

**ANALYSIS OF BUSINESS GROWTH STRATEGIES ON PERFORMANCE OF
SMALL MEDIUM ENTERPRISES IN KIAMBU COUNTY, KENYA**

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DECLARATION

This project is my original work and has never been presented for any academic award in any institution.

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DEDICATION

To my dear family, especially my parents Francis and Lucy Kinyua, and my brother Geoffrey Nyaga, whose steadfast support, encouragement, and prayers have provided me with steady strength during this journey. I sincerely dedicate this success to you.



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ABSTRACT

Performance of small and medium-sized businesses (SMEs) in Kiambu County, Kenya, was investigated in this study in relation to business growth methods. SMEs are well known for their role in generating jobs and advancing the economy as a whole. The study focused on four key growth strategies commonly used by SMEs: market penetration, market development, product development, and diversification. The objective was to determine how each of these strategies influenced SME performance, assessed through indicators such as profitability, market share, customer satisfaction, and business growth. A descriptive research design was adopted for the study. Data were collected from a sample of 370 SMEs through structured questionnaires administered to business owners and senior managers responsible for key functional areas including marketing, operations, finance, and strategic planning. Stratified random sampling was used to ensure fair representation across different sectors. In addition to examining the internal strategies, the study explored the role of external environmental factors such as county government policies, access to financing, and infrastructure in shaping the effectiveness of business growth strategies. The data collected was analyzed using both descriptive and inferential statistical methods. The reliability of the research instrument was confirmed with a Cronbach's Alpha value of 0.8. Regression analysis revealed that the four business growth strategies collectively explained 61 percent of the variation in SME performance ($R^2 = 0.61$). Market development, with a coefficient of 0.071 and a t-value of 2.087, showed the strongest positive influence on SME performance. Product development had a coefficient of 0.062 and a t-value of 2.152, while market penetration had a coefficient of 0.044 and a t-value of 2.925. Diversification demonstrated a modest but statistically significant influence with a coefficient of 0.023 and a t-value of 2.000. Descriptive findings indicated that a majority of SMEs in Kiambu County actively apply business growth strategies to improve performance and competitiveness. Many respondents highlighted the importance of innovation, customer loyalty programs, strategic pricing, and exploring new market segments as essential elements for success. Firms that consistently launched new or enhanced products and engaged in targeted marketing campaigns reported stronger customer retention and increased brand visibility. SMEs that expanded into related markets or adjusted their offerings based on local demand were better positioned to cope with competition and changing customer needs. The study was conducted in compliance with ethical research standards, with approvals obtained from the Ethics Review Committee of Mount Kenya University and the National Commission for Science, Technology and Innovation (NACOSTI). The findings offer valuable insights for SME owners, policymakers, and support institutions seeking to strengthen the sustainability and performance of SMEs. The study provides evidence-based recommendations to support strategic decision-making, guide policy development, and promote long-term SME growth in Kiambu County and other similar regions.

ABBREVIATIONS AND ACRONYMS

AFDB: African Development Bank

CBK: Central Bank of Kenya

IFC: International Finance Corporation

KBD: Kiambu Business Directory

KEPSA: Kenya Private Sector Alliance

KNBS: Kenya National Bureau of Statistics

KPDA: Kenya Property Development Association

OECD: Organization for Economic Co-operation and Development

SDGs: Sustainable Development Goals

SMEs: Small and Medium Enterprises

SPSS: Statistical Packages for Social Scientists



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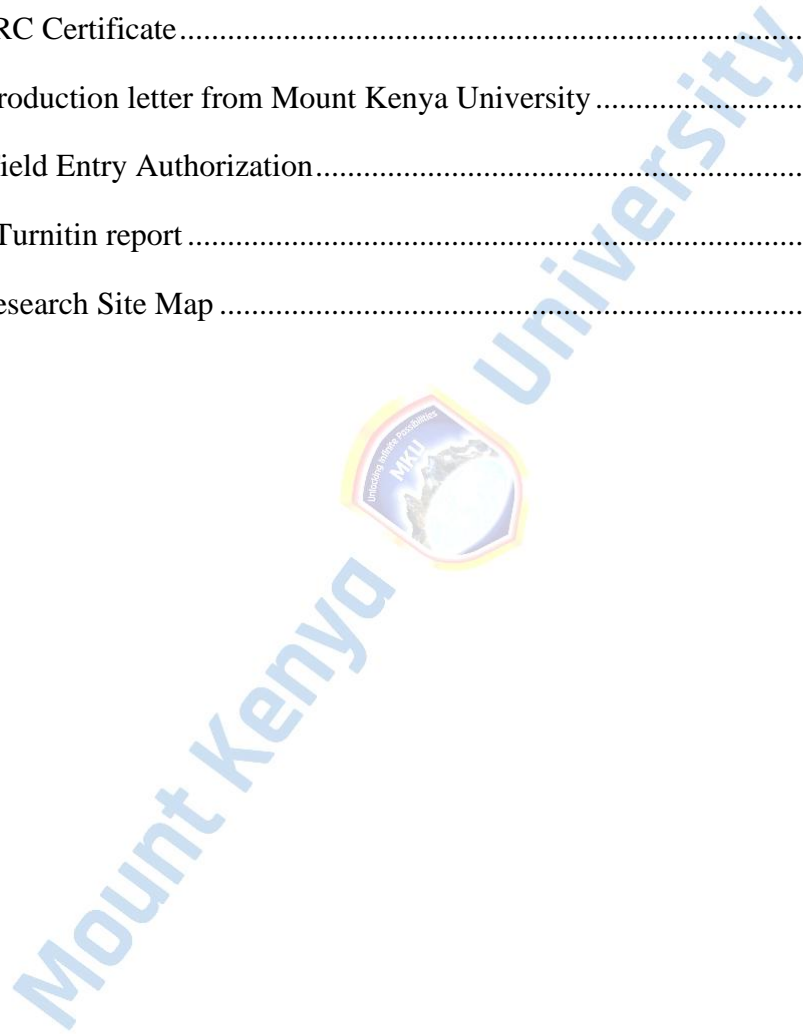
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CHAPTER: ONE INTRODUCTION

1.0 Introduction

This chapter outlines the study and provides the study's background, problem statement, goal, and objectives. It also includes the research questions that guided the investigation. Additionally, it specifies the study's scope, delimitations and explains its significance and justification.

1.1 Background to the Study

Small and Medium-sized Enterprises are critical drivers of global economic growth, innovation, and job creation. In the Kenyan context, SMEs play a significant role in improving livelihoods and promoting inclusive economic development. Data from the Kenya National Bureau of Statistics (KNBS, 2020) indicate that SMEs contribute around 40 percent to the country's Gross Domestic Product and account for approximately 86 percent of employment within the private sector. In Kiambu County, one of the most economically dynamic areas in Kenya, SMEs are integral to the local economy, with more than 50,000 registered businesses making significant contributions to fields such as agriculture, manufacturing, and services (Kiambu County Government, 2022).

Notwithstanding their significance, SMEs in Kiambu County face substantial challenges that limit their potential for growth and sustainability. Key among these challenges is limited market reach, stagnation in market development, constraints in product innovation, and the risks associated with diversification. The competitive business environment in Kiambu, combined with rapid technical improvements and fluctuating consumer preferences, intensifies these issues. Many small and medium-sized businesses experience difficulties in expanding their consumer base beyond their local marketplaces, owing to weak marketing techniques and limited resources.

Previous studies have indicated that successful business growth tactics, including market penetration, product development, market development, and diversification, are crucial for addressing these challenges and improving SME performance. Nevertheless, the execution of these strategies is frequently obstructed by issues such as limited financial resources, regulatory obstacles, and a lack of managerial expertise. A report from the International Finance Corporation (IFC, 2021) points out that SMEs in Kenya, particularly those in Kiambu County, encounter significant difficulties in securing credit, which is vital for financing expansion and innovation efforts. Moreover, the regulatory environment in Kenya, while supportive of business growth in many ways, often presents complexities that SMEs find difficult to navigate. Compliance with regulatory requirements can be particularly burdensome for smaller enterprises, leading to increased operational costs and reduced profitability (World Bank, 2020). In contrast, larger corporations such as Safaricom and Equity Group Holdings have successfully navigated these challenges by leveraging their substantial resources and strategic partnerships to drive growth. However, replicating such success on a smaller scale remains a significant hurdle for SMEs.

This research aimed to investigate various factors that affect the success of business growth strategies among SMEs in Kiambu County. By analyzing elements such as market trends, adoption of technology, regulatory policies, and financial management practices, the study aspired to offer a detailed understanding of how SMEs can improve their performance within a competitive landscape. Additionally, the research delved into the obstacles SMEs encounter in securing financing, competing in both local and regional markets, and adjusting to evolving consumer preferences. Through thorough data collection and analysis, this study provides actionable recommendations for SMEs to enhance their growth potential and play a more significant role in the economic development of Kiambu County.

1.1.1 Concept of Business Growth Strategies

Business growth strategies refer to structured, deliberate actions undertaken by organizations to expand operations, increase profitability, and enhance competitiveness over time. These strategies may take several forms, including growing market share, introducing new products, and entering new markets, or forming strategic alliances. The goal of growth strategies is to ensure long-term sustainability and relevance in an increasingly competitive and dynamic business environment (Githuku & Gichuki, 2022).

Globally, business growth strategies have driven the expansion of enterprises ranging from technology startups to multinational corporations. For instance, Amazon scaled its operations through aggressive market penetration and product diversification, while Apple Inc. sustained its market dominance by combining product development with international expansion (OECD, 2021). In Africa, companies such as Jumia and MTN have used regional diversification and digital platforms to extend their market footprint and adapt to changing consumer behavior (AfDB, 2020).

In Kenya, business growth strategies have been crucial for enterprise expansion and performance. Safaricom PLC successfully implemented product development and market penetration through M-PESA, its flagship mobile money platform, while Equity Group Holdings leveraged market development and digital innovation to expand regionally across East Africa. These strategies have resulted in strong brand equity, financial growth, and customer loyalty. Similarly, the Kenya Revenue Authority enhanced operational performance through technological upgrades and service diversification, contributing to improved taxpayer compliance and revenue collection (Otieno, 2023).

At the county level, SMEs in Kiambu have increasingly adopted growth strategies to address market saturation, shifting consumer demands, and intensified competition. Local businesses have pursued market penetration through pricing and promotions, introduced new product lines to align with customer trends, diversified into unrelated sectors to spread risk, and even taken steps toward

international expansion through regional trade and informal cross-border commerce. Despite these efforts, many SMEs in Kiambu continue to face execution challenges due to resource limitations, inadequate planning, or lack of strategic support from relevant institutions.

This study focused on four key business growth strategies used by SMEs in Kiambu County: market penetration, product development, diversification, and international expansion. These served as the independent variables. Market penetration involves deepening market share by boosting current product sales in current markets. Product development refers to creating new or significantly improved products or services to meet emerging consumer needs. Diversification entails entering new markets or launching new products that are unrelated to the current business line. International expansion includes entry into foreign markets through exporting, partnerships, or franchising.

The dependent variable was SME performance, evaluated using four key dimensions: revenue growth, profitability, market share, and sustainability. These metrics reflect how well an enterprise achieves its strategic objectives, adapts to environmental changes, and secures long-term viability (Abdullahi & Karim, 2020).

By analyzing the relationship between these strategies and SME performance in Kiambu County, this study aimed to uncover practical insights that would support effective decision-making. The findings were expected to inform SME owners, policymakers, and business support institutions on how to create enabling conditions for sustainable enterprise growth at the county and national levels.

1.1.2 Performance of SMEs

Performance of Small and Medium Enterprises (SMEs) remained a key area of interest for policymakers, scholars, and development institutions due to their central role in economic development. Globally, SMEs accounted for approximately 90 percent of businesses and more than 50 percent of jobs, making them a fundamental driver of innovation, employment, and inclusive

growth (World Bank, 2022). In high-income countries, these enterprises often thrived within supportive policy environments, allowing them to scale operations, invest in innovation, and contribute significantly to national productivity. Performance in this context was typically evaluated through key indicators such as revenue growth, profitability, market share, operational efficiency, and customer satisfaction.

In sub-Saharan Africa, SMEs were vital in advancing industrial development and social inclusion, yet their performance was often constrained by systemic barriers. Limited access to finance, underdeveloped infrastructure, inadequate managerial capacity, and regulatory inefficiencies were among the most cited challenges (AfDB, 2020). For instance, the African Development Bank estimated that SMEs contributed up to 33 percent of the continent's GDP and nearly 45 percent of new jobs. However, high startup costs, corruption, and informal market pressures continued to suppress growth potential.

Within East Africa, SMEs formed the backbone of economic resilience, supporting trade, employment, and local production. The International Finance Corporation (IFC, 2021) reported that these enterprises were essential for economic diversification but faced persistent challenges, including high interest rates, fragmented markets, and weak linkages to formal value chains. These constraints often translated into limited market reach, reduced competitiveness, and stagnant growth.

In the Kenyan context, SMEs contributed roughly 40 percent to the national GDP and employed over 80 percent of the workforce (KNBS, 2020). Despite their importance, performance of Kenyan SMEs varied widely, influenced by factors such as access to finance, digital readiness, innovation capacity, and regulatory compliance. According to Mwangi and Wanjala (2021), firms that had reliable access to working capital, embraced technology, and participated in structured business development programs were more likely to experience positive performance outcomes.

In Kiambu County, SMEs played a central role in driving commerce, employment, and service delivery, particularly in urban centers like Thika, Ruiru, and Limuru. However, many of these businesses faced challenges in scaling operations, formalizing structures, and sustaining profitability. Issues such as high operating costs, limited credit access, and local market saturation continued to hinder performance. County government reports indicated that despite their presence across multiple sectors, most SMEs in Kiambu operated at subsistence or micro-scale levels, with limited capacity to innovate or expand into new markets (Kiambu County Government, 2022).

In this study, SME performance was treated as the dependent variable and was evaluated using four key indicators: revenue growth, profitability, market share, and sustainability. These dimensions captured both short-term outcomes and long-term resilience, providing a holistic view of enterprise success. Understanding how business growth strategies influence these performance indicators was essential in developing actionable insights for SMEs in Kiambu County and informing policy decisions that support inclusive and sustainable enterprise development.

1.1.3 Kiambu County, Kenya

SMEs in Kiambu County, Kenya, represent a diverse and dynamic segment of the local economy, contributing significantly to employment generation, wealth creation, and socioeconomic development. The origins of SMEs in Kiambu County can be traced back to various factors, including entrepreneurial initiatives, family enterprises, and community-based ventures. Many SMEs in the county started as small-scale enterprises operated by local entrepreneurs, often leveraging personal savings, family resources, and informal networks to establish and grow their businesses. The entrepreneurial spirit and resourcefulness of individuals in Kiambu County has largely contributed to the proliferation of SMEs across various sectors, including agriculture, manufacturing, trade, services, and technology.

The emergence and growth of SMEs in Kenya, including those in Kiambu County, can be attributed to several factors, including demographic trends, urbanization, policy interventions, and market opportunities. As Kenya transitioned to a market-based economy in the post-independence era, the government implemented various policy reforms aimed at promoting entrepreneurship, innovation, and private sector development. These policy interventions, coupled with favorable market conditions and increasing consumer demand, provided a conducive environment for SMEs to grow and expand their operations. Consequently, many SMEs from different parts of the country gravitated towards Kiambu County, attracted by its strategic location, vibrant business environment, and access to markets, infrastructure, and skilled labor.

In recent years, the SME landscape in Kiambu County has experienced significant growth and transformation, characterized by increasing competition, technological advancements, changing consumer preferences, and government interventions. The county is home to a diverse array of SMEs, ranging from micro-enterprises and small-scale ventures to medium-sized businesses, operating across various industries and sectors. Although certain SMEs have reached significant success and sustainable development, others encounter difficulties like restricted financial access, insufficient infrastructure, regulatory hurdles, and intense market competition. To counter these challenges and support SME development, the government of Kenya, in collaboration with local authorities and development partners, has rolled out various initiatives and programs focused on enhancing access to finance, promoting entrepreneurship, improving infrastructure, and facilitating market access for SMEs in Kiambu County. Additionally, industry associations, business support organizations, and non-governmental organizations contributed in efforts to provide training, mentorship, and networking opportunities to SMEs, enabling them to navigate challenges, tap into opportunities, and achieve sustainable growth in the dynamic business environment of Kiambu County.

The researcher aims to work with SMEs in Kiambu County for several compelling reasons. Firstly, Kiambu County offers a diverse and vibrant ecosystem for SMEs, spanning various sectors such as agriculture, manufacturing, trade, services, and technology. This diversity presents a rich opportunity for comprehensive research and analysis of different business models, growth strategies, and performance outcomes across multiple industries. Secondly, Kiambu County's proximity to the capital city of Nairobi, Kenya's economic hub, provides SMEs with access to critical resources, including markets, suppliers, customers, and business support services. This proximity facilitates collaboration, networking, and knowledge sharing among SMEs, fostering innovation, competitiveness, and growth. Additionally, Kiambu County boasts a significant population, comprising both urban and rural residents, creating a sizable market for goods and services produced by SMEs. The county's demographic dynamics, coupled with its strategic location and economic significance, make it an ideal location for studying SMEs' performance and the factors influencing their business growth strategies. By focusing on SMEs in Kiambu County, the researcher seeks to produce insights and practical recommendations that can inform the creation of effective policies, programs, and interventions to support SMEs growth and enhance the county's overall economic resilience and prosperity.

1.2 Statement of the Problem.

Small and Medium Enterprises (SMEs) in Kiambu County play a vital role in promoting local economic growth, creating jobs, and reducing poverty. Despite their importance, many of these businesses face persistent challenges that hinder their performance and long-term sustainability. Limited market access, weak product innovation, inadequate financing, and regulatory constraints are common issues among SMEs in the region. The Kenya National Bureau of Statistics (2020) reported that over 40 percent of SMEs faced difficulties in broadening their client base, while 39 percent encounter barriers related to government policies and compliance requirements.

Access to credit and capital remains a significant barrier to SME expansion. The International Finance Corporation (2021) notes that SMEs in Kenya, including those in Kiambu County, often lack the financial resources needed to invest in innovation, research, or market expansion. As a result, many businesses remain confined to their current markets and product offerings, limiting their potential for growth.

Product innovation is further hindered by the high cost of research and development, limited access to modern technology, and a shortage of skilled personnel. A report by the Kenya Industrial Research and Development Institute (2020) shows that 53 percent of SMEs identify financial constraints as a major barrier to innovation, while 47 percent point to a lack of skilled labor. These challenges prevent SMEs from adapting to changing customer needs and reduce their competitiveness.

Diversification efforts are also limited. The Central Bank of Kenya (2019) found that only 25 percent of SMEs in Kiambu County have the financial capacity to diversify their products or enter new markets. Many SMEs are discouraged by the risks involved in unfamiliar business areas, leaving them vulnerable to market disruptions and unable to build resilience.

While business growth strategies such as market penetration, market development, product development, and diversification offer potential solutions, little empirical research has been conducted to evaluate their effectiveness in the context of Kiambu County. This study sought to address this gap by investigating the influence of market penetration on SME performance, examining how market development strategies affect business growth, assessing the contribution of product development initiatives, and evaluating the impact of diversification efforts.

The findings helped inform better decision-making among SME owners and guide policy interventions that support sustainable enterprise growth in the region.

1.3 Purpose of the Study

The purpose of the study was to analyze the Business Growth Strategies on the Performance of SMEs in Kiambu County, Kenya.

1.4 Objectives of the study

- i. To evaluate influence of Market penetration strategy on performance of SMEs in Kiambu County, Kenya.
- ii. To examine contribution of Market development strategy on performance of SMEs in Kiambu County, Kenya.
- iii. To assess Product development strategy on performance of SMEs in Kiambu County, Kenya.
- iv. To analyze influence Diversification strategy on the performance of SMEs in Kiambu County, Kenya

1.5 Research Questions

- i. What is the influence of market penetration strategy on performance of SMEs in Kiambu County, Kenya?
- ii. How does market development strategy affect the performance of SMEs in Kiambu County, Kenya?
- iii. What is the contribution of product development strategy on performance of SMEs in Kiambu County, Kenya?
- iv. How does diversification strategy influence performance of SMEs in Kiambu County, Kenya?

1.6 Significance of the Study

The significance of this study stems from its ability to provide significant insights and actionable suggestions for stakeholders in the SME sector, both within Kiambu County and throughout Kenya.

1. For small and medium-sized enterprise owners and entrepreneurs, the research provides a chance to comprehend the efficacy of various business expansion strategies more thoroughly, such as market penetration, market development, product development, and diversification, in enhancing their performance and competitiveness. By identifying key success factors and best practices, SME owners can make informed decisions and develop strategic initiatives to drive sustainable growth, expand market reach, and maximize profitability.
2. People employed in small and medium-sized enterprises can advantage from the results of the research by understanding the elements that lead to organizational achievement and sustainability over time. Understanding the role of business growth strategies in enhancing SME performance can empower employees to actively contribute to strategy implementation, innovation, and value creation within their organizations, cultivating a culture of collaboration, excellence, and continuous improvement.
3. The broader public and customers in Kiambu County can benefit from the study through the potential economic spillover effects of SME growth and expansion. As SMEs thrive and succeed, they create employment opportunities, stimulate local and regional economic development, and contribute to poverty eradication and social welfare in the community. Additionally, customers may benefit from improved product offerings, services, and customer experiences resulting from SMEs' strategic investments in market development and product innovation.

4. The results of this study could help regulatory bodies and government policymakers in formulating and implementing policies, programs, and initiatives aimed at promoting the growth and development of SMEs, as well as encourage entrepreneurship and innovation. By attaining a clearer understanding of the challenges confronting SMEs along with the factors influencing their performance, governments can establish a supportive environment that encourages business expansion, attracts investment, and generates employment, ultimately contributing to sustained economic development in Kiambu County and other regions.
5. Finally, the study holds significance for other researchers and scholars interested in the fields of entrepreneurship, small business management, and economic development. Through the provision of empirical data and insights regarding the connection between business growth approaches and the performance of SMEs, the research enhances the academic literature and deepens theoretical comprehension in these areas, setting the stage for additional research, analysis, and knowledge sharing. Overall, the study's significance extends beyond the immediate context of Kiambu County, offering valuable lessons and implications for SMEs, stakeholders, and researchers globally.

1.7 Scope of the study

This study was conducted in Kiambu County, Kenya, with a focus on key urban and peri-urban areas, including Thika, Ruiru, Limuru, Githunguri, Kikuyu, and Gitaru. These locations were selected due to their high concentration of Small and Medium-sized Enterprises and their diverse economic activities, making them representative of the broader SME landscape within the county.

The focus of this study was on 5,000 SMEs featured in the Kiambu Business Directory 2023. These SMEs span multiple sectors such as agriculture, manufacturing, and services, and are vital for the

economic growth of Kiambu County. The study involved a sample of 370 SMEs, selected strategically to ensure broad representation across various sectors and business sizes within Kiambu County.

For data collection, 370 managers from key functional areas within these SMEs were engaged through structured interviews and questionnaires. These managers, who were directly involved in the strategic decision-making processes of their respective businesses, provided valuable insights into the growth strategies employed by SMEs and the challenges they faced.

The study was conducted over a period of six months. This timeline included the planning phase, data collection, data analysis, and the reporting of findings. The six-month duration was carefully considered to allow for a thorough and comprehensive investigation, ensuring that the data collected was robust and that the analysis provided meaningful insights into the business growth strategies of SMEs in Kiambu County.

1.8 Justification of the Study

The relevance of this research lies in its contribution to bridging knowledge gaps identified in prior literature in research and provided useful insights for both academics and business practitioners. Even though small and medium scaled business played a major role in supporting economic growth, creating jobs, and encouraging innovation, there had been limited research showing how specific growth strategies affected their performance, especially in Kiambu County, Kenya.

The study responded to this gap by evaluating the influence of market penetration, product development, market development, and diversification on SME performance. This contribution was timely and relevant, as many SMEs in the region faced challenges related to market competition, resource constraints, and limited strategic direction. By identifying the most effective strategies, the

study offered a practical foundation upon which SME owners and managers could base their strategic decisions. This helped them better allocate resources, respond to market demands, and improve long-term performance and competitiveness.

In addition, the findings provided evidence-based insights for policymakers, regulators, and development agencies to design targeted programs and policies that support SME growth and resilience. Understanding which strategies drove performance enabled these stakeholders to implement supportive interventions, training programs, and financial tools that directly addressed the needs and potential of SMEs in the county and similar settings.

Academically, the study contributed to the fields of entrepreneurship, strategic management, and SME performance by applying and testing theoretical frameworks such as the Ansoff Matrix, Resource-Based View, and Porter's Generic Strategies within a localized context. This not only strengthened the validity of these models but also enriched the body of knowledge with context-specific data from a developing economy perspective.

By focusing on Kiambu County, the study ensured that its findings reflected the actual conditions of the local business environment. The results were especially helpful to SMEs in the area and may also guide similar studies in other counties or regions. In the long run, the study aimed to support the growth and sustainability of SMEs, contributing to wider economic development at both the county and national levels.

1.9 Assumptions of the study

This study is guided by several important assumptions that support the validity, usefulness, and broader application of its findings. First, it assumes that the insights gathered from the sampled SMEs in Kiambu County reflect the experiences and practices of a wider population of similar enterprises

within the region. Although the study focuses on a specific group, it is expected that the findings will be relevant and applicable to other SMEs operating under comparable conditions.

Another key assumption is that most respondents, including SME owners and senior managers, will provide honest, accurate, and complete responses to the research questions. While there is a possibility that some participants may offer incomplete or biased information, it is assumed that such cases will be minimal and will not significantly affect the overall quality or reliability of the data collected. It is also assumed that the respondents possess adequate knowledge of their organizations and are in positions to provide informed perspectives on the strategies used and their outcomes.

The study further assumes that its findings will be useful to various stakeholders, such as SME owners, policymakers, business consultants, and development partners. These insights are expected to support better decision-making, guide resource allocation, and contribute to the design of targeted policies and programs that promote SME growth and performance in Kiambu County.

Finally, the research assumes that the political, economic, and regulatory environments will remain stable throughout the study period. This stability is necessary to ensure uninterrupted data collection and to provide an accurate context for interpreting the findings. Collectively, these assumptions provide a foundation for the study's conclusions and recommendations, enhancing their credibility and relevance to both theory and practice.

1.10 Limitations and delimitations of the study

1.10.1 Limitations of the study

The study's limitations included several issues that may have affected the comprehensiveness and application of its findings. To begin, the study's sample size of SMEs may have limited the breadth of insights gathered because the focus was confined to a small subgroup within Kiambu County.

Moreover, reliance on self-reported data from SMEs introduced the potential for bias or inaccuracies, which may have been exacerbated by constraints such as limited time and resources. Additionally, the generalizability of the findings beyond Kiambu County may have been limited due to variations in cultural, regulatory, and market factors across different regions or countries. External influences, such as economic fluctuations, government policies, or market dynamics, could also have affected SME performance and potentially confounded the study results.

1.10.2 Delimitations of the Study

The study recognized regional specificity in its findings by emphasizing how the region's uniqueness might provide significant insights into its specific dynamics. This data served as the basis for future comparative research in various regions or countries. Acknowledging the study's scope provided clear aims to specifically address business growth strategies, forming a foundation for future studies to explore additional factors that may influence SME performance. Recognizing the time constraints upfront allowed for realistic expectations. By narrowing the focus and setting clear objectives, the research was still able to yield valuable insights, even within a limited time frame.

1.11 Operational Definition of Key Terms

Business Growth Strategies: A collection of strategic measures implemented by a company to broaden its activities, boost its market presence, and improve overall effectiveness. In this analysis, it encompasses market penetration, market development, product development, and diversification.

Diversification: A strategy for growth in which a company broadens its range of products or markets to mitigate risks and enhance profitability. This may entail venturing into different industries or expanding into new geographic regions.

Innovation: Innovation refers to the method of coming up with new products, services, or processes, or enhancing existing ones to meet evolving market needs and remain competitive. In this research, it is especially pertinent to strategies for product development.

Kiambu County: A specific area in Kenya where the research is carried out, noted for its wide variety of small and medium-sized enterprises spanning different industries such as agriculture, manufacturing, and services.

Market Development: A strategy for growth that focuses on increasing a business's customer base by exploring new markets or reaching out to different segments, whether based on geography or demographics.

Market Penetration: A strategy for growth focused on boosting the sales of current products in established markets by improving marketing initiatives, adjusting pricing tactics, or encouraging more frequent purchases.

Product Development: A strategy for growth that centers on developing new products or enhancing current ones to satisfy market needs. Implementing this strategy typically necessitates considerable investment in research and development.

Small and Medium-sized Enterprises (SMEs): Small and Medium-sized Enterprises are defined by the Kenya National Bureau of Statistics as businesses with a restricted number of employees and revenue. This study primarily concentrates on SMEs, especially those located in Kiambu County.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

The researcher reviewed relevant literature for the study in this chapter. The study's goals and research questions guided the literature review, giving the researcher a better understanding of the main topics under investigation.

2.1 Theoretical Review

This study explored how different business growth strategies affected the performance of Small and Medium Enterprises in Kiambu County, Kenya. To better understand this relationship, the research used three theoretical frameworks that closely supported its objectives and research questions.

2.1.1 Ansoff Matrix

The Ansoff Matrix, developed by Igor Ansoff in 1957, is a strategic planning framework used to identify and evaluate business growth opportunities by categorizing them into four distinct strategies: market penetration, market development, product development, and diversification (Ansoff, 1957). This model was foundational to the present study as it provided a structured lens through which the selected business growth strategies were examined in relation to SME performance in Kiambu County, Kenya.

Market penetration, the first quadrant of the matrix, focuses on boosting sales of current products in current markets by using strategies like price changes, advertising campaigns, and customer retention plans. This idea directly influenced the study's first goal, which was to look at how market penetration tactics affected Kiambu County's SMEs' performance. By applying Ansoff's principles, the study assessed how local SMEs leveraged these tactics to boost market share, drive revenue growth, and remain competitive in saturated markets (Loredana, 2017).

The second strategy, market development, involves using current products to target new customer segments or locate and enter new geographic areas. (Johnson, Scholes, & Whittington, 2011). This aligned with Objective Two, which sought to assess how market development strategies affect SME performance. In the Kiambu context, where certain demographic or regional markets remained underserved, this strategy offered a practical avenue for business expansion and risk reduction. The study explored how SMEs evaluated and entered these markets to diversify their customer base and increase visibility.

In order to satisfy changing consumer preferences, the third component, product development, entails launching new or greatly enhanced goods and services. This tactic helped achieve the study's third goal, which was to ascertain how much product development contributed to the performance of SMEs in the county. Given the financial and resource constraints faced by many SMEs in Kiambu, the study examined how these businesses pursued innovation through iterative product upgrades, customer feedback integration, and small-scale prototyping, despite limited access to research and development facilities (KIRDI, 2020).

Lastly, diversification; the most risk-intensive strategy, refers to a firm's expansion into new markets with entirely new products. This approach was central to the fourth objective, which aimed to evaluate how diversification strategies influenced SME performance. For businesses in Kiambu County, diversification offered a means to spread risk and buffer against industry-specific downturns. The study investigated how SMEs assessed diversification opportunities, the extent of implementation, and the resulting impact on long-term resilience and profitability (Kotler & Keller, 2016).

In summary, the Ansoff Matrix directly aligned with each of the study's four research objectives, offering a comprehensive framework for analyzing the effectiveness of growth strategies in enhancing SME performance. By mapping each quadrant of the matrix to a specific research

objective, the study provided a theory-driven approach to understanding how SMEs in Kiambu County navigated competitive and operational challenges to pursue sustainable growth.

2.1.2 Resource-Based View

The Resource-Based View (RBV), introduced by Barney in 1991, proposes that an organization's capacity to acquire and maintain a competitive edge depends largely on its internal resources and capabilities. These may include financial capital, skilled labor, organizational knowledge, technological infrastructure, and brand reputation. According to RBV, when resources are valuable, rare, difficult to imitate, and effectively organized, they contribute significantly to improved firm performance and long-term sustainability.

This theory was particularly relevant to the study of SMEs in Kiambu County, where many enterprises operated under external constraints such as limited access to financing, regulatory hurdles, and competitive market pressures. In such environments, the capacity to develop and utilize internal strengths became a crucial factor in business growth.

In examining how SMEs increased their presence within existing markets, RBV provided insights into how operational efficiency, customer relationship management, and brand familiarity served as internal assets that supported market penetration. Firms that had invested in customer service systems or possessed strong marketing teams were often better equipped to retain customers and expand their market share.

With regard to the creation of unique or enhanced products, RBV emphasized the importance of innovation capabilities. Enterprises that dedicated resources to product design, market research, or technology adoption were more likely to launch offerings that aligned with shifting consumer preferences. This perspective was particularly useful in understanding how SMEs in Kiambu adapted

to changing market needs through continuous product improvement, despite often facing budget and staffing limitations.

In exploring how firms entered new product categories or unfamiliar markets, RBV also shed light on the effectiveness of diversification efforts. SMEs that possessed flexible organizational structures, transferable skills among employees, or adaptable technologies were better positioned to manage new ventures. These internal capabilities reduced the risks associated with diversification by allowing the business to extend its operations without incurring excessive strain on resources.

Although the theory primarily focuses on internal resource use, it also supported the broader understanding of how SMEs prepared to engage in new market development. Businesses with well-established internal systems such as logistics, data management, or trained personnel had a greater capacity to manage the complexity of expansion into new customer segments or geographic regions.

In summary, the Resource-Based View underscored the role of internal strength in enabling SMEs to implement various growth strategies effectively. For SMEs in Kiambu County, enhancing internal capabilities appeared to be a key determinant of performance improvement, particularly in contexts where external support was minimal or inconsistent. The theory therefore provided an essential foundation for understanding how SMEs could leverage their existing assets to navigate growth challenges and sustain long-term development.

2.1.3 Porter's Generic Strategies

Porter's Generic Strategies, introduced in 1985, describe three primary approaches that firms may use to gain a competitive advantage in the market: cost leadership, differentiation, and **focus**. These strategies provide a foundational lens for understanding how enterprises can position themselves to outperform competitors. In the context of this study, these approaches were particularly relevant for

examining how SMEs in Kiambu County structured their growth strategies to improve overall performance.

The cost leadership strategy emphasizes achieving efficiency in operations to offer products at lower prices than competitors. This approach closely relates to how businesses aim to increase their share in existing markets by attracting price-sensitive customers. In the case of SMEs in Kiambu County, the ability to control production and distribution costs enabled firms to compete effectively in saturated markets. The study examined how enterprises implemented cost leadership as a market penetration tactic, especially through bulk purchasing, lean operations, and simplified product lines that maintained profitability while reaching wider audiences.

Offering goods or services that are regarded as exceptional or one-of-a-kind is the main goal of the differentiation strategy. This aligns with efforts by SMEs to invest in product development as a way of responding to evolving consumer preferences. In Kiambu County, firms that developed new features, built strong brand identities, or provided superior customer experiences were better positioned to justify premium pricing and retain loyal customers. The study assessed how SMEs used innovation and branding to strengthen their competitive edge and distinguish themselves from rivals in a crowded marketplace.

The focus strategy, the third pillar of Porter's framework, is based on serving a specific market segment more effectively than broader competitors. This approach closely tied into efforts by SMEs to identify and enter niche or underserved markets. In this regard, the study investigated how businesses tailored their offerings to meet the unique needs of particular customer groups or geographic locations, thereby enabling strategic market development. Enterprises that specialized in niche markets, such as organic farming or bespoke fashion, demonstrated how a well-executed focus strategy could support targeted expansion and customer loyalty.

While Porter's model does not explicitly address diversification, its emphasis on competitive positioning provided useful insight into how SMEs prepared for broader strategic moves. Firms that successfully integrated elements of cost control, product uniqueness, and market specialization often developed stronger foundations for exploring new products or markets.

In summary, Porter's Generic Strategies provided a useful framework for analyzing how SMEs in Kiambu County enhanced their performance through deliberate positioning choices. Whether through cost efficiency, unique value propositions, or targeted market segmentation, these strategies supported the implementation of broader business growth initiatives and contributed to improved competitiveness in a dynamic business environment.

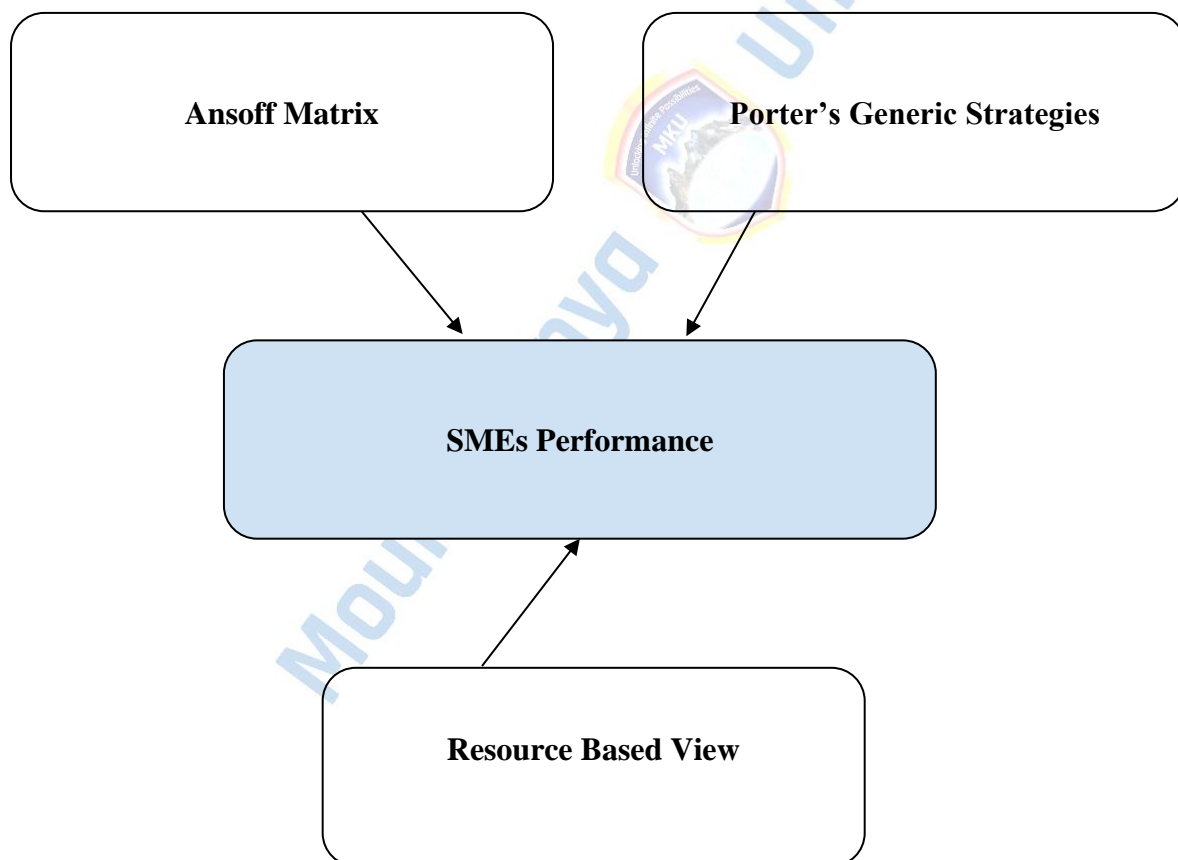


Figure 1

Theoretical Framework

Source: Researcher 2025

2.3 Empirical Review

The empirical review provides a detailed analysis of previous research that has investigated how business growth strategies relate to the performance of Small and Medium Enterprises. This section specifically focuses on the four strategic approaches examined in this study: market penetration, market development, product development, and diversification. These are assessed as independent variables influencing the dependent variable, which is SME performance within the context of Kiambu County, Kenya.

Numerous empirical studies have investigated the application and effectiveness of growth strategies in diverse economic settings. Research findings consistently demonstrate that well-executed market penetration strategies, such as pricing adjustments, promotional activities, and distribution improvements, positively impact firm performance by increasing sales volumes and customer loyalty. Similarly, empirical evidence on market development suggests that entry into new geographic or demographic markets can enhance visibility and revenue, particularly when businesses tailor their offerings to meet local needs.

Product development has also emerged as a key focus in empirical literature, with studies indicating that the introduction of new or improved products significantly boosts competitiveness, especially in dynamic and saturated markets. SMEs that invest in innovation and respond to changing consumer demands often report higher growth rates and customer retention. Also, diversification, while offering opportunities for risk reduction and market expansion, shows mixed results in empirical studies. Its success largely depends on the degree of relatedness to the core business and the firm's ability to manage new operations effectively.

This study looked to develop a deeper understanding of how business growth strategies affect the performance of SMEs within the specific context of Kiambu County, a developing economy. By examining previous research, the study also identified trends, gaps, and useful insights that will guide strategic decisions for SME owners and other stakeholders. In the end, the review helped shape practical, evidence-based recommendations to strengthen the competitiveness and long-term success of SMEs in the region.

2.3.1 Market Penetration Strategy and performance of SMEs

Market penetration strategy aims to increase the sales and market share of current goods and services in the markets where a company already operates. This can be achieved through methods such as offering competitive prices, running targeted promotions, and improving distribution. For SMEs in Kiambu County, Kenya, understanding how effective these strategies are is important for improving their competitiveness and supporting steady growth in a changing business environment.

Despite the importance of market penetration strategies, there is a significant knowledge gap in the research their specific influence on SME performance in the context of Kiambu County. Existing literature provides limited insights into the effectiveness of different penetration tactics and their implications for SMEs operating in the region. Furthermore, studies often lack empirical evidence from local SMEs, making it challenging to draw accurate conclusions about the effectiveness of market penetration strategies in Kiambu County.

Recent studies provide insight into the potential advantages of market penetration strategies for SMEs. For example, research by Wang et al. (2021) found that SMEs adopting aggressive pricing and promotional strategies experienced significant increases in market share and revenue growth. Likewise, a study by Ndung'u et al. (2020) shed light on the positive correlation between market penetration efforts and SME profitability in the Kenyan context. However, these studies

predominantly focus on larger firms or fail to provide insights specific to Kiambu County, underscoring the need for further research in this area.

Market penetration strategies can also help improve customer loyalty and brand recognition. As noted by Kotler and Keller (2016), regular and focused promotional efforts play a key role in building strong customer relationships and brand loyalty. These factors are especially important for SMEs that aim to create a reliable customer base in a highly competitive market. In Kiambu County, where competition among SMEs is intense, leveraging effective market penetration strategies can differentiate successful businesses from their competitors.

Moreover, the constantly changing business environment in Kiambu County, characterized by quick improvements in technology and shifting consumer preferences, necessitates a thorough understanding of market penetration strategies. SMEs that adapt their market penetration tactics to reflect current market trends and consumer behavior are more likely to sustain growth and improve their market positions. For instance, digital marketing and e-commerce platforms have emerged as vital components of market penetration strategies, enabling SMEs to reach a broader audience at relatively low costs (Chaffey & Ellis-Chadwick, 2019).

This study sought to fill the existing research gap on how market penetration strategies affect SME performance in Kiambu County, with the goal of offering practical insights that can help SME owners and managers improve their operations. By analyzing data and examining case studies of local SMEs, the study aimed to identify market penetration strategies that are well-suited to the specific conditions and challenges within the region. Ultimately, closing this research gap contributed to informed decision-making and strategic planning among SMEs in Kiambu County, fostering growth and sustainability in the local business ecosystem.

2.3.2 Product Development Strategy and Performance of SMEs

Product development strategies include introducing new products or enhancing current ones to satisfy changing consumer demands and preferences. These strategies typically require investments in research, innovation, and product design improvements. In the case of SMEs in Kiambu County, Kenya, exploring product development strategies is crucial for maintaining competitiveness and addressing the needs of a fast-evolving market.

Although product development strategies are widely recognized as important, there is limited research on how they are applied and how effective they are among SMEs in Kiambu County. Much of the existing literature focuses on larger companies, providing little understanding of the unique challenges and circumstances that smaller businesses in the region face. Additionally, empirical studies on how product development tactics affect SMEs' performance in Kiambu County remains insufficient, emphasizing the need for further in-depth investigation to inform effective business practices and policy decisions.

Previously conducted research offered insights into the potential benefits of product development strategies for SMEs. For example, research by Muturi et al. (2020) demonstrated that SMEs investing in product innovation experienced increased customer satisfaction and market share. Similarly, a study by Nyaga et al. (2021) highlighted the positive correlation between product diversification and SME performance in Kenya. However, these studies lack specificity to Kiambu County, necessitating further research to understand the nuances of product development strategies in the region.

In addition to enhancing market share and customer satisfaction, product development strategies can also drive operational efficiencies and cost savings for SMEs. According to Ulrich and Eppinger (2016), continuous improvement in product design and processes can lead to significant reductions in production costs and time-to-market, thereby improving overall profitability. For SMEs in Kiambu

County, adopting lean product development practices can be particularly beneficial in managing limited resources while achieving substantial innovation outputs.

Moreover, incorporating customer feedback and conducting market research during the product development process is essential for SMEs that seek to develop products that connect with their target market. As noted by Cooper (2017), effective product development requires a customer-focused strategy that emphasizes the needs and desires of the end-user. In the context of Kiambu County, where consumer preferences can be diverse and rapidly changing, SMEs must remain agile and responsive to market feedback to maintain relevance and competitiveness.

By addressing the research gap on product development strategies in Kiambu County, this study aimed to provide practical insights for SMEs seeking to innovate and differentiate their offerings. Through empirical analysis and case studies, we seek to identify effective product development approaches tailored to the local market context. By understanding customer needs, competitive dynamics, and technological trends, SMEs in Kiambu County can drive innovation, enhance product value, and position themselves for sustainable growth and success.

The study also explored the role of collaboration and partnerships in fostering product development among SMEs. As highlighted by Chesbrough (2003), open innovation, where companies work together with outside partners such as suppliers, customers, and sometimes even rivals, can improve the innovation potential of SMEs. In Kiambu County, collaborating with research institutions, universities, and technology providers can give SMEs access to innovative ideas, technologies, and essential resources needed for effective product development.

2.3.3 Market Development Strategy and Performance of SMEs

A market development strategy focuses on entering new markets or targeting new customer segments in order to promote growth. This can involve geographical expansion, target new demographics, or

introduce existing products or services to untapped markets. In the context of SMEs in Kiambu County, Kenya, exploring market development strategies is essential for identifying growth opportunities and diversifying revenue streams.

Although market development strategies are commonly acknowledged as factors that contribute to the growth of SMEs, there exists a gap in research regarding their effectiveness and relevance within Kiambu County. Numerous studies currently in existence frequently overlook the market conditions and challenges faced by SMEs in this region, which limits the relevance and usefulness of their findings. Furthermore, empirical research on market development strategies is scarce within Kiambu County, indicating a need for additional investigation in this field.

Recent research highlights the advantages of market development strategies for small to medium-sized businesses. For example, Kimani and Kariuki (2019) found that SMEs entering new geographical markets achieved notable growth in revenue and improved competitiveness. Likewise, Kibet et al. (2020) showed that market segmentation strategies had a favorable effect on SME performance in Kenya. However, these studies do not specifically focus on Kiambu County, suggesting a need for further research to understand how market development strategies apply in this context.

In addition to geographical expansion, market development strategies may involve targeting new customer segments within existing markets. As stated by Kotler and Keller (2016), effective market development necessitates a thorough comprehension of customer requirements and desires, along with the capability to customize marketing strategies to resonate with these new segments. For SMEs in Kiambu County, this could mean identifying and catering to niche markets that have been previously underserved, thereby unlocking new revenue streams and enhancing overall business performance.

Additionally, digital transformation has created new opportunities for market expansion. According to Chaffey and Ellis-Chadwick (2019), utilizing digital marketing and e-commerce platforms allows SMEs to connect with a larger audience beyond their local areas. For SMEs in Kiambu County, adopting digital tools and strategies can facilitate entry into national and even international markets, providing significant growth opportunities. This approach not only expands market reach but also allows for more efficient and cost-effective marketing and distribution.

By exploring the overlooked area of market development strategies in Kiambu County, this study aimed to provide actionable guidance for SMEs seeking to expand their market reach. Through empirical analysis and case studies, we aim to identify effective market development tactics tailored to the local business environment. When SMEs in Kiambu County understand what drives successful market expansion and take steps to overcome possible challenges, they are better positioned to seize growth opportunities and strengthen their competitiveness in the market.

Moreover, this study examined the role of strategic alliances and partnerships in facilitating market development. As highlighted by Barney (2018), forming alliances with local and international partners can provide SMEs with access to new markets, resources, and expertise. In Kiambu County, strategic collaborations with larger firms, distributors, or even other SMEs have the potential to play a key role in breaking through market entry challenges and supporting long-term business growth.

2.3.4 Diversification Strategy and Performance of SMEs

A diversification strategy entails venturing into new markets or sectors that differ from a company's current activities. The objective of this strategy is to distribute risk, seize new opportunities, and lessen the impact of market variations. For SMEs in Kiambu County, Kenya, looking into diversification strategies is crucial for broadening business prospects and decreasing reliance on a single market or product offering. While the advantages of diversification are well recognized, there

is still a significant gap in research exploring its relevance and effectiveness for SMEs in Kiambu County. Many existing studies tend to overlook the unique challenges and opportunities that local SMEs encounter when implementing diversification strategies. Moreover, there is limited empirical data on how these strategies influence SME performance in the region, highlighting the need for more focused academic investigation.

Although comprehensive research on the topic is limited, existing studies provide some insight into the potential benefits of diversification for small and medium-sized enterprises. For example, Mwangi and Wanjohi (2019) found that SMEs that expanded into new product lines showed increased resilience and growth in revenue. Likewise, Ogutu et al. (2020) reported a positive relationship between diversification strategies and SME profitability in Kenya. However, these findings are not specific to Kiambu County, indicating the need for further research to explore how diversification strategies work within the local context.

Diversification strategies can take various forms, including horizontal diversification, vertical diversification, and conglomerate diversification, each offering different paths for business growth and risk reduction. Horizontal diversification involves the addition of new products or services that are like those already offered, targeting the same customer base. In contrast, vertical diversification refers to expansion into various levels of the supply chain, either by moving upstream through backward integration or downstream through forward integration. Conglomerate diversification involves venturing into entirely unrelated business areas. For SMEs in Kiambu County, choosing the right form of diversification is critical for aligning with their capabilities and market conditions.

Furthermore, diversification can assist SMEs in managing risks linked to market fluctuations and economic decline. As stated in Ansoff's (1957) Matrix, diversification represents one of the growth strategies that can markedly affect a company's risk profile. Diversifying into different markets or

product lines allows SMEs in Kiambu County to reduce their vulnerability to industry-specific shocks and enhance their overall financial stability.

This research sought to address the lack of study on diversification strategies within Kiambu County, offering crucial insights for SMEs looking to expand into new markets or sectors. Through empirical research and case studies, we aim to pinpoint effective diversification methods that are suited to the distinctive business landscape of Kiambu County. By examining the factors that contribute to successful diversification efforts and assessing potential risks, regional SMEs can make well-informed choices about diversifying their business portfolios to promote long-term sustainability.

Additionally, by establishing a framework for assessing diversification opportunities, this research can in future, aid SMEs in formulating solid strategies to manage the challenges of market expansion and achieve sustainable growth.

2.4 Conceptual Framework

This study investigates the influence of four growth strategies, namely market penetration, market development, product development, and diversification, on the performance of Small and Medium Enterprises in Kiambu County, Kenya. The conceptual framework is grounded in three key theoretical models: The Ansoff Matrix, the Resource-Based View, and Porter's Generic Strategies. The study aims to show how these strategies affect the performance of SMEs, while also taking into account both internal and external factors that may influence this relationship.

The dependent variable in this study is SME performance, which will be evaluated using four main performance indicators: profitability, market share, customer satisfaction, and growth rate. These indicators provide a comprehensive measurement of business performance over the long and short terms.

Profitability will be assessed using conventional financial indicators like Net Profit Margins, Return on Investment, and Earnings Before Interest and Tax. These measures reflect how effectively an SME converts revenues into profits, offering insights into the financial sustainability of the firm. SMEs in Kiambu County that successfully implement growth strategies, such as market penetration and diversification, are expected to see improvements in profitability as they optimize operational efficiencies, increase sales, and reduce costs.

Market share is another critical performance metric, reflecting an SME's ability to grow its customer base and increase sales volume relative to competitors. Growth in market share will be particularly linked to market penetration and market development strategies. Market penetration strategies, such as pricing adjustments, sales promotions, and improved distribution channels, directly contribute to expanding an SME's share in its current market. Similarly, market development through geographic expansion or new market segmentation allows SMEs to tap into previously underserved or unexplored customer bases, further increasing market share.

Customer satisfaction will be measured by customer retention rates and customer feedback scores. High customer satisfaction is often a direct outcome of successful product development strategies, where innovation, product lifecycle management, and active customer involvement lead to the creation of products and services that fulfill or surpass the expectations of the clients. Content customers are more inclined to come back and refer the business to others, contributing to both immediate sales increases and enduring customer loyalty.

Growth rate, measured by both revenue growth and expansion of operations, reflects the SME's ability to scale over time. This indicator is closely linked to market development and diversification strategies. Market development strategies broaden a company's geographic or demographic scope, whereas diversification entails entering new markets with entirely new products. Both strategies enable SMEs to spread their risks and ensure sustainable long-term growth.

The conceptual framework acknowledges that the link between these growth strategies and the performance of SMEs is not independent but is shaped by various internal and external influences. Drawing from the Resource-Based View, internal resources such as human capital, technological capabilities, and innovation capacity serve as moderating factors. SMEs with stronger internal resources are better positioned to successfully implement growth strategies. For example, an SME that has access to skilled personnel or advanced technology is more likely to innovate and launch new products, resulting in higher profitability and customer satisfaction.

External factors, derived from Porter's Generic Strategies, such as market conditions and competitive forces, also act as moderating variables. In a highly competitive market, Small and medium-sized enterprises that implement differentiation strategies by providing unique or higher-quality products might achieve a competitive edge, enhancing their market share and profitability. Regulatory environments and market demand will similarly influence how effectively SMEs can execute market development and diversification strategies.

Additionally, this research considers both immediate and extended performance results. In the immediate term, small and medium-sized enterprises might experience gains in their market share growth and sales volume due to successful market penetration and product development strategies. However, the long-term influences of growth strategies, such as customer loyalty, sustained profitability, and business expansion are essential for understanding the full scope of SME performance. Market development and diversification strategies are more likely to contribute to these long-term outcomes, ensuring that SMEs remain competitive and resilient over time.

In summary, this conceptual framework combines the Ansoff Matrix to define key growth strategies, the Resource-Based View to emphasize the role of internal strengths and resources, and Porter's Generic Strategies to consider the effect of external market conditions. By linking each growth strategy to clear performance measures like profitability, market share, customer satisfaction, and growth rate, the framework offers a systematic approach for evaluating how SMEs in Kiambu County can improve performance through strategic growth initiatives. The study will empirically examine these relationships, providing insights into both the immediate and long-term impacts of the selected strategies on SME performance, while accounting for potential moderating and mediating variables.



INDEPENDENT VARIABLES

DEPENDENT VARIABLES

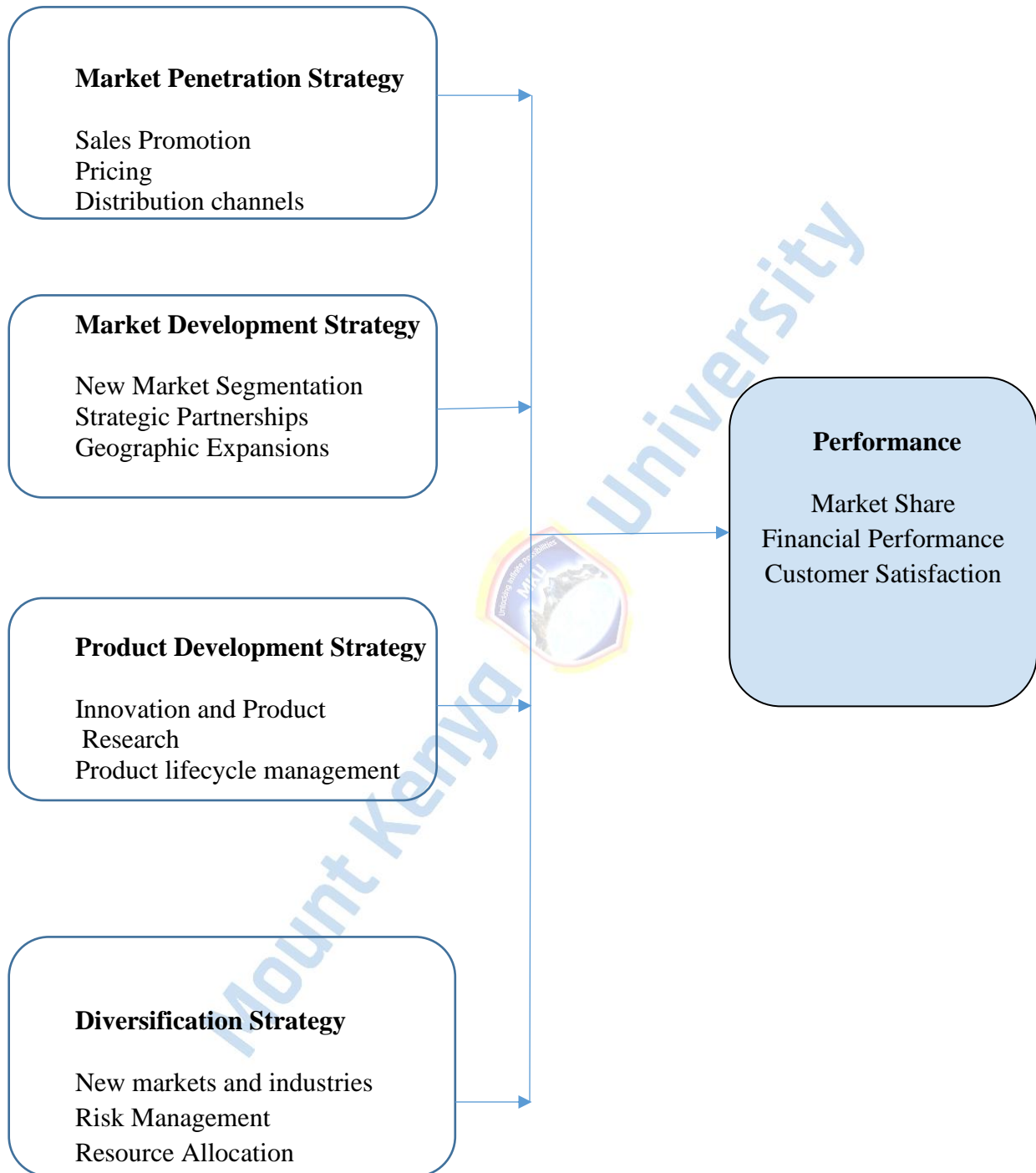


Figure 2

Source: Researcher (2025)

2.4.1 Market Penetration Strategy

Market penetration remains one of the most widely adopted growth strategies among Small and Medium Enterprises (SMEs) in Kiambu County, Kenya. It entails drawing in more clients or promoting repeat business in order to boost sales of current goods or services within existing markets. This approach is especially valuable in familiar markets where consumer behavior, preferences, and competition are already well understood. As originally conceptualized by Ansoff (1957), market penetration provides a low-risk option for growth because it does not require new product development or entry into unfamiliar markets.

SMEs in Kiambu County often face resource constraints, making market penetration a practical starting point for expansion. Many businesses adopt price-based tactics such as competitive pricing, discounts, and loyalty incentives to attract and retain customers. These strategies are commonly used to appeal to price-sensitive segments, particularly in local markets where buyers are highly responsive to perceived value (Loredana, 2017). For example, loyalty cards and bulk purchase discounts not only encourage higher transaction values but also promote long-term customer relationships.

Beyond pricing, effective marketing plays a central role in market penetration. SMEs frequently use promotional campaigns to increase visibility and generate interest in their products. Techniques such as seasonal promotions, buy-one-get-one-free offers, and flash sales create urgency and drive short-term demand.

Kotler and Keller (2016) emphasize that such targeted promotions can enhance customer awareness and reinforce brand loyalty, especially when applied consistently over time. In recent years, SMEs have also embraced digital tools to boost their market reach. Platforms such as Facebook, WhatsApp Business, Instagram, and local e-commerce sites have become essential for engaging customers, showcasing products, and responding to inquiries.

According to Mutinda and Kibera (2015), SMEs that actively manage their digital presence experience greater interaction with customers and benefit from improved brand recall. In Kiambu County, where traditional retail infrastructure may be limited, online platforms provide cost-effective and scalable marketing alternatives.

Additionally, SMEs often strengthen their distribution by collaborating with wholesalers, retailers, and delivery service providers. These partnerships help increase the physical availability of products, especially in rural and peri-urban areas. According to Mwangi and Namusonge (2014), a robust distribution network enables SMEs to reduce stockouts, meet customer demand more efficiently, and improve service reliability.

When implemented strategically, market penetration can lead to measurable improvements in profitability, customer retention, and overall business performance. Additionally, it gives them the tools they need to react more skillfully to shifting consumer preferences and market competition, which is crucial; in the quickly changing business world of today.

2.4.2 Product Development Strategy

Product development is a critical growth strategy for Small and Medium Enterprises (SMEs) in Kiambu County, Kenya, as it enables them to introduce new or improved products that align with changing customer needs and preferences. In a business environment that is rapidly evolving and becoming more competitive, the ability to adapt through innovation is essential for sustaining growth and remaining relevant in the market (Kotler & Keller, 2016). Product development not only enhances customer value but also supports differentiation, allowing SMEs to carve out a unique space in saturated markets.

To implement this strategy effectively, SMEs often begin with market research to better understand the evolving demands of their target segments. This involves collecting customer feedback, analyzing local trends, benchmarking competitors, and identifying gaps in the current product offerings (Ulwick, 2005). Such research helps businesses develop offerings that reflect actual customer needs rather than assumptions, improving their chances of market success.

Innovation lies at the heart of product development efforts among SMEs. These enterprises frequently seek to upgrade product features, improve packaging, or redesign offerings for better functionality and user experience. According to Drucker (1985), innovation is the key to unlocking growth opportunities and staying ahead of consumer expectations. In Kiambu County, this may include adapting traditional products to modern preferences or integrating locally sourced materials to reduce production costs and align with community values.

Additionally, managing the product lifecycle is crucial. SMEs must monitor their products from the introduction phase through maturity and eventual decline. This includes reviewing sales performance, collecting post-launch feedback, and determining whether improvements or replacements are needed. Continuous iteration allows firms to keep offerings relevant and competitive (Cooper, 2019). Poor-performing products are gradually phased out, helping businesses maintain a focused and profitable product portfolio.

In resource-constrained environments like Kiambu County, SMEs often face barriers such as limited funding, lack of skilled labor, and restricted access to research and development infrastructure. Despite these challenges, many have demonstrated resilience by adopting low-cost innovation techniques, engaging in customer co-creation, or forming partnerships with local institutions to access technical support (OECD, 2017).

By embracing locally informed, flexible, and customer-driven product development strategies, SMEs can strengthen their market position, boost customer satisfaction, and build brand loyalty. Consistent innovation not only allows them to stay responsive to shifting consumer demands but also fosters long-term competitiveness and business sustainability within their industries.

2.4.3 Market Development Strategy

Market development is a key growth strategy for Small and Medium Enterprises in Kiambu County, Kenya. It involves introducing existing products or services to new markets either by entering new geographic regions or targeting previously untapped customer segments (Ansoff, 1957). By expanding their market reach, SMEs can diversify revenue sources, reduce overdependence on existing markets, and enhance resilience in the face of changing economic conditions (Johnson, Scholes, & Whittington, 2011).

In practice, market development among SMEs often begins with careful market segmentation. Enterprises identify and evaluate potential target groups based on demographic, geographic, and behavioral characteristics such as age, income, lifestyle, and purchasing patterns (Kotler & Keller, 2016). Because of this segmentation, SMEs are able to customize their distribution and marketing plans to meet the unique requirements of various groups inside or outside of Kiambu County.

As SMEs prepare to enter new markets, they consider a range of entry strategies. These may include direct exporting, licensing, franchising, or forming strategic alliances with local firms (Cavusgil, Knight, Riesenberger, Rammal, & Rose, 2014). The selection of an entry mode depends on several factors, including the firm's financial capacity, the competitiveness of the target market, the level of operational risk, and the availability of partnerships. For many SMEs in Kenya, partnerships with regional distributors or local business associations offer a low-cost and low-risk entry pathway that provides access to market knowledge and established networks (Kamunge, Njeru, & Tirimba, 2014).

Equally important is the ability of SMEs to localize their products and marketing strategies. Adapting to cultural norms, customer preferences, and local pricing expectations ensures that offerings are accepted in the target market. SMEs that adjust branding, communication styles, and product features to fit the new environment are more likely to build customer trust and gain market traction (Hollensen, 2017). In the context of Kiambu County, this may involve modifying packaging, offering regional variants of popular products, or adjusting sales techniques based on local buying habits.

Digital tools also play an increasing role in market development. Many SMEs in the region are leveraging social media platforms, mobile marketing, and digital advertising to reach customers

in new areas without the need for physical expansion. These channels offer cost-effective methods for brand awareness, customer engagement, and market entry, especially in areas where infrastructure or logistical challenges persist (Mutinda & Kibera, 2015).

Pursuing market development strategically allows SMEs to scale their operations, reduce market saturation risks, and strengthen competitiveness. By aligning their strategies with local demand and cultural relevance, small to medium scale businesses in Kiambu County can access new growth opportunities and build long-term sustainability in an increasingly dynamic and diverse business environment.

2.4.4 Diversification Strategy

Diversification is an essential growth strategy for Small and Medium-Sized Businesses in Kiambu County, particularly for businesses seeking to reduce dependence on a single product line or market. In this context, diversification involves the intentional expansion into new markets or the introduction of new products that are different from a firm's existing operations. This strategy helps mitigate risks linked to market saturation, economic instability, and shifting consumer preferences, while also unlocking new avenues for income generation and competitive advantage (Abdullahi & Karim, 2020).

Successful diversification typically begins with comprehensive market research. SMEs examine emerging sectors, assess potential customer segments, and evaluate shifts in regulatory and competitive conditions. According to Onyango and Wanjiru (2021), data-driven research allows SMEs to make strategic choices that are aligned with market demand and business capacity, improving their chances of sustainable expansion.

Resource allocation is another critical factor in diversification. SMEs must commit financial resources, invest in technology, and develop human capital to support new business areas. These investments may involve acquiring specialized equipment, training employees, or upgrading systems to support different operations. Without proper planning, these changes can strain existing operations (Omondi, Njuguna, & Njeri, 2019). In Kiambu County, many SMEs use incremental investment models, starting with small pilots to test feasibility before scaling up.

Leveraging internal strengths can enhance the success of diversification. Enterprises often draw on their existing customer relationships, brand reputation, or workforce expertise to support new ventures. Githuku and Gichuki (2022) found that SMEs in Kenya that align new products with existing capabilities tend to have higher chances of success, as they benefit from operational synergies and reduced transition costs.

However, diversification is not without challenges. SMEs may encounter unfamiliar market environments, increased operational complexity, and financial constraints. Moreover, managing multiple business units can place a strain on limited managerial capacity (Otieno, 2023). To address these risks, strategic planning and phased implementation are essential. Business owners must carefully assess their readiness and ability to manage diversification alongside core operations.

Despite these challenges, diversification remains a valuable strategy for long-term stability. When implemented thoughtfully, it enables SMEs to cushion themselves from sector-specific downturns, foster innovation, and create resilient business models. For SMEs in Kiambu County, diversification can serve as a pathway to sustainable growth and increased adaptability in an unpredictable economic climate.

2.5 Recap of the Literature Review

The literature review explored relevant theories and past research focusing on business growth strategies and how they influence the performance of Small and Medium Enterprises, with a particular focus on the context of Kiambu County, Kenya.

Theoretical frameworks such as the Resource-Based View, Market-Based Theory, and Market Orientation Theory were explored to understand how internal and external factors influence SME performance. These theories provided valuable insights into the importance of leveraging internal resources, market opportunities, and customer-centric strategies to enhance SME competitiveness and sustainability.

Research conducted previously has highlighted the importance of strategies such as market penetration, market development, and product development in improving performance for small to medium scaled businesses. However, existing literature reveals notable gaps, particularly concerning the effectiveness of these strategies within the specific context of Kiambu County.

On top of that, research carried out in the nation as well as the greater East African area offers important insights into the opportunities and challenges encountered by SMEs, thereby providing a useful foundation for this study. Although SMEs are increasingly acknowledged as key contributors to economic growth, there is still an urgent need for additional focused research that addresses the specific challenges faced by SMEs in Kiambu County and identifies effective strategies for improving their performance.

In summary, the literature highlights the need to understand how business growth strategies function and their impact on the performance of SMEs in the local context, providing a foundation for the empirical investigation in this study.

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the research approach taken to meet the goals of the study. It gives a summary of the study's sampling strategies, data collection methods, research design, and data analysis processes.

3.1 Research Design

The research utilized a descriptive design to gather in-depth data on the state of SMEs in Kiambu County, specifically focusing on their business growth strategies and performance measures. According to Creswell (2014), descriptive research is suitable for understanding the "what" and "how" aspects of a phenomenon, particularly in exploring relationships between variables.

Combining both qualitative and quantitative approaches allowed for a comprehensive understanding of the research topic. Qualitative insights were obtained through focus group discussions and detailed interviews, while quantitative data were collected using structured questionnaires. Descriptive research is particularly suitable for this study, as it has proven effective in offering insights into business performance and the implementation of strategic initiatives (Saunders et al., 2016).

Employing a mixed-methods approach allowed for a thorough analysis of how business growth strategies affect performance of SMEs in Kiambu County, Kenya. This method also supported data triangulation, thereby strengthening the accuracy and consistency of the research outcomes (Orodho, 2009).

3.2 Target Population

The study focused on a selected group of small to medium scaled enterprises operating within Kiambu County. Rather than analyzing all SMEs in the county, this study focuses on registered and actively operating SMEs within the retail, manufacturing, and service sectors. These sectors were selected due to their high concentration of SMEs in Kiambu County and their notable contribution to the region's economic development (Wachira, 2020).

The Kiambu Business Directory (2023) indicates that around 5,000 SMEs are formally registered within the county. However, not all businesses are actively operating or suitable for evaluating business growth strategies. To ensure the study's relevance, the target population consists of 1,200 SMEs that have been in operation for at least three years and employ between 10 and 99 people. This selection aligned with the classification of SMEs provided by the Kenya National Bureau of Statistics (KNBS, 2016). This is because of the following factors. SMEs that have been operational for at least three years are more likely to have implemented and experienced the effects of growth strategies (Wachira, 2020).

The retail, manufacturing, and service sectors play an important part of economic growth and job creation in Kiambu County (Wachira, 2020). Limiting the population to 1,200 SMEs allows for a manageable yet representative sample that can provide meaningful insights (KNBS, 2016).

The unit of observation for this study was senior managers working in the selected SMEs. These included individuals in key functional roles such as Chief Executive Officer, Operations Manager,

Marketing Manager, Human Resources Manager, IT Manager, Finance Manager, and Strategic Manager.

For this research, the sample was drawn from a target population of 1,200 SMEs. By applying Yamane’s (1967) formula at a 95 percent confidence level with a 5 percent margin of error, an estimated sample size of 300 SMEs was determined. One senior manager from each enterprise was selected to participate in the study, resulting in a total of 300 respondents. The distribution of these roles is outlined in Table 1.

Table 1

Distribution of roles

Source: Kiambu County Government. (2023). Kiambu Business Directory 2023.

Respondents	Population	Proportion (%)
Chief Executive Officer	53	14.3
Operations Manager	53	14.3
Marketing Manager	53	14.3
Human Resources Manager	53	14.3
Strategic Manager	53	14.3
IT Manager	53	14.3
Finance Manager	52	14.2
Total	370	100

3.3 Sampling Techniques and Sample Size

To ensure a representative sample of SMEs in Kiambu County, the study adopted a stratified random sampling technique. Sekaran and Bougie (2013) explain that this approach entails segmenting the population into specific subgroups according to defined characteristics or roles, followed by random selection of participants from each subgroup. In this study, the SMEs were stratified according to their functional areas and key managerial roles to ensure balanced representation across different business operations.

The sample size for the study was 370 SMEs, as calculated using Yamane's formula. From each of these 370 SMEs, one senior manager was selected as a respondent, making the total number of respondents 370. The selected managers held key functional positions within the SMEs, such as Chief Executive Officer, Operations, Marketing, Human Resources, Information Technology, Finance, and Strategy.

To ensure equal representation across these roles, approximately 53 respondents were drawn from each managerial category. This stratified approach ensures that the perspectives and insights of managers from various functional areas within SMEs are captured, providing a comprehensive understanding of how business growth strategies are implemented and how they influence SME performance.

This approach enhanced the accuracy and reliability of the study's findings while ensuring that all key functional areas within the SMEs were appropriately represented, making the findings more generalizable across different sectors of business operations in Kiambu County.

3.4 Research Instruments

The primary data collection instrument used in this study was a questionnaire, selected for its efficiency and ability to gather information from a wide sample (Saunders et al., 2014). The questionnaire will cover three key areas: demographic information, business growth strategies, and SME performance metrics. The questionnaire began with a demographic section that collects basic information about the participants, including their job position, level of experience, and the type of SME they work for. The section on business growth strategies explored the different methods used by SMEs, with respondents rating their answers on a five-point Likert scale. This section focused on strategies such as market penetration, product development, market development, and diversification. The final section was to evaluate how these strategies influence SME performance, using the same Likert scale to measure outcomes like profitability, market share, customer satisfaction, and business growth.

To add to the quantitative data, qualitative insights were obtained through in-depth interviews and focus group discussions. These methods helped uncover the reasons behind the adoption of growth strategies and the challenges that SMEs encounter in applying them. Using a mixed-methods approach strengthened the reliability of the findings and provide a more complete understanding of how growth strategies affect SME performance.

The success rates of each growth strategy was measured using specific metrics. For example, the effectiveness of market penetration was assessed by examining changes in sales volumes, the rate of customer acquisition, and shifts in market share over a defined period. The success of product development was evaluated based on the quantity of new products introduced, the revenue they

generated, and customer satisfaction levels associated with those products, assessed through customer feedback and customer retention

To quantify a growth strategy for example product development, an SME that launched new products and observed a 56% increase in revenue generated from these products would be considered to have a high success rate. In contrast, another SME might only see a 29% revenue increase from new products, indicating a lower success rate. Similarly, market development success was assessed by tracking new geographic markets entered, new customer segments acquired, and the growth in revenue attributed to these new markets. This allowed to compare performance across SMEs and determine the effectiveness of their respective growth strategies.

Using these performance indicators, the study offered a clear analysis of how well SMEs in Kiambu County have applied business growth strategies and how these strategies have affected their overall performance. This organized method of collecting and analyzing data helped the study reach well-informed conclusions about the connection between growth strategies and SME success.

3.5.1 Validity

Establishing the reliability of the study was essential to accurately capture the growth strategies and performance of SMEs in Kiambu County. As noted by Orodho (2009), the validity of the research tools was checked through a qualitative review to ensure they are accurate, relevant, and suitable for collecting the needed information.

The study specifically assessed the content validity of the questionnaire to guarantee that it adequately covers all relevant variables and effectively measures the key constructs aligned with the research objectives.

3.5.2 Reliability

When research instruments are consistent across various measurements, they are said to be reliable. The study used the test-retest method and computed Cronbach's Alpha to evaluate internal consistency in order to guarantee the reliability of the research instruments. A Cronbach's Alpha value of 0.7 or higher was considered acceptable, indicating that the measurement tools were highly reliable (Mugenda & Mugenda, 2013). This approach confirmed that the data collected from the SMEs is consistent over time.

3.5.3 Pilot Study

A pilot study was carried out to improve the research instruments and confirm the clarity and reliability of the data collection tools. In line with the recommendations of Mugenda and Mugenda (2013), the pilot involved 10 randomly selected SMEs located in Juja, Kabete, and Makongeni within Kiambu County. This preliminary phase allowed the researcher to gather feedback on the questionnaire's design, language clarity, and relevance of questions, ensuring that the tool captured all necessary information accurately. Insights from the pilot study were used to adjust the questionnaire, minimize possible misinterpretations, and enhance the reliability and validity of the instruments prior to the main data collection phase.

3.6 Data Collection Procedures

To facilitate the data collection process, research assistants were recruited and trained on both the general and specific objectives of the study, as well as the proper administration of the research tools. The training also covered ethical considerations such as informed consent, confidentiality, and respectful engagement with participants.

Prior to data collection, formal research approvals were obtained from the School of Graduate Studies at Mount Kenya University and the National Commission for Science, Technology, and Innovation (NACOSTI). These approval letters were presented to the relevant Human Resources departments of the selected SMEs, accompanied by an official request to begin data collection activities. This structured process helped ensure the smooth, ethical, and effective execution of the study.

3.7 Data Analysis and Presentation

Once data collection was complete, the coded questionnaire responses were input into statistical analysis software. The data were analyzed using both descriptive and inferential statistical methods. Descriptive measures such as mean, standard deviation, frequency, and percentage were computed to summarize the data. Inferential analysis was then conducted to examine the relationship between business growth strategies and SME performance.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \mu$$

Where Y = Performance of SME

X₁ = Market Penetration Strategy, X₂ = Product Development Strategy, X₃ = Market Development Strategy, X₄ = Diversification Strategy

β_0 = Y intercept, value of SME Performance when all Xs are zero.

$\beta_1, \beta_2, \beta_3, \beta_4$, slope coefficient per unit increases in each X while holding the others constant.

μ = other factors that may affect performance of SME apart from growth strategies.

3.8 Ethical Consideration

Ethical considerations were crucial in research involving human participants. This study upheld several ethical principles to protect participants' rights, confidentiality, and integrity. Consent was secured from all participants, including owners, managers, and employees of SMEs, who were thoroughly briefed on the study's aims, methods, risks, and potential advantages. Confidentiality and anonymity were rigorously upheld, with all data stored securely and personal identifiers eliminated. Participants' autonomy and right to withdraw at any time were respected. The study also obtained ethical clearance from relevant institutional review committees, the National Commission for Science, Technology and Innovation (NACOSTI), and the Kiambu County Government before commencing research.

CHAPTER 4: DATA ANALYSIS

4.0 Introduction

This chapter presents the collected data on how business growth strategies affect SME performance in Kiambu County. It includes instrument reliability, response rate, demographics, and analyzes the impact of key strategies using descriptive and inferential statistics.

4.1 Reliability of Research Instruments

To evaluate the reliability of the data collection tool, a Cronbach's Alpha test was conducted. The instrument recorded an overall alpha value of 0.8, demonstrating strong internal consistency. The Cronbach's Alpha values for each construct were as follows: The findings were presented in Table 2 and 3

Table 2

Average Reliability Statistics of Business Growth Strategies of SMEs

Source: (Researcher 2025)

Variables	Cronbach Alpha Based on	No. of Items
Standardized Items		
Average Reliability of	$\alpha=0.8000$	

Table 3*Reliability Statistics of Specific Constructs of Business Growth Strategies of SMEs*

Source: Researcher (2025)

Variables	Cronbach Alpha Based on	No. of Items
Standardized Items		
Market Penetration Strategy	0.83	8
Product Development Strategy	0.85	8
Market Development Strategy	0.78	8
Diversification Strategy	0.80	8
Average	0.8	

Business growth strategies were measured using four constructs namely, Market Penetration Strategy, Product Development Strategy, Market Development Strategy, Diversification Strategy, The Cronbach Alpha values for each of the four constructs are as shown in Table 3.

Scores for each construct fell within acceptable range of above 0.7 as recommended by Kothari and Garg (2014).

4.2 Response Rate

The unit of analysis for this study comprised business owners and employees occupying strategic, tactical, and operational roles within the SMEs that took part in the research. The participants included operational managers, marketing managers, human resources managers, IT managers, finance managers, as well as business owners.

273 of the 370 surveys that were sent were filled out and returned, resulting in a high response rate of 74%. This indicates that the study's findings are representative and reliable for further analysis. Mugenda and Mugenda (2009) suggest that a response rate exceeding 70 percent is considered adequate for research analysis as shown on Figure 3 below.

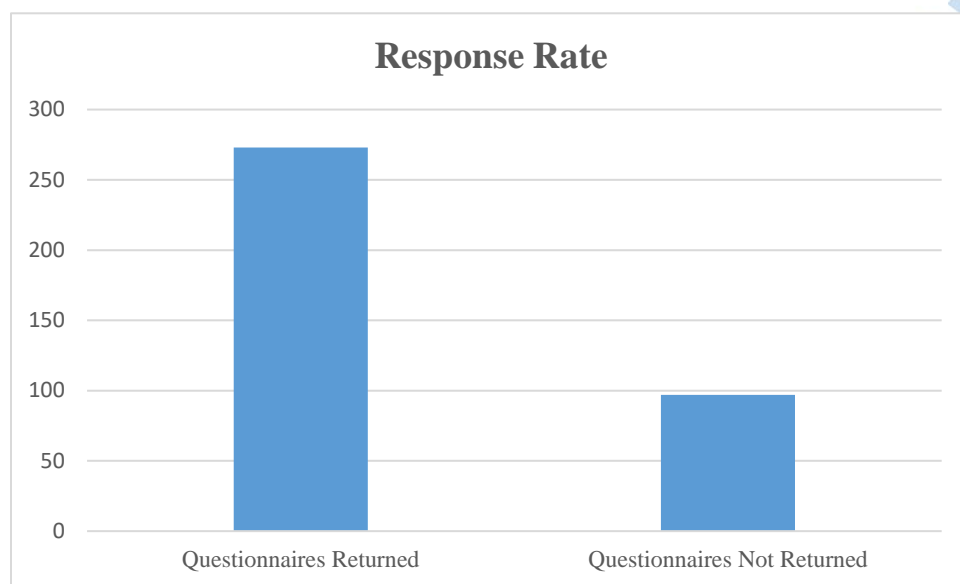


Figure 3

Response Rate

Source: Researcher (2025)

4.3 Demographic Information of Respondents

4.3.1 Gender of Respondents

The study found that 56% of the respondents were male, and 44% were female. This distribution indicates that gender is somewhat balanced, aligning with the gender mainstreaming efforts in Kiambu County SMEs.

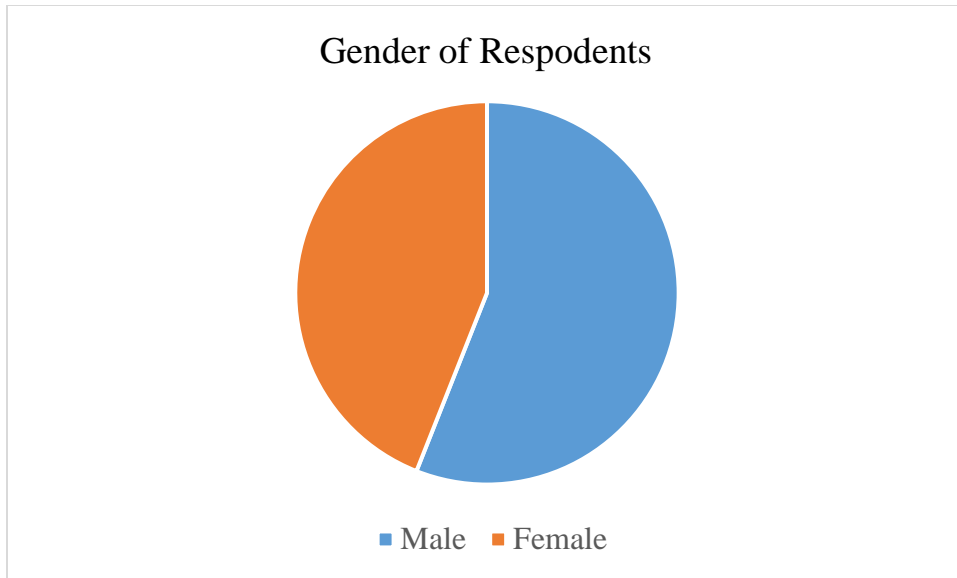


Figure 4

Gender of Respondents

Source: Researcher (2025)

4.3.2 Highest Educational Qualification

59 percent of those surveyed had a bachelor's degree, 31 percent had a college degree, 4 percent had a master's degree, and 6 percent had other credentials. This suggests that the responders had a high level of education, which likely supports their roles in strategic decision-making within their firms.

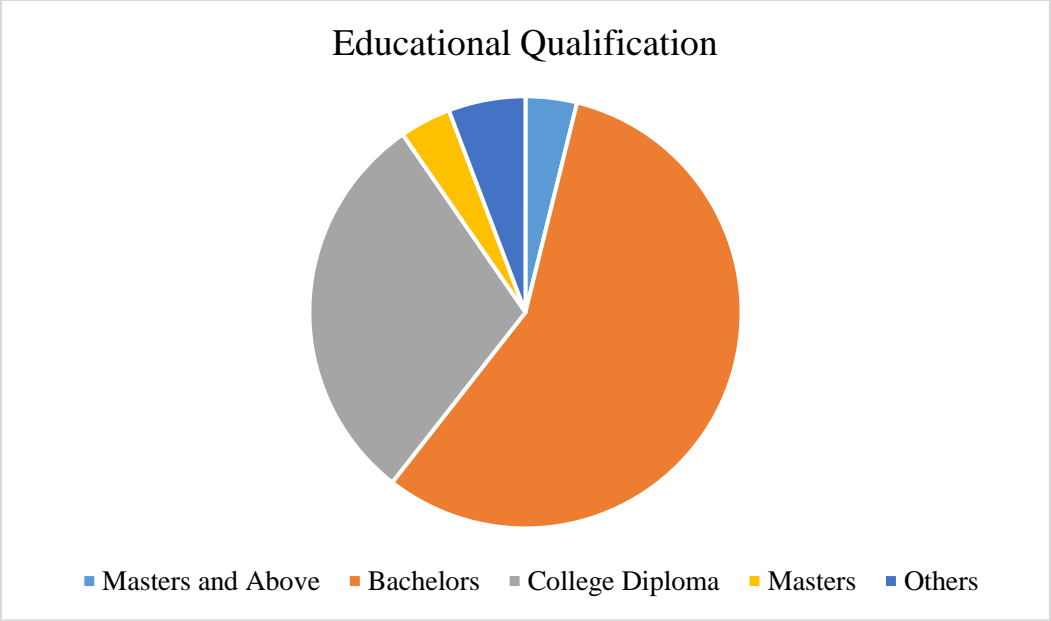


Figure 5

Educational Qualification

Source: Researcher (2025)

4.3.3 Experience in the Organization

Most respondents, 64 percent, had been with their respective SMEs for 1 to 4 years, while 28 percent had 5 to 9 years of experience. Additionally, 7 percent had served for 10 to 14 years, and only 1 percent had more than 15 years of experience in managerial positions within the SMEs included in the study. This suggests a relatively youthful workforce with a moderate level of experience in the organizations.

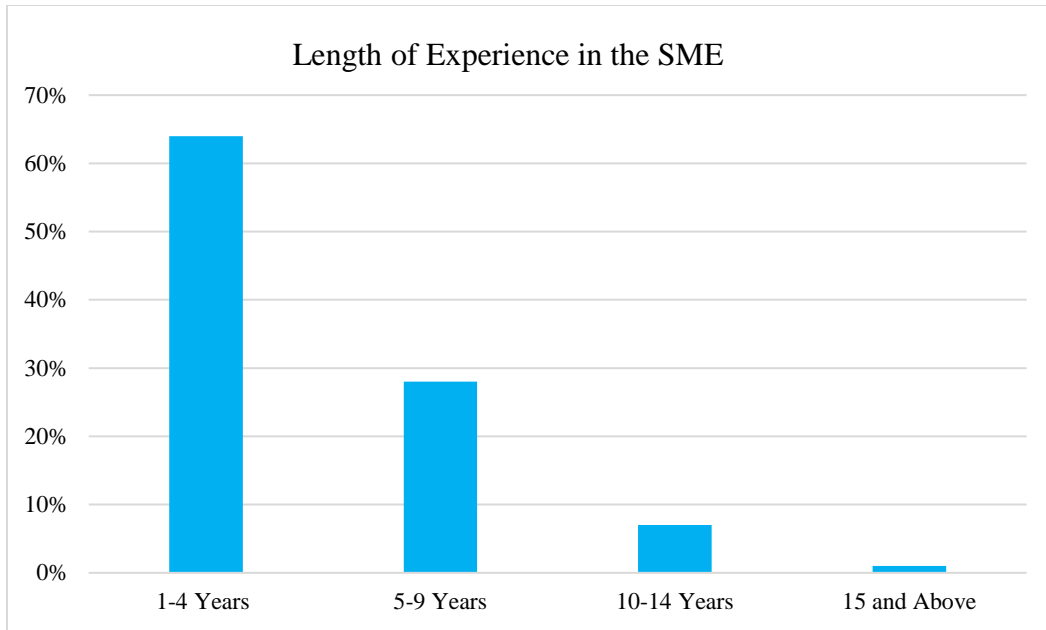


Figure 6

Experience in organization

Source: Researcher (2025)

4.4 Business Growth Strategies

In line with Chapter 3 of the proposal, the survey examined the four growth strategies: market penetration, product development, market development, and diversification. Respondents rated their agreement with various statements about each strategy using a five-point Likert scale, where 1 = Strongly Disagree and 5 = Strongly Agree. The findings are presented below in tables corresponding to the business growth strategies as outlined in the questionnaire.

Table 4: Market Penetration Strategy

Respondents rated their level of agreement with statements regarding their organization’s market penetration efforts.

Statement	Mean	Std. Dev
Our SME frequently adjusts pricing to attract more customers.	3.87	0.56
Discounts and special offers from our SME have brought in new customers.	3.92	0.51
Our SME sells its products both online and in physical stores to reach more people.	4.04	0.62
Our SME has experienced consistent sales growth over the past year.	3.72	0.70
More people have started using our products or services in the last year.	3.83	0.60
Customers are happy with our products or services, which has helped us get more business.	4.12	0.55
Our SME has gained a larger share of the local market in the past year.	3.77	0.64
Our SME updates products or services regularly to meet market needs.	3.98	0.53

Market penetration involves expanding a firm’s share within its existing market by attracting more customers through approaches such as competitive pricing, improved distribution channels, and enhanced product or service quality. This strategy enables firms to grow without the risks associated with launching new products or entering unfamiliar markets.

Descriptive findings from this study revealed that small and medium-sized businesses in Kiambu County place a strong emphasis on customer satisfaction and product quality as part of their market penetration efforts. The strategy received a high mean score of 4.12 for customer satisfaction, reflecting a widespread commitment to meeting customer expectations. Respondents reported that

initiatives such as offering discounts, improving product quality, and using targeted promotions had strengthened customer loyalty. These efforts translated into repeat purchases, positive word-of-mouth referrals, and a broader customer base, contributing to increased sales volumes and greater market share.

The correlation analysis showed a positive and statistically significant relationship ($r = 0.57$) between market penetration and SME performance. This suggests that firms which actively invest in market penetration strategies tend to achieve stronger business outcomes, including improved revenue, profitability, and market competitiveness.

Regression analysis further confirmed the impact of this strategy. The unstandardized coefficient for market penetration was 0.044, with a statistically significant p-value of 0.03. This means that even modest enhancements in market penetration efforts are associated with measurable improvements in SME performance.

These results are consistent with the findings of Kotler and Keller (2016), who emphasize the role of pricing and promotion in attracting customers and boosting repeat business. They are also supported by Muturi and Wambugu (2017), who found that SMEs that tailor their offerings to local customer needs report better financial results.

However, the study differs from Githinji (2020), who argued that in highly competitive markets, the gains from market penetration may be undermined by price wars and reduced margins. In contrast, SMEs in Kiambu County appear to have mitigated such risks by focusing on brand trust, product quality, and personalized service. This suggests that market penetration can be a highly

effective growth strategy when combined with strong customer engagement and consistent quality improvements.

Table 5: Product Development Strategy

Respondents rated their level of agreement with statements regarding product development efforts within their SMEs.

Statement	Mean	Std. Dev
Our SME invests in creating new products or services.	4.20	0.59
We frequently introduce new products to meet customer needs.	4.10	0.68
We listen to customer feedback when creating new products.	3.80	0.55
Revenue from new products has boosted our SME's earnings.	4.05	0.61
Customers are satisfied with the new products we have launched.	4.08	0.60
We test new products before launching them fully to the market.	3.90	0.62
Customers are more loyal to our brand because of the new products we offer.	4.02	0.60
We improve our existing products regularly to meet changing customer needs.	4.12	0.55

Product development is a core strategy for SMEs seeking to maintain competitiveness and achieve sustainable growth. It involves the creation of new products or the enhancement of existing ones to meet evolving customer needs. In this study, SMEs in Kiambu County placed strong emphasis on innovation as a key driver of business performance.

Descriptive analysis revealed a high mean score of 4.20, indicating that most SMEs regularly engage in product development activities. Respondents noted that investing in new or improved offerings enabled them to meet changing market demands, increase revenue streams, and

strengthen customer loyalty. Enhancing product quality and incorporating customer feedback were especially important in fostering repeat business and long-term satisfaction. This emphasis on innovation helped SMEs build stronger brand identities and differentiate themselves in competitive environments.

The correlation coefficient ($r = 0.58$) showed a moderate but statistically significant positive relationship between product development and SME performance. This implies that ongoing innovation plays a significant role in enhancing business outcomes like profitability, client retention, and market relevance.

The regression coefficient for product development was 0.062, with a p-value of 0.03, confirming that this strategy has a significant positive effect on performance. This implies that SMEs that actively develop and refine their product offerings are more likely to achieve financial growth and competitive advantage.

These findings align with the work of Njeru and Kibera (2014), who found that innovation enhances competitiveness and revenue generation in Kenyan SMEs. They are also supported by Chesbrough (2010), who emphasized that open innovation, especially when informed by customer feedback, enables firms to create more relevant and high-value offerings. The findings suggest that frequent, customer-driven product improvements are a practical form of innovation for resource-constrained SMEs.

In contrast, the study differs from Wanjiru (2018), who found that limited financing and underdeveloped research and development capacity often hinder product innovation among Kenyan SMEs. However, in the Kiambu context, SMEs appear to have overcome these limitations

through incremental innovation and close customer engagement. This allowed them to remain adaptive and innovative without incurring excessive costs.

In summary, product development was shown to be a critical component of SME success in Kiambu County. It supports not only higher sales and profitability but also strengthens the capacity of businesses to respond flexibly to market changes. For many SMEs, innovation is both a survival tool and a foundation for long-term growth.

Table 6: Market Development Strategy

Respondents rated their level of agreement with statements regarding market development efforts.

Statement	Mean	Std. Dev
Our SME frequently researches new areas where we can sell our products.	4.05	0.55
Our SME is effective in expanding into new towns or regions.	4.02	0.60
We change our products or services to match the preferences of customers in new areas.	3.90	0.57
Sales from new towns or regions have significantly contributed to our overall revenue.	4.10	0.59
Our SME works with local partners to sell products in new areas.	3.85	0.61
Our marketing efforts have helped us reach customers in areas we had not sold before.	3.92	0.56
We regularly check and improve how we are selling in new areas.	3.85	0.58
Our SME has grown its customer base by selling in new locations.	4.02	0.60

Market development is a strategic approach used by businesses to expand into new geographical regions or target previously underserved customer segments. It often involves adjusting products or marketing strategies to meet the preferences of new audiences. In this study, SMEs in Kiambu

County demonstrated a strong commitment to this strategy, as shown by a high mean score of 4.10. This suggests that many businesses view market development as a key avenue for growth and sustainability.

Respondents reported that their firms had expanded into new towns and partnered with local distributors or vendors to build trust with new customers. They also customized marketing efforts to reflect the cultural norms and consumption patterns of target communities. This locally informed approach enabled SMEs to navigate challenges such as unfamiliar customer behavior, new competitors, and logistical barriers. In doing so, they were able to reach broader markets and create new revenue streams.

Correlation analysis revealed a strong positive relationship ($r = 0.58$) between market development and SME performance. This finding indicates that firms actively pursuing market development tend to perform better in terms of sales growth, customer acquisition, and overall competitiveness. The expansion into new areas helped reduce dependence on saturated markets and provided opportunities for business diversification.

Regression analysis further supported these results. The unstandardized coefficient for market development was 0.071, with a p-value of 0.04, indicating a statistically significant contribution to SME performance. Among the four strategies examined, market development had the highest coefficient, suggesting it is a particularly influential factor in driving growth in Kiambu County.

These results are consistent with the work of Kamau and Waitthaka (2016), who found that SMEs in Kenya experience improved performance when they localize their approach in new markets. Customizing services and forming partnerships with community stakeholders were found to

improve customer engagement and brand acceptance. The results also align with Ansoff's Growth Matrix (1957), which highlights market development as a logical strategy when existing markets have been fully explored.

In contrast, the findings differ from Otieno (2019), who observed that many SMEs struggle to succeed in new markets due to limited access to market data and logistical support. However, in Kiambu County, many SMEs appeared to overcome these challenges by using digital marketing platforms, leveraging local networks, and maintaining flexible business models. These adaptations helped firms gain insights into new customer needs and reduce the risks typically associated with expansion.

In conclusion, the study demonstrates that market development is an effective and impactful strategy for SMEs in Kiambu County. When applied with local knowledge and strategic partnerships, it supports business growth, expands market reach, and enhances resilience in a dynamic business environment.

Table 7: Diversification Strategy

Respondents indicated their level of agreement with statements about their organization's diversification efforts.

Statement	Mean	Std. Dev
Our SME explores opportunities to sell new products or services unrelated to our current business.	3.50	0.61
We allocate resources well to support selling new products or services.	3.80	0.54
Our SME is effective at expanding into new product lines or services unrelated to our main business.	3.30	0.60

New product offerings have contributed to the growth of our SME's overall earnings.	3.60	0.55
Our SME manages risks like market changes or customer preferences when selling new products.	3.70	0.58
Working with partners or investors has helped us introduce new products or services.	3.60	0.59
Our SME frequently reviews and adjusts how it sells new products or services based on results.	3.80	0.55
We use our existing knowledge and strengths to sell new products or services.	3.80	0.60

Diversification refers to the process through which businesses introduce new products or services or enter unfamiliar markets that differ from their core operations. For Small and Medium

Enterprises, this strategy is often used to reduce reliance on existing income sources, spread business risk, and create new revenue opportunities. In this study, diversification received slightly lower average scores compared to other growth strategies. However, many SMEs in Kiambu County still acknowledged its relevance in supporting long-term business sustainability and performance.

Descriptive results revealed that diversification efforts were primarily aimed at managing market uncertainty. Respondents noted that by venturing into new product lines or customer segments, their businesses were able to maintain revenue streams during periods of low demand in their main markets. This suggests that diversification can serve as an important buffer against economic fluctuations, changing customer needs, or sector-specific downturns.

At the same time, the findings highlighted key challenges associated with this strategy. SMEs reported facing resource constraints, including the need for skilled labor, capital investment, and

marketing expertise. Managing multiple product lines or operating in diverse markets also increased operational complexity. As a result, diversification was perceived as more demanding compared to strategies like market penetration or product development.

Despite these challenges, the correlation analysis revealed a positive and significant link ($r = 0.57$) between diversification and SME performance. Regression analysis confirmed this, with an unstandardized coefficient of 0.023 and a p-value of 0.04, indicating that diversification, when done correctly, improves performance. The success of this strategy was heavily dependent on how well the new ventures aligned with existing capabilities. SMEs that diversified based on their core strengths, such as utilizing established distribution networks or leveraging customer loyalty, performed better.

These outcomes align with Kithinji (2017), who observed that diversification can help businesses manage risk but requires robust management systems and operational flexibility. The results also align with the Resource-Based View proposed by Barney (1991), which posits that firms with strong internal capabilities are better equipped to diversify successfully.

However, this study contrasts with Ndirangu (2021), who found that many Kenyan SMEs struggle with diversification due to limited resources, often leading to scattered focus and poor performance. In the case of Kiambu County, it appears that SMEs mitigated these risks by pursuing related diversification, which involved extending into areas where they already had experience or market presence.

In summary, diversification is a viable growth strategy for SMEs in Kiambu County when it builds on existing business strengths. While it presents operational and strategic challenges, a careful,

well-resourced, and aligned approach can improve resilience, stabilize income, and enhance long-term performance.

4.5 Inferential Statistical Analysis

4.5.1 Correlation Analysis

The four business growth strategies and SMEs' performance were compared using Pearson's correlation analysis. The findings showed that the performance of SMEs in Kiambu County was positively and statistically significantly correlated with both product development strategy ($r = 0.58$) and market development strategy ($r = 0.58$). Similarly, market penetration ($r = 0.57$) and diversification ($r = 0.57$) strategies also show a positive correlation with performance.

Table 8

Correlation Analysis Results

Source: Researcher (2025)

Variable	Performance of SMEs
Market Penetration Strategy	0.57
Product Development Strategy	0.58
Market Development Strategy	0.58
Diversification Strategy	0.57

4.5.2 Regression Analysis

Multiple regression analysis was conducted to determine the extent to which the four growth strategies influenced SME performance. The analysis yielded an R^2 value of 0.61, meaning that the combined effect of the independent variables can account for 61% of the variation in SME performance, which include market penetration, product development, market development, and

diversification strategies. These findings indicate that the identified growth strategies are strong predictors of overall SME performance in Kiambu County, Kenya.

Table 9

Model Summary

Source: Researcher (2025)

Model	R		R ²	Adjusted R ²	Std. Error of the Estimate
1	0.78		0.61	0.60	0.24

4.7 Regression Coefficients

The regression coefficients (unstandardized and standardized) indicate how much the dependent variable (SME performance) will change for a unit change in each predictor variable (business growth strategies).

Table 10

Regression Coefficients

Source: Researcher (2025)

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
Constant	2.012	-	1.545	0.00
Market Penetration Strategy	0.044	0.015	2.925	0.03
Product Development Strategy	0.062	0.029	2.152	0.03
Market Development Strategy	0.071	0.034	2.087	0.04
Diversification Strategy	0.023	0.011	2.109	0.04

The regression analysis indicates that a one-unit increase in the Market Penetration strategy leads to a 0.044-point improvement in SME performance, with a significant t-value of 2.925. The

Product Development strategy shows a moderate positive effect, with a coefficient of 0.062 and a t-value of 2.152, suggesting it contributes to performance. Similarly, the Market Development strategy has a positive influence, reflected by a coefficient of 0.071 and a t-value of 2.087. Diversification also has a statistically significant, though smaller, effect on SME performance, with a coefficient of 0.023 and a t-value of 2.109. Overall, all four strategies have positive and significant impacts on SME performance, with Market Penetration, Product Development, and Market Development demonstrating relatively stronger effects compared to Diversification.

This interpretation highlights that while all strategies play important roles in enhancing SME performance, focusing on improving market reach and product innovation tends to yield greater returns. The statistical significance of each predictor confirms that these strategies meaningfully contribute to business growth in the context of SMEs in Kiambu County.

4.8 Summary

To sum up, this chapter provided a thorough examination of the information utilized to assess how business expansion tactics affect the performance of small and medium-sized businesses in Kiambu County. The study validated the research instruments' dependability, and the response rate was sufficient to allow for meaningful analysis. The descriptive results indicated that a significant number of SMEs in the area are currently implementing strategies such as market penetration, product development, market development, and diversification. Each of the four strategies has a positive and statistically significant relationship with SME performance, according to the inferential analysis; with the most notable influence coming from market penetration, product development, and market development.

The qualitative findings supported the quantitative results by providing examples of how these strategies lead to practical outcomes, including higher sales, improved customer loyalty, and entry into new markets. Overall, the findings demonstrate that the use of suitable growth strategies is important for enhancing the performance and competitiveness of SMEs in Kiambu County.



CHAPTER 5: SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the key conclusions drawn from the study on how business growth strategies influence the performance of SMEs in Kiambu County, Kenya. It summarizes the findings and offers practical recommendations to enhance SME competitiveness and long-term sustainability. Additionally, the chapter outlines potential areas for future research to further explore the role of growth strategies in SME development.

5.1 Summary of Findings

5.1.1 Influence of Market Penetration Strategy

The examination revealed a strong positive relationship between market penetration strategies and SME performance in Kiambu County. SMEs employing competitive pricing, enhancing product quality, and developing efficient distribution networks experienced significant improvements in market share and competitiveness. Notably, improving product quality received the highest mean score, emphasizing its crucial role in driving competitiveness. This finding aligns with previous studies which highlight that pricing and quality enhancements substantially contribute to business profitability.

In addition, SMEs that adopted digital marketing and social media as part of their market penetration efforts reported increased customer engagement and a broader market reach. The integration of online platforms enabled these enterprises to communicate more effectively with existing and potential customers, resulting in higher levels of customer acquisition and retention. This shift toward digital tools reflects a growing awareness among SMEs of the value of

technology in strengthening market position and operational efficiency. The study further revealed that consistent branding and customer loyalty initiatives significantly contributed to the success of market penetration efforts. SMEs that focused on developing a strong brand image and fostering lasting customer relationships reported increased levels of repeat purchases and customer referrals. Although these factors may be less tangible than pricing strategies or product attributes, they played a vital role in sustaining customer engagement and building trust, particularly in a competitive and fast-changing market environment.

The findings suggest that market penetration is a multi-dimensional approach that requires strategic coordination across pricing, product quality, marketing, and customer experience. For SMEs in Kiambu County, strengthening both internal capacities such as employee training and product standards, as well as external channels such as digital communication and community outreach, can significantly enhance their ability to grow and remain competitive. These insights offer a foundation for future policy and training programs aimed at helping SMEs apply comprehensive market penetration strategies to improve overall business performance.

5.1.2 Influence of Product Development Strategy

Product development emerged as one of the most influential business growth strategies among SMEs in Kiambu County. The study revealed that businesses placed significant value on ongoing innovation, as shown by a high average score related to investment in product development. Companies that regularly introduced new or improved products were better able to meet changing customer demands, build customer loyalty, and preserve a competitive edge in the market. These efforts not only attracted new customers but also helped retain existing ones by offering fresh value propositions.

The study further revealed that incorporating customer feedback into the product development process and aligning offerings with current market trends played a critical role in improving product-market fit. SMEs that actively engaged their customers during product design and modification stages recorded better financial performance, including higher sales volumes and improved profitability. This responsiveness to consumer preferences was key to developing products that were not only innovative but also relevant and in demand.

It was also noted that SMEs with access to adequate resources, such as skilled personnel, research and development facilities, and technological tools, were better equipped to sustain innovation. These firms maintained a competitive edge through continuous improvement and adaptation. On the other hand, enterprises with limited financial or technical capacity struggled to implement effective product development initiatives. This disparity underlines the importance of institutional support and capacity building for smaller firms with limited resources.

Overall, the findings demonstrate that product development is not merely about launching new items but involves a strategic process of understanding customer needs, leveraging market intelligence, and applying internal capabilities to create value. For SMEs in Kiambu County, maintaining a strong focus on innovation, supported by structured feedback systems and continuous market research, is crucial for achieving sustained growth and remaining competitive.

This strategy allows businesses to adapt to shifting customer preferences and raise the caliber of their products or services and identify new opportunities in the marketplace. Policymakers and development partners can use these insights to design targeted interventions that enhance the

innovation capacity of SMEs, thereby improving their contribution to local economic development.

5.1.3 Influence of Market Development Strategy

The study's conclusions indicate that market development had a positive impact on the performance of SMEs in Kiambu County. Expanding into new geographic areas and targeting previously underserved customer segments enabled businesses to broaden their client base and increase sales. SMEs that moved beyond their traditional markets experienced improvements in brand visibility and revenue generation. This expansion was often achieved by identifying new local regions with unmet demand and by adapting existing products to suit the preferences of new customer groups.

Additionally, the ability to segment markets and customize offerings accordingly proved to be a major factor in improving competitiveness. SMEs that invested in understanding the needs of different customer segments were better positioned to align their marketing efforts, product packaging, and pricing strategies to fit each group. This personalized approach not only enhanced customer satisfaction but also promoted customer loyalty and repeat business. While international market development was not commonly pursued due to limited financial and operational capacity, the focus on regional and domestic market expansion provided a realistic and effective avenue for growth.

The investigation also highlighted that market development requires strategic planning and a willingness to embrace market intelligence. SMEs that conducted research to understand demographic trends, consumer behavior, and regional demand patterns were more successful in

their expansion efforts. Conversely, firms that ventured into new markets without adequate planning encountered challenges such as cultural misalignment, weak distribution channels, and low brand recognition. These insights emphasize the importance of preparation and targeted outreach when pursuing market development.

In conclusion, market development represents a practical and impactful strategy for SMEs seeking to scale their operations without significantly altering their existing product lines. For SMEs in Kiambu County, regional expansion and market segmentation offer opportunities to increase market presence and resilience, particularly in a resource-constrained environment. The findings support the need for policy and capacity-building initiatives that equip SMEs with the tools and knowledge to explore and establish themselves in new markets, thereby contributing to their long-term sustainability and competitiveness.

5.1.4 Influence of Diversification Strategy

The study revealed that diversification had a moderate yet positive influence on the performance of SMEs in Kiambu County. Enterprises that expanded into new product lines or entered related industries experienced benefits such as reduced dependence on a single revenue source, improved risk management, and increased business stability. Diversification allowed these SMEs to respond more effectively to market fluctuations and to tap into new customer bases, which contributed to steady growth and operational resilience. However, the findings also highlighted that diversification into unrelated sectors introduced notable challenges. These included difficulties in resource allocation, limited managerial expertise, and operational inefficiencies. SMEs that lacked a clear strategic focus or entered unfamiliar industries without adequate preparation often encountered barriers that limited the success of their diversification efforts. This indicates that

diversification, while beneficial in principle, requires careful planning and alignment with the firm's existing capabilities.

The findings also revealed that SMEs which expanded into areas closely aligned with their main business activities were more likely to experience positive results. For example, firms that extended their product offerings within the same industry or value chain could leverage existing knowledge, infrastructure, and customer relationships. These enterprises reported improved performance due to synergies between their primary operations and the newly introduced offerings. Such related diversification strategies proved to be more manageable and sustainable for SMEs with limited resources.

In summary, diversification presents both opportunities and risks for SMEs. When pursued strategically and supported by adequate planning, it can serve as an effective mechanism for growth, innovation, and long-term stability. For SMEs in Kiambu County, focusing on related diversification is more practical and likely to yield positive returns. These findings suggest that policymakers and business support organizations should offer targeted guidance and training to help SMEs assess diversification opportunities and develop realistic strategies that align with their operational strengths and market conditions.

5.2 Conclusion

This assessment concludes that business growth strategies, especially product development and market development, significantly and positively influence SME performance in Kiambu County. Innovation, geographic expansion, and competitive pricing emerged as critical factors driving competitiveness and profitability. While market penetration and diversification strategies also

contribute positively, their effects are comparatively smaller. The correlation and regression analyses confirmed the stronger influence of product and market development on SME performance. SMEs prioritizing these strategies are better positioned to achieve sustainable growth, profitability, and resilience in a dynamic business environment.

These findings further contribute to the realization of Kenya Vision 2030, which recognizes SMEs as key drivers of industrialization, innovation, and job creation under its economic pillar. By demonstrating that product and market development enhance SME performance, the study provides evidence to support targeted policy interventions aimed at strengthening entrepreneurship and private-sector development. Innovation through product enhancement helps SMEs remain competitive, while market development promotes regional trade and income diversification, both of which are essential for achieving the long-term goals of Vision 2030.

In addition, the results align with and reinforce the objectives of the Sustainable Development Goals (SDGs). Specifically, the research supports SDG 8, which promotes sustained economic growth and decent work for all, and SDG 9, which focuses on fostering innovation and building resilient infrastructure. SMEs that engage in product development contribute to innovation and job creation, while those pursuing market development expand access to goods and services across new areas, boosting local economies.

The study shows that when SMEs are supported to adopt strategic growth approaches, they can overcome financial and operational constraints and contribute meaningfully to national and global development priorities. Therefore, the practical insights from this research are not only relevant to local business owners and policymakers in Kiambu County but also to broader economic planning

efforts that seek to enhance SME competitiveness and sustainable development across Kenya and beyond.

5.3 Recommendations

Drawing from the study's results, practical recommendations are offered to guide key stakeholders in supporting the growth and advancement of SMEs in Kiambu County.

Government agencies at both the national and county levels, including the Ministry of Trade and Industry, should design and implement targeted support programs that promote the adoption of effective business growth strategies. These programs should include access to affordable credit facilities, subsidized training on innovation and market expansion, and the development of SME-friendly infrastructure. Policies that support research and development for SMEs, particularly in product development, should be prioritized to stimulate innovation and competitiveness.

Additionally, county governments should strengthen local business support centers and create partnerships with academic and research institutions to equip SMEs with the knowledge and tools necessary to explore new markets and improve product offerings.

Business owners and managers are encouraged to invest in continuous market research to better understand changing consumer needs and identify new market opportunities. Embracing product development through customer feedback and incremental innovation can help businesses remain competitive. Businesses should also adopt digital platforms to enhance market visibility and customer engagement.

Furthermore, SMEs should consider forming strategic collaborations and networks that enable shared learning, cost-sharing in product development, and easier entry into new markets.

Financial institutions should design products tailored to the needs of SMEs pursuing growth strategies, particularly those focusing on innovation and expansion. Flexible financing models, such as asset-based lending or innovation grants, can empower SMEs to implement product and market development initiatives.

Non-governmental organizations and development partners are encouraged to offer capacity-building programs and mentorship opportunities that enhance entrepreneurial skills. They can also support initiatives aimed at digital transformation and help SMEs adopt technology to improve performance.

5.4 Areas for Further Research

While this study provides meaningful insights into the influence of business growth strategies on SME performance in Kiambu County, Kenya, it also opens up several avenues for future research. One potential area is the examination of growth strategies in other key sectors such as microfinance, banking, agriculture, and manufacturing. Investigating these strategies in different industries and counties across Kenya would offer a broader and more comparative understanding of how sector-specific dynamics shape strategic outcomes.

Future studies could also explore the role of technological adoption in enhancing SME growth. Areas such as e-commerce, digital marketing, mobile banking, and enterprise resource planning systems are rapidly transforming the way businesses operate. Examining how the integration of these technologies influences the effectiveness of various growth strategies could yield valuable insights for SMEs operating in an increasingly digital economy.

Another promising direction for research lies in the intersection of growth strategies and sustainability. Studies focusing on how SMEs incorporate environmentally friendly practices, ethical standards, and social responsibility into their growth plans could help develop frameworks for inclusive and sustainable development. This is especially relevant in the context of global efforts toward green economies and responsible entrepreneurship.

Furthermore, investigating the barriers and opportunities for international market expansion among Kenyan SMEs could provide a deeper understanding of global competitiveness. Comparative studies across regions or countries would enable researchers to identify best practices, common challenges, and strategic adaptations necessary for success in international markets. These cross-border insights would be particularly beneficial for policymakers and development agencies aiming to position Kenyan SMEs on the global stage.

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Mount Kenya University

Appendix I: Letter of Introduction

Beatrice Wanjiku Kinyua

P.O Box 243-10400

Nanyuki

To whom it may concern

RE: REQUEST TO COLLECT DATA

I am a postgraduate student pursuing a Master of Business Administration degree at Mount Kenya University. In partial fulfillment of the requirements for this program, I am conducting a research study titled “**Analysis of Business Growth Strategies on the Performance of Small and Medium Enterprises in Kiambu County, Kenya.**”

Your enterprise has been purposively selected to participate in this study based on the alignment of its operations with the research objectives. I kindly request your cooperation and support in allowing me to collect data from your organization.

Please be assured that all information collected will be used solely for academic purposes. The data will be handled with strict confidentiality, and no personal or identifying information will be disclosed in the final report.

Your participation will be highly valuable in contributing to insights that may benefit the broader SME sector in Kenya. I sincerely appreciate your consideration and support.

Thank you.

Sincerely,

Beatrice Wanjiku Kinyua

0741685049

bwanjikukinyua@gmail.com

Appendix II: Consent Form for Participation on Research

Title of Study:

Analysis of Business Growth Strategies on Performance of Small Medium Enterprises in Kiambu County, Kenya

Researcher:

Beatrice Wanjiku Kinyua

Contact: 07416845049

Supervisor:

Dr. Evans Nyamboga, PhD

Mount Kenya University

Dear Participant,

You are kindly invited to take part in a research study being conducted as part of my Master's degree program at Mount Kenya University. The purpose of this study is to examine the influence of business growth strategies on the performance of Small and Medium Enterprises in Kiambu County, Kenya.

The attached questionnaire is designed to gather information related to the topic: "**Analysis of Business Growth Strategies on Performance of Small Medium Enterprises in Kiambu County, Kenya.**"

Your participation in this study is **completely voluntary**. You are free to decline to take part or to skip any questions that you do not wish to answer. There are no anticipated risks associated with participation beyond those encountered in everyday life. All responses will be treated with strict **confidentiality** and **anonymity**. Data will be securely stored and reported in aggregate form only. No personal identifiers will be used, and access to individual responses will be limited to the research team.

While there are no direct personal benefits for participating, the results of this study may contribute to the academic field and provide valuable insights for SMEs. The study may also indirectly benefit future businesses and individuals facing similar challenges.

The questionnaire will take approximately **5-10 minutes** to complete. Please return the completed questionnaire at your earliest convenience to ensure timely data collection for the study.

If you have any questions about the research, feel free to contact me (Beatrice Wanjiku Kinyua) at **07416845049** or my supervisor, Dr. Evans Nyamboga, PhD. For any questions about your rights as a participant, please contact the Chairman of the Mount Kenya University Ethical Review Committee, **P.O Box 342-01000, Thika.**

Thank you for your valuable assistance in this study.

CONSENT

I confirm that I have read and fully understood the information provided above regarding this research study. I have had the opportunity to ask any questions related to the study, and all my questions have been answered to my satisfaction.

I understand that my participation in this study is entirely voluntary and that I am free to withdraw at any point, without giving a reason and without facing any form of penalty. I also understand that I will receive a copy of this consent form for my records.

By signing below, I voluntarily agree to participate in this study.

Participant's Signature:

Date:

Investigator's

Date:

Signature:

Appendix III: Research Questionnaire

Please fill in the questionnaire. Your responses will be treated with utmost confidentiality and only used for the purposes of this study.

Section A: Company Profile

1. Name of the SME (Optional)
2. Your role at the SME (briefly explain)
3. Number of years worked with the SME
 - Less than five
 - 5-10 years
 - 11-15 years
 - More than 15 years
4. Number of years the SME has been in operation
 - Less than 10
 - 10-19 years
 - 20-29 years
 - More than 30 years
5. No of employees in the SME
 - Less than 50
 - 51-100
 - 101-200
 - Above 200

Section B: Market Penetration Strategy (Reaching More Customers)

The statements below relate to actions taken by SMEs to increase their customer base. Please indicate your level of agreement with each statement by marking (✓) the appropriate number.

Rating Scale

Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
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	Statements	5	4	3	2	1
1.	Our SME frequently adjusts pricing to attract more customers.					
2.	Discounts and special offers from our SME have brought in new customers.					
3.	Our SME sells its products both online and in physical stores to reach more people.					
4.	Our SME has experienced consistent sales growth over the past year					
5.	More people have started using our products or services in the last year.					
6.	Customers are happy with our products or services, which has helped us get more business.					
7.	Our SME has gained a larger share of the local market in the past one year					
8.	Our SME updates its products or services regularly to meet changing market needs					

6. In your opinion, how has reaching more customers affected the success of your SME?

.....

Section C: Market Development Strategy (Expanding into new areas)

The statements below relate to actions taken by SMEs to grow in new areas. Please indicate your level of agreement with each statement by marking (✓) the appropriate number.

Rating Scale

Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
--------------------	-----------	-------------	--------------	-----------------------

	Statements	5	4	3	2	1
1.	Our SME frequently researches new areas where we can sell our products					
2.	Our SME is effective in expanding into new towns or regions					
3.	We change our products or services to match the preferences of customers in new areas					
4.	Sales from new towns or regions have significantly contributed to our overall revenue.					
5.	Our SME works with local partners to sell products in new areas					
6.	Our marketing efforts have helped us reach customers in areas we had not sold before					
7.	We regularly check and improve how we are selling in new areas					
8.	Our SME has grown its customer base by selling in new locations					

7. How has expanding into new areas impacted your SME's growth?

.....

Section D: Product Development Strategy (Creating new products)

The statements below relate to actions taken by SMEs to develop new products. Please indicate your level of agreement with each statement by marking (✓) the appropriate number.

Rating Scale

Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
--------------------	-----------	-------------	--------------	-----------------------

1.	Our SME invests in creating new products or services					
2.	Our SME frequently introduces new products to meet customer needs					
3.	We listen to customer feedback when creating new products					
4.	Revenue from new products has boosted our SME's earnings					
5.	Customers are satisfied with the new products we have launched					
6.	We test new products before launching them fully to the market					
7.	Customers are more loyal to our brand because of the new products we offer					
8.	We improve our existing products regularly to meet changing customer needs					

8. What changes have you seen in your SME's performance after creating new products?

.....

Section E: Diversification Strategy (Offering different products or services)

The statements below relate to actions taken by SMEs to diversify their businesses. Please indicate your level of agreement with each statement by marking (✓) the appropriate number.

Rating Scale

Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
--------------------	-----------	-------------	--------------	-----------------------

1.	Our SME explores opportunities to sell new products or services unrelated to our current business					
2.	Our SME allocates resources well to support selling new products or services					
3.	Our SME is effective at expanding into new product lines or services unrelated to our main business					
4.	New product offerings have contributed to the growth of our SME's overall earnings					
5.	Our SME manages risks like market changes or customer preferences when selling new products					
6.	Working with partners or investors has helped us introduce new products or services					
7.	Our SME frequently reviews and adjusts how it sells new products or services based on results					
8.	We use our existing knowledge and strengths to sell new products or services					

9. How has offering different products or services affected the performance of your SME?.....

Appendix IV: ERC Certificate



REF: MKU/ISERC/4826
TO: BEATRICE WANJIKU KINYUA

Date: 19 March 2025

REG: MBA/2020/69295

Dear Sir/Madam,

RE: ANALYSIS OF BUSINESS GROWTH STRATEGIES ON PERFORMANCE OF SMALL MEDIUM ENTERPRISES IN KIAMBU COUNTY, KENYA

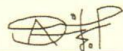
This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3548**. The approval period is **19/03/2025 - 18/03/2026**.

This approval is subject to compliance with the following requirements;

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,



Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC



Appendix V: Introduction letter from Mount Kenya University

Mount Kenya University



DIRECTORATE OF GRADUATE STUDIES

MBA/2020/69295

19th March, 2025

National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA

Dear Sir/Madam,


RE: BEATRICE WANJIKU KINYUA - REGISTRATION NO. MBA/2020/69295

The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**.

The title of the research is "**Analysis of Business Growth Strategies on Performance of Small Medium Enterprises in Kiambu County, Kenya.**" It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **April, 2025 and June, 2025**.






Any assistance accorded to the student will be highly appreciated.

Thank you.


Dr. Samuel M. Karenga, PhD
Director, Graduate Studies
Enc.

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Tel: +254 20 287 8000, Cell: +254 709 153 000
Email: info@mku.ac.ke, Web: www.mku.ac.ke
Chartered and ISO 9001 : 2015 Certified
Unlocking Infinite Possibilities

Appendix VI: NACOSTI Research Permit

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION.
Ref No: 294010	Date of Issue: 01/April/2025
RESEARCH LICENSE	
	
This is to Certify that Miss. Wanjiku Kinyua of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kiambu on the topic: Analysis of Business Growth Strategies on Performance of Small Medium Enterprises in Kiambu County, Kenya for the period ending : 01/April/2026.	
License No: NACOSTI/P/25/417622	
294010 Applicant Identification Number	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Verification QR Code	
	
NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.	
See overleaf for conditions	

The National Commission for Science, Technology and Innovation, hereafter referred to as the Commission, was established under the Science, Technology and Innovation Act 2013 (Revised 2014) herein after referred to as the Act. The objective of the Commission shall be to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

CONDITIONS OF THE RESEARCH LICENSE

1. The License is granted subject to provisions of the Constitution of Kenya, the Science, Technology and Innovation Act, and other relevant laws, policies and regulations. Accordingly, the licensee shall adhere to such procedures, standards, code of ethics and guidelines as may be prescribed by regulations made under the Act, or prescribed by provisions of International treaties of which Kenya is a signatory to.
2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way;
 - i. Endanger national security
 - ii. Adversely affect the lives of Kenyans
 - iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
 - iv. Result in exploitation of intellectual property rights of communities in Kenya
 - v. Adversely affect the environment
 - vi. Adversely affect the rights of communities
 - vii. Endanger public safety and national cohesion
 - viii. Plagiarize someone else's work
3. The License is valid for the proposed research, location and specified period.
4. Neither the license nor any rights thereunder are transferable.
5. The Commission reserves the right to cancel the research at any time during the research period if in the opinion of the Commission the research is not implemented in conformity with the provisions of the Act or any other written law.
6. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research.
7. Excavation, filming, movement, and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
8. The License does not give authority to transfer research materials.
9. The Commission may monitor and evaluate the licensed research project for the purpose of assessing and evaluating compliance with the conditions of the License.
10. The Licensee shall submit one hard copy, and upload a soft copy of their final report (thesis) onto a platform designated by the Commission within one year of completion of the research.
11. The Commission reserves the right to modify the conditions of the License including cancellation without prior notice.
12. Research, findings and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
13. The Licensee shall disclose to the Commission, the relevant Institutional Scientific and Ethical Review Committee, and the relevant national agencies any inventions and discoveries that are of National strategic importance.
14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

National Commission for Science, Technology and
Innovation(NACOSTI),
Off Waiyaki Way, Upper Kabete,
P. O. Box 30623 - 00100 Nairobi, KENYA
Telephone: 020 4007000, 0713788787, 0735404245
E-mail: dg@nacosti.go.ke
Website: www.nacosti.go.ke

Appendix VII: Field Entry Authorization



COUNTY GOVERNMENT OF KIAMBU
COUNTY SECRETARY AND HEAD OF PUBLIC SERVICE

P O Box 2344-00900 Kiambu, Kenya

Tel: +254 709 877 000 Email: info@kiambu.go.ke Website: www.kiambu.go.ke Twitter:
@KiambuCountyGov

OUR REF: CGK/ED/12/11/VOL.1/136

3rd April 2025

BEATRICE WANJIKU KINYUA
TEL: 0729 965 979
POST GRADUATE STUDENT
MOUNT KENYA UNIVERSITY

RE: AUTHORITY TO CONDUCT RESEARCH ON "ANALYSIS OF BUSINESS GROWTH STRATEGIES ON PERFORMANCE OF SME'S IN KIAMBU COUNTY, KENYA".

This is in reference to your request to conduct research in the County Government of Kiambu on "Analysis of Business Growth Strategies on Performance of SME's In Kiambu County, Kenya" dated 4th April 2025.

This is to let you know that you have been allowed to conduct the research under the guidance of the Chief Officer Trade & Investments.

Kindly ensure you give a copy of your research findings to this office after completion of your research.

PETER N. NDEGWA
AG. COUNTY SECRETARY AND HEAD OF PUBLIC SERVICE

Cc: Chief Officer – Trade & Investments

Appendix VIII: Turnitin report

Beatrice_Wanjiku_Kinyua_6.doc

X

by Wanjiku Kinyua

Submission date: 04-Jul-2025 05:16PM (UTC+0300)
Submission ID: 2709641022
File name: Beatrice_Wanjiku_Kinyua_6.docx (2.95M)
Word count: 22443
Character count: 137993

Beatrice_Wanjiku_Kinyua_6.docx

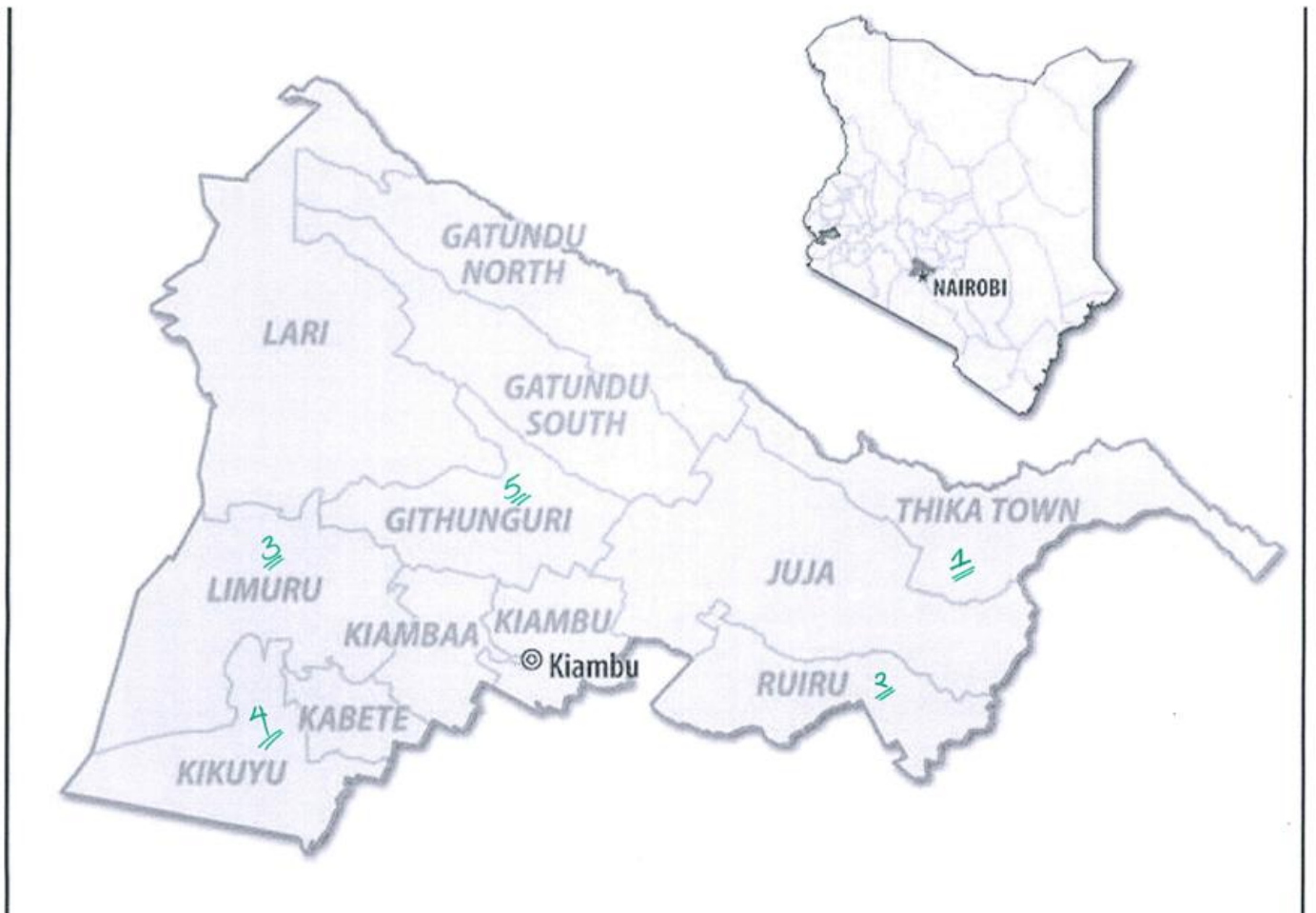
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Appendix IX: Research Site Map



Sites are numbered according to the selected towns: 1 = Thika, 2 = Ruiru, 3 = Limuru and Gitaru, 4 = Kikuyu, 5 = Githunguri

Source: Researcher (2025)

