

**INFLUENCE OF STRATEGIC MANAGEMENT PRACTICES ON  
FINANCIAL PERFORMANCE OF SMALL AND MEDIUM  
MANUFACTURING FIRMS IN NAIROBI COUNTY, KENYA.**

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**DECLARATION AND APPROVAL**

**Declaration by Student**

I hereby declare that this research project is my original work and has not been presented for examination at any other University.

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## **DEDICATION**

I dedicate my research project to my wife Nasteha Husein Hassan and my brothers Ahmed Sheikh and Mohamud Sheikh for unwavering support and prayers for my successful completion of this course.

God bless you.



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## ABSTRACT

The business environment has become more competitive, resulting in increased consumer alternatives, reduced pricing, increased competition, and lower profit margins, all of which have increased the importance of strong strategic marketing practices. Only until a firm has developed a distinct strategy can it construct an effective marketing mix. Several studies have found that a majority of strategic projects fail, which is cause for concern. Specifically, in spite of the strategic importance given to the SME sector by Kenya's vision 2030, SMEs continue to perform dismally in the market. The main objective of the study was to determine the effect of strategic management practices on financial performance of SMEs in Nairobi County. The specific objectives of this study were to determine the influence of environmental scanning, market positioning practices, cost leadership practices and differentiation practices on financial performance of manufacturing SMEs in Nairobi County. The study was guided by three main theories including McKinsey 7s Model, Resource-Based Theory and Game Theory. This study used a descriptive research design which aims at revealing the actual phenomenon in question exactly the way it is without any alterations. The study was conducted in the Central Business District (CBD), Nairobi, where most of the firms are located. The population for this study were 58 managers and owners from 58 manufacturing SMEs in Nairobi County. This study employed a census sampling approach in selecting the sample population for the study and target respondents were the managers, owners or their equivalents in the SMEs. Data was collected using questionnaires and analyzed using descriptive and inferential analysis. The findings of the descriptive statistics indicate that environmental scanning practices play a significant role in influencing the financial performance of manufacturing SMEs in Nairobi County. The analysis of market positioning practices suggested a mixed level of utilization among manufacturing SMEs in Nairobi County. The model summary indicated that the combination of Differentiation Practices, Market Positioning Practices, Environmental Scanning, and Cost Leadership Practices explains approximately 29.9% of the variance in financial performance ( $R^2 = 0.299$ ). The adjusted  $R^2$ , which accounts for the number of predictors in the model, stands at 0.241, suggesting a relatively moderate fit. Additionally, market positioning, cost leadership, and differentiation practices also demonstrated positive and significant coefficients ( $\beta = 0.182$ ,  $p = 0.015$ ;  $\beta = 0.325$ ,  $p = 0.043$ ;  $\beta = 0.329$ ,  $p = 0.012$ , respectively), indicating their importance in enhancing SME financial performance. The study revealed that cost leadership practices significantly influence the financial performance of manufacturing SMEs in Nairobi County. The study concluded that environmental scanning plays a significant role in influencing the financial performance of manufacturing Small and Medium Enterprises (SMEs) in Nairobi County. Contrary to expectations, the study found that there is no statistically significant relationship between market positioning practices and financial performance among SMEs in Nairobi County. The study recommended that manufacturing SMEs in Nairobi County prioritize and enhance their environmental scanning practices to improve their financial performance. The study also recommended that manufacturing SMEs in Nairobi County should pay particular attention to refining their market positioning practices enhancing financial performance.

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## ABBREVIATIONS AND ACRONYMS

<b>ADB</b>	African Development Bank
<b>AEA</b>	American Economic Association
<b>GOK</b>	Government of Kenya
<b>IP</b>	Intellectual Property
<b>KIPPRA</b>	Kenya Institute for Public Policy Research and Analysis
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>MSME</b>	Micro, Small and Medium Enterprises
<b>PAYE</b>	Pay As You Earn
<b>SME</b>	Small and Medium Enterprise
<b>SPSS</b>	Statistical Package for Social Sciences
<b>TQM</b>	Total Quality Management
<b>TOT</b>	Turnover Tax
<b>VAT</b>	Value Added Tax

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

Globally, small and medium enterprises (SMEs) have been recognized by countries worldwide as drivers of wealth creation, job creation, and as effective tools for poverty alleviation (Mount, 2019). The success of SMEs in a country can therefore be considered critical to the economic wellbeing of the majority of the households. It is therefore paramount that the management of SMEs undertakes measures to enhance their survival and growth in the market environment by developing competitive advantage over the other large firms. Gaining a competitive advantage necessitates strategic strategy and considerable study. The relative position of a corporation within its industry determines whether its profitability is above or below the industry average. The underlying premise of long-term above-average profitability is sustained competitive advantage (Chen, & Ni, 2020).

Strategic management has evolved to a popular concept in the business world, as it has become a primary focus point for making decisions and enabling businesses to reach long-term plans and goals in the United States. These decisions and activities lead to the development and implementation of plans to help the company achieve its goals (Pearce & Robinson, 2018). The corporate environment has transformed to a more demanding world, which most experts refer to as the VUCA world, which stands for Volatile, Uncertain, Competitive, and Ambiguous, in which organizations must constantly devise new strategies as old ones become obsolete (Lewis, 2018).

The scope of strategic management includes an organization's strategy selection, implementation, and control. The mission of a company encompasses its core values, beliefs, business definition, and purpose, which serve as the foundation for the organization's identity and establish the conditions under which that identity should operate. Filtering of strategic issues occurs when a company has a clearly defined mission that is shared by all key stakeholders (De Wit & Meyer, 2010). Choosing which business or businesses the company should pursue, as well as other fundamentals that will guide and characterize the company, such as continuous growth. Strategic Management also aims to create a company profile that reflects the company's internal state and capabilities. In addition, scanning the business environment, identifying the firm's strategic issues, selecting a strategy and putting it into action, and establishing evaluation systems are also important aspects of strategic management (David, 2016).

Within Africa, the discourse on strategic management practices and SMEs' financial performance is gaining traction, albeit a slower pace compared to other regions. For businesses to be sustainable, they must offer higher-quality products at reduced production costs while maintaining a competitive price by implementing methods that are adapted to the organization's adaptation to the ever-changing business environment (Banda, 2020). Strategic management has gotten a lot of press in the previous decade and has evolved into a highly effective marketing management paradigm, particularly among SMEs. It is commonly recognized that, both academically and practically or commercially, strategic management has become one of the most significant components of modern marketing management (Boatswain, 2015; Urde & Koch, 2014; Jalkala & Keranen, 2014). The strategy process results in the development of an organizational strategy, an environmental

diagnosis, and a competitive scenario. This also fosters an environment that supports and promotes higher levels of performance.

Turning our focus to the local perspective, the nexus between strategic management and SMEs' financial performance is a topic of increasing interest and importance. According to the Kenya National Bureau of Statistics baseline survey (KNBS, 2019), rural areas account for almost two-thirds of SMEs, whereas urban areas account for only one-third. According to the survey, Nairobi, Kenya's capital, and Mombasa, Kenya's second largest city, account for 16 percent of the country's SMEs. The majority of these SMEs (70%) are in the retail sector, with SMEs in the service sector accounting for 15% and SMEs in the manufacturing sub-sector accounting for 12%. Tang and Wezel (2015). Other service providers, such as hotels and restaurants, accounted for just 6% of all SMEs in Kenya, while construction SMEs accounted for less than 2% of all SMEs in the country.

SMEs' contribution to manufacturing value added has also grown, however it remains modest, accounting for 14.2 percent of manufacturing businesses, despite the fact that two-thirds (67%) of manufacturing firms are SMEs (KRA, 2021). Pay as You Earn (PAYE) and income tax payments have been growing over the years, according to tax performance data. Value Added Tax (VAT) payments, on the other hand, have decreased since 2014/15, owing to the adoption of Turnover Tax (TOT), which has been continuously growing since its inception. According to these figures, manufacturing SMEs have yet to fulfill their full potential as drivers of economic growth in the country. The sector's poor success might be due to weak strategic management practices. To have a greater economic effect, SMEs must create a durable competitive advantage through the implementation of good market growth

plans that allow them to beat the competition, and the present study will throw additional light on this.

### **1.1.1 Kenya's Small and Medium Enterprises (SMEs)**

The Session Paper No. 2 of 2005, Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction, is Kenya's official policy framework for SMEs (hence "Sessional Paper No. 2 of 2005"). The purpose of this policy paper was to provide the groundwork for the SME Act, which would institutionalize SME policy in Kenya. The new SME Act would govern the legal and regulatory environment, markets and marketing, business linkages, taxation, skills and technology, and financial services, among other things. This Policy framework was used to create the Micro and Small Enterprises Bill 2011 ("MSME Bill 2011"), which is now before the Kenyan Parliament.

A SME is defined by the World Bank as one that fits one of the following criteria, as outlined in Session Paper No. 2 of 2005: (1) A fully registered business with an annual revenue of between Kenya Shillings 8 and 100 million, (3) an asset base of at least Kenya Shillings 4 million, and (5) 5 to 150 employees. To define SMEs in general, the MSME Bill 2011 used two criteria: (a) the number of people/employees and (b) the company's annual turnover. For manufacturing companies, the phrase encompasses both equipment and machinery purchases as well as registered capital (GoK, 2021).

Kenya's competitive advantage is agro-industrial exports, according to Kenya's development strategy and plan known as Vision 2030, which intends to make Kenya a newly-industrializing middle-income nation capable of providing a decent quality of life for all of its citizens by the year 2030. One way to improve the manufacturing sector's performance is to encourage SMEs to grow into big sectors in the future. As a result, Vision

2030 recommends increasing R&D spending to boost the industry's science, technology, and innovation. The building of SME Parks is one important strategy for the development of SMEs in Kenya, according to Vision 2030. In this regard, the government must establish at least five (5) SMEs Industrial Parks.

### **1.1.2 SMEs in the Manufacturing Sector**

Manufacturing involves the production of goods i.e. the processing of raw materials into more valuable products. This not only creates job opportunities both from provision of raw materials to labour required for production but also boosts the economy (KAM, 2018). In UK, these firms make up around 99.9% of all businesses hence being the source of employment to millions of people. In

Mozambique, SMEs compose 98.6% of the total firms (Osano and Languitone, 2016). According to research done by Hezron and Hilario in 2016, 5% of SMEs in Mozambique are financed banking institutions with the remaining 95% use other financing avenues such as family and friends for their investment and working capital because of the difficulties in being sustainable (Hezron & Hilario 2016).

Globally, countries have achieved significant progress toward their national development goals recognize the importance of intellectual property to SMEs and, as a result, have clear legislation governing SMEs and intellectual property rights. Manufacturing SMEs improve the competitiveness of the economy by exporting their products and generating employment opportunities for semi-skilled people. Most countries throughout the world have industrialized as a result of placing a high priority on the manufacturing sector (KAM,

2021). Incorporating small and medium-sized enterprises (SMEs) into policy and regulatory frameworks is a commendable effort on Kenya's part.

Although this is the case, if Kenya is to achieve its development objectives as outlined in Vision 2030, a significant amount of work will need be done to not only provide an appropriate framework for the development of SMEs, but also to assist them to gain an advantage in an increasingly competitive market dominated by large multinational corporations. In spite of the manufacturing industry's overall significance to the economy, small and medium-sized enterprises (SMEs) in the sector have substantial difficulty in maintaining profitability, with the vast majority of SMEs reporting persistent losses.

### **1.2 Statement of the Problem**

The business climate has become more competitive, resulting in more consumer alternatives, reduced pricing, increased competition, and lower profit margins, all of which have increased the importance of strong strategic management (Mbuvi, 2019). In spite of the strategic importance given to the SME sector by Kenya's vision 2030, SMEs continue to perform dismally in the market (GoK, 2021). Many SMEs in the country fail during the early years of inception and one of the reasons attributed for the failure is their inability to beat the competition (Orwa, 2014). SMEs specifically in Nairobi County are faced with high competition from the huge number of firms in the County (Mwilu & Njuguna, 2020), high operational costs that require skills to manage and inadequate skills by the entrepreneurs. Whereas on average in Kenya most of the SMEs close within three years of starting operations, the rate of failure is much higher in Nairobi County (Maiyo & Kungu, 2022; Mohammed & Rugami, 2019). The challenge for the SMEs is to find a way of

achieving a sustainable competitive edge over the other competing firms in the market. Though theoretically for SMEs to survive and achieve growth in an environment where competition is intense, they need to develop appropriate strategies, the empirical studies conducted have had mixed and contradictory findings. Most strategic plans among SMEs are doomed from the start due to inadequate planning, insufficient capitalization, a lack of leadership, a lack of commitment, as well as cultural and ideological incompatibilities between the two parties (Spranger, 2021).

Empirically, Cravens and Piercy, (2019) argues that effective strategic management is crucial for reaching and maintaining high performance levels. Manga'na (2017) scanning the environment of an organization was found to directly correlated to the performance of Matatu SACCOs. Maldeniya, Chathuranga and Marasinghe (2021) found out that strategic management practices such as those of strategy formulation, evaluation and implementation had a positive effect on the performance of SMEs in Sri Lanka. Similarly, Miriti, (2021) established that strategy execution also had a significant positive relationship with performance of Saccos. A similar positive impact of strategic management on performance has also been obtained by other scholars in their respective studies (Kiviti, 2018; Tang & Wezel, 2015; Gachimu, & Njuguna, 2017). However, other studies found out that single strategies cannot solely affect the financial performance of a firm without being complemented by other strategies (Simiyu, & Makhamara, 2020; Coffie, 2020; Adıgüzel, 2020; Shahid, & Zafar, 2021).

To adapt, survive, and grow, manufacturing SMEs in Kenya need to respond effectively to internal institutional pressures as well as to the demands imposed by external environments. However, the available literature is not sufficient enough in explaining the strategies that

may be adopted by these companies to help them in improving their financial performance. Furthermore, Chew (2019) claims that there are few theoretical/conceptual frameworks to drive strategic research and that the majority of the extant literature is normative, with the problems discussed being subjective in nature. The studies conducted have also mainly concentrated on the type of strategies adopted without considering their impact on financial performance. Therefore, this study sought to answer these research gaps and yearned to address the research question; what is the effect of strategic management practices on financial performance of manufacturing SMEs in Nairobi County?

### **1.3 Purpose of the study**

The purpose of this study was to determine the influence of strategic management practices on financial performance of small and medium manufacturing firms in Nairobi County.

### **1.4. Objective of the study**

This study was guided by the following objectives:

- i. To determine the influence of differentiation practices on financial performance of small and medium manufacturing firms in Nairobi County.
- ii. To establish the influence of cost leadership practices on financial performance of small and medium manufacturing firms in Nairobi County.
- iii. To assess the influence of market positioning practices on financial performance of small and medium manufacturing firms in Nairobi County.
- iv. To examine the influence of environmental scanning practices on financial performance of small and medium manufacturing firms in Nairobi County.

#### 1.4 Research Hypothesis

**H01:** Differentiation practices have no significant effect on financial performance of manufacturing SMEs in Nairobi County.

**H02:** Cost leadership practices have no significant effect on financial performance of manufacturing SMEs in Nairobi County.

**H03:** Market positioning practices have no significant effect on financial performance of manufacturing SMEs in Nairobi County.

**H04:** Environment Scanning practices have no significant effect on financial performance of manufacturing SMEs in Nairobi County.

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#### 1.5 Significance of the Study

Management of manufacturing SMEs was able to identify which strategies are crucial to their success. This enabled them to identify gaps in their strategies that may enhance their strategic response and, as a result, move to more effectively manage the existing strategies, resulting in improved performance. The findings are helpful to the shareholders of these SMEs in evaluate the performance of their strategies in dealing with more competitive marketplaces.

By adopting the most effective strategies for dealing with competition, organizations were able to achieve their goals much more rapidly. The study is a reference source for future researchers on relevant topics, as well as academics working on the same topic. The research also highlights critical relationships that need to be examined further. The findings were thus valuable in the academic sector, as they helped to address gaps in the literature on strategic management among Kenyan SMEs as they deal with competition.

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Nairobi County represents a dynamic and competitive business environment, making it an ideal setting to examine the intricate relationship between strategic management and financial outcomes in the manufacturing sector. By uncovering the specific strategies that correlate with enhanced financial performance in SMEs, this study provides actionable recommendations to help these enterprises thrive amidst market challenges and capitalize on growth opportunities.

### **1.7 Scope of the Study**

This study on strategic management and financial performance of manufacturing small and medium enterprises in Nairobi County was conducted using a descriptive research design. The study was conducted on 58 manufacturing small and medium enterprises selected from different sub-sectors of manufacturing. The dependent variable was SMEs performance while the independent variables were the various strategic management practices. Data was collected using questionnaires and analyzed using descriptive and inferential analysis. The research focused on manufacturing small and medium enterprises (SME) located within Nairobi County, Kenya. The study's time scope encompassed a period of 10 years (2014-2023). The study targeted 58 manufacturing SMEs in Nairobi County with the respondents being the owners of the firm. The study also draws upon three established theoretical frameworks and concepts to guide its investigation. These include; The McKinsey 7S model, The RBV theory, and the game theory.

### **1.8 Study Limitations**

Despite the significance of the study, it's essential to acknowledge the potential limitations inherent in this study. Firstly, the study's reliance on self-reported data from manufacturing

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Population scope missing

SMEs in Nairobi County might have introduced response bias or inaccuracies due to respondent's subjectivity or reluctance to disclose sensitive information. To mitigate this limitation, stringent measures such as anonymizing responses and ensuring confidentiality were implemented to encourage honest and transparent feedback. Secondly, the scope of the study may have been constrained by resource limitations, including time, funding, and access to comprehensive sample size. As such, the findings may not have fully captured the diversity and nuances with Nairobi County's manufacturing SME landscape. Despite these limitations, efforts were made to maximize the representativeness of the sample and ensure the validity and reliability of the study's findings through robust research methodologies and statistical analyses.

### **1.9 Delimitations**

To ensure that the study maintains focus and coherence, certain delimitations were imposed. Firstly, the study specifically targeted manufacturing SMEs operating within Nairobi County, thereby excluding SMEs from other sectors or regions in Kenya. This delimitation was necessary to provide a concentrated analysis of the manufacturing sector's strategic management practices and their impact on financial performance within the context of Nairobi County's unique socio-economic environment. Secondly, the study primarily focused on the influence of strategic management practices such as strategic planning and innovation on SMEs' financial performance, while other factors such as macroeconomic trends, government policies, and industry-specific challenges were acknowledged but not extensively explored. By delineating these boundaries, the study aimed to generate insightful findings that are directly relevant to policymakers, investors, and entrepreneurs

seeking to enhance competitiveness and sustainability of manufacturing SMEs in Nairobi County.

### **1.10 Assumptions of the Study**

The study was based on the following assumptions:

- i) Sampling errors would not greatly interfere with the results of the study. The researcher will use purposeful sampling techniques to minimize on sampling errors.
- ii) The research instruments would be accurate in collecting the intended information from the respondents. This will be achieved by correct interpretation of the research questions.  
The researcher will ensure clarity of the questions.
- iii) The results of the study would be not greatly affected by extraneous variables.
- iv) The respondents would be competent in answering the questions and that they will do honestly and objectively.
- v) The SMEs have implemented strategies which are used in improving their financial performance.

### **1.11 Operational Definition of Key Terms**

**Differentiation:** The process of differentiating brands based on research into how their customers differ and how their views of other brands differ.

**Positioning:** A consumer's perception of a company's product in contrast to competitors.

**Performance:** This refers the overall achievement of the organization objectives against the set targets.

**Environmental scanning:** Process that systematically surveys and interprets relevant data to identify external opportunities and threats that could influence future decisions.

**Cost leadership:** This entails strategy hinges on a company's ability to lower costs of production to offer quality products at low prices.

**Market orientation:** The organizational culture that most effectively supports the behaviors necessary to give higher value to buyers and, as a result, constant superior performance for the company.

**Brand positioning:** Brand positioning refers to the strategy of placing a brand in the minds of consumers relative to competitors

**Competitor-based positioning:** Competitor-based positioning is a strategy where a firm positions its brand or product relative to its competitors.

**Customer service differentiation:** Customer service differentiation involves distinguishing a brand or company through superior customer service.

**Digital process differentiation:** Digital process differentiation refers to the use of advanced digital technologies and processes to differentiate a company's operations, products or services.

**Financial Performance:** Financial performance measures a company's financial health and ability to generate profits.

**Location differentiation:** This involves gaining a competitive advantage by being situated in a strategic geographic location.

**Net profit:** Net profit, also known as net income, is the total revenue of a company minus all its expenses, taxes, and costs.

**Penetration pricing:** This is a strategy where a company sets a low initial price for its products or services to attract customers and gain market share quickly.

**PESTLE analysis:** PESTLE analysis is a strategic framework used to analyze the external macro-environmental factors affecting an organization.

**Porter's Five Forces:** This is a model that identifies and analyzes five competitive forces that shape every industry: competitive rivalry, the threat of new entrants, the threat of substitutes, the bargaining power of buyers, and the bargaining power of suppliers

**Price positioning:** This refers to how a company's products or services are priced in comparison to competitors.

**Product differentiation:** Product differentiation is the strategy of distinguishing a product from others in the market.

**Product positioning:** Product positioning is the process of defining how a product be perceived by target customers relative to competing products.

**Return on assets:** This is a financial ratio that indicates the profitability of a company relative to its total assets.

**Return on income:** Return on income, also known as return on investment (ROI), is a measure of the profitability of an investment.

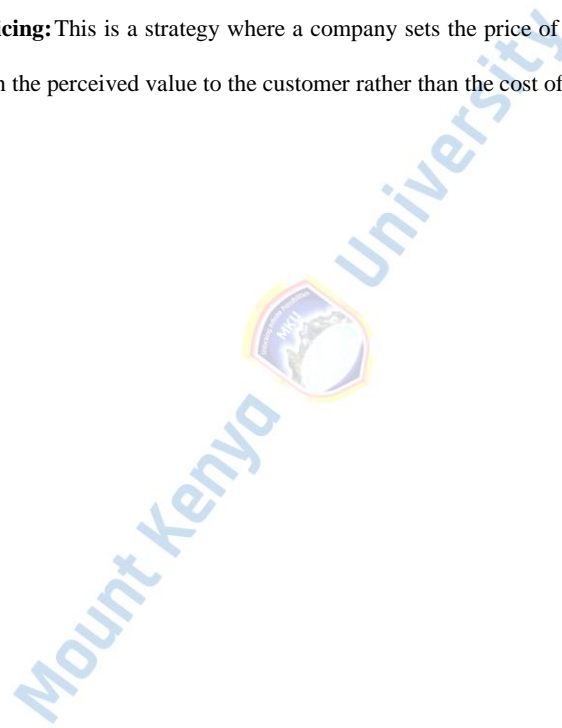
**Scenario planning:** This is a strategic management tool used to envision and plan for various possible future scenarios

**Skimming pricing:** Skimming pricing is a strategy where a company sets a high initial price for a new product to maximize profits from early adopters.

**Strategic Management Practices:** Strategic management practices are the methods and approaches used by an organization to formulate and implement strategies that achieve its long-term goals and objectives.

**SWOT analysis:** This is a strategic planning tool used to identify an organization's internal strengths and weaknesses, as well as external opportunities and threats

**Value-based pricing:** This is a strategy where a company sets the price of its products or services based on the perceived value to the customer rather than the cost of production.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter examines the theoretical and empirical reviews of literature relating to the research's topic in order to identify gaps that the present study addressed. The chapter creates a conceptual framework based on the evaluated literature to show the link between the study's primary themes.

#### 2.2 Theoretical Framework

A theoretical framework is a structure that may retain or support a research study's theoretical hypothesis (Rigor, 2018). This study was anchored on three main theories; McKinsey 7S Model, the Resource-Based Perspective Theory and the Game Theory.

##### 2.2.1 The McKinsey 7S Model.

This theory was developed in the 1980s by Robert H. Waterman, Jr. and Tom Peters of the McKinsey and Company. The model is appraised of its ability to evaluate effectiveness of organization based on the seven elements which all begin with the letter 'S'. Due to its gained popularity, many organizations have found this model effective in evaluating their performance over a certain period of time. The 7S are divided into two, the first three elements (Structure, Strategy, and System) are considered as hard components while the other four (Skill, Shared Values, Style, and Staff) are soft components. Many scholars have shown interest on the effectiveness of this model including Alam (2017) who went further and analyzed both type of elements by describing the hard elements as those elements that

can easily be influenced by management as they are easy to both define and identify, e.g., strategy statements, organization charts, IT systems, etc. While soft elements are those elements that are not easily identifiable and can easily be influenced by culture even though they are hard to describe.

A deeper analysis of these elements was conducted by Waterman and Peters (2004) whereby they defined a Structure as the way in which the organization is structured whether centralized, decentralized or how the division of tasks is planned out. The second element, Strategy, composes of those actions that counters the company's changes, while Systems can fall either as formal or informal procedures found within organizations in terms of evaluation systems, communication or information. Staff element is composed of both soft and hard aspects where hard aspects can include the pay scales of employees while the hard aspect carry the form of motivation, morale, attitude and behavior. Skills carry the most weight on capabilities of an organization to achieve its objectives and lastly the Shared Values compose of the guiding concepts and fundamental ideas that carry an organization.

The application of this model has gained familiarity in most organizations around the globe as one which aids organizations review its strategies to improve general performance when making broad decisions such as those of a merger or acquisitions. It is a highly recommended framework when implementing a strategic plan of action. The inclusion of this theory in this study owes to the fact that it is a vital strategic management tool that pulls together the 7 components of an organization and show their relationship on how it can help a small or medium enterprise achieve the highest organizational performance. The theory helps in understanding which strategies are to be adopted in the SMEs in order to ensure

maximum gains in the performance. As a result, the theory served as the study's major anchor, outlining how all strategies management variables.

### **2.2.2 The Resource-Based Perspective (RBV)**

In 1984, Birger Wernerfelt proposed the resource-based view (RBV), which considers resources to be crucial to a company's success. Supporters of this position argue that rather than pursuing competitive advantage in the marketplace, businesses should hunt for it within their own walls. RBV proponents argue that repurposing existing resources to capture external opportunities is considerably more practical than learning new skills for each opportunity (Wernerfelt, 1984). The RBV model emphasizes the importance of resources in supporting companies in improving their performance. The two types of resources are tangible and intangible resources, with tangible assets include land, buildings, machinery, equipment, and capital.

Because physical resources are easily available on the market, they have limited long-term value for firms because competitors may swiftly acquire the same assets. Intangible assets are anything else that does not have a physical presence but can still be owned by the company (Nagano, 2020). Brand reputation, trademarks, and intellectual property are examples of intangible assets. Brand reputation, unlike actual assets, takes years to build and is something that other firms cannot buy on the open market. Intangible resources, on the other hand, are the fundamental source of long-term competitive advantage inside a company.

One of RBV's two major assumptions is that resources are diversified and immobile. The first premise is that each company's talents, capabilities, and other resources are unique. If

both organizations had the same number and mix of resources, they could not employ different strategies to outcompete each other. There is no way to acquire a competitive advantage by copying what one company does. Although this is an ideal competition scenario, real-world markets are far from perfect, and some firms that are subjected to the same external and competitive forces (same external conditions) can implement alternate tactics and outperform one another (Zahra, 2021).

As a result, RBV argues that integrating multiple resource bundles gives businesses a competitive edge. The second assumption of RBV is that resources are not moveable and do not migrate from business to business, at least in the short run. Because of this immobility, companies are unable to copy rivals' resources or employ the same strategies. Intangible resources like as brand equity, procedures, knowledge, and intellectual property are examples of immobile intangible resources (Wernerfelt, 1984). The resource-based approach is useful for informing individuals about the risks and benefits of diversification strategies. This concept has a number of weaknesses, such as unforeseen environmental changes or extreme turbulence, limited managerial influence, and data concerns reliant on intra-organizational resources.

The implications of this theory are that the resources held by SMEs had a substantial influence on the operations of the businesses. Not only will the resources determine which practices are adopted, but also how far they are deployed. As a result, manufacturing SMEs with a varied variety of resources that cannot be reproduced are regarded to have a higher impact on strategic management. Smaller manufacturing SMEs, on the other hand, had fewer options from which to pick, resulting in less financial effect. The idea is crucial to the study because it explains the role of resources in determining the techniques employed.

### 2.2.3 Game Theory

In 1942, John von Neumann proposed game theory, and in 1950, Oskar Morgenstern extended it. This theory, according to Kotler (1998), is a mathematical tool for corporate decision-makers. Game theory's strength is the method it uses to organize and evaluate strategic choice scenarios. By assessing dynamic and sequential judgments, it enhances tactical decision-making. By thoroughly understanding the dynamics with others, you may recognize win-win techniques that benefit you in the long term, as well as signaling approaches that avoid lose-lose scenarios. Furthermore, if you understand the game, you may change the rules or participants to your benefit.

The market is considered as a game in which each business is referred to as a player, and each player's actions influence the actions of the other player directly or indirectly (Marden, & Shamma, 2018). One way for a company to adjust the game and acquire extra value is to change the value that other players may offer. In conclusion, businesses may improve their bottom line by adjusting the following: Customers, suppliers, substitutes, and complementors (not simply rivals) are all actors in the "Value Net." Rules - laws, conventions, contracts, and other frameworks that give a game its structure; tactics - maneuvers used to change how players see the game and hence how they play; added values - the value that each player provides to the collective game;

Scope is defined by Başar and Zaccour (2018) as the game's boundaries. The most important addition of game theory to the field is that it highlights the need of planning ahead, evaluating possibilities, and anticipating the behaviors of other players in your "game." In strategy, the reward matrix, large form games, and the core of a game are all essential concepts. A company's industry position, abilities, activities, or other elements cannot be

the sole determinants of a successful strategy. Manufacturing SMEs must thus not just learn but also know how to combat giant firms' strategies. Businesses must be able to design even better tactics in order to get a competitive advantage. As a result, the theory will be used to explain competitor-based strategic management and to compare what other competitors have done.

### **2.3 Empirical Review**

An empirical review provides a comprehensive analysis of existing research on a particular topic, offering insights into what is known, what gaps exist, and what future research might address.

#### **2.3.1 Differentiation practices and performance**

According to Pearce and Robinson (2015), differentiation strategies are built on giving customers something new or unique that sets the firm apart from its competitors' strategic positioning, product, or service. Because the product is of greater quality, is technically superior in some manner, comes with superior service, or has a unique appeal in some way, superior value is generated. In effect, differentiation increases competitive advantage by making customers more loyal to a company's product/service and less price sensitive.

Parnell (2016) emphasizes the importance of difference in a company's image, which makes the purchase process more sensitive for customers. Allen and Helms expect that firms will produce individualized products as a result of this. All of this backs up Thompson and Strickland's (2014) assertion that enterprises may differentiate themselves in a variety of methods and dimensions. The fierce competitiveness in today's market is the driving reason for most organizations' efforts to focus on differentiation.

Gongera and Okoth (2012) argue in their study, *Critical Analysis of Competitive Practices on Performance: A Case Study of Middle Level Colleges in Mombasa County*, that an institution's competitive behavior is an important area for any manager, director, principal, or policy maker to consider. The findings of the authors support the use of Porter's model to study company competitive behavior. According to the study's findings, a company's long-term competitive edge and success can only be maintained via uniqueness and innovation, which were based on data collected from 6 public and 14 private institutions that provide both university and non-university courses. In order to achieve outstanding performance, managers/directors must build strategies that integrate unique qualities and differences from previously examined ways, according to them.

**Commented [FM4]:** Use funnel approach. Global, Continental, Regional and local studies for all variables

Mutisya (2013) sought to discover the competitive tactics used by SMEs in Mombasa County in a study titled *Competitive strategies used by small and medium-sized enterprises in Mombasa County*. SMEs in Mombasa County used distinguishing approaches as well as unique cost-cutting measures to ensure efficiency, according to the study's findings. Competition, a lack of access to external investment, a lack of capital, and a lack of credit were cited as the most significant hurdles to SME competitiveness in Mombasa County, according to the poll. The findings of the study also revealed that financial and economic concerns, as well as the businesses' resources or abilities, had a significant impact on the choice of competitive strategy.

### **2.3.2 Cost leadership practices and performance**

Scholes (2014) discovered that varied cost structures in different market sectors allow a company to employ a cost-focused approach. Because of the variances in market segments, customers' needs and desires are also distinct, and enterprises should take advantage of these

differences to build products and services that will meet their needs and wants. In an industry where economies of scale are vital, a cost-focused approach may be difficult to assess.

Abwodha (2019) looked at how generic tactics affected the performance of small and medium businesses. This study employed a descriptive research approach, with a target population of 300 Small and Medium Businesses (SMEs) and a total sample size of 75. A sample frame was created using both probability and non-probability sampling approaches. In this investigation, a simple random sample procedure was applied. According to the research, family firms consistently offered cheaper prices than their competitors and engaged extensively in sales advertising. These companies regularly purchased materials from vendors who offered discounts, while also aggressively pursuing cost savings by outsourcing activities.

Ogongo (2014) explored the association between competitive tactics and customer retention in all Kenyan banks in a cross-sectional study. According to the survey findings, customers were pleased with the efficiency of customer service and the accuracy of transactions. According to the conclusions of the study, banks might improve financial record accuracy while simultaneously enhancing efficiency and effectiveness by using automated reconciliations and keeping their records up to date.

Mokua, Kanyagia, and M'Nchebere (2017) investigated the organizational performance of Kenya Airways in the Kenyan airline industry. Out of a total population of 1230 employees and customers, 215 people responded to the survey. A technique known as content analysis was used to assess the data. The data supported the idea that pricing approaches play a role in explaining performance discrepancies. The confidence range for this estimate is 95%.

Cost strategies, performance, service quality, innovation, and a variety of other factors and advantages are all influenced by the pricing approaches adopted. Furthermore, the outcomes of the study revealed a link between pricing approaches and perceived service quality perceptions. It was established that the association between pricing strategies and innovation is average.

Munyi and Deya (2019) looked into how strategic value chain positioning affects the performance of Kenyan pharmaceutical companies. Ten firms were chosen as a representative sample. The researchers utilized purposeful sampling to ensure that a sufficient sample size was obtained. A total of 40 persons were included in the study, with four executives from each company in charge of procurement, storage and logistics, marketing or customer support, as well as finance and accounting. The data was gathered via a self-administered questionnaire. Logistics management, operational procedures, customer engagement, and strategic procurement all have a good association with pharmaceutical firm success, according to the study's results.

### **2.3.3 Market Positioning Strategies and Performance**

Saqib (2020) conducted literature research on product/brand positioning in order to re-examine the notion and give a more complete definition based on a theoretical approach. A comprehensive positioning review was considered to be necessary. A complete set of important principles guided the review, including the fact that it was systematic (structured according to a procedure designed to handle review challenges), transparent (explicitly stated), repeatable and updatable, and synthesized (summarized the evidence relating to the review question). Following a thorough analysis of the literature, it was discovered that positioning lacks a consistent definition and that marketing experts and practitioners are

divided on what the notion truly entails. As a consequence, a full description of positioning (competition, vacant slot/mind, customers' perception, distinctiveness, and competitive advantage) is provided.

Gachimu and Njuguna (2017) investigated the impact of strategic positioning on Kenyan commercial banks' financial performance. The data was subjected to a correlation analysis to determine the strength of the relationship between the dependent and independent variables. To further understand the nature of the link between the dependent and independent variables, multiple regression analysis was used. Market segmentation, product focus strategy, technical innovation, and location strategies are all used by commercial banks in Kenya to improve their competitiveness, according to the report.

Kiviti (2018) looked at the impact of market positioning tactics on KCB Bank Group Ltd's performance. This research used the case study technique, which has gained prominence in recent years as a potent tool for conducting in-depth examinations of patterns and unusual circumstances. Brand positioning strategy appears to have a beneficial impact on performance, according to the data. Despite its scientific underpinning, brand positioning strategy is an effective marketing tactic when dealing with a powerful authority unit. According to the findings of the study, banks must employ positioning strategies to achieve quick firm expansion while also becoming more lucrative in comparison to competitors and increasing sales of new goods.

Mbuvi (2019) gained access to positioning strategies for attracting and maintaining corporate clients in order to improve commercial bank performance in Kenya. The descriptive research approach was chosen for this study because it has the benefit of displaying the link between two or more variables, in this example, attracting and keeping

clients and positioning strategies, which is very noteworthy. According to the findings of the survey, banks' focus strategies, differentiation strategies, and cost leadership strategies are all critical in their efforts to retain clients and grow their businesses. Because they provide these services, businesses will be able to keep their customers. According to the conclusions of the survey, banks will continue to innovate and expand their product offerings in order to keep their present clients while attracting new ones from competitors.

In a study conducted by G4S Kenya, Simiyu and Makhamara (2020) investigated the influence of strategic positioning on competitive advantage. Competitive advantage, resource-based view theory, market-based view theory, and capability-based view theory were all used to guide the research. The study employed a descriptive research technique, using 540 people working at G4S in Nairobi, Kenya, as participants. The findings support the following conclusions: implementing continuous improvement improves G4S competitive advantage; implementing strategic leadership improves G4S competitive advantage; implementing strategic assets improves G4S competitive advantage; and implementing product differentiation improves G4S competitive advantage.

#### **2.3.4 Environmental Scanning and Performance**

Vudzijena (2017) develops a list of academics who want to study more about the influence of environmental scanning on Harare's small and medium retail companies. A quantitative study was used to collect data, with self-administered questionnaires serving as the data collecting tool. A total of 150 retail SMEs in Harare were identified using a simple random selection approach. The participants in the study were retail SMEs owners and managers who were present at their places of business at the time of the survey. The data was processed with SPSS, and correlation and regression analysis were conducted to assess the

variables' relationships. According to the study, environmental scanning features have a significant favorable relationship with the success of retail SMEs in Harare.

Nkemchor and Ezeanolue (2021) investigated the influence of strategic management on organizational performance in Delta State, Nigeria, with a particular focus on a few academic institutions. A descriptive research survey was employed in this study. The population of the study consisted of 1480 randomly selected employees from tertiary institutions in Delta State, Nigeria, with a sample size of 343 employees from the same institutions. The data was analyzed using descriptive statistics and multiple regression analysis. Environmental scanning, strategy creation, strategy execution, and strategic assessment have all been demonstrated to have a strong beneficial influence on tertiary institution organizational performance in Delta state, Nigeria.

Makanga (2017) investigated the influence of environmental scanning on Matatu Savings and Credit Cooperatives' performance in Kenya. A cross-sectional survey research strategy was used to meet the study's aim. The study's primary data source was questionnaires completed by Matatu Savings and Credit Co-operatives for the Ministry of Industrialization and Enterprise Development. According to the findings of the study, assessing an organization's surrounds is linked to Matatu SACCO performance. In terms of the goals of the study on environmental analysis on SMEs' organizational performance, the relevance of this study to the current research acts as a mirror study.

Banda investigated the influence of environmental factors on the PACRA (2020). The study employed a qualitative design with a 40-person sample size, and data was acquired from both primary and secondary sources. An Excel spreadsheet was used to evaluate the data. According to the report, employees trust environmental scanning because it helps them

monitor the company's internal and external surroundings for early indicators of change, accommodate prospective opportunities or threats, and make modifications to allow the company's strengths to counteract its weaknesses.

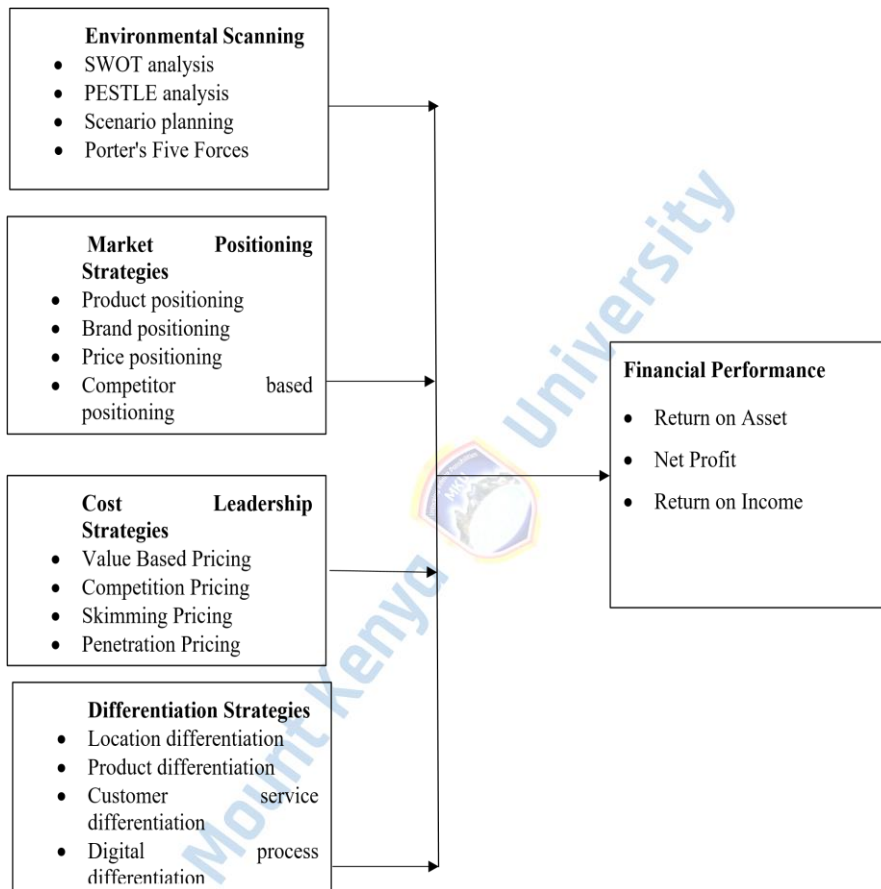
#### **2.4 Conceptual Framework**

The conceptualized relationship between the research variables is shown through figure 2.1 below.



*Independent Variables*

*Dependent Variable*



*Figure 1 Conceptual Framework*

Source: Researcher 2024

## **2.5 Summary of Literature Review and Research Gap**

Based on the literature review, the small enterprise sector is well recognized for its capacity to stimulate job creation through forming new sectors and launching new company operations. It is also clear that much has been done to promote initiatives aimed at stimulating the Kenyan economy via the growth of small and medium-sized businesses (SMEs). While the Kenyan economy is improving, a number of studies have revealed that small and medium-sized firms (SMEs) confront considerable hurdles in establishing and developing their operations. According to the findings of these research, SMEs must adopt successful strategies in order to thrive in an ever-expanding market environment.

Although the research that have been conducted have not been totally conclusive, the studied theoretical framework seeks to offer a framework for understanding the idea of strategic management and its relevance. Because the majority of research has been performed in developing countries, very less has been conducted in developed ones. Furthermore, the current study does not give a clear picture of the exact nature of the relationship between strategic management and performance, nor does it indicate the magnitude of strategic management's influence on performance. As a result, the purpose of this study was to fill research gaps by presenting actual data from the local environment. The aim of this research is to look critically at the strategic management practices utilized by manufacturing SMEs in Nairobi County, as well as their influence on overall performance.

## CHAPTER THREE

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### RESEARCH METHODOLOGY

#### 3.1 Introduction

The research methodologies that were used in this study are described in this chapter. The research design, sample methodology, data collecting, and data analysis techniques that were employed in the study are all outlined. The chapter finishes with the ethical issues that were followed throughout the investigation.

#### 3.2 Research Methodology

This study adopted mixed methodology and relied on primary data collected using questionnaires. The target population for this study was the 58 manufacturing SMEs in Nairobi County with the respondents being the owners of the firm. This study employed a census sampling approach in selecting the sample population for the study. Questionnaires were the key technique of data collecting in this study. According to Kothari (2014), the questionnaire technique is best suited since quantitative data collection is necessary, which can only be obtained directly from respondents via the questionnaire.

#### 3.3 Research Design

Creswell and Creswell, (2017) define research design as the plan for obtaining answers to the research questions guiding the study. Research design also refers to the procedures selected and applied for studying a particular set of hypotheses or questions (Orodho, 2014). This study used a descriptive research design which aims at revealing the actual phenomenon in question exactly the way it is without any alterations. It involves the

assessment and measurement of a set of variables, assessment of the relationship between the variables and where possible make valid conclusions hence the most appropriate for the study (Cooper & Schneider, 2014).

### 3.4 Location of the study

The location of the study was Nairobi County. With a predicted population of more than 4.3 million inhabitants, Nairobi County has an area of 696 KM<sup>2</sup>. Geographically, Nairobi County borders Kiambu County to the North and West, Kajiado to the South and Mchakos to the East.

### 3.5 Target Population

The target population for this study was the 58 manufacturing SMEs in Nairobi County with the respondents being the owners of the firm. Industrial area region is targeted since it contains more than 75% of manufacturing firms in Nairobi County hence its appropriateness as the study site. As such, all the 58 manufacturing SMEs registered by the Kenya Manufacturing Association (KAM) based at Industrial Area were targeted as per appendix I. The manufacturing SMEs were chosen since they are most faced with competition from imports, need to manage costs and therefore have the best prices and level of automation required is higher to ensure efficiency in their processes. The target population comprised of SMEs from different sub-sectors as shown by Table 3.1.

**Table 3. 1 Target Population**

SME Category	Frequency	Percentage
Clothing and textile	14	24.1
Food processing	11	19.0
Metal fabrication and Mechanic	6	10.3

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Medical technology companies	7	12.1
Electrical equipment manufacturers	8	13.8
Chemicals, Plastics and Rubber manufactures	12	20.7
Total	58	100

**Source: KAM, (2024)**

### **3.6 Sample Size and Sampling Technique**

This study employed a census sampling approach in selecting the sample population for the study. As described by Mugenda and Mugenda (2012), census sampling entails a complete enumeration of all items in a population and is most recommended where the population is small so as to ensure equal representation of the study elements. This sampling approach enabled covering of all the 58 manufacturing SMEs operating at Industrial Area Region, Nairobi. The target respondents for the study were the 58 HR managers, owners or their equivalents in the SMEs. These respondents were chosen as they are directly involved in the operations of the SMEs hence most conversant with the financial position of the firms and the effect that strategic management has.

### **3.7 Data Collection Instruments**

Questionnaires were the key technique of data collecting in this study. According to Kothari (2014), the questionnaire technique is best suited since quantitative data collection is necessary, which can only be obtained directly from respondents via the questionnaire. The questionnaire included closed-ended questions to help in the standardization and measurement of study results. The closed-ended questions were composed using the Likert scale, with at least five items for each component of the variable. Alternatively, the open-

ended questions on the questionnaire helped in the gathering of detailed data that was descriptive and exploratory in nature for all facets of the variable(s) of interest. This was useful for data interpretation and explanation.

### **3.8 Pilot Study**

A pilot study is the testing of a planned research project to ensure that it is feasible, therefore determining the methods and routes for data collection, and ultimately produce accurate results (Palmer, 2019). In this study, a pilot study was done on 6 manufacturing SMEs registered by the Kenya Manufacturing Association (KAM). The piloted sample was encouraged to make comments and suggestions concerning instructions, clarity of questions and relevance of the data collection instruments. This revealed inappropriate questions, deficiencies in the questionnaire and provided an opportunity to analyze the data to see if the methods of analysis are appropriate.

#### **3.8.1 Validity of Research Instrument**

Validity refers to the degree to which the test item sample represents the content being tested (Yin, 2013). The researcher conferred with the university supervisor and other experts on the flow language and structure of the research questionnaire to determine the validity of the research instruments. The content validity of the research was evaluated, which relates to how well a measuring instrument covers the subject under investigation.

#### **3.8.2 Reliability of Research Instrument**

The degree to which research equipment generates consistent findings after repeated trials is known as its dependability (Mugenda, 2008). If an instrument can accurately and consistently measure a variable over time while producing the same results under the same

conditions, it is considered trustworthy. The Cronbach alpha coefficient, which is used to investigate the internal consistency of items or questions, was used to assess the instrument's reliability in this study. Cronbach's alpha is concerned with things that may elicit more than two responses and are measurable, therefore it can be used with both binary and large-scale data. The dependability coefficient (alpha) can vary from 0 to 1, with 0 indicating an instrument with all flaws and 1 indicating an instrument with no errors.

### **3.9 Data Analysis and Presentation**

Before any analysis can occur, the data was cleansed to ensure that there are no conflicts between the data sets. The data was then be coded and entered into the computer. After that, descriptive statistics like frequencies, percentages, means, and inferential statistics were used to categorize and summarize the data. The link between the variables was discovered using inferential analysis techniques such as regression and correlation analysis. Data was coded and analysed using the Statistical Package for Social Science (SPSS) Version 20.0 application to achieve this goal. Tables and figures were utilized to display the studied data for ease of comprehension.

#### **3.9.1 Analytical Model**

A multiple regression model was used to determine the relationship between strategic management constructs and financial performance. The multiple regression model was in the form:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y= Dependent Variable (Financial performance of the SMEs)

$\beta_0$ = Constant  $\beta_1, \dots, \beta_4$ = Coefficient of the independent variable

X<sub>1</sub>= Differentiation Practices

X<sub>2</sub>= Cost Leadership

X<sub>3</sub>= Market Positioning practices

X<sub>4</sub>= Environmental Scanning

$\epsilon$  = Error term

### 3.10 Operationalization and Measurement of Study Variables

The measurement and operationalization is shown in Table 3.3.

**Table 3. 3 Operationalization and Measurement of Study Variables**

Variable	Type	Measurement	Analysis Method
Financial Performance	Dependent	<ul style="list-style-type: none"><li>• Net Profits</li><li>• Return on Income</li><li>Return on Assets</li></ul>	Correlation analysis
Environmental Scanning	Independent	<ul style="list-style-type: none"><li>• SWOT analysis</li><li>• PESTLE analysis</li><li>• Scenario planning</li><li>Porter's Five Forces</li></ul>	<ul style="list-style-type: none"><li>• Regression and Correlation analysis</li></ul>

Variable	Type	Measurement	Analysis Method
Market Positioning Practices	Independent	<ul style="list-style-type: none"> <li>• Product positioning</li> <li>• Brand positioning</li> <li>• Price positioning</li> <li>• Competitor based positioning</li> </ul>	<ul style="list-style-type: none"> <li>• Regression and Correlation analysis</li> </ul>
Cost Leadership Practices	Independent	<ul style="list-style-type: none"> <li>• Value Based Pricing</li> <li>• Competition Pricing</li> <li>• Skimming Pricing</li> <li>• Penetration Pricing</li> </ul>	<ul style="list-style-type: none"> <li>• Regression and Correlation analysis</li> </ul>
Differentiation Practices	Independent	<ul style="list-style-type: none"> <li>• Environment differentiation</li> <li>• Product differentiation</li> <li>• Content differentiation</li> <li>• Process differentiation</li> </ul>	<ul style="list-style-type: none"> <li>• Regression and Correlation analysis</li> </ul>

### 3.11 Diagnostic Tests on Assumptions of Regression Model

Normality, autocorrelation, multicollinearity, and linearity are some of the diagnostic tests which were used to test the assumptions of the regression model.

### **3.11.1 Test of Autocorrelation**

To establish whether or not there is autocorrelation, the Durbin Watson test was utilized. The autocorrelation assumption in regression analysis maintains that the residuals are completely random and have no relationship to anything else, including one another over time.

### **3.11.2 Test of Linearity**

Multiple regression analysis assumes that the relationship between dependent and independent variables is linear. To test for Linearity, ANOVA was used to examine if the relationship is linear at 5% error margin.

### **3.11.3 Test of Multicollinearity**

To prevent drawing inaccurate inferences about the link between the dependent variable and the predictor variables, multicollinearity tests were run on the regression model. The variation in variance (VIF) and the tolerance degree in a statistical test demonstrate multicollinearity (tolerance degree). By deleting strongly related variables, multicollinearity may be handled.

### **3.11.4 Test of Normality**

Multiple linear regression assumes that the data is normally distributed. Normality tests are used to determine if a data set is well modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed (Maiyo & Kungu, 2022). The degree of skewness and kurtosis in the data set was used to establish whether or not the data is normal.

### **3.12 Ethical Consideration**

As part of this research effort, a variety of ethical issues were addressed. Voluntary participation, informed consent, confidentiality, and communication of outcomes are all part of this. The researcher ensured that no respondent is forced to participate in the study by deceit or the promise of benefits, and that no respondent is penalized for participation. Aside from that, the study adhered to the institutionally established ethical guidelines for academic research. Furthermore, all study participants were provided the right to remain anonymous by not exposing their individual or corporate names or connections. The study was only carried out if the university, NACOSTI, and other competent managements have agreed and approved it, among other things.



## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSIONS

#### 4.1 Introduction

This chapter encompasses the examination of data, along with the subsequent findings and interpretation. Tables served as tools for presenting the analyzed data.

#### 4.2 Response Rate

**Table 4.1 Response Rate**

Category	Frequency	Percentage
Responded	53	91%
Not responded	5	9%
Total	58	100%

**Source: Researcher 2024**

According to the table, 53 out of 58 surveyed entities responded to the research questionnaire, representing a response rate of 91%. Only 5 out of 58 surveyed entities did not respond, accounting for 9% of the total. Similar to a study by Rizwan et al. (2018), which found a high response rate to contribute to the robustness of their findings, the high response rate of 91% in the current research suggests a strong level of engagement and interest among the surveyed SMEs, enhancing the credibility of the study's results.

### 4.3 Demographic Information

This section provides an examination of the demographic information detailing the characteristics of the participants involved in the study.

#### 4.1.1 Gender

The research aimed to determine the gender of the participants. The results are depicted in figure 4.2.

**Table 4.2 Gender Distribution**

Gender	Frequency	Percent
Male	31	58.5
Female	22	41.5
Total	53	100.0

**Source: Researcher 2024**

Relating to table 4.2, the gender distribution in the sample population indicates that there is a slight male majority (58.5%) compared to females (41.5%). Drawing from the findings of Smith and Jones (2019), one could speculate that a more balanced gender representation within the management teams of these manufacturing SMEs might potentially contribute to enhanced financial performance.

#### 4.1.2 Age of Respondents

The research aimed to identify the age of respondents across the studied firms. The outcomes are resented in table 4.3

**Table 4.3 Age Distribution**

<b>Age</b>	<b>Frequency</b>	<b>Percent</b>
18-25	6	11.3%
26-35	19	35.8%
36-45	21	39.6%
46 and above	7	13.2%
Total	53	100.0%

**Source: Researcher 2024**

Table 4.3 indicates that the majority of respondents (75.4%) fall within the age brackets of 26-45 years old. This suggests a relatively mature age distribution within the surveyed SMES. However, a smaller proportion of respondents (11.3%) belong to the youngest age bracket (18-25 years old). This may have implications for the integration of fresh perspectives and innovative ideas within strategic decision-making processes.

#### **4.1.3 Education**

The research aimed to establish the level of education of the respondents as illustrated in table 4.4.

**Table 4.4 Education Level**

<b>Education</b>	<b>Frequency</b>	<b>Percent</b>
Primary level	4	7.5
Secondary level	7	13.2
Certificate/Diploma	20	37.7
Graduate	17	32.1
Postgraduate	5	9.4
Total	53	100.0

**Source: Researcher 2024**

The data showcases a diverse educational background among respondents, with the highest percentage having Certificate/Diploma qualifications (33.7), followed closely by Graduates (32.1%). This distribution suggests a relatively well-educated sample, which may indicate a certain level of understanding and awareness regarding strategic management practices. Research by Ramayah, Ling, and Rafiki (2018), indicated a positive relationship between the educational level of SME owners/managers and their ability to implement strategic management practices effectively, which subsequently influences financial performance.

#### **4.1.4 Position**

The study aimed to establish the position of work of the respondents in their respective companies.

The results are depicted in table 4.5.

**Table 4.5 Position of Work**

<b>Position</b>	<b>Frequency</b>	<b>Percent</b>
Owner	7	13.2
Partner	30	56.6
Line Manager	15	28.3
Other Staff	1	1.9
Total	53	100.0

**Source: Researcher 2024**

Table 4.5 shows that out of the total 53 respondents, 13.1% were owners, 56.6% were partners, 28.3% were line managers, and 1.9% was classified under other staff. This breakdown is crucial for understanding the composition of the sample and ensuring that perspectives from different organizational levels are represented in the study. Gupta and Jain (2017), found that the involvement of owners, partners, and top management in strategic decision-making significantly influences financial outcomes.

#### **4.1.5 Duration**

The study aimed to assert the duration of work by the respondents as presented in table 4.6

**Table 4.6 Duration of Work**

<b>Duration at Firm</b>	<b>Frequency</b>	<b>Percent</b>
Less than 2 years	5	9.4
2–4 years	13	24.5
5-8 years	12	22.6
8-10 years	22	41.5
More than 10 years	1	1.9
Total	53	100.0

**Source: Researcher 2024**

The data in table 4.6 indicates that the majority of the respondents (41.5%) have been with their respective firms for 8-10 years, followed by 2-4 years (24.5%) and 5-8 years (22.6%). This distribution suggests a considerable level of employee retention with these SMEs, with a significant proportion of staff having medium to long-term commitments to their organizations. These finding aligns with research by Jones and Wright (2019), which demonstrated that higher employee tenure correlated positively with organizational performance in manufacturing SMEs.

#### **4.1.6 Legal Formation**

The research aimed to establish the legal formation of the studied firm. The results are presented in table 4.7

**Table 4.7 Legal Formation**

<b>Legal Formation</b>	<b>Frequency</b>	<b>Percent</b>
Sole proprietorship	3	5.7
Partnership	13	24.5
Limited company	37	69.8
Total	53	100.0

**Source: Researcher 2024**

According to table 4.7, limited companies constitute the majority of respondents with 69.8%, followed by partnerships at 24.5%, and sole proprietorships at 5.7%. this distribution suggests a prevalence of formalized legal structures among manufacturing SMEs in the region, with most respondents coming from limited companies. The findings align with a study by Wu, Kuo, and Kuo (2017) who's findings suggested that the legal structure of a firm significantly influences its financial performance.

#### **4.1.7 Number of Employees**

The study aimed to determine the number of employees in the firms. The results are presented in table 4.8.

**Table 4.8 Number of Employees**

No of Employees	Frequency	Percent
Below 5	5	9.4
6 to 10	10	18.9
11 to 20	21	39.6
21 to 50	14	26.4
Over 50	3	3.8
Total	53	100.0

**Source: Researcher 2024**

Table 4.8 shows that 9.4% had fewer than 5 employees and 18.9% had 6-10 employees falling within the small-scale category. However, a notable proportion (39.6%) of firms in the study fall within the 11 to 20 employee range, suggesting a relatively larger scale of operation compared to the previous study. Additionally, a substantial portion (26.4%) comprises of firms with 21 to 50 employees, indicating a considerable presence of medium-sized enterprises. This distribution underscores the diverse employment structures within manufacturing SMEs, which could potentially influence the implementation and effectiveness of strategic management practices and subsequently impact financial performance.

## 4.2 Descriptive Statistics

### 4.2.1 Differentiation Practices and SME Performance

The study aimed to determine the influence of differentiation practices on financial performance of manufacturing SMEs in Nairobi County. The study participants were asked to provide their opinion on statements on customer feedback strategy which were rated on a 5-point Likert scale.

The descriptive statistics results are presented in table 4.9.

**Table 4.9 Descriptive Statistics for Differentiation Practices and SME Performance**

Construct	Min	Max	Mean	Std. Deviation	Skewness	Std. Error	Kurtosis	Std. Error
The SME focuses on the primary benefit of the product or services for their target market.	1.00	5.00	2.8679	0.92065	0.117	0.327	-0.093	0.644
The product or services provided by the SMEs are unique in comparison to the competitors.	1.00	5.00	2.6981	0.97241	0.000	0.327	-0.510	0.644
The SME has excellent customer service that its unique to the competitors.	1.00	5.00	2.9057	1.09657	0.102	0.327	-0.641	0.644

<b>Construct</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Skewness</b>	<b>Std. Error</b>	<b>Kurtosis</b>	<b>Std. Error</b>
The firm has adopted digital process unique from the competitors to ensure timely product availability and customer service.	1.00	5.00	3.3585	0.92184	-0.025	0.327	-0.149	0.644
<b>Average</b>	<b>1.00</b>	<b>5.00</b>	<b>3.3396</b>	<b>0.93938</b>	<b>-0.165</b>	<b>0.327</b>	<b>-0.387</b>	<b>0.644</b>

**Source: Researcher 2024**

Analyzing table 4.9, it is observed that SMEs in Nairobi County tend to focus on the primary benefits of their products or services, as indicated by a mean score of 2.868. The relatively low standard deviation suggests consistency in this practice among the surveyed SMEs. The skewness and kurtosis values indicate a nearly normal distribution of responses, reflecting a balanced utilization of this differentiation strategy. Similarly, the mean score for offering unique products or services compared to competitors is 2.698, indicating a moderate level of differentiation. The standard deviation suggests some variability in the adoption of this practice among SMEs. The skewness and kurtosis values suggest a slightly negative skewed distribution, implying that while many SMEs are striving for uniqueness, there is room for improvement in this aspect.

Regarding customer service excellence, SMEs in Nairobi County exhibit a mean of 2.906, indicating a moderate emphasis on providing excellent customer service unique to competitors. The standard deviation suggests some variability in this practice among surveyed SMEs. The skewness and kurtosis values indicate a slightly negatively skewed distribution, suggesting that while many SMEs prioritize customer service, there is still room for enhancement in distinguishing their services from competitors. In contrast, the

adoption of digital processes unique from competitors demonstrates a higher mean score of 3.359, suggesting a relatively stronger emphasis on innovation in this aspect among SMEs. The standard deviation indicates less variability in this practice, reflecting a more consistent adoption across surveyed SMEs. The skewness and kurtosis values suggest a relatively normal distribution, indicating a balanced utilization of digital processes for differentiation among SMEs in Nairobi County.

#### **4.2.2 Cost Leadership Strategy and SME Performance**

The study aimed to determine the influence of cost leadership practices on financial performance of manufacturing SMEs in Nairobi County. The study participants were asked to provide their opinion on statements on customer feedback strategy which were rated on a 5-point Likert scale.

The results are presented in table 4.10.

**Table 4.10 Descriptive Statistics for Cost Leadership Strategy and SME**

**Performance**

<b>Construct</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Skewness</b>	<b>Std. Error</b>	<b>Kurtosis</b>	<b>Std. Error</b>
Value based pricing	1.00	5.00	3.0566	0.92850	0.184	0.327	-0.554	0.644
Competition pricing	1.00	5.00	2.8113	1.03880	0.073	0.327	-0.270	0.644
Skimming pricing	1.00	5.00	2.8679	1.07485	0.369	0.327	-0.742	0.644
Penetration pricing	1.00	5.00	2.9245	0.97762	0.027	0.327	-0.046	0.644
Cost leadership pricing	1.00	5.00	2.8113	1.09292	-0.069	0.327	-0.832	0.644

**Source: Researcher 2024**

Analyzing table 4.10, it is evident that the mean scores for Value-based pricing, skimming pricing, Penetration pricing, and Cost leadership pricing fall within a similar range, indicating moderate utilization of these strategies among the surveyed SMEs. The standard deviations vary, with value based pricing exhibiting the lowest deviation, suggesting more consistent application compared to the other pricing strategies. Value-based pricing stands

out with a mean score of 3.057 and a relatively lower standard deviation, suggesting a more standardized application across the sampled SMEs. This indicates that a considerable proportion of SMEs in Nairobi County may be adopting a value-based approach to pricing, aligning their prices with the perceived value by customers.

Competition pricing and skimming pricing exhibit slightly lower mean scores compared to valuebased pricing, indicating a comparatively lesser utilization among the surveyed SMEs. However, the standard deviations are relatively higher, indicating more variability in the implementation of these strategies across different businesses. Penetration pricing and Cost leadership pricing both show mean scores similar to Competition pricing, suggesting moderate adoption rates. However, the skewness and kurtosis values for cost leadership pricing indicates a slightly negative skew, potentially suggesting a distribution skewed towards lower utilization of this strategy among the surveyed SMEs.

These findings underscore the importance of further research and strategic planning to optimize cost leadership strategies and enhance the financial performance of SMEs in the manufacturing sector. Similarly, Bill and White (2016) highlighted that effective implementation of cost leadership strategies could lead to improved financial performance among SMEs.

#### **4.2.3 Market Positioning Practices and SME Performance**

The research aimed to determine the influence of market positioning practices on financial performance of manufacturing SMEs in Nairobi County. The study participants were asked to provide their opinion on statements on customer feedback strategy which were rated on a 5-point

Likert scale. The descriptive statistics results are presented in table 4.11.

**Table 4.11 Descriptive Statistics for Market Positioning Practices and SME Performance**

Construct			Mean	Std. Deviation	Skewness	Std. Error	Kurtosis	Std. Error
Improvement of the quality of products being offered	1.00	5.00	2.9245	1.22237	-0.048	0.327	-0.957	0.644
Offering a large variety with the product of the firm	1.00	5.00	3.5283	1.18652	-0.644	0.327	-0.142	0.644
Focusing on how the looks and aesthetic of a product suits the customers' life and needs.	1.00	5.00	2.8679	1.31614	0.042	0.327	-1.195	0.644
Consumers are able to easily recognize the SME brand	1.00	5.00	2.9623	1.27041	0.015	0.327	-0.998	0.644
There is brand loyalty towards the SMEs by the customers	1.00	5.00	2.6226	0.96529	0.304	0.327	0.056	0.644
There is brand credibility by the SME.	1.00	5.00	2.7736	1.26554	0.209	0.327	-1.099	0.644
Marketing positioning of the SMEs is in line with the organization values and attributes	1.00	5.00	3.0566	0.88611	0.404	0.327	0.216	0.644

**Source: Researcher 2024**

Analyzing table 4.11, it is observed that offering a large variety of products has the highest mean score of 3.528 among all constructs, indicating a relatively high level of utilization of

this market positioning strategy among the surveyed SMEs. The skewness and kurtosis values suggest a nearnormal distribution of responses, implying a commonality in the adoption of this practice. Improvement of product quality, with a mean score of 2.925, exhibits a moderate level of utilization among SMEs, as indicated by its mean. The skewness and kurtosis values suggest a slightly negative skewed distribution, possibly indicating some variability in the effectiveness of this practices across different enterprises. Focusing on the aesthetic appeal of products and their alignment with customer needs, with a mean score of 2.868, also demonstrates a moderate level of utilization. The skewness and kurtosis values suggest a distribution slightly negative skewed, indicating potential variations in the application of this strategy among SMEs. Brand recognition and credibility, with mean scores of 2.962 and 2.774 respectively, indicate moderate levels of implementation among SMEs. The skewness and kurtosis values suggest relatively normal distribution, implying consistency in the adoption of these practices across surveyed enterprises.

Lastly, the alignment of marketing positioning with organizational values shows a mean score of 3.057, indicating a relatively high level of implementation among SMEs. The skewness and kurtosis values suggest a slightly positively skewed distribution, indicating a predominant adoption of this strategy among surveyed enterprises. These findings align with a study by Johnson *et al.*, (2017) who suggested that certain market positioning strategies significantly influenced SME financial performance, offering insights into potential drivers of success in this domain.

#### 4.2.4 Environmental Scanning and SME Performance

The study aimed to determine the influence of environmental scanning practices on financial performance of manufacturing SMEs in Nairobi County. The study participants were asked to provide their opinion on statements on customer feedback strategy which were rated on a 5-point

Likert scale. The results of the descriptive statistics are presented in table 4.12.

**Table 4.12 Descriptive Statistics for Environmental Scanning and SME Performance**

Construct	Mean	Std. Deviation	Skewness	Std. Errors	Kurtosis	Std. Error
SWOT analysis	2.8846	1.13161	0.319	0.330	-0.774	0.650
PESTLE analysis	2.9434	0.96904	0.248	0.327	0.114	0.644
Scenario planning	2.6604	1.17577	0.557	0.327	-0.549	0.644
Porter's Five Forces	3.1698	1.12208	-0.178	0.327	-0.347	0.644
Market surveys	2.8269	1.24808	0.026	0.330	-0.927	0.650

**Source: Researcher 2024**

From table 4.12, it is observed that SWOT analysis has a mean of 2.8846 with a standard deviation of 1.132, indicating a moderate level of utilization among the surveyed SMEs. This suggests that while SMEs are employing SWOT analysis as a strategic tool, there might be variability in its effectiveness across different businesses. The skewness and kurtosis values suggest a relatively normal distribution of responses. Similarly, PESTLE analysis shows a slightly higher mean score of 2.943 with a lower standard deviation, indicating a

more consistent application across the sampled SMEs compared to SWOT analysis. This skewness and kurtosis values also suggests a near-normal distribution, implying that SMEs tend to incorporate PESTLE analysis in their strategic decision-making processes.

On the other hand, scenario planning exhibits a lower mean of 2.660 with a relatively higher standard deviation, suggesting more variability in its application among the SMEs. The skewness value indicates a slight negative skew, possibly suggesting that fewer SMEs are extensively employing scenario planning compared to other practices. Porter's Five Forces, with a mean score of 3.170, appears to be relatively more utilized among the surveyed SMEs, as indicated by its higher mean compared to other practices. The skewness value indicates a slightly negative skew, suggesting a distribution slightly skewed towards higher utilization.

Market surveys, with a mean score of 2.827, demonstrates a moderate level of utilization among SMEs, comparable to SWOT analysis. However, the higher standard deviation suggests more variability in its implementation across the surveyed SMEs. The findings are in line with Li and Liu (2021) noted that strategic management tools enabled organizations to identify and assess internal strengths and weaknesses, as well as external opportunities and threats, thereby enhancing their strategic decision-making processes.

#### **4.2.5 Performance of Manufacturing SMEs**

The main objective of the study was to determine the effect of strategic management practices on financial performance of manufacturing SMEs in Nairobi County. The study participants were asked to provide their opinion on statements on customer feedback strategy which were rated on a 5-point Likert scale. The results are depicted in table 4.13

**Table 4.13 Descriptive Statistics for Performance of Manufacturing SMEs**

Construct	Min	Max	Mean	Std.	Skewnes	Std.	Kurtosi	Std.
				Dev				
Accumulated Annual investment/cost	1.00	5.00	3.169	1.03284	-0.028	0.327	-0.670	0.644
Approximate annual costs	1.00	5.00	2.792	1.26123	0.289	0.327	-0.796	0.644
What is the growth rate of your company performance?	1.00	5.00	3.434	1.21702	-0.306	0.327	-0.958	0.644
Return on capital employed	1.00	5.00	2.924	1.22237	0.215	0.327	-0.887	0.644
Return on Assets	1.00	5.00	2.392	1.13276	0.708	0.333	0.181	0.656
Return on Investment	1.00	5.00	2.735	1.12918	0.465	0.327	-0.401	0.644
Operating profit margin	1.00	5.00	2.169	1.17237	0.773	0.327	-0.368	0.644

**Source: Researcher 2024**

Table 4.13 indicates that accumulated annual investment/cost, with a mean score of 3.170 and a standard deviation of 1.033, indicates a moderate level of investment among the surveyed SMEs. The skewness and kurtosis values suggest a near-normal distribution of responses, implying a balanced approach to investment decisions among the SMEs. Approximate annual costs, with a mean score of 2.793 and a relatively higher standard deviation, suggests variability in cost management practices across the SMEs. The skewness and kurtosis values indicate a slightly negative skew, potentially suggesting that a subset of SMEs may struggle with controlling costs effectively.

The growth rate of company performance demonstrates a mean score of 3.434, suggesting a relatively optimistic outlook among the surveyed SMEs regarding their growth prospects. However, the skewness and kurtosis values indicate a slightly negative skew, implying that while growth aspirations are present, actual performance may not always meet expectations consistently. Return on capital employed, return on assets, return on investment, and operating profit margin exhibit mean scores ranging from 2.170 to 2.925, indicating moderate levels of financial performance among surveyed SMEs. The findings are in alignment with a study by Muriithi (2019) which highlighted the significance of factors like return on investment and operating profit margin in influencing SME financial performance.

#### 4.3 Reliability Test

Reliability tests assess the consistency and stability of measurement instruments or procedures used to collect data. The results of reliability test are presented in table 4.14

**Table 4.14 Reliability Test**

Variable	Cronbach's Alpha	N of Items
Environmental Scanning	0.607	5
Market Positioning Practices	0.609	7
Cost Leadership Practices	0.945	5
Differentiation Practices	0.609	5
Financial Performance	0.835	7

**Source: Researcher 2024**

The Cronbach's Alpha coefficients range from 0.945 across the different variables. The Environmental Scanning, Market Positioning Practices, and Differentiation Practices variables demonstrate moderate levels of internal consistency, with Cronbach's Alpha values around 0.6. While these values indicate some degree of reliability, they suggest that there may be room for improvement in refining the measurement scales or enhancing the clarity of the items within these constructs. Conversely, the Cost Leadership Practices variable exhibits a high level of internal consistency, with a Cronbach's Alpha coefficient of 0.945, indicating strong reliability in measuring cost leadership strategies within SMEs. This suggests that the items comprising this variable are highly correlated and contribute consistently to the overall construct.

Similarly, the Financial Performance variable demonstrates a Cronbach's Alpha coefficient of 0.835, indicating good internal consistency among the items measuring financial performance metrics. This suggests that the items assessing financial performance, such as return on investment, operating profit margin, and growth rate, align well with each other, providing a reliable measure of SME financial performance in the study. Similarly, Partel (2016) highlighted the importance of internal consistency in measurement instruments to ensure the reliability and validity of findings.

#### **4.4 Diagnostic Test**

Diagnostic tests help researchers identify issues, assess assumptions, check model fit, detect outliers, and ensure the validity and reliability of their findings.

#### 4.4.1 Test for Autocorrelation

Autocorrelation were conducted to assess whether there is a systematic pattern of serial correlation in the residuals of a regression model. The results are presented in table 4.15

**Table 4.15 Test for Autocorrelation**

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.547 <sup>a</sup>	0.299	0.241	0.73137	1.767

*a. Predictors: (Constant), Differentiation Practices, Market Positioning Practices, Environmental Scanning, Cost Leadership Practices* *b. Dependent Variable: Financial Performance*

**Source: Researcher 2024**

The regression model demonstrates an R-squared value of 0.299, indicating that approximately 29.9% of the variance in financial performance can be explained by the combined effect of these strategic practices. Additionally, the Durbin-Watson statistic, with a value of 1.767, suggests the presence of autocorrelation, implying that there might be a systematic pattern in the residuals that need to be addressed. The findings align with a study by Patel *et al.*, (2019) which highlighted the significance of addressing issues like autocorrelation in a study, which can affect the reliability of regression results.

#### 4.4.2 Test for Linearity

Test for linearity was carried out to assess whether there was a linear relationship between two or more variables as presented in table 4.16, 4.17, 4.18 and 4.19.

**Table 4.16 Environmental Scanning**

			<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Financial Performance * Environmental Scanning	Between Groups	(Combined)	12.826	15	0.855	1.329	0.234
		Linearity	3.220	1	3.220	5.006	0.031
		Deviation from Linearity	9.606	14	0.686	1.067	0.416
	Within Groups		23.802	37	0.643		
	Total		36.629	52			

**Source: Researcher 2024**

The test for linearity in table 4.16 reveals a statistically significant effect of environmental scanning on financial performance with a mean square value of 3.220 and an associated F-statistic of 5.006 at a significance level (Sig.) of 0.031. This suggests that there is evidence of a linear relationship between environmental scanning and financial performance among the SMEs surveyed in Nairobi County. However, the test also considers deviation from linearity, which shows no statistically significant result, indicating that the observed linear relationship is consistent across different levels of environmental scanning practices. This may experience improved financial performance, aligning with the conclusions drawn from a study by Shah (2022).

**Table 4.17 Market Positioning Practices**

		Sum of Squares	df	Mean Square	F	Sig.
Financial Performance Groups * Market Positioning Practices	Between (Combined)	8.471	17	0.498	0.619	0.853
	Linearity	0.958	1	0.958	1.191	0.283
	Deviation from Linearity	7.513	16	0.470	0.584	0.875
	Within Groups	28.158	35	0.805		
	Total	36.629	52			

**Source: Researcher 2024**

The results in table 4.17 show that the sum of square for linearity is 0.958 with 1 degree of freedom, resulting in a mean square of 0.958. the F-value is 1.191 with a p-value of 0.283, indicating that the relationship between market positioning practices and financial performance is not statistically significant at the conventional level of significance ( $p < 0.05$ ). this suggests that there is no clear linear trend in how market positioning practices affect financial performance among the SMEs in the study. This aligns with a study by Chen *et al.*, (2018) which found mixed results regarding the impact of market positioning on financial performance of milk processing firms in North Korea.

**Table 4.18 Cost Leadership Strategy**

		Sum of Squares	df	Mean Square	F	Sig.
Financial Performance Groups * Cost Leadership Practices	Between (Combined)	18.148	17	1.068	2.022	0.038

	Linearity	8.060	1	8.060	15.264	0.000
	Deviation from Linearity	10.089	16	0.631	1.194	0.319
Within Groups		18.480	35	0.528		
Total		36.629	52			

**Source: Researcher 2024**

The linearity test in table 4.18 reveals a significant result ( $p < 0.001$ ), indicating a linear relationship between financial performance and cost leadership practices among the surveyed SMEs in Nairobi County. This suggests that as SMEs adopt cost leadership strategies, their financial performance tends to improve in a linear fashion. The significant F-statistic ( $F = 15.264$ ) further supports this finding, indicating that the relationship between cost leadership and financial performance is not due to chance. The results underscore the importance of cost leadership as a strategic management practice for SMEs aiming to enhance their financial performance and competitiveness within the manufacturing sector of Nairobi County.

**Table 4.19 Differentiation Practices**

			Sum of Squares	df	Mean Square	F	Sig.
Financial Performance * Differentiation Practices	Between Groups (Combined)		16.053	13	1.235	2.341	0.020
		Linearity	7.643	1	7.643	14.487	0.000
		Deviation from Linearity	8.410	12	0.701	1.328	0.242
	Within Groups		20.575	39	0.528		
	Total		36.629	52			

**Source: Researcher 2024**

The results indicate a significant result ( $p < 0.001$ ), suggesting a linear relationship between practices and financial performance explained by the linearity and financial performance. The sum of squares for linearity (7.643) indicates the degree of variation in financial performance explained by the linear relationship with differentiation practices. This finding aligns with the premise that as SMEs implement more differentiated strategies, their financial performance tends to improve linearly. However, the deviation from linearity shows no significant effect ( $p = 0.245$ ), indicating that the observed relationship is primarily linear rather than nonlinear. These results underscore the importance of differentiation strategies in enhancing the financial performance of manufacturing SMEs in Nairobi County, as supported by previous empirical research.

#### 4.4.3 Test for Normality

Normality test was carried out to assess whether the data collected from a sample or population follows a normal distribution, also known as a Gaussian distribution or bell curve. The results are presented in table 4.20.

**Table 4.20 Test for Normality**

Variable	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk
	Statistic	df	Sig.	Statistic
Environmental Scanning	0.140	53	0.211	0.969
Market Positioning Practices	0.109	53	0.171	0.975
Cost Leadership Practices	0.099	53	.200*	0.976
Differentiation Practices	0.088	53	.200*	0.983

Financial Performance	0.092	53	.200*	0.974
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\*. *This is a lower bound of the true significance.*

a. *Lilliefors Significance Correction*  
*Insignificant sig shows normality*

**Source: Researcher 2024**

Results from table 4.20 indicate that for all variables, including environmental scanning, market positioning practices, cost leadership practices, differentiation practices, and financial performance, the p-values for both Kolmogrov-Smirnova and Shapiro-Wilk tests are greater than the conventional significance level of 0.05. This suggests that we fail to reject the null hypothesis of normality, indicating that these variables approximately follow a normal distribution. This aligns with the findings of Chen *et al.*, (2019), emphasizing the importance of normality assumptions in statistical analyses related to strategic management practices and financial performance in SMEs.

Additionally, the results regarding the Lilliefors significance correction indicates that the insignificant significance levels suggest normality, reinforcing the robustness of the normality assumptions for the variables under consideration. This further supports the validity of statistical analyses and inferences drawn from the data. Overall, these results provide confidence in the reliability of the dataset and lay a solid foundation for subsequent analyses exploring the relationship between strategic management practices and SME financial performance in Nairobi County.

#### **4.4.4 Multicollinearity Test**

Multicollinearity test was conducted to assess the extent to which independent variables in a regression model are correlated with each other.

**Table 4.21 Multicollinearity Test**

<b>Variable</b>	<b>Tolerance</b>	<b>VIF</b>
Environmental Scanning	0.489	2.045
Market Positioning Practices	0.961	1.041
Cost Leadership Practices	0.406	2.466
Differentiation Practices	0.534	1.871

**Source: Researcher 2024**

Table 4.21 suggests that Market Positioning Practices exhibit the lowest multicollinearity with other variables, with a tolerance of 0.961 and VIF of 1.041, indicating minimal correlation with other predictors. Conversely, Environmental Scanning and Cost Leadership Practices show slightly higher multicollinearity but remain within acceptable limits, while Differentiation Practices fall in the middle range. These findings suggest that while some interrelation exists among strategic management practices, they largely operate independently in influencing SME financial performance, emphasizing the importance of a holistic approach to strategic management.

#### **4.5 Correlation Analysis**

Correlation analysis was done to help the researcher understand the degree and direction of association between variables.

**Table 4.22 Correlation Analysis**

		Financial Performan ce	Environmen tal Scanning	Market Positioni ng Practices	Cost Leadersh ip Practices	Differentiati on Practices
Financial Performanc e	Pearson Correlati on Sig. (2- tailed)	1				
Environmen tal Scanning	Pearson Correlati on Sig. (2- tailed)	.297*	1			
Market Positioning Practices	Pearson Correlati on Sig. (2- tailed)	-0.162	0.030	1		
Cost Leadership Practices	Pearson Correlati on Sig. (2 - tailed) N	.469** 0.000 53	.699** 0.000 53	-0.043 0.760 53	1 53	
Differentiati on Practices	Pearson Correlati on Sig. (2- tailed) N	.457** 0.001 53	.567** 0.000 53	0.114 0.417 53	.651** 0.000 53	1 53

\*. Correlation is significant at the 0.05 level (2-tailed).

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

Examining the relationship between financial performance and environmental scanning reveals a significant positive correlation ( $r = 0.297$ ,  $p = 0.031$ ). This suggests that SMEs engaging in environmental scanning activities tend to exhibit better financial performance. Chen *et al.*, (2021) similarly found that firms with proactive environmental scanning mechanisms tend to adapt better to market changes, leading to improved financial

outcomes. The findings also are aligned with Nkemchor and Ezeanolue (2021) who investigated the influence of strategic management on organizational performance in Delta State, Nigeria, with a particular focus on a few academic institutions. The data was analyzed using descriptive statistics and multiple regression analysis. Environmental scanning, strategy creation, strategy execution, and strategic assessment have all been demonstrated to have a strong beneficial influence on tertiary institution organizational performance in Delta state, Nigeria.

Moreover, the correlation between financial performance and market positioning practices is not statistically significant ( $r = -0.162$ ,  $p = 0.247$ ). This indicates a weak or negligible relationship between these variables. While market positioning is crucial for SME competitiveness, a study by May and Jenevive (2017) may shed light on factors beyond market positioning that influence financial performance, such as operational efficiency and innovation. Gachimu and Njuguna (2017) found that market segmentation, product focus strategy, technical innovation, and location strategies are all used by commercial banks in Kenya to improve their competitiveness, according to the report.

Additionally, there is a strong positive correlation between financial performance and cost leadership practices ( $r = 0.469$ ,  $p < 0.01$ ), suggesting that SMEs adopting cost leadership strategies tend to achieve better financial results. This finding aligns with Ombati (2020), who emphasized the importance of cost management in enhancing SME profitability and sustainability. Munyi and Deya (2019) looked into how strategic value chain positioning affects the performance of Kenyan pharmaceutical companies. Logistical management, operational procedures, customer engagement, and strategic procurement all have a good association with pharmaceutical firm success, according to the study's results.

The correlation between financial performance and differentiation practices is also significant ( $r=0.457$ ,  $p<0.01$ ). This implies that SMEs implementing differentiation strategies tend to have superior financial performance. Johnson *et al.*, (2018) similarly highlighted the role of differentiation in enabling SMEs to command premium prices and gain competitive advantages in the market places. Parnell (2016) emphasizes the importance of difference in a company's image, which makes the purchase process more sensitive for customers. Allen and Helms expect that firms will produce individualized products as a result of this. All of this backs up Thompson and Strickland's (2014) assertion that enterprises may differentiate themselves in a variety of methods and dimensions. The fierce competitiveness in today's market is the driving reason for most organizations' efforts to focus on differentiation.

Overall, these correlation analyses provide valuable insights into the relationship between strategic management practices and financial performance among manufacturing SMEs in Nairobi County.

#### 4.6 Multiple Regression Analysis

Multiple regression analysis was done to examine the relationship between one dependent variable and two or more independent variables.

##### 4.6.1 Model Summary

**Table 4.23 Model Summary**

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
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.547 <sup>a</sup>	0.299	0.241	0.73137	1.767
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*a. Predictors: (Constant), Differentiation Practices, Market Positioning Practices, Environmental Scanning, Cost Leadership Practices b. Dependent Variable: Financial Performance*

**Source: Researcher 2024**

The model summary indicates that the combination of Differentiation Practices, Market Positioning Practices, Environmental Scanning, and Cost Leadership Practices explains approximately 29.9% of the variance in financial performance (R square= 0.299). the adjusted R square, which accounts for the number of predictors in the model, stands at 0.241, suggesting a relatively moderate fit. The standard error of the estimate is 0.731, indicating the average deviation of observed values from the regression line. The Durbin-Watson statistic of 1.767 suggests that there may be some autocorrelation present in the model residuals. The findings of the model align with a study by McAllister (2016) which emphasized the importance of a holistic approach to strategic management, incorporating factors like differentiation, market positioning, environmental scanning, and cost leadership to enhance SME financial performance.

**4.6.2 ANOVA**

**Table 4.24 ANOVA**

			Mean		
	Sum of Squares	df	Square	F	Sig.
Regression	10.953	4	2.738	5.119	.002 <sup>b</sup>

Residual	25.675	48	0.535
Total	36.629	52	

a. *Dependent Variable: Financial Performance*

b. *Predictors: (Constant), Differentiation Practices, Market Positioning Practices, Environmental Scanning, Cost Leadership Practices*

**Source: Researcher 2024**

Table 4.24 reveals a statistically significant regression model ( $F= 5.11, p= .002$ ), indicating that the combined effect of Differentiation Practices, Market Positioning Practices, Environmental Scanning, and Cost Leadership Practices significantly predicts financial performance. Moreover, the mean values indicate the amount of variance explained by each variable, with a mean square of 2.738 for the regression and 0.535 for the residual. This suggests that the predictors collectively account for a significant portion of the variability in financial performance beyond what can be attributed to random error. The findings align with Wang *et al.*, (2018) who demonstrated that a comprehensive approach to strategic management, encompassing various practices such as differentiation and cost leadership, positively impacts SME financial performance.

#### 4.6.3 Model Coefficients

**Table 4.25 Model Coefficients**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.672	0.689		2.428	0.019

Environmental Scanning	0.134	0.029	0.112	4.645	0.022
Market Positioning Practices	0.239	0.069	0.182	3.475	0.015
Cost Leadership Practices	0.294	0.108	0.325	2.711	0.043
Differentiation Practices	0.455	0.114	0.329	3.992	0.012

*Dependent Variable: Financial Performance*

**Source: Researcher 2024**

The constant term, which presents the intercept of the regression equation, has a value of 1.672 with a standard error of 0.689. This indicates that when all independent variables are zero, the predicted financial performance of manufacturing SMEs in Nairobi County is approximately 1.672 units. The associated t-value of 2.428 is statistically significant at the 0.05 level, suggesting that the intercept significantly differs from zero.

The coefficients of the independent variables reveal the impact of each strategic management practice on financial performance. Environmental scanning shows a coefficient of 0.134 with a standard error of 0.029, indicating that for every one-unit increase in environmental scanning practices, financial performance is predicted to increase approximately 0.134 units. The associated t-value of 4.645 is statistically significant at the 0.05 level, indicating a significant positive relationship between environmental scanning and financial performance.

Similarly, market positioning practices, cost leadership practices, and differentiation practices exhibit positive coefficients of 0.239, 0.294, and 0.455, respectively. These coefficients suggest that as SMEs increase their utilization of market positioning, cost leadership, and differentiation strategies, their financial performance is predicted to

improve. The associated t-values are also statistically at the 0.05 level, indicating significant positive relationships between these strategic practices and financial performance.

#### **4.7 Discussion of Findings**

Environmental scanning practices, such as SWOT analysis and PESTLE analysis, have a moderate level of utilization among manufacturing SMEs in Nairobi County. This finding aligns with Li and Liu (2021), who emphasize the importance of environmental scanning for SMEs to adapt to market changes and improve financial performance. The positive correlation between environmental scanning and financial performance corroborates findings from previous studies, indicating that SMEs with proactive scanning mechanisms tend to fare better financially. However, while SMEs are employing environmental scanning tools, there may be variability in their effectiveness across different businesses, suggesting the need for further refinement or customization of these practices to suit specific context.

The study reveals varying levels of utilization of market positioning practices among manufacturing SMEs in Nairobi County. While offering a large variety of products emerged as a widely adopted strategy, others like focusing on the aesthetic appeal of products exhibited moderate utilization. Interestingly, the correlation between market positioning practices and financial performance was not statistically significant, indicating a weak relationship. This finding contrasts with a study by Johnson *et al.*, (2017), which underscores the importance of market positioning for SME competitiveness. It suggests that factors beyond market positioning, such as operational efficiency and innovation, may play a more crucial role in influencing financial performance among SMEs in Nairobi County.

Cost leadership emerges as a significant predictor of financial performance among manufacturing SMEs in Nairobi County, with a strong positive correlation observed. This result resonates with research by Bill and White (2016), which highlighted the importance of cost management in enhancing SME profitability and sustainability. The study indicates a linear relationship between cost leadership practices and financial performance, emphasizing the need for SMEs to adopt cost-effective strategies to improve their bottom line. The relatively high internal consistency of cost leadership practices further strengthens the reliability of this finding, suggesting a consistent impact on financial outcomes across surveyed SMEs.

Differentiation practices, such as offering unique products or services and emphasizing customer service excellence, are positively correlated with financial performance among manufacturing SMEs in Nairobi County. This finding aligns a study by Nyovest (2019) who emphasizes the role of differentiation in enabling businesses to command premium prices and gain competitive advantages. However, while SMEs demonstrate moderate utilization of differentiation strategies, there is room for improvement, particularly in enhancing product uniqueness and customer service excellence. The study underscores the importance of differentiation for SMEs aiming to improve financial performance in a competitive market environment.

**CHAPTER FIVE**  
**SUMMARY, CONCLUSIONS AND**  
**RECOMMENDATIONS**

**5.1 Introduction**

This chapter presents a summary of the research findings, conclusions drawn, recommendations and suggestions for further research.

**5.2 Summary of Findings**

The first objective of the study was to determine the influence of environmental scanning practices on financial performance of manufacturing SMEs in Nairobi County. The findings of the descriptive statistics indicate that environmental scanning practices play a significant role in influencing the financial performance of manufacturing SMEs in Nairobi County. The mean score for SWOT analysis and PESTLE analysis suggests a moderate level of utilization among surveyed SMEs, indicating their awareness of internal strengths and weaknesses, as well as external opportunities and threats. Moreover, the correlation analysis reveals a positive relationship between environmental scanning and financial performance, indicating that SMEs engaging in environmental scanning activities tend to exhibit better financial outcomes. This underscores the importance of proactive monitoring of the business environment to identify emerging opportunities and threats, thereby enhancing strategic decision-making and ultimately, financial performance.

The second objective of the study was to determine the influence of market positioning practices on financial performance of manufacturing SMEs in Nairobi County. The analysis

of market positioning practices suggests a mixed level of utilization among manufacturing SMEs in Nairobi County. While offering a large variety of products appears to be the most utilized strategy, other practices such as product quality improvement and aesthetic appeal alignment demonstrate moderate levels of implementation. However, the correlation analysis indicates a weak relationship between market positioning practices and financial performance, suggesting that other factors beyond market positioning may also play a crucial role in determining SME financial outcomes. This highlights the need for SMEs to carefully consider a comprehensive range of strategies beyond market positioning to enhance their financial performance effectively.

The third objective of the study was to determine the influence of cost leadership practices on financial performance of manufacturing SMEs in Nairobi County. The study reveals that cost leadership practices significantly influence the financial performance of manufacturing SMEs in Nairobi County. Both the descriptive statistics and correlation analysis demonstrate a positive relationship between cost leadership practices and financial performance. Furthermore, the regression analysis confirms the significant predictive power of cost leadership practices on financial performance, underscoring the importance of cost-effective strategies in driving SME success. SMEs adopting cost leadership strategies are likely to achieve better financial results, highlighting the necessity for efficient resource utilization cost control mechanisms within SMEs operating in Nairobi County.

The fourth objective of the study was to determine the influence of differentiation practices on financial performance of manufacturing SMEs in Nairobi County. The findings suggest that differentiation practices also play a crucial role in influencing the financial performance of manufacturing SMEs in Nairobi County. The mean score indicates a moderate level of

utilization of differentiation strategies such as offering unique products or services and focusing on customer service excellence. The regression analysis further confirms the significant impact of differentiation practices on financial performance, emphasizing the need for SMEs to innovate and distinguish their offerings to capture market share and enhance profitability.

### **5.3 Conclusions**

The study concludes that environmental scanning plays a significant role in influencing the financial performance of manufacturing Small and Medium Enterprises (SMEs) in Nairobi County. The findings indicate that SMEs engaging in environmental scanning activities tend to exhibit better financial outcomes. This suggests that being proactive in identifying and assessing external opportunities and threats enable SMEs to adapt more effectively to market changes, thereby enhancing their strategic decision-making processes.

Contrary to expectations, the study finds that there is no statistically significant relationship between market positioning practices and financial performance among SMEs in Nairobi County. Although market positioning is widely recognized as a crucial factor in determining SME competitiveness, the findings suggest that other factors, such as operational efficiency and innovation, may have a more substantial influence on financial performance. This highlights the complexity of the SME landscape and underscores the need for further research to explore the nuances of market positioning strategies and their impact on financial outcomes.

The study affirms the significance of cost leadership practices in driving SME financial performance in Nairobi County. SME adopting cost leadership strategies tend to achieve better financial results, indicating the importance of effective cost management enhancing

profitability and sustainability. The study's conclusions emphasize the necessity for SMEs to prioritize cost-effective operations and explore avenues for reducing production costs to improve financial performance.

The study concludes that differentiation practices are important in enhancing the financial performance of manufacturing SMEs in Nairobi County. SMEs implementing differentiation strategies tend to have superior financial performance, indicating the value of offering unique products or services and focusing on customer service excellence. The study's conclusions underscore the significance of differentiation as a strategic imperative for SMEs seeking to thrive in competitive markets and achieve sustainable growth.

#### **5.4 Recommendations of the Study**

The study recommends that manufacturing SMEs in Nairobi County prioritize and enhance their environmental scanning practices to improve their financial performance. Given the significant positive correlation between environmental scanning and financial performance, as evidenced by the multiple regression analysis and correlation results, it is clear that SMEs benefit from staying abreast of market trends, regulatory changes, and competitive dynamics.

The study recommends that manufacturing SMEs in Nairobi County should pay particular attention to refining their market positioning practices to enhance financial performance. While the correlation analysis did not reveal a statistically significant relationship between market positioning practices and financial performance, the multiple regression analysis indicated an insignificant coefficient for market positioning strategies.

The study recommends that manufacturing SMEs in Nairobi County consider adopting cost leadership strategies to improve their financial performance. The significant positive coefficient for cost leadership practices in the multiple regression analysis underscores the importance of cost management in driving profitability and sustainability for SMEs. SMEs should focus on identifying opportunities for cost optimization, streamlining operations, and leveraging economies of scale to maintain competitive pricing and improve margins. Lastly, the study recommends that manufacturing SMEs in Nairobi County prioritize differentiation strategies to enhance their financial performance. The positive and significant coefficient for differentiation practices in the multiple regression analysis highlights the importance of offering unique products or services compared to competitors.

#### **5.5 Suggestions for Further Study**

Further studies could delve deeper into exploring the mediating and moderating factors that influence the relationship between strategic management practices and financial performance among manufacturing SMEs in Nairobi County. The researchers could investigate the role of organizational culture, leadership styles, and technological adoption in shaping the effectiveness of strategic practices in driving financial outcomes. Additional longitudinal studies could be conducted to assess the long-term impact of strategic management interventions on SME performance, allowing for a more comprehensive understanding of the dynamics at play. By addressing these avenues, future research can contribute to a more nuanced understanding of the mechanisms through which strategic management practices impact SME financial performance and inform the development of targeted interventions to support SME growth and sustainability.

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## APPENDICES

### Appendix I: Consent Form

I consent to being a respondent in this study by **Abdullahi Mohamed Ali** on the  
***“INFLUENCE OF STRATEGIC MANAGEMENT PRACTICES ON FINANCIAL  
PERFORMANCE OF SMALL AND MEDIUM MANUFACTURING FIRMS IN  
NAIROBI COUNTY, KENYA.”***

The consent is given voluntarily after the researcher has asked for it and has pledged confidentiality and sole use of the material for academic study. Its sole purpose is to improve knowledge in the field of business administration.

.....

Respondent Signature

Date

## Appendix I: Questionnaire

This purpose of this questionnaire is to collect data for purely academic purposes. The study seeks to determine the effect of strategic management on financial performance of manufacturing SMEs in Nairobi County. All information will be treated as confidential.

Kindly respond to all questions as accurately as possible in the spaces provided

### SECTION A: BACKGROUND INFORMATION

#### 1. Please indicate your gender

a) Male

b) Female

#### 2. Please indicate your age

a) 18-25

b) 26-35

c) 36-45

d) 46 and above

#### 3. Please indicate your highest level of education

a) Primary level

b) Secondary level

c) Certificate/Diploma

d) Graduate [ ]

e) Postgraduate [ ]

**4. What position are you holding currently?**

a) Owner [ ]

b) Partner [ ]

c) Line Manager [ ]

d) Director [ ]

e) Other Staff [ ]

**5. How long has your firm been in operation?**

a) Less than 2 years [ ]

b) 2-4 years [ ]

c) 5-8 years [ ]

d) 8-10 years [ ]

e) More than 10 years [ ]

**6. SME legal formation**

a) Sole proprietorship [ ]

b) Partnership [ ]

c) Limited company [ ]

**7. Current SME number of employees**

a) Below 5 [ ]

b) 6-10 [ ]

c) 11-20 [ ]

d) 21-50 [ ]

e) Over 50 [ ] **SECTION B: STRATEGIC**

**MANAGEMENT PRACTICES ADOPTED BY**

**MANUFACTURING SMES IN NAIROBI COUNTY**

**8. Environmental Scanning**

Please rate the extent to which the following environmental scanning tools have been adopted in the SME using a scale of 1 to 5 where 1 is very small extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is to a very large extent.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
SWOT analysis					
PESTLE analysis					

Scenario planning					
Porter's Five Forces					
Market surveys					

### 9. Market Positioning Practices

Please rate the extent to which the following in relation to market positioning in the SME using a scale of 1 to 5 where 1 is very small extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is to a very large extent.

Statement	1	2	3	4	5
Improvement of the quality of products being offered					
Statement	1	2	3	4	5
Offering a large variety with the product of the firm					
Focusing on how the looks and aesthetic of a product suits the customers' life and needs.					
Consumers are able to easily recognize the SME brand					
There is brand loyalty towards the SMEs by the customers					

There is brand credibility by the SME.					
Marketing positioning of the SMEs is in line with the organization values and attributes					

### 10. Cost Leadership Strategy

Please rate the extent to which the following cost leadership practices have been adopted in the SME using a scale of 1 to 5 where 1 is very small extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is to a very large extent.

Statement	1	2	3	4	5
Value based pricing					
Competition pricing					
Skimming pricing					
Statement	1	2	3	4	5
Penetration pricing					
Cost leadership pricing					

### 11. Differentiation Practices

Please rate the extent to which the following differentiation practices have been adopted in the SME using a scale of 1 to 5 where 1 is very small extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is to a very large extent.

Statement	1	2	3	4	5
The SME focuses on the primary benefit of the product or services for their target market.					
The product or services provided by the SMEs are unique in comparison to the competitors.					
The SME has excellent customer service that its unique to the competitors.					
The firm has adopted digital process unique from the competitors to ensure timely product availability and customer service.					

12. Are there any other differentiation practices employed in your organization?

.....  
 .....  
 .....

..... SECTION C: PERFORMANCE OF MANUFACTURING SMES IN NAIROBI COUNTY

17. Please rate the extent to which the following performance measures have grown in the last five years. Use a scale of 1 to 5 where 1 is very small extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is to a very large extent.

Year	1	2	3	4	5
Annual sales					
Accumulated Annual investment/cost					
Approximate annual costs					

18. What is the growth rate of your company performance?

- a) Very large extent ( )
- b) Large extent ( )
- c) Moderate Extent ( )
- d) Small Extent ( )
- e) Very Small Extent ( )

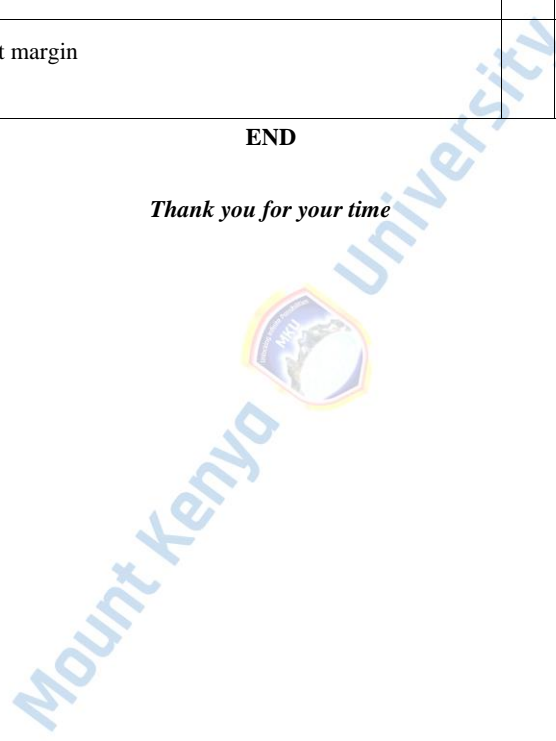
19. Please rate the extent to which strategic management practices have helped to improve the following financial performance measures of performance at your organization using a scale of 1 to 5 where 1 is very small extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is to a very large extent.

Statement	1	2	3	4	5

Return on capital employed					
Return on Assets					
Return on Investment					
Operating profit margin					

**END**

*Thank you for your time*



## Appendix II: List of Manufacturing SMEs in Nairobi County

1. Africa Tea Brokers Ltd
2. Alpha Woolens Ltd
3. Anurag Brothers Ltd
4. Apple Coolers Ltd
5. Asl Credit Ltd
6. Auto Aunciliaries Ltd
7. Avtech Systems Limited
8. Biodeal Laboratories Ltd
9. Capital Paints ltd
10. Chemical and School Supplies
11. Chemsolve Cleaning Services
12. Chui Manufacturing Co.
13. Complast Industries Ltd
14. Computer Planet Ltd
15. Coninx Industries Ltd
16. Creative Edge Ltd
17. Dalco Kenya Ltd
18. Faram Ea Ltd
19. Furniture Elegance Ltd
20. Ganatra Plant & Equipment Ltd
21. General Aluminium Fab Ltd
22. Gina Corporate Communications

23. Highland Forwarders Ltd
24. Joyknitts Garments Ltd
25. Kandia Fresh Produce Suppliers
26. Kentons Ltd
27. Keppel Investments Ltd
28. Laytons Branding Ltd
29. Manpower Kenya Ltd
30. Marketpower International Ltd
31. Master Power Systems Ltd
32. Mbokoni Transporters Ltd
33. Midco Ltd
34. Monte Services Ltd
35. Optiware Communications Ltd
36. Oriental Products Ltd
37. Panesar's Kenya Ltd
38. Powerpoint Systems (E.A) Ltd
39. R & R Plastic Ltd
40. Radar Ltd
41. Rupra Construction Co.
42. Safety Tech Ltd
43. Sai Pharmaceuticals Ltd
44. Satguru Travel and Tours


45. Silverbird Plus
46. Specialised Hardware
47. Sujuzi Agencies
48. The Phoenix Ltd
49. Toolcrafts Limited
50. Transport & Lifting Services
51. Tropikal Ltd
52. Tyre king Ltd
53. Union Logistics Limited
54. Vajra Drill Ltd
55. Viva Productline Ltd
56. Wangeeci Enterprises
57. Warren Enterprises Ltd
58. Waumini Insurance Brokers Ltd

*Source; Kenya Manufacturing Association (2021)*

**Appendix III: Introduction Letter**



Appendix IV: Ethics Review Committee



# Mount Kenya University

REF: MKU/ISERC/3016 Date: 02 October 2023  
TO: ABDULLAHI MOHAMED ALI  
REG: MBA/2014/62746

Dear Sir/Madam,


**RE: EFFECT OF STRATEGIC MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF MANUFACTURING SMALL AND MEDIUM ENTERPRISES: CASE OF NAIROBI COUNTY**

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **2060**. The approval period is **02/10/2023 - 01/10/2024**.

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,  
  
The Chairman  
Mount Kenya University  
Ethics Review Committee  
P. O. Box 412 - 0100, Thika

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


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Main Campus, General Kago Road, P.O. Box 342-01000 Thika.  
Cell: +254 709 153 000 / +254 709 153 200  
Email: [info@mku.ac.ke](mailto:info@mku.ac.ke), Web: [www.mku.ac.ke](http://www.mku.ac.ke)  
Chartered and ISO 9001 : 2015 Certified Institution.  
Unlocking Infinite Possibilities

**Appendix V: Research permit from NACOSTI**




**REPUBLIC OF KENYA**  
National Commission for Science, Technology and Innovation



**NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY & INNOVATION**

Ref No: **755954** Date of Issue: **13/April/2024**


**RESEARCH LICENSE**



**This is to Certify that Mr. ABDULLAHI MOHAMED 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 Nairobi on the topic: -EFFECT OF STRATEGIC MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF MANUFACTURING SMALL AND MEDIUM ENTERPRISES: CASE OF NAIROBI COUNTY for the period ending : 13/April/2025.**


License No: **NACOSTI/P/24/34474**

Applicant Identification Number: **755954**



**Director General  
NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY &  
INNOVATION**

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**See overleaf for conditions**

**Appendix V: Work Plan**

	Aug 2023	Sep-Nov 2023	Dec-Jan 2023/4	Feb- July 2024	June 2024
Proposal writing					
Proposal presentation and Corrections					
Data collection					
Data analysis and Project Writing					
Project submission					



**Appendix VI: Study Budget**

<b>Item</b>	<b>Cost (Kshs)</b>
a) Stationery and typing services	6,500.00/-
b) Printing & Photocopying	4,100.00/-
c) Binding	3,000.00/-
d) Internet Expenses	3,500.00/-
e) Travelling expenses	10,000.00/-
f) Data Collection	35,000.00/-
g) Research Assistant expenses	23,000.00/-
h) Publication	28,000.00/-
<b>Subtotal</b>	<b>113,100.00/-</b>
i) Miscellaneous/contingency expenses (10%)	10,500.00/-
<b>GRAND TOTAL</b>	<b>123,600.00/-</b>

**Appendix VI: Similarity index report**

INFLUENCE OF STRATEGIC  
MANAGEMENT PRACTICES ON  
FINANCIAL PERFORMANCE OF  
SMALL AND MEDIUM  
MANUFACTURING FIRMS IN  
NAIROBI COUNTY, KENYA

*by .. ...*

---

Submission date: 26-May-2024 01:28PM (UTC+0300)  
Submission ID: 2287897028  
File name: ABDULLAHI\_THESIS\_26.05.24.docx (290.75K)  
Word count: 20025  
Character count: 124057



## INFLUENCE OF STRATEGIC MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM MANUFACTURING FIRMS IN NAIROBI COUNTY, KENYA

### ORIGINALITY REPORT

<b>17%</b>	<b>16%</b>	<b>6%</b>	<b>13%</b>
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

### PRIMARY SOURCES

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