to the average and the respondent's views are essentially similar and thus the businesses tend to apply similar learning strategies.

4.3.3 Personalization Strategy

The respondents were asked to indicate their opinions/views on Personalization related strategies and the responses were analyzed and presented as in table 4.8 below.

Table 4.8: Personalization Strategy

Personalization Strategy Factors/statements	Respondents Rating					Total	Mean	SD
	1	2	3	4	5			
1 Staff is facilitated with training opportunities.	1	8	4	1	1	15	3.47	3.08
2 Seminars and workshops are organized regularly	1	6	4	2	2	15	3.13	2.83
3 Stakeholders take part in organization's plans	3	9	2	1	0	15	3.93	3.48
4 Employees are encouraged through rewards and acknowledgements for motivation	2	8	4	1	0	15	3.73	3.29
5 There are several assorted employee's mentorship programs	1	7	5	2	0	15	3.47	3.03
6 Employees are assigned challenging work to encourage learning, instil confidence, and impart skills	3	7	3	2	0	15	3.73	3.33
Average							3.58	3.17

Source: Derived from data analysis

Standard deviation	2.83–3.49
Mean range	3.13 - 3.93

Table 4.8 above present the results on adoption of personalization strategies and their effect on organisational performance of SMEs in Kitui County. The descriptive analysis results based on mean and SD shows that most respondents agree with the six statements on adoption of personalization strategies. For example, the highest mean score is 3.93 whereby the respondents agree that stakeholders take part in organization's plans. A considerable number of respondents think that seminars and workshops are not organized regularly because of a neutral mean score of 3.13. However, the overall mean is 3.58 which echoes a consensus agree position with the proposition that personalization strategies have an effect on organisational performance of SMEs in Kitui County, Kenya. The SD of 3.17 is a relatively low average which is an indication that the respondents share similar views and understanding on the proposition strategies they apply in their businesses. The results show a mean score of 72 percent (3.58 out of 5) echoes the SD results. The SD scores on personalisation strategies are relatively low which shows the closeness and similarity on the respondent's views and therefore the businesses largely use similar personalisation strategies.

4.3.4 Partnerships Strategy

The respondents were asked to indicate their opinions/views on partnerships related strategies and the responses were analyzed and presented as in table 4.9 below.

Table 4.9: Partnerships Strategies

	Partnerships Strategies Factors/statements	Respondents Rating					Total	Mean	SD
		1	2	3	4	5			
1	The business has entered into some form of partnership arrangements with others	3	9	1	1	1	15	3.80	3.43
2	partnership generate several benefits such as strengthen capacity, overcome challenges in operations, gain customers and markets,	4	9	2	0	0	15	4.13	3.65
3	Average							3.97	3.54

Source: Derived from data analysis

Standard deviation	3.43–3.65
Mean range	3.80 - 4.13

Table 4.9 above show the results on the adoption of partnerships strategies and their effect on organisational performance of SMEs in Kitui County. The analysis results based on mean indicates that most respondents agree with the two statements on the adoption of partnerships strategies. For instance, the highest mean score at 4.13 present an agree position on the statement that partnership generate several benefits such as strengthen capacity, overcome challenges in operations, gain customers and markets. Equally, the overall mean average of 3.97 is a consensus agreement (agree) based on the views of respondents on the effect of adopting partnerships strategies on organisational performance of SMEs in Kitui County. The results show a mean score of 79 percent (3.97 out of 5) which echoes the SD results. The SD scores on partnerships strategies are relatively low at

3.54 and this shows the similarity on the respondent's views. Equally, the low SD shows that according to the views the businesses largely adopt similar partnerships strategies. Equally, the low SD show that the respondents have fairly similar view on the partnerships strategies they apply in their businesses. A mean score of 79 percent echoes the SD results whereby views are close to the mean and thus lower variation of views.

4.3.5 Diversification Strategy

The respondents were asked to indicate their opinions/views on diversification related strategies and the responses were analyzed and presented as in table 4.10 below.

Table 4.10: Diversification Strategies

Diversification Strategies Factors/statements	Respondents Rating					Total	Mean	SD
	1	2	3	4	5			
1 The business is involved in a diversification strategy in products, service, locations/markets	2	9	2	1	1	15	3.67	3.29
2 Diversification Strategy helps to generate several benefits such as overcome challenges in operations, reduce risks, gain new customers and markets, and enhance goodwill	2	8	3	2	0	15	3.67	3.25
3							3.67	3.27

Source: Derived from data analysis

Standard deviation	3.25–3.29
Mean range	3.67 - 3.67

Table 4.10 shows the findings on the adoption of diversification strategies and their effect on organisational performance of SMEs in Kitui County. The analysis showing the mean results reveals that most respondents agree with the presented statements on the adoption

of diversification strategies. The respondents agree with both factors that their firms are involved with diversification strategies and that they derive several benefits such as reduce risks, and gain new customers with a mean of 3.67 respectively and a total average of same score. The similar score in adoption and benefits may indicate the effectiveness of implementation of the applied strategies among the various businesses. Therefore, the overall average of 3.67 suggests that the business representatives in the survey agree that their businesses adopt diversification strategies and that they have an effect in organisational performance of SMEs in Kitui County. The results show a mean score of 74 percent (3.67 out of 5) and this resonated with the SD results that indicate a low variability of the views (3.27) among respondents on diversification strategies. The low SD value indicates that the SMEs involved in this sample largely implement similar diversification strategies.

4.3.6 Differentiation Strategy

The respondents were asked to indicate their opinions/views on differentiation related strategies and the responses were analyzed and presented as in table 4.11 below.

Table 4.11: Differentiation Strategies

	Differentiation Strategies Factors/statements	Respondents Rating					Total	Mean	SD
		1	2	3	4	5			
1	The business has constantly strived to differentiate from others through innovation and constant improvements	1	10	2	2	0	15	3.67	3.22

2	Differentiation strategy has helped the business to generate several benefits such growth, sales, competitive edge, and profits	2	8	3	1	1	15	3.60	3.22
3								3.63	3.22

Source: Derived from data analysis

Standard deviation	3.22–3.22
Mean range	3.60 - 3.67

According to analysis results on table 4.10, the mean of 3.60 and 3.67 on the two statements regarding differentiation related strategies show that the respondents agree with the statements. They agree that their business have constantly strived to differentiate and that the differentiation strategies have helped their business to generate several benefits such growth, sales, and competitive edge. An overall average mean score of 3.63 suggest that the businesses they represent have adopted differentiation strategies that have some effect on organisational performance. The difference in mean for the two statements on adoption and benefits derived from differentiation related strategies indicates that some businesses may be adopting these strategies but fail to generate competitive benefits due to differences in implementation effectiveness. The results show a mean score of 73 percent (3.63 out of 5) that resonates closely with a low SD result of 3.22. The relatively low SD and thus low variability of the respondent’s views is an indication of similarities in understanding and adoption of the differentiation related strategies.

4.3.7 Focus Strategy

The respondents were asked to indicate their opinions/views on Focus related strategies and the responses were analyzed and presented as in table 4.12 below.

Table 4.12: Focus Strategies

Focus Strategies Factors/statements	Respondents Rating					Total	Mean	SD
	1	2	3	4	5			
1 The business has constantly strived to focus on niche segments and opportunities in the market	1	6	4	2	2	15	3.13	2.83
2 Focus strategy has helped the business to generate several benefits such lower costs, improve performance, achieve more customisation, growth in sales, improve goodwill, and profits	1	7	4	2	1	15	3.33	2.97
3							3.23	2.90

Source: Derived from data analysis

Standard deviation	2.83–2.97
Mean range	3.13 – 3.33

The analysis results on table 4.11 provide a mean of 3.13 and 3.33 on the two statements concerning focus related strategies. The mean score average of 3.23 shows that the respondent's views largely lean toward neutral position whereby they think that their businesses have not quite adopted focus related strategies. They indicate that their business has been mild in adopting and implementing focus related strategies. The respondents have a mixed view on focus related strategies where considerable number of respondents is unsure whether these strategies have been adopted in their firms. This shows that the businesses have to do more to clarify on this strategy in terms of what it is and how it can be applied and implemented in the businesses. The analysis results show a mean score of

64 percent (3.23 out of 5) which largely lean toward a neutral position. A low SD of 2.90 shows a low variability of the respondent's views which support a neutrality position.

4.3.8 Cost Leadership Strategy

The respondents were asked to indicate their opinions/views on Cost Leadership related strategies and the responses were analyzed and presented as in table 4.13 below.

Table 4.13: Cost Leadership Strategies

	Cost Leadership Strategies Factors/statements	Respondents Rating					Total	Mean	SD
		1	2	3	4	5			
1	The business has constantly strived to focus on cost leadership opportunities in the market	1	8	2	2	2	15	3.27	2.97
2	Cost leadership strategy has helped the business to generate several benefits such lower costs, improve performance, achieve more customisation, growth in sales, improve goodwill, and profits	1	7	3	3	1	15	3.27	2.92
3							3.27	2.94	

Source: Derived from data analysis

Standard deviation	2.92–2.97
Mean range	3.27- 3.27

According to analysis results on table 4.13, the mean of 3.27 for the two statements concerning cost leadership related strategies show that the respondents are largely neutral with the statements. The respondents are not certain on their business strive to constantly pursue cost leadership opportunities in the market and any benefits that have accrued. An

overall average mean score of 3.27 is equivalent to 65 percent suggest that the businesses achieve average performance in terms of adopting cost leadership related strategies and the accruing benefits. The mean score of 65 percent (3.27 out of 5) resonates with a low SD of 2.94.

4.3.9 Views on the Effect of Strategies on Organizational Performance

The respondents were asked to indicate their opinions/views on the overall effect of strategies adopted on the Organizational Performance and the responses were analyzed and presented as in Figure 4.4 below.

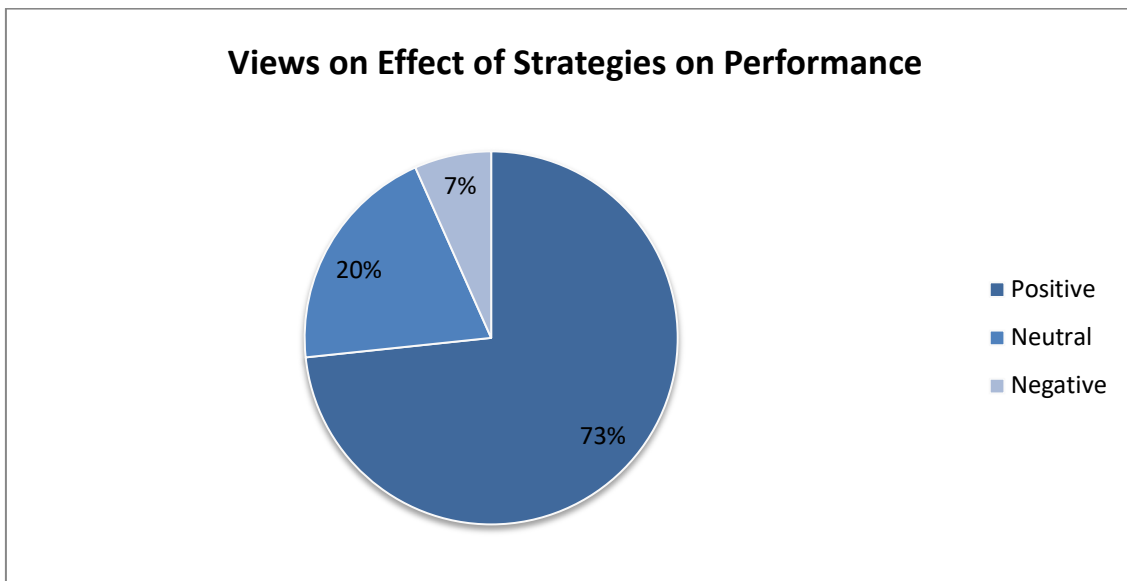


Figure 4.4: Effect of Strategies Adopted on the Organizational Performance

Source: Derived from Field Data

According to analysis results on Figure 4.4, a large majority of 73 percent indicated that their businesses have witnessed improved performance due to the strategies they have adopted. This is followed by a 20 percent view that they are neutral or not very sure whether the strategies adopted had an effect on organisation performance. Therefore, the owners

and management of SMEs need to make it clear in the strategy formulation and implementation the goals, objectives, key performance indicators, and the expectations of strategy development, implementation, and expected outcomes.

4.3 Regression Analysis

This study sought to find if there is any relationship and its extent between strategies adopted by SMEs and their performance and the results are highlighted in this section. In this research, data collected from the field was used to find the relationship between the dependent and independent variables and findings are detailed next.

4.3.1 Model Summary

The summary show highlights the regression analysis as shown in the regression model. The results are captured in table 4.14 below

R	R Square	Adjusted R Square	Std. Error of the Estimate
.969^a	.939	.858	.33066

Source: Derived from Field Data

The data indicates that the strategies adopted by small and medium enterprises in Kitui County, Kenya, have a significant positive impact on organizational performance, with an R-squared value of 0.939. This indicates that 93 percent of changes in performance are caused or described (explanatory power) by the strategies adopted including differentiation, personalization, learning, and information technology. Basically, about 93 percent of the performance variation is explained by the regression model. However, there

might be some overfitting in the model, as the adjusted R-squared value is 0.858. The model is relatively accurate, with a standard error of 0.3306.

4.3.2 ANOVA^a

	Sum of Squares	df	Mean Square	F	Sig.
Regression	10.157	8	1.270	11.613	.004 ^b
Residual	.656	6	.109		
Total	10.813	14			

Source: Derived from Field Data

The results in the "Sig." column indicate that the regression model is statistically significant ($p = .004$), suggesting that the strategies adopted by SMEs have a significant effect on their organizational performance. The F-statistic of 11.613 also supports the significance of the model.

4.3.3 Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.368	.299	.381	1.231	.004
Information Technology (IT) Strategy	.158	.154	.198	1.021	.007
Learning Strategies	.191	.184	.222	1.039	.019
Personalization Strategy	.171	.147	.188	1.163	.045
Partnerships	.176	.175	.156	1.003	.048
Diversification Strategy	.198	.187	.148	1.056	.006
Differentiation Strategy	.196	.188	.209	1.047	.011
Focus Strategy	.133	.173	.147	0.768	.197
Cost Leadership Strategy	.240	.104	.292	2.303	.280

Source: Derived from Field Data

The study's results showed that information technology (IT) strategy had a positive linear effect on organizational performance ($\beta_1=.158$, $p=0.007$). The organizational arrangement of staff members is positively and significantly impacted by learning methodologies ($\beta_2=.191$, $p=0.019$). The Personalization Strategy wholly and substantially affects organizational performance ($\beta_3=.171$, $p=0.045$). It was demonstrated that partnerships significantly and favorably improve organizational performance ($\beta_4=.176$, $p=0.048$). The diversity method had a beneficial influence on organizational performance ($\beta_5=.198$, $p=0.006$). The differentiation method significantly and favorably affects employees' organizational performance ($\beta_6=.196$, $p=0.011$). However, Focus Strategy positively impacts organizational performance but not statistically significantly ($\beta_7=.133$, $p=0.197$). It was demonstrated that the Cost Leadership Strategy had a positive and non-significant effect on the company's version ($\beta_8=.240$, $p=0.280$).

An increase of one unit in information technology (IT) strategy is correlated with an improvement in organizational performance of 0.158. This implies that businesses might anticipate a significant increase in performance if they invest in IT systems and infrastructure. Organizational performance increases by 0.191 for every unit increase in learning approaches. This implies that businesses that provide their staff members the chance to grow and learn will witness a discernible boost in output. Organizational performance increases by 0.171 for every unit of improvement in Personalization Strategy. This implies that businesses will likely see a noticeable improvement in performance if they customize their goods and services to meet every client's unique demands. Organizational performance increases by 0.176 for each unit increase in partnerships. This implies that organizations that develop strategic alliances with other businesses will do

significantly better. The company's performance increases by 0.198 for every unit increase in a diversification strategy. This implies that a company's performance will increase if it expands its supply of products and services into new markets. Finally, an improvement in the organizational performance of 0.196 is linked to a one-unit rise in the differentiation strategy. This implies that businesses stand out from rivals by providing distinctive goods or services, and they stand to benefit significantly from their enhanced performance.

The poll indicated above indicates that regardless of the approach they use, SMEs in Kitui County could expect an improvement in the performance of their businesses. However, the impact differs based on specific techniques, so each organization must choose the best fit for its interests, aims, and objectives.

Thus, the regression equation is;

$$Y = 0.368 + 0.158X_1 + 0.191X_2 + 0.171X_3 + 0.176X_4 + 0.198X_5 + 0.196X_6 + 0.133X_7 + 0.240X_8 + \dots \text{Equation 4.1}$$

Where:

Y represents organizational performance SMEs in Kitui County, the dependent variable

X₁ represents Information Technology strategies

X₂ represents Learning strategies

X₃ represents Personalization strategies

X₄ represents Partnerships strategies

X_5 represents Diversification strategies

X_6 represents differentiation strategies

X_7 represents focus strategies

X_8 represents cost leadership strategies

with diverse strategies. The results have shown that the SMEs have used various strategies partially based on the internal and external environmental changes. Diversification, differentiation, and cost leadership strategies have the highest impact on organizational performance where a unit of each of these strategies would result in a higher effect on organizational performance. For example, in the pursuit of diversification strategies, a unit increase in diversification will generate a boost on performance by 0.198. These findings concur with other study findings where for example due to the intense competition and duplication of strategies among SMEs (Kimani & Douglas, 2017), any business that tries to diversify or differentiate from the rest gains a competitive advantage before it is eventually eroded when the rest copy or duplicate it in their practices. According to Islam & Hu (2012), and Teece (2018), companies try to set themselves apart from their competitors by innovations in their current strategies and practices. The effect of the different strategies on performance is varied, hence, the individual SMEs need to evaluate and determine the strategies that best fit their goals, objectives, interests, and developments in the market.

An important finding is that the Information Technology (IT) Strategies have a positive but relatively moderate effect on performance compared to some of the other strategies such

as Diversification, differentiation, and cost leadership strategies. While the result of this strategy on SMEs performance is positive, this may suggest that many SMEs in Kitui country have not adequately adopted and harnessed the power of information Technology in their businesses. Information Technology has emerged as one of the main strategies that can help SMEs achieve better efficiency, effectiveness, and profit performance (Mehran and Zeinab, 2018; Udriyah et al., 2019). The use of strategies is an indication of a proactive approach by firms to respond to changes in their environment. In the current findings, the views of most respondents are that their organisations have adopted various strategies which indicate the entrenched proactive approach to their environments.

The descriptive analysis shows sentiments that closely align with the concurrence that the various strategies are valuable in influencing performance of SMEs in Kitui County. Equally, the regression results shows that the use of assorted strategies by SMEs in Kitui County help them to boost their organisational performance by varied quantity per unit of strategy input. The concurrence in descriptive analysis and regression analysis shows the need by SMEs to consider strategy formulation/development and implementation as part of their core practices. Firms that do not apply strategies are doomed to fail because they lack mechanisms to guide them in the ever changing business environment (Wangui 2020). Based on the goals and objectives of individual businesses, the current findings can help individual SMEs to identify strategies most suited for them and assign resources appropriately. Strategy adoption is one of the tool and mechanism to help organisations allocate resources to achieve optimal returns (Wangui 2020). However, despite the results showing positive and significant relationship between the strategies and performance of

SMEs, it would be necessary to compare this with performance in other industries and over time.

The current findings have shown that the SMEs in Kitui County apply several strategies to support realization of their performance goals and objectives. Several studies have supported the need to use assorted or a mix of strategies to respond to the ever changing business environment (Chatterjee & Kar, 2020; Wangui 2020; Udriyah et al., 2019; and Mehran and Zeinab; 2018). SMEs use various strategies to attain the desired performance levels. The Resource-Based View proposes the need for organisations to apply their internal resource to help improve their competitive position in the market (Barney, 1991; Prahalad and Hamel, 1996; Wernerfelt, 1984). Equally, the Contingency theory indicates that a firm's effectiveness relies on the consideration of various factors in the environment that may impact the firm (Bruns, 2003). The Contingency theory indicates need for organisations to respond to changes in their environment based on their goals, objectives, and capacities. In the current study, the results have shown how SMEs in Kitui County are using strategies to respond to various factors including changes in their environment. The contribution of SMEs to Kenya's growth is significant, particularly in generating wealth, employment, and income prospects for a sizable portion of the people nationwide (Danson, 2020). Therefore, the results of this study have shown how the SMEs in Kitui can consider enhancing their performance using various strategies.

CHAPTER FIVE

SUMMARY AND CONCLUSION

5.1 introductions

This chapter provides a recap of the study findings, the conclusions, and appropriate recommendations.

5.2 Summary of Study findings

The core objective of this study was to establish strategies adopted by small and medium enterprises (SMEs) and their effect on organisational performance in Kitui County, Kenya. The outcomes reveal that, SMEs in Kitui County adopt and use a diverse range of strategies based on their goals, objectives, interests, needs, and expectations. The descriptive analysis results show a general concurrence of an agree position to most of the statements on various strategies among the respondents. Further, the sentiments by respondents that their firms adopt, implement, and generate benefits from the strategies is supported by a regression analysis which shows the existence of a positive and significant relationship between strategies adopted and organisational performance of firms. The low levels of SDs are an indication that most of the SMEs share similar strategies and their understanding and implementation are similar. This is no surprise because a typical observation will tend to show that most individual SMEs will tend to duplicate or copy practices from their peers.

The results on general profile show that the factors such as education qualifications, learning curve, size of workforce, learning opportunities, and levels of responsibilities tend to influence firm's efficiency, effectiveness, and performance of the SMEs. The various

strategies that have been adopted by SMEs in Kitui County are typical across SMEs and industries which show their relevance in the current study and results. Apart from the cost leadership and focus strategies, all the other strategies are used to a large extent by the SMEs and this indicates and this indicates their relevance in supporting developments in the SME sector. The regression statistics show that the individual strategies have a positive and significant effect on the organisational performance of SMEs. This means that the individual SMEs must continue adopting the strategies to attain their specific organisational goals and objectives.

5.3 Conclusions

The study results show that the various strategies are essential in supporting the organisational performance of SMEs. SMEs apply diverse strategies to support their organisational performance prospects which include growth, stability, and profitability. Due to duplication of strategies among players in the industry or sector, individual SMEs should innovate and adopt strategies that are tailor made for their individual goals, objectives, interests, and expectations. The business environment is constantly changing and the results from current study have shown that SMEs have to adopt various strategies to help sustain and grow performance. The outcomes of the current study have shown the extensive adoption of strategies going by the views of the respondents. Equally, the outcomes reveal a positive and comparatively strong effect of the strategies on organisational performance of SMEs. The performance improvement is an important motivation to convince the management of the SMEs the need to entrench further the practice of strategy formulation, implementation, and evaluation.

5.4 Limitations of the Study

The outcomes of this study are confined in application whereby because they mostly relate to the SMEs sector in Kitui County, their use in any other context (sector and location) must be applied with caution. Thus, users of these findings are advised to use it for knowledge and comparison reasons. The practice of data and information storage is not well entrenched among SMEs and this weakness was echoed in the current study. Therefore, the researcher had to go to great length to draw data from the respondents to an extent of using original documents such as receipts to get relevant data. This is one of the recommendations in the current study.

5.5 Suggestions for Further Research

The researcher suggests the need to consider applying the topic on strategies to other locations and industries for knowledge and comparison purposes. It may be interesting to apply the topic to different sizes of SMEs to find how the strategies influence their performances. A case study of individual SMEs may help provide more insights on how specific strategies are applied and the potential for customisation of strategies. The current period is immediate to the post COVID-19 pandemic; therefore, it was important to find out how SMEs perform over a longer period of time where there are minimal effects of the ended pandemic.

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Appendix 1: Survey Questionnaire

Strategies Adopted by Small and Medium Enterprises for Performance Improvement

Survey Questionnaire

The purpose of this research study is to determine the strategies adopted by small and medium enterprises for performance improvement in Kenya. This survey is meant to assist the researcher to get desired data and insights of the topic that can help answer the objectives of the study. Therefore, your support in answering the questions was of significant importance and very appreciated.

Directions and guidance

- 1) This Questionnaire has three main sections
- 2) The questions take nearly 15 minutes to familiarize and answer
- 3) Content and material obtained was handled with utmost confidentiality
- 4) Respond as guided in each question

Section A: General profile

1. What is your gender?

Male

Female

2. Indicate your highest level of education

Primary secondary certificate diploma

Tertiary Degree Masters PhD

3. What is your organization's name?

4. Indicate the number of years your business been in operation?

Below 3 () 4-6 ()
 7-10 () over 10 ()

5. What is your position in this organisation?

Owner/director () Director () Manager ()
 Others please specify ()

6. What is your nature of organisation?

Manufacturing () Services ()
 Trade and commerce ()

8. How many employees does your business have?

Below 5 () 6-10 () 11-20 ()
 21-30 () 31-40 () 41-50 () over 50 ()

SECTION B: STRATEGIES

9. Below are statements related to various strategies adopted by your businesses organisation to improve its performance? Please indicate to what extent you agree with the statements using a 1-5 scale where 1 is strongly disagree while 5 is strongly agree and 3 is neutral

Subsection B1: Information Technology (IT) Strategy

Information Technology (IT)						
No	Factors	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
	Information Storage					
1	computer systems are used to save and enable ease of access					
2	Information is backed up for security and stability purposes					

	Information sharing					
3	Employees are competent and skilled to use and share IT					
	Information accessibility					
5	Employees have an easy and effective access to the information they require for their work					
6	Security mechanisms ensure that only authorized persons have access to sensitive information					

Source (Adapted from study objectives)

Subsection B2: Learning Strategies

Learning Strategies						
No	Factors	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
	Knowledge and Skill acquisition					
1	The business has considerable work organized around teams					
2	The organisation offers good learning environment including facilitation with materials and resources					

Source (Adapted from study objectives)

Subsection B3: Personalization Strategy

Personalization Strategy						
No	Factors	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
	Training and mentorship sessions					
1	Staff is facilitated with training opportunities.					
2	Seminars and workshops are organized regularly					
3	Stakeholders take part in organization's plans					

4	Employees are encouraged through rewards and acknowledgements for motivation					
5	There are several assorted employee's mentorship programs					
6	Employees are assigned challenging work to encourage learning, instil confidence, and impart skills					

Source (Adapted from study objectives)

Subsection B4: Partnerships

Partnerships Strategy						
No	Factor	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1	The business has entered into some form of partnership arrangements with others					
2	partnership generate several benefits such as strengthen capacity, overcome challenges in operations, gain customers and markets,					

Source (Adapted from study objectives)

Subsection B5: Diversification Strategy

Diversification Strategy						
No	Factor	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1	The business is involved in a diversification strategy in products, service, locations/markets					
2	Diversification Strategy helps to generate several benefits such as overcome challenges in operations, reduce risks, gain new customers and markets, and enhance goodwill					

Source (Adapted from study objectives)

Subsection B6: Differentiation Strategy

Differentiation Strategy						
No	Factor	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1	The business has constantly strived to differentiate from others through innovation and constant improvements					
2	Differentiation strategy has helped the business to generate several benefits such growth, sales, competitive edge, and profits					
3						

Source (Adapted from study objectives)

Subsection B7: Focus Strategy

Focus Strategy						
No	Factor	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1	The business has constantly strived to focus on niche segments and opportunities in the market					
2	Focus strategy has helped the business to generate several benefits such lower costs, improve performance, achieve more customisation, growth in sales, improve goodwill, and profits					

Source (Adapted from study objectives)

Subsection B8: Cost Leadership Strategy

Cost Leadership Strategy						
No	Factor	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The business has constantly strived to focus on cost leadership opportunities in the market					
2	Cost leadership strategy has helped the business to generate several benefits such lower costs, improve performance, achieve more customisation, growth in sales, improve goodwill, and profits					

Subsection B9: Organisational Performance

Performance of SMEs

Indicators	Period				
	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Asset Base					
Customer Numbers/Base					
Number of Branches					
Net Profit					
Revenue volumes					
Return on Asset					
Number of employees					

30. In your view, what is the effect of the strategies adopted by SMEs on their performance? (Positive/Negative/Neutral).

Organisational Performance

Performance of SMEs

Indicators	Period				
	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Asset Base	100,500,000	90,450,000	82,320,000	75,220,000	72,150,000
Customer Numbers/Base	93519.36	77932.8	64944	54120	45,100
Number of Branches	104	87	72	60	50
Net Profit	18662400	15552000	12960000	10800000	9,000,000
Revenue volumes	46656000	38880000	32400000	27000000	22,500,000
Return on Asset	18.5	17.19	15.74	14.35	12.5
Number of employees	512	465	423	385	350