

**INFLUENCE OF SELECTED STRATEGY IMPLEMENTATION FACTORS
ON ORGANIZATIONAL PERFORMANCE OF SELECTED SMALL AND
MICRO ENTERPRISES IN MACHAKOS COUNTY, KENYA**

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DECLARATION

I declare that this thesis is my original work and has not been presented in any other university for award of any other degree.

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DEDICATION

This work is dedicated to my husband Mr. Franklin Mwenda and my children Muthoni, Kendi and Makena for their continued support, prayers and understanding throughout the thesis period.

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LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|----------------|--|
| CEO | Chief Executive Officer |
| GDP | Gross Domestic Product |
| KIPPRA | Kenya Institute of Public Policy Research and Analysis |
| KNBS | Kenya National Bureau Statistics |
| KPI | Key Performance Indicators |
| MSEA | Micro and Small Enterprises Authority |
| NACOSTI | National Commission for Science, Technology and Innovation |
| OST | Open Systems Theory |
| RBV | Resource Based View |
| ROI | Return on Investment |
| ROS | Return on Sales |
| SME | Small and Medium Enterprises |
| SPSS | Statistical Package for the Social Science |

ABSTRACT

Small and Micro Enterprises performance can be significantly impacted by the adoption of strategies that take into account various functional areas, including accounting, marketing, human resource management, and information management. The study aimed to evaluate the influence of strategy implementation on organizational performance of SMEs in Machakos County. Specifically, influence of structure, financial resources, communication, and monitoring on organizational performance of SMEs in Machakos County was also examined. The study drew upon theories such as strategy fit, the resource-based view, open systems, and human capital as its conceptual foundation. A descriptive research approach was adopted, and a sample of 95 business owners was selected from the target population of 2,113 SMEs in Machakos County using stratification. The researcher collected primary data using a self-administered questionnaire. In order to determine the validity and reliability of the research instruments, a pilot study was conducted in selected SMEs in Nairobi County. Descriptive statistics, were employed in analyzing the primary data, while regression analysis was utilized to derive conclusions from the data. The results of the regression analysis indicated that financial resources and communication had a positive association with the organizational performance of small and micro enterprises in Machakos County. However, organizational structure and monitoring showed an inverse relationship. The significance value for the predictor variables, except for communication, was below 5 percent, leading to the conclusion that organizational structure, financial resources, and monitoring were statistically significant predictors of organizational performance of small and micro enterprises in Machakos County. Communication was found to be insignificant. Based on the findings, it is recommended that organizations adopt a less complex organizational structure, use their own resources rather than borrowed resources, maintain a shorter chain of command, and conduct regular and frequent monitoring.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globally, all enterprises struggle to survive in the competitive environment through continued strategy formulation and implementation with a major goal of performance improvement. The performance of an organization consists of the capability of the enterprises to fulfill its task through assessment of how far an organization is in terms of where they are set to be. This can be achieved through management of the market share, consulting, and a persistent assurance to attainment of the set goals and objectives (Wang & Wang, 2012). In addition, organizational performance can be measured through the level of growth where organizations conduct evaluations based on the set objectives and goals in relation to production and service provision. Production and service provision could be improved through a mix of competences, management styles and resources.

Organizational performance, survival and success of businesses have been stimulated by strategy choice and how they are executed. According to (Richard, et al., 2011), organizational performance can be evaluated and assessed through a balance scorecard as a tool for performance evaluation. Organizational performance can be measured through capacity utilization, return on investment, return on sales, quality of productivity and satisfaction level of the customers. Bearing in mind how significant small and micro enterprises are in building a country's economy, it is important to ensure well formulated

strategies and effective implementation of the strategies to ensure they serve as drivers to achieving the intended goals in economic development (Organization for Economic Co-operation and Development [OECD], 2017)

Continued growth has been continued witnessed in the recent years in strategy execution and this continues to date. The head of the organization are faced with challenges and among the ten top challenges are inability of the top management to consistently execute strategies that are designed. A third of the top managers chose strategy execution as of the greatest concern. In terms of consistency, in strategy execution is ranked third out of the ninety-one challenges face by managers (Tapera, 2014). A common obstacle faced in the business realm is effectively translating strategic plans into actionable steps. Implementation of strategic plans is an element in the strategic process and is considered to be a stage of transforming plans into actions leading to results. These results are measured against the mission, vision and strategic objectives of an organization (Thompson & Strickland, 2003).

According to Gibson and Cassar (2002), strategic planning has seen to the success of large companies as opposed to small companies that do not lay much emphasis on strategic planning. The verdicts and activities that lead to preparation, implementation and control of set strategies aimed at achieving the mission, vision and goals are referred to as strategic management and vary in relation to the environment a business is operating (Pearce & Robinson, 2005). Studies show that good plans do not succeed due to lack of

proper completing plans which is why organizations have shifted their focus and concentrated on how to ensure successful strategy implementation. In U.S., it was revealed that in the process of strategic planning, action plan development is more critical in achievement of the set specific goals and objectives of a company (Murray, 2020). Further, an approach for implementation should be put in place to ensure the strategic plan is properly executed. The approach should be able to consider the critical aspects like performance measures, human resources, the financial resources key processes and ensure they are all well aligned to ensure the implementation process is successful (Murray, 2020).

In Africa, the strategy implementation stage is faced with issues like high expectations, misjudging the time period needed to completion of the plan, the financial resources and the uncontrollable environmental and external issues (Muthoka, et al., 2019). Primarily, an organization should strive to effectively achieve the set organizational goals and enjoy an advantage over their competitors (Kinyoe, 2012). It is noted that the management process also entails the strategy implementation policy and in its operations the organization should ensure they efficiently implement the set strategic plan to see to the success of an organization (Otley, 2016).

Baird and Harrison (2017) noted that leadership is a crucial ingredient towards achievement of strategy execution stating that most leaders don't have the know-how of the discipline of strategy execution. A set of core processes developed on the basis of

leadership behaviors, which create a culture of execution was recommended. A vigorous discourse, or “discourse that surfaces reality,” is considered to be the spirit of an execution in culture. According to Baird and Harrison (2017), coaching, teambuilding and change encompass a robust dialogue which leads to formation of work teams that are effective for strategy execution.

Researchers have tried to research whether the particulars of a strategic plan could be the reason why implementation itself is a challenge and one of the studies with the Economist Intelligence Unit examining 156 top executives worldwide from top companies concluded that the structure of the strategic plan and the timings are among the obstacles to strategy execution (Radomska & Kozyra, 2020).

They continued to argue that strategy setting and planning is a continuous process and therefore managers should be allowed to regularly review their decisions in relation to the changing strategies as opposed to the norm that strategy formulation and execution is done yearly not allowing the management make important decisions throughout the year to the end. This paradigm if employed then should make strategic meetings decision making meetings where the facts are reviewed and alternatives are realized and finally choices are made for the good of the organization. This therefore bridges the gap between the strategy formulation and strategy execution (Mankins & Steele, 2006).

Review on literature shows that strategy execution is also in a very huge scope influenced by the culture of an organization. Since the culture of an organization contributes to competitive advantage in an organizations and CEOs have understood the need to nurture good behaviors which in turn lead to improved performance and best organizational strategy formulation which gives birth to strategy execution. Culture accounts for nearly half of the organizations performance since strategy is a collective concept in relation to performance of an organization (Owino & Kibera, 2019).

In Kenya, microfinance performs an essential role in the development of the nation's economy since SMEs hold a lion's share of establishments (KNBS, 2014). Small enterprises comprise of between eleven and fifty employees while micro enterprises comprise of ten or a smaller number of employees. SMEs are essential in the job market as they have created over fifty percent of newly created jobs in the year 2013. In the manufacturing industry in Kenya, the SMEs contributes to thirty three percent in fees payment for their production and sale (Mwangi & Namusonge, 2014).

According to Ahmed and Kising'u (2019) growth of SMEs requires well formulated regulations across all sectors taking care of political, monetary and societal institutions in the country in the corporations and marketplaces that see to the growth of SMEs while at the same time legitimize the markets. For the purposes of SMEs delivery and coping with the lengthy unpredictable situations and challenges, SMEs need to develop strategies that help them cope with uncertainties that come along with their service delivery and

productivity. Therefore, every enterprise is tasked with the assignment of being proactive in coming up with coping strategies for its survival and those that will earn them will have a competitive advantage over their competitors.

Strategy Implementation

Njue and Ongoto (2018) argues that strategy implementation is viewed as a performance task and a management exercise by the management which in turns is translated into key performance indicators (KPI) that are further cascaded down to all levels of the organization. Auka and Langat (2016) states that failure to implement the set strategies reduces the effectiveness of the strategic planning process. Elbanna and Fadol (2016) noted that about 70% of new strategies fail to be implemented in most organizations hence fail to achieve the intended goal. Baroto, et al. (2014) further alluded that about 66% of corporate strategies are never implemented. While some managers would consider strategy formulation a big challenge, its implementation proves to be a bigger challenge and failure to complete the whole process leads o failure of the strategy hence negatively affect the business. Most of the managers have the capability of developing strategies and strategic plans but are unable to implement them (Hrebiniak, 2006). Similarly, most company employees are not aware of the strategy or do not even understand it. The act of making decisions, initiating plans, taking ideas, objectives, policies and other organizational aspects entail the strategy implementation stage (Wheelen & Hunger, 2012).

According to Ahmed and Kising'u (2019) the organization's goals and efforts are realized through strategy implementation which transforms the enterprise and allows for organization's initialization and action. The methods and designs put in place in a big way influence the success of strategy implementation helping the enterprises realize its interior and exterior strengths and weaknesses that need to be worked on. Using these methods, an organization is able to work efficiently and realize its set goals and objectives. Gamage, et al. (2020) states that capacity in the form of human capital and management has seen to the survival of the first-rate corporate developed strategies. Further, Afolabi and James (2018) suggests that management support and staff training on business approaches helps in bridging the gap between achievement and unsuccessful use of strategy in an organization. Kihia (2017) indicated that Small and Micro enterprises actualizing the idea of strategic management tend to be more lucrative and fruitful than those that did not. The study therefore adopted four variables including organizational structure, financial resources, communication and monitoring with the intention of assessing their influence on organizational performance of SMEs in Machakos County.

Performance of Small and Micro enterprises

Organizational performance can be measured through such indicators like Return on Sales (ROS), Return on Investment (ROI), level of customer satisfaction, utilization of human capital, capacity utilization and quality of products. In order for survival, OECD (2017) states that SMEs play a very imperative role in economic advancement hence a great need to be articulate in formulating the strategy and implementation methods. The

performance of SMEs varies from one enterprise to the other and in the industry, they fall into. Therefore, comparison becomes a challenge and profits too are assessed over a period of time and within that period changes take place adding on the comparison and assessment challenge (Makau & Deya, 2019). This makes sales and engagement levels key indicators to measuring growth and performance of an enterprise.

The numbers in employment are also important indicators that are easily accessible even in the government. The figures available in sales are affected by inflation and the rates of exchange in the market deeming it difficult to compare figures across different industries. This therefore justifies the use of multiple indicators while studying growth of firms (Rajapathirana & Hui, 2017). Equally, tax systems which are complex are also hinderances of growth and performance of SMEs (World Bank, 2021). Regional governments need to take collective measures to ensure the SMEs are able to compete with their counterparts both locally and across boarder due to the technological changes that are taking place day in day out. Strategic plans should be developed that will help firms save on cost, improve on infrastructure, train on IT and provide information related to business opportunities and digital trading (Ndubisi & Nwankwo, 2013).

Small and Micro enterprises in Kenya

Small and Micro Enterprises which are 80 percent of the businesses in Kenya contributes massively towards growth and development of a nation. They enable economic diversification and resilience. They contribute 18 percent to the income of Kenya and have been to create job for 74 percent of the Kenyan population (KIPPRA, 2021).

However, they need to the best practices if they are to realize their full capability in contributing to the country's income growth (Auka & Langat, 2016). By acknowledging what the strategic planning process can offer to Kenyan SMEs they would be so lucrative and fruitful. In Kenya, studies by Kefa (2014) and Muriuki and Maina (2021) have evaluated the SMEs strategic planning and implementation process where it was noted that majority of the SMEs have not adopted the strategic planning and implementation process. However, the urban centers SMEs have adopted the strategic planning and implementation process, where most of them as medium enterprises.

1.2 Statement of the Problem

Small and Micro enterprises are the backbone of growth of economy both globally and locally. Although they play a crucial role in making a significant economic contribution and creating a competitive private sector, it is faced with multiple challenges especially in developing countries like Kenya (Kenya National Bureau of Statistics [KNBS], 2020). These challenges range from accrued debts, stagnation, and in extreme cases closure which are caused by poor strategic planning to poor strategy implementation thus loss of focus. Small and micro enterprises in Kenya are also faced with various demands that are critical and that deter their growth which include inaccessibility of government funding, insufficient skilled and qualified manpower, lack of relevant information regarding the business, legal and regulatory restrictions, poor structures lack of adequate training and poor capacity in technology (Cherugong, 2015).

A study by Wanjohi and Mugure (2014) on the determinants of growth of SMEs in Kenyan rural areas identified that the strategies adopted by the SMEs were product differentiation, prices wars, customer service and pace of service delivery but did not elaborate on how well they were implemented. Studies have been carried out having a focus on strategy formulation and implementation and also growth of businesses but with different variables like performance but none as concentrated on such in Machakos County. For instance, Gamage, et al. (2020) concludes that for there to be growth and success, organizations are tasked with the duty of formulating objectives that are optimistic, high and which stimulate growth. The researcher thus, sought after solving the disparity in knowledge by evaluating the selected strategy implementation factors influence on the performance of the selected small and micro enterprises in Machakos County, Kenya.

1.3 General Objective

To assess the influence of selected strategy implementation factors on organizational performance of selected small and micro enterprises in Machakos County.

1.3.1 Specific Objectives

- i) To assess the influence of organizational structure on organizational performance of selected small and micro enterprises in Machakos County.

- ii) To determine the influence of financial resources on organizational performance of selected small and micro enterprises in Machakos County.
- iii) To establish the influence of communication on organizational performance of selected small and micro enterprises in Machakos County.
- iv) To evaluate the influence of monitoring on organizational performance of selected small and micro enterprises in Machakos County.

1.4 Research Hypotheses

- i) H₀₁: Organizational structure has no significant influence on organizational performance of selected small and micro enterprises in Machakos County.
- ii) H₀₂: Financial resources has no significant influence on organizational performance of selected small and micro enterprises in Machakos County.
- iii) H₀₃: Communication has no significant influence on organizational performance of selected small and micro enterprises in Machakos County.
- iv) H₀₄: Monitoring has no significant influence on organizational performance of selected small and micro enterprises in Machakos County.

1.5 Significance of the Study

The study is important for business owners to determine the best organizational structure to adapt and the monitoring procedure to ensure the implementation of a strategic plan.

Small and micro-enterprise owners can learn the best strategies and implementation procedures that fit their businesses while ensuring organizational performance. The study can also provide a starting point for new entrants to these forms of business in formulating and implementing strategies.

Furthermore, the study can be useful for businesses operators to learn how to effectively pull resources together to ensure successful implementation of strategies. Business owners can also understand the most effective communication style and flow when communicating the implementation process and expectations to their employees.

Furthermore, this study has the potential to make valuable contributions to the existing body of literature regarding the implementation of strategies and the performance of small and micro-enterprises. Policy makers such as the Micro and Small Enterprises Authority (MSEA) can use the study to develop policies that improve the performance of these businesses. They can also learn about the best procedures for different forms of businesses under this category.

1.6 Scope of the Study

The study was steered in the County of Machakos in the selected Small and Micro enterprises. It targeted the owners of the enterprises who are assumed to be the developers of the strategies and also the initiators of the plans. Machakos county was more appropriate since it is a county in Kenya and has many SMEs thus gave a good

representation number in terms of respondents hence the results can be a representation for the rest of the counties in Kenya. The responses helped evaluate the influence of selected strategy implementation factors on organizational performance of selected small and micro enterprises in Machakos County.

1.7 Limitation of the Study

Implementation of strategy has not been an issue that is standardized thus respondents may confuse plans and implementation. This was countered by drawing a clear line between where planning ends and where implementation starts. Lack of sufficient resources may delay the implementation process hence this was countered by making prior preparations towards implementation to avoid delay or stalling the process. Respondents may also not understand the topic clearly thus the need to explain the same to them to ensure clear understanding. Respondents may at first be reluctant to respond to people they consider strangers but through assurance that the information is for academic purposes then this was resolved.

1.8 Assumptions of the Study

In this study, it was presumed that the data collected from the respondents was sincere, accurate, and up-to-date. These respondents were assured of confidentiality in the data provided as it was to be used for academic purpose only. Further, it was assumed that the measures of variables were adequately loaded on the constructs that were studied

1.9 Operational Definition of Terms

Organizational Structure: it entails the way an enterprise has organized its management and operative order as per the authority and functions (Aleksić & Jelavić, 2017). In the context of this research, the command chain efficiency and how several echelons of management bestow their obligations will be tested for service delivery efficiency and organizational performance. This facet is identified on the basis of its vital task in resource distribution and deployment towards strategy implementation.

Financial Resources: These are the monetary aspects of business and are the backbone of organizational success as money is used as an enabler in acquisition of products and services (Cascio, 2015). Availability of finances in an organization is key to ensuring all the assets required can be acquired while ensuring all the operations and services are paid for.

Communication: The conveying or sharing of information by dialogue, lettering, or utilizing some other medium (Owino & Kibera, 2019). As per this study, communication will be evaluated by founding whether the accurate data is distributed to the correct person in an appropriate way by utilizing the appropriate channel and response mechanisms.

Monitoring: Monitoring entails all the sequential activities that analyzes and use available data in following up the advancement of a project in the context of achieving the overall goal while at the same time guiding the management decision (Arasa & K'Obonyo, 2016). In the study monitoring will be assessed through capacity, plan, feedback, routine, support and evaluation.

Strategy Implementation: It entails performing of the plans and setting strategies with an intention of attaining the long-standing expectations of a firm while converting the selected strategy into actions to achieve the objectives (Atkinson, 2006). In this study, factors of strategy implementation like the role of an effective organizational structure, resources, communication and monitoring will be evaluated.

Organizational Performance: Organizational performance refers to the capability by an enterprise to fulfill its task through assessment of how far an organization is in terms of where they are set to be through a management that is competitive, use of authority and full commitment towards set objectives and goals attainment in an enterprise (Wang & Wang, 2012). In this particular study performance will be measured using level of customer satisfaction, capacity utilization, Return on Sales (ROS), Return on Investment (ROI), quality of products and organizational growth.

SME: These are businesses that employ between one to ninety-nine workers. SMEs are enterprises that has between fifty-one to two hundred and fifty employee and a turnover that does not exceed Kenya Shillings one hundred million (Kenya Institute for Public Policy Research and Analysis [KIPPRA], 2021).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This segment will cover the theories underpinning the research, empirical review on organizational structure, resources, communication and monitoring. The section also presents the conceptual and operational framework, which shows the association between the response variable and the predictor variables.

2.2 Theoretical Review of the Study

Strategy formulation in the strategic management process comes before strategy implementation. It is then in the interest of every organization to ensure selection of best fit strategies that will be implemented for improvement of organizational performance. It is therefore of great importance that strategies are properly implemented and in a timely manner to enhance organizational performance. The theories underpinning the study will include strategic fit, resource based view, open systems and human capital theories.

2.2.1 Strategic Decision Theory

Venkatraman (1989) developed the strategic fit model. Similarly, it is called strategic decision theory or the best fit strategic management theory. The theory stipulates that there is not a single universal way strategic management and management practices.

Management practices application depends on factors like organizational culture, the strategy of the firm and the firm context (Wright & Snell, 2015). This theory assumes that every firm should be able to align itself to cope with the internal and external influences for them to be able to implement its strategy. Further, an organization should be able to align its vision, mission, objectives, the organization structure, the competitive environment, possessions and competences with its strategy to enable for successful implementation which in turns will lead to enhanced performance. It is through these internal factors that the organization is able to align its strategies to produce the best results. At the same time, organizations try to understand its external environment and the influence from outside and come up with strategies to be able to cope and compete to ensure improved performance. Strategic planning is viewed by the theory as a complex and a continuous process that needs continued improvement and monitoring to ensure its achievement in line with the overall organizational performance. Therefore, the theory emphasizes on the changing processes of strategic planning and it is suitable for the study since it will assist in examining the process involved in strategic management in the SMEs that function in the ever changing internal and external environment (Shankar & Shepherd, 2019).

Performance of an organization is affected by the strategic fit frameworks under which various strategies are based. Strategic fit process entails control and supervision of all the components that relates to the strategic planning process which are put in place to ensure the overall organizational goals are achieved (Shankar & Shepherd, 2019). Organizations

put resources together in the best combination that favors its organization operations to ensure they are in a better position strategically in order to enhance the overall performance of the organization. In the strategic planning process, the strategic fit theory is central since it helps in ensuring that the strategies to be adopted are the best for each individual different organization considering their structure and the internal and external environments while at the same time enhancing organizational performance. This theory further allows for retention of the existing strategies which are deemed more practical and compatible with the resources available, business alignment and performance impact. Conversely, Aleksić and Jelavić (2017) recommended the suitability of the strategic fit model in analyzing and understanding the strategic planning process in small and micro enterprises and their performance.

Strategic fit theory also allows organizations to scan the environment, collect information and transform it into useful information for the mission and vision statements that can help in the strategy formulation and implementation process. This means that for the information to be useful, it as to be aligned to the mission and vision of the organization. The theory puts more emphasis on adapting strategies that will give competitive advantage to the small and medium enterprises through sound decisions on strategic choices, coordination and integration which in turns leads to superior organizational performance (Lindow, et al., 2010). The theory of strategic fit mounts an importance relevancy and availability of resources and strategic planning process components. Inability to align these resources to the strategic goal is a hindrance to the strategic

planning process. The theory is basically related to the strategic implementation process and how it is conducted through provision of the necessary resources that are required in the alignment to the strategy. Strategic decision theory further presupposes that executing a strategy may encounter hinderances in the execution process, either internally or externally resources or both. This justifies that the supportive environment usually occurs in the strategy enactment and is necessary (Prajogo, 2016). It is relevant to the study in that it helps and allows organizations to settle for strategies that best fit and describe their mission and vision hence they have a sense of direction leading towards enhancing performance of the enterprises.

2.2.2 Resource Based View (RBV) Theory

Bharadwaj (2000) alludes that the human capital asset in an organization provides a competitive advantage that is sustainable more than the financial, physical and technical resources of the organization since they are all unique and, in most cases, could be hardly emulated. The central idea of the RBV theory is provision of a sustainable advantage through the available resources, systems and attributes forte longest period of time possible. To maintain a firm's long term competitive advantage, it means that the resources are rare, valuable, imitable and unique which is hard for others to imitate. Joo, et al. (2013) states that a competitive advantage can be created through utilization of human resource systems by maximizing on their competences which are firm tailored to generate knowledge and complex social relationships. To ensure organizational performance is improved, organizations need to have strategic plan that takes care of the

human capital in the organization. Through this, organizations are able to have current and future human capital plans and projections to ensure there is no breakdown in production and performance. Further, employees are considered a source of sustainable competitive advantage and organizational strategic assets. This uniqueness can be achieved through a well-defined organizational structure, valuable and unique resources, proper and effective communication channels and flows which provide feedback and continued monitoring of the strategy implementation procedure (Lengnick-Hall & Moritz, 2003).

Resource-based view theory further examines the organization's processes; value creation potential and strategy definition allowing an organization have sustainable maximum value production (Liozu & Hinterhuber, 2013). Through this evaluation, organizations are able to develop strategies that enable them improve their operations and processes which lead to the preferred performance. This as well helps organizations plan for their resources strategically to prevent production breakdown and post poor performance. An enterprise is required to be unique while creating a niche as the clients they are offering services to will always revisit as the products offered are not substitutable. Enterprises need to develop or establish strategies that are unique in nature and empower their staff in ensuring they uphold the values set and be in a position to utilize the available properties in producing goods and services. By so doing the success of the enterprise will be achievable (Liozu & Hinterhuber, 2013).

This theory is suitable to this study since the key aim of every enterprise is to be the market leader with a sustainable performance. The theory is applicable to all study variables as the enterprises structure require to be structured well to enhance inimitability and upright flow. The resources both hard and soft are basis of strength for implementation of any developed strategy. Communication provides information which is a vital resource. The way it is relayed could be the foundation for an enterprise to compete or be the one of the reasons of its failures. Finally, all the activities leading to the successful implementation of the strategy needs to be actively monitored continually by people who are well versed with the expectation to ensure the process is moving positively towards the expected results and performance.

2.2.3 Open Systems Theory (OST)

Wright and McMahan (1992) recognize that the organizational systems are heavily affected by the environment in which they exist. The theory advocates for adaptive measures for business survival in the ever-changing environment. For organizations to be able to adopt, they need to design strategies that will enable them adopt for their business to be able to adopt even to the ever-changing business environment and requirements. In the modern business set up, this theory allows for firms to device strategies that are healthy, adaptable and revolutionary to organizations and the society to be able to cope with the dynamic and unpredictable business environment. Businesses even globally are affected by the external environment and the environment on the other hand is affected by the business therefore the need to device strategies to help them cope (Pfeffer &

Salancik, 2003). In this view, organizations need to be very keen on what is happening from within and outside to make sure they are not overtaken by events and suffer losses or poor performance.

The interrelation entails other firms producing endless financial, social and political influences. This also gives provision for business survival and protection from direct alteration through the available resources (Kutllovci & Shala, 2018). In achieving sustainable resources and business survival, organizations need to have strategies that make sure resources don't run out and organizations survive in the competitive market and fit the trend in the market. Individuals and corporations are open structures that influence one another and the decisions taken would be highly influenced by the actions of the other. Therefore, the theory advocates for adaption of corrective measures in the quest to fit in the environment. Organizations are therefore left with the challenge of ensuring strategies that will help them cope and cope with the surrounding environment to ensure organizational performance (Pfeffer & Salancik, 2003).

The theory is applicable to this study since it allows for businesses to understand that it does not operate in a vacuum and to be able to come up with strategies that will help the business cope. On the other hand, businesses are able to know the best organizational structure to adapt to, which will help them enjoy a competitive advantage. It is also relevant to the research since businesses existing in the ever changing and competitive environment will be able to know the resources that they need to have for them to cope.

If businesses fail to devise strategies that best fit their organization, then it might end up failing and post poor performance which could be avoided if strategies are well calculated and selected. From the environment also businesses are able to search information necessary to help them camouflage and beat the competition with the best fit strategies that enhances performance. The theory also allows the organization to network and benchmark which helps the business to compare options and settle for the best fit strategies in relation to the organization and the operations undertaken within the organization. Finally, the theory allows for adaptive strategies to cope with the open business environment setup and ensure improved performance.

2.2.4 Human Capital Theory

The theory was progressed by Schultz in 1960 and stated that it is the aggregate of the enterprise available competences, personal features that develop intrinsic and quantifiable value to the economy. Additionally, it can also include the know how available within a certain period in an enterprise and staff social set up in an enterprise. Equated to a mathematical equation, it is what an individual employee can be able to contribute economically to an organization. Employees are assets to the organization in terms of what they are able to give back after career development, employee training, nurturing of talent and ensuring workers stay in an organization for the longest period of time through the retention strategies employed. The question of how employees can be regarded as capital assets and further considered key aspects of organization performance is very interesting in management accounting (Crook, et al., 2011). This leads to a circumstance

where the enterprise performance can be predicted via objectives decisions. Competent human capital is attainable through continuous strategic training, talent management, occupation development and expertise.

The human capital which is an intangible asset usually contributes handsomely to the performance of an enterprise. This is achievable by acquiring skills, managing talents, retaining employees and training the employees and can enhance the implementation of strategies in an enterprise. Every enterprise needs to confirm that they have a unique human capital as per the skill and competences. It is essential in strategy implementation process as competitors cannot imitate with ease thus creating a competitive advantage edge. Employees who possess unique skills and capabilities should be retained so that performance can be enhanced. Thus, if an enterprise possesses right resources, it has the responsibility of ensuring there is maximum utilization of resources (Kutllovci & Shala, 2018).

This theory is pertinent to the study since strategies are implemented by employees. This means that an organization should be able to establish the right human capital that can drive the strategic goals and vision of a firm. The theory will also assist in establishing current and future human capital demands in relation to the expectations of the organization in relation to performance. It is also important for accomplishment of all the objectives since human capital is required to run the financial function in an organization

while at the same time setting up the structure, ensuring continuous communication and monitoring of the implementation process.

2.3 Empirical Review

2.3.1 Organizational Structure and Organizational Performance

Udayanga (2020) did research on organizational structure effect on small and medium enterprises performance in Sri Lanka. The study predictor variables consisted of specialization, departmentalization, span of management, hierarchy, delegation, formalization and coordination. The study was based on the Lumpkin and Dess model and the resource-based view model. Gathering of the primary data from a sample population of 383 small and medium enterprise owners was facilitated by utilizing a structured questionnaire. Structural equation modelling was carried out in testing the variables. The results revealed that specialization, departmentalization, span of management, hierarchy and delegation was significant in predicting the SMEs performance while formalization and coordination were insignificant. However, the study did not indicate the research design adopted as well as no conclusion or recommendations were made.

A study on the organizational structure effects on firm performance in the manufacturing industry was carried out by Mon (2019). Complexity, formalization, nature of hierarchy and technology were considered as measures of the independent variable. The primary

data for the research was composed from the sample size of 190 respondents. The regressed results revealed that formalization and technology portray a significant relationship towards the dependent variable while complexity and nature of hierarchy was insignificant. Nevertheless, the research methodology was not clear on who was targeted in the research as well as the respondents.

Organizational structure is an essential element in developing an environment that enhances strategy implementation. Organization structure influences the strategy to be implemented is highly and its impact is experienced in the whole organization (Michel, et al., 2013). The implementation of this strategy affects all the staff in the enterprise. It is therefore advisable not to adopt a complex structure as it would be a challenge in the strategy implementation process since it is difficult to adjust to any circumstance that may arise (Freeman, 2016). An organization should formulate a structure that is compatible with its operations to ensure improved performance and adequate resources for its implementation.

Ogbo, et al. (2015) did a study on structure impact on the performance of particular firms in Nigeria in the technical and service sector. Specifically, the study assessed the impact of decentralization, task routine and narrow span on the organization performance. Survey approach was utilized where primary and secondary data was used in collecting data. Out of the 80 questionnaires which were self-administered 97.5 percent were filled successfully and returned. The chi square and correlation analysis results rejected the null

hypothesis for all the variables. Consequently, it was concluded that the predictor variable influences the response variable significantly and positively. The researcher recommended that decentralized form of structure should be adopted in firms, the lower-level manager should participate in the decision making and employees should be encouraged and offered more resources for them to be innovative. However, the study did not indicate the theory anchoring the study.

The organizational structure effect on the organizational performance was conducted by Eze, et al. (2017). The predictor variable constructs were centralization and formalization while for the response variable were sales, profit and customer satisfaction. Weber's way of bureaucracy and Taylor's scientific management theories anchored the study. Survey research design was implemented by the researcher where self-guided questionnaire was employed in gathering primary data from the 354 respondents. Yamane formula of 1967 was used in computing for the sample size. Convenience sampling was used in selecting the 51 employees of the Micro finance bank and 303 customers. The correlated results indicated that when organizational structure is not significant on organizational performance when formalization is used as a measure for the predictor variable but significant when centralization is used as the measure. Nevertheless, it was not clear how the researcher selected the customers who were used in the study as respondents.

Burke and Kraut (2016) states that an organizational structure need to be adjustable so as to encourage any kind of health change in any enterprise. The flexibility assists in tackling

emergent issues and have a better way of approaching turn around when there is crisis. This makes everyone in the enterprise feel accommodated in case there are new strategies to be implemented. Furthermore, when the structure is adjustable the decision-making process becomes unambiguous and resolutions can be arrived very easily.

A study was conducted by King'oo (2017) in Nairobi city county government on quality service delivery and top management support and it was revealed that the structure of the management needs to be clearly described with clear strategies on the responsibilities for each employee. Additionally, it ought to be adjustable to encourage change in case there arises lucrative opportunities. The strategies established are supposed to be associated with the organization structure to allow implementation. On the other hand, communication was identified as a vital component in achieving quality services. It is attainable by use of appropriate channel of communication as stipulated in the strategic plan.

Maduenyi, et al. (2015) carried out a study on the impact of organizational structure on organizational performance. Data was collected using secondary sources such as journals, articles, internets and text books. It was noted that an entity cannot exist without a definite structure. Hence, organizations need to develop a good organization structure. The regression analysis showed that organizational structure significantly affects organizational performance. However, the study lacks information about the research

approach used, the target population, and the underlying theories. Hence, the study was incomplete and the results cannot be relied upon in making a conclusion. The study further needs to show the recommendation that are appropriate in today's organizations.

A study on the association between the structure of the organizational and performance of GE in Africa was conducted by Onono (2018). Swiftiness and eminence of decision making, organizational knowledge and communication structures were used as measures of organizational structure. The study adopted a descriptive research design where the target population was 290 respondents consisting of 184 individual contributors, 64 functional process leaders and 42 senior leadership. Stratified sampling design was used in identifying the sample respondents. Cooper and Schindler procedure was utilized in computing the study sample size resulting to 140 respondents. Closed ended questionnaire was utilized in collecting the primary data which was further analyzed using descriptive and multiple linear regression analysis. The study results revealed that there is a significant positive relationship between the independent variables and the dependent variable. The study recommended that the organizational structure adopted by an entity should assist business leaders in making decisions easily, encourage workers to hold cross functional and horizontal learning. However, there was no theory underpinning the study variables.

An assessment on the effects of organizational structure on performance of organizations was conducted by Eze, et al. (2017). Organizational centralization and organizational

formalization were used as measures of organizational structure. Weber's Bureaucracy theory and Scientific theory by Taylor were anchoring the study. The study used a descriptive survey research design, with 2651 respondents as the target population consisting of 51 employees and 2600 customers. Census method was used in identifying the sample respondents. Yamane formula was utilized in computing the research size of the sample resulting to 354 respondents. Closed ended questionnaire was utilized in collecting the primary data which was further examined using descriptive and multiple linear regression analysis. A 33.3 percent response rate was attained. The study results revealed that there is no significant affiliation between the predictor variables and the dependent variable. The research did not make concrete recommendations for the study. On the other hand, the research methodology adopted was not scientific in nature.

2.3.2 Financial Resources and Organizational Performance

It is very possible to achieve strategy implementation when there are suitable financial muscles. Suitable resources are supposed to be apportioned in the organization to allow strategy implementation process completion (Makau & Deya, 2019). Strategy implementation is a procedure that need to be properly planned to avoid losses in investments such as energy, time and funds. Proper planning has to be set before strategy implementation is carried out. This allows for assessing the financial capability of an enterprise and assist in gauging the right time for launching the process. Further, it is used in ensuring there is adequate resources.

Njagi, et al. (2018) conducted a study on the connection between financial resources and organizational performance of public health institutions in County of Embu. The resource-based view theory was utilized in anchoring the study. Descriptive explanatory research design was adopted by the study while targeting 550 employees of the public hospitals in Embu County. The employees consisted of nurses, doctors, pharmacists, hospital administrative officers, nutritionists, laboratory technicians and health record officers. A sample size of 165 employees issued with a semi-structured questionnaire where the data collected were analyzed using the multiple linear regression. The findings indicated that there is a noteworthy association between financial resources and performance of the public hospitals in Embu County. The rationale behind selecting a sample size of 165 employees in the study was not clearly stated by the researcher. Hence, the findings may not be the true representation of the situation in hospitals in Embu County.

White, et al. (2015) assessed the connection between financial resources and performance of Small and Micro Enterprises in service sector in Eldoret municipality. The social role theory anchored the study which also adopted an explanatory research design. Primary data was collected from the respondents' using questionnaires and interview schedules. A sample size of 600 respondents was obtained from the target population of 1200 to respond to the questionnaires. The owners of the enterprises registered by the ministry of industry replied to the inquiries in the questionnaire. The analysis outcomes showed that financial resources were significant in manipulating the performance. The study did not

offer recommendations for the study and the inferential statistics utilized in making the conclusions.

A review of financial resources and organizational performance in the state transportation agencies was carried out by Flink and Chen (2021). Capital and physical maintenance expenditures were used as measured for financial resources. The study used a descriptive cross-sectional survey research approach. The sample size of 50 United States of America in the transportation agencies was used in obtaining primary data by use of a questionnaire that were self-administered. The correlated results indicated that financial resources have a significant relationship towards the response variable. However, it is not clear how the researcher arrived to 50 as the sample size.

Collection models and change management review in developing the greatest choice of organization transformation methods was conducted by Kazmi, et al. (2016). It was revealed that change can be achieved through adequate resources. This determines the methods to apply in transforming an enterprise. Furthermore, financial ability is an essential element that an enterprise should acquire to be in a position to develop any change. The financial resources should be sustainable such that if there any emergencies the resource can be able to sort all these changes till the end of the process.

An assessment on the drivers of consideration in making decision for allocation of resources in the manufacturing enterprises in the United States of America was undertaken by Adegorite (2015). It was thus found that resource allocation is carried out on prioritization basis since conducting all new tasks together would be strenuous to the enterprises financially. The prioritization of the projects is vital as those offered priority will serve as financial support for the concurrent projects in the rank of financial sustainability. The study also concluded that all the resources of an organization depend on one another in the process of strategy implementation thus should conduct an analysis to ascertain what is available before embarking on the process.

2.3.3 Communication and Organizational Performance

Guuru and Adede (2022) did a study on the association between communication strategies and successful implementation of programmes at the international Livestock Research Institute in Kenya. Participatory communication strategy, result-driven communication strategy and multi channeled communication strategy were used as measures of communication strategies. Participatory communication theory, uses and gratifications theory, implementation theory and goal-oriented communication theory was used in underpinning the study. The research applied the descriptive cross-sectional research design with a positivism approach. Out of the total target population of 379 employees, the researcher decided to use a sample size of 194 based on the Yamane formula for sample size computation. Stratified sampling was utilized in identifying the respondents for the structured questionnaire. The primary data was analyze using the

multiple linear regression. The results indicated that the predictor variables elucidated 74.9 percent of the variations in the dependent variable were observed and the model was good performed well in explaining the link between the variables. It was concluded that participatory communication strategy, result-driven communication strategy and multi channeled communication strategy had a significant influence on the dependent variable. Nevertheless, there were no recommendations made by the study.

Okora (2021) assessed the effects of communication strategies on telecommunication firms' performance in Kenya. Explicitly, the study scrutinized the effect of communication styles and integrated communication on performance. The communication styles were operationalized as inactive communication, antagonistic communication, subservient communication, scheming communication and assertive communication. On the other hand, the modern and traditional forms of communication were considered to be the parameters of integrated communication strategy. Communication theory was anchoring the study. The study adopted a desktop approach. The analyzed data indicated that there is a positive and noteworthy bond between the independent variables and performance of the Telecommunication firms. The study however, did not state who were the study respondents, thus it is not clear where the analyzed data was collected from. On the other hand, the researcher did not give the method used to analyze the data. Therefore, the research might not be offering scientific evidence about the variables under study.

An assessment of the effective business communication and employee performance was carried out by Kalogiannidis (2020). Horizontal communication, downward communication and upward communication were used as measures of business communication. Social cognitive theory and transtheoretical model were used in underpinning the study. The study applied the cross-sectional survey design. Simplest random sampling was used in arriving at a sample size of 110 contributors from the lending institutions in Greece. Primary data was assembled by using the online questionnaires which had closed ended questions. The responses were analyzed using multiple linear regression. The independent variables were explaining 42.1 out of a hundred of the disparities in the dependent variable and the model was found to be good. The study concluded that the horizontal communication and downward communication have a noteworthy influence on the organization performance while upward communication was insignificant. Nevertheless, it was not clear how the researcher identified the respondents since the target population was not stated was not stated.

Aikins, et al. (2014) in their reviewed article on evaluating the role of performance in optimal of client for health care in Green Hill hospital and Bechem Government hospital in India found communication to be vital in any operations of an enterprise since it facilitates information flow. The service givers had the capacity of understanding the needs of their clientele. Hence, a communication contact was advocated in case client satisfaction was to be fulfilled. Equally, the continuous monitoring and assessment of the customers' past, a focal reason and resolution to the unruly is found.

Musheke and Phiri (2021) conducted research on the effective communication effect on an enterprise performance. The systems theory anchored the study. The study utilized a quantitative approach where 88 respondents participated in the study. A questionnaire was utilized in collecting the primary data. Pearson correlation coefficient was adopted in analyzing the data. The outcomes indicated that there is no significant connection between effective communication and organization performance. It was suggested that there is need to have training on all levels of management on conflict and communication management. It is unclear how the researcher used a sample size of 88 respondents.

Vinazor (2020) studied the connection between effective communication and organizational performance of Ndorama Eleme petrochemical limited. The research utilized a descriptive survey design of research. A sample population of 72 workforce from the 110-target population was selected using simple random sampling procedure. In analyzing the data collected by use of a questionnaire, a descriptive statistic and linear regression were used. The regressed outcomes presented that a noteworthy connection exists between communication and organization performance.

Musenze, et al. (2017) did a evaluation on quality service delivery and communication in local government of Uganda considering a mediating influence on total quality management. The results indicated that the delivery of a quality service is not achievable if there is no communication since it guarantees total quality management. It can only be

achievable by continuous monitoring from the start of production. The three variables are inseparable as communication for the predictable value is made early and services offered are conveyed in the feedback system.

An evaluation of the communication quality position influence on the performance of higher learning institution in the United States of America was done by Gutman and Miaoulis (2015). Through marketing communication an enterprise has the capability of attaining the characteristics of their customers and the assistance they can gain from the customer relationship. It assist in developing ways of satisfying the customers in an effort to enhance a long lasting relationship. Further, it was decided that marketing communication is a way to an end chain that facilitated the discovery of customer needs. The quality services are developed to make sure that the customers are satisfied in the enterprise.

2.3.4 Monitoring and Organizational Performance

Monitoring involves comparing the organization's set targets and the actual results achieved over a period of time. Managers acquired data concerning work from the staff and interpret that into results used to evaluate and rank employee performance. The strategic management model goes up to the strategy monitoring and evaluation stage. Managers can also compare the realized results against the expected results to help them adjust the formulated strategy (Aldehayyat & Twaissi, 2017). The purpose of strategy

monitoring and evaluation is to help a firm establish the feasibility and practicability of the set plans and how well they fit the financial capability of a firm considering the set goals and objectives (Arasa & K'Obonyo, 2016).

The relationship between monitoring and evaluation systems and organization performance was assessed by Masawe and Isanzu (2020) in Tanzania Airport Authority. The study adopted the descriptive research design. A total of 350 employees of Tanzania Airport Authority located in Ilala municipality were targeted. The size of the sample, consisting of 187 respondents, was determined using the Solvents formula for sample size calculation. Closed-ended questions were utilized in the questionnaires to collect primary data. The responses were analyzed using multiple linear regression. The independent variables were explaining 91.5 percent of the disparities in the dependent variable and the model was found to be good. The study concluded that the predictor variables have a noteworthy impact on the society performance. Nevertheless, it was not clear how the researcher identified the respondents since the sampling design was not stated. Additionally, there was no theory underpinning the study.

Mbilla, et al. (2020) evaluated an empirical review on the effect of monitoring on Ghanaian bank performance. The theory of the bank anchored the research and the quantitative approach and descriptive research design was used. Twelve financial institutions were used in the study where 300 respondents were utilized in responding to the questionnaire. The results in the regression model indicated that there is no

noteworthy connection between monitoring and organizational performance. It was recommended that organizational should reduce direct monitoring. However, it was not clear how the researcher sampled the population since no figure is indicated in the article.

Performance has lacked conventional measure despite many research on performance. Quality of products and customer demand are some of the factors that are considered during the strategy evaluation process. However much the process of strategy monitoring and evaluation seems to look alike in the large firms, it is not completely duplicated in the SMEs since some functions vary from firm to firm (Flink & Chen, 2021). Elbanna and Fadol (2016) presupposes that strategy assessment is way of developing strategy implementation levels. It specifies if the enterprise is following the right path in achieving its strategic goals.

Zuriana, et al. (2017) explained strategic evaluation to be a pointer that offers early signs to the several drivers that ought to hinder the accomplishment of the strategy. Such hinderances prompts the management to query the strategy, completing process or the leaders' consistency and capability. The function of strategy evaluation has helped many businesses cope with upcoming dangers to close down and suggested turn around measures and strategies (Dubihlela & Sandada, 2014). Moreover, it helps firms identify the weak areas and come up with possible solutions to save sinking situations. This is through provision of necessary information and resources to help solve the problems

before they get out of hand leading to organizational losses. Management therefore, need to ask the appropriate questions efficacy to be achieved (Kutllovci & Shala, 2018).

Continuous and periodical evaluations assist in keeping the strategic plan adjustable for it to be connected to the proficiencies of the organization (Auka & Langat, 2016). Strategy monitoring and evaluation when conducted effectively enables an enterprise to attain its set goals and the supervision time and energy will be consumed on other valuable activities, as the scrutiny on the practicality of execution are also considered (Naghi & Gica, 2015). Although majority of the enterprises finds the process as a hinderance it offers essential material as it exposes several challenges and wrongdoings that are source of the failure in attaining the objectives (Majid & Baroto, 2016).

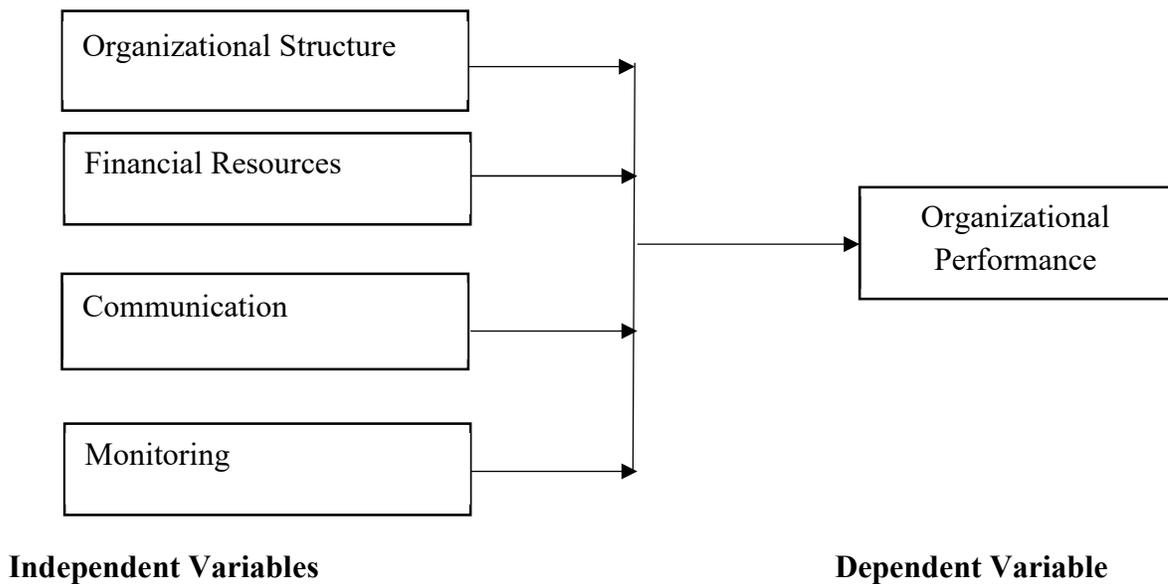
The process makes the work easier for the management to take action in rectifying the state so that the enterprises can follow the suitable direction for the achievement of their objectives. The action is considered to be strategic control (Nyamwanza, 2016). Despite controlling the strategies, it is used in attempting to help the enterprise tackle the changes very fast via corrective actions to facilitate the achievement of the objectives. It is not only enabling the organization to measure progress against standards, cost, date and quality, but also provide guidance, support and direction to motivate managers and employees in achieving better results (Pearce & Robinson, 2014).

2.4 Conceptual Framework

This section shows the diagrammatical description of the link that exists between predictor variables and dependent variable. The conceptual framework portrays the variables interaction in the study; the interaction between structure, financial resources, communication and monitoring with organization performance.

Figure 2.1

Conceptual Framework



Source: Researcher (2022)

2.4.1 Structure

The structure indicates the hierarchy in the enterprises and setup and how it influences factors towards the implementation of the strategies in the enterprise while at the same time focusing on the achievement of organizational performance (Aleksić & Jelavić,

2017). In reference to this research, the incidence of a humbler enterprise structure and a highly elastic one would be beneficial in the enactment process.

2.4.2 Financial Resources

The financial resources of an enterprise are supposed to be sustainable so as to be in a position to boost the process from the start to the conclusion whereas other procedures are running smoothly concurrently (Remund, 2010). In regard to this study, an enterprise supposed to be in possession of adequate financial resources which would enable successful strategy implementation.

2.4.3 Communication

Communication is an essential component of all the operations in an enterprise. The employees are supposed to follow one direction and talk in similar language of attaining the goals of an enterprise. Presence of obstacles in communication would result in many operations headed in wrong direction in the strategy implementation process and its performance (Cascio, 2015). Information is regarded to be an influential resource in the enterprise as it establishes a sense of direction and uniformity. This creates room for strategy implementation and enterprise performance since personnel are moving in the same direction.

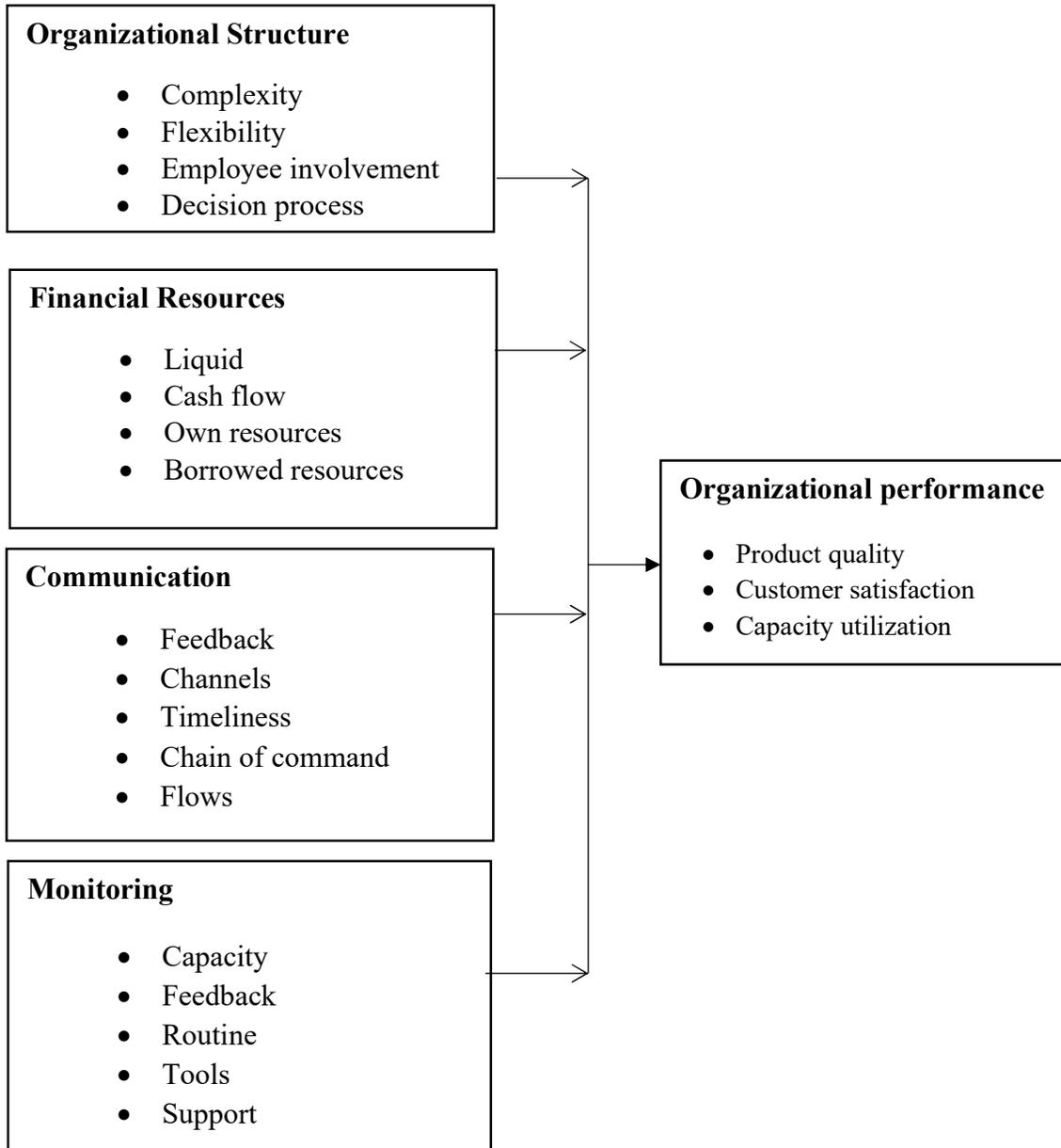
2.4.4 Monitoring

Monitoring entails all the sequential activities that analyzes and use available data to follow up progression of a project achievement of the overall goal while at the same time guiding the management decision (Arasa & K'Obonyo, 2016). In the study monitoring will be assessed through capacity, plan, feedback, routine, support and evaluation.

2.5 Operational Framework

Figure 2.2

Operational Framework



Independent variables

Dependent Variable

Source: Researcher (2022)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section discussed the research design, research philosophy, target population of the study, the sample size, sampling design and procedure, data collection instruments and procedure and also presents the data analysis.

3.2 Research Design

It is a technique used in conducting research by creating a plan that is logical in approaching the research question or hypothesis by collecting, analyzing, interpreting and discussing data (Gómez & Mouselli, 2018). A descriptive research design was used in the study. It usually portrays the situation, event or person the way it is and has an objectivity approach. It allows the assemblage of data and computation of occurrences on the study variables and their interaction (Zikmund, et al., 2013). The findings of the sample were applied to the whole population. It is more appropriate since the results and observations can be generalized to the entire population (Bryman & Bell, 2014). By gathering information on strategy implementation and performance of an enterprise. The descriptive research design was essential in describing the observations.

3.3 Target Population

The research had a target population of 2113 business owners from the small and micro enterprises in Machakos County as provided by Machakos Ministry of Trade, Industrialization and Innovation (2021). Target population is the aggregate of items in the enquiry (Kothari, 2004). It will be selected since by the time any business comes to existence there is always something considered to be a strategic plan to be implemented with the aim of achieving expected business performance. The selected categories of people are supposed to have information pertaining to strategy implementation and organizational performance.

Table 3.1

Sample Frame

| Sector | Target Population |
|------------------|--------------------------|
| Medical | 104 |
| Agricultural | 248 |
| Metal works | 280 |
| Electronics | 203 |
| Mechanics | 256 |
| Woodworks | 172 |
| General supplies | 206 |
| Mini-stores | 328 |
| Bookshops | 128 |
| Transport | 108 |
| Entertainment | 80 |
| Total | 2113 |

Source: Machakos Ministry of Trade, Industrialization and Innovation, 2021

3.4 Sampling Design and Sample Size

Sampling design involves the guidelines applied in including a sample population as a representative of the whole population (Kothari, 2004). The enterprises will be randomly selected and further stratified sampling will be used in deriving a sample from the whole population. The owners of the enterprises selected will be included in the sample for examination and will help in gathering the relevant information required in the study. Yamane 1967 provided a simplified method to compute the size of the sample as shown below:

$$n = \frac{N}{1 + N(e)^2}$$

Where n, is the sample size

N, is the size of the population

e, is precision level of 10%.

$$n = \frac{2113}{1 + 2113 (0.1)^2} =$$

$$n = 95$$

Table 3.2***Sample Size***

| Sector | Target Population | | Sample Size |
|------------------|--------------------------|------------------------------|--------------------|
| Medical | 104 | $\frac{104 \times 95}{2113}$ | 5 |
| Agricultural | 248 | $\frac{248 \times 95}{2113}$ | 11 |
| Metal works | 280 | $\frac{280 \times 95}{2113}$ | 13 |
| Electronics | 203 | $\frac{203 \times 95}{2113}$ | 9 |
| Mechanics | 256 | $\frac{256 \times 95}{2113}$ | 12 |
| Woodworks | 172 | $\frac{172 \times 95}{2113}$ | 8 |
| General supplies | 206 | $\frac{206 \times 95}{2113}$ | 9 |
| Mini-stores | 328 | $\frac{328 \times 95}{2113}$ | 15 |
| Bookshops | 128 | $\frac{128 \times 95}{2113}$ | 6 |
| Transport | 108 | $\frac{108 \times 95}{2113}$ | 5 |
| Entertainment | 80 | $\frac{80 \times 95}{2113}$ | 4 |
| Total | 2113 | | 95 |

3.5 Data Collection Instruments and Procedure

A questionnaire was utilized in collecting primary data. This is a data collection tool which composes of several queries and is developed so as to gather intended information from the respondents with an aim of getting responses for a study (Bryman & Bell, 2014). A questionnaire with 5-point Likert scale questions was developed. It was then self-administered by the researcher to the owners of the enterprises who were considered as the managers for examination hence, helped in gathering the relevant information required in the study.

3.6 Reliability

Reliability involves the uniformity of the technique of measuring the variables (Adams & Lawrence, 2018). The study used the test retest method to assess the questionnaire's reliability and Cronbach's Alpha approach with values within the range of 0 and 0.7 indicating that the data collection tool has a low level of reliability while those with values above 0.7 indicate that it has an acceptable level of consistency and reliability. The recognized values specify that values between 0.7 and 0.8 is a sign of an appropriate level of reliability and above 0.8 is the most appropriate level of reliability (Ursachi, et al., 2015). The researcher conducted a pilot study in the selected small and micro enterprises in Nairobi County to enhance the reliability of the questionnaire.

3.7 Validity

Validity is the extent to which a construct accurately evaluates the precise thought that the study is trying to measure. In ensuring the data collection tool validity, the study enquired the opinion of the experts in the area of study by enquiring from the research supervisors in regard to content validity. According to Mugenda (2010) a pilot test should entail a range of 5 to 10 respondents. Thus, for the study pilot test a population of 10 owners of SMEs in Nairobi City County was carried out.

3.8 Data Analysis and Presentation

Data analysis of the primary data gathered was carried out. The primary data collected was edited first by checking for completeness of the questions before being summarized, coded and recorded in the SPSS (Statistical Package for the Social Science) for analyzing. First, descriptive statistics was employed in analyzing the data. Secondly, the multiple linear regression analysis was carried out in establishing the connection between the predictor and response variables.

The multiple linear regression equation was developed as follows:

$$OP = \beta_0 + \beta_1*OS + \beta_2FR + \beta_3*Comm + \beta_4*M + \epsilon_t$$

Where;

OP –Organizational Performance, OS – Organizational Structure, FR – Financial Resources, Comm– Communication and M – Monitoring

β_0 - constant, β_1 – Coefficient of Organizational Structure, β_2 – Coefficient of Financial Resources, β_3 – Coefficient of Communication, β_4 – Coefficient of Monitoring and ϵ_t – Regression error term

3.9 Ethical Issues

In ensuring ethical issues were considered in the study the researcher used the introduction letter issued by the university to assure the participants that the research undertaken was completely academic in nature. Additionally, a letter obtained from NACOSTI sought permission to carry out research in the selected small and micro enterprises. Finally, the primary data collected from the respondents was handled as confidential.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND PRESENTATION

4.1 Introduction

The study assessed the influence of selected strategy implementation factors on organizational performance of selected small and micro enterprises in Machakos County. Specifically, the study assessed whether organizational structure, financial resources, communication and monitoring have an influence on organizational performance of selected small and micro enterprises in Machakos County. In this chapter of the study, various aspects were addressed, including the reliability test, response rate, background information, and descriptive characteristics. Furthermore, the study tested four hypotheses related to the research objectives.

4.2 Reliability Test Results

Reliability refers to measure of consistency in a certain concept (Zikmund, et al., 2013). The researcher posed several questions with 5-point Likert scale questions to the study respondents. The reliability of these questions from the study variables were evaluated before carrying out data analysis. The researcher employed the Cronbach's alpha coefficient to evaluate the reliability of the study's questions. The obtained results of this assessment are presented in Table 4.1.

Table 4.1

Reliability Test Results

| | Cronbach's Alpha Based on Standardized Items | Number of Items |
|--------------------------|--|-----------------|
| Organization structure | 0.741 | 4 |
| Financial resources | 0.753 | 4 |
| Communication | 0.774 | 5 |
| Monitoring | 0.804 | 6 |
| Organization performance | 0.763 | 5 |

As per the table 4.1 the study variables obtained a Cronbach's alpha coefficient value which was higher than 0.7 after conducting a reliability test. The Cronbach's alpha coefficient ranged from 0.741 to 0.804, with the lowest coefficient recorded as 0.741 and the highest as 0.804. It is widely accepted that a reliability value above 0.7 is considered suitable (Ursachi, et al., 2015). Consequently, the study questionnaire demonstrated appropriate internal consistency, indicating consistent responses. The predictor variables and dependent variable 5-point Likert scale questions outcomes were used in conducting further analysis in the study.

4.3 Response Rate

The questionnaire of the study was established in collecting data of the influence of selected strategy implementation factors on organizational performance of selected small and micro enterprises in Machakos County. The questionnaire which was administered

by the researcher was used in assembling data from the 95 sampled respondents of selected small and micro enterprises in Machakos County. Out of the 95-sample population 88 responded successfully to the questionnaire which is 92.6 percent representation. A rate of responses which is more than 50 percent is sufficient in furthering the study analysis (Orodho, 2003). A 92.6 percent response rate witnessed in this research is thus sufficient in utilizing the responses by the respondent for further data analysis.

4.4 Background Information

The researcher conducted the study in small and micro enterprises in Machakos County. In an effort to understand the respondents the researcher fetched some information about them. Information on the respondent's academic qualification and length of operation was sought and the responses are as presented in the section below.

4.4.1 Respondents' Academic Qualification

The academic qualification level of an individual may have a bearing on making a decision. The researcher sought to find out the respondents' academic qualification level. The respondents were required to specify their academic level qualification between certificate level holders and doctorate degree holders. Majority of the respondents who were 54.5 percent had attained a bachelor degree; they were followed by those who had a diploma (23.9 percent). Certificate holders and master's degree holders had 11.4 percent and 10.2 percent representation respectively.

4.4.2 Length of Operation

The length of operation of the respondent's business was evaluated in the research. The survey participants were requested to indicate the duration of their business operations, ranging from less than one year to over eleven years. Majority of the respondents who accounted for 31.8 percent of the respondents had operated for six to ten years; they were followed by 19.3 percent of the respondents who had operated for three to five years. Those who had operated for eleven years and above were 18.2 percent while 30.6 percent of the respondents indicated that they had operated for less than two years. This is an indication that the small and micro enterprises that participated in the study had been in operation for a while hence were in a position to give the relevant information required in the study.

4.5 Organizational Performance of Small and Micro Enterprises in Machakos County

Organizational performance of small and micro enterprises was the study response variable. The researcher posed questions based on the response variable measures. Respondents were required to indicate the extent of agreement on various organizational performance measures. In the study, a rating scale ranging from 1 to 5 was utilized. The scale's interpretation was as follows: 5 denoted "strongly agree," 4 represented "agree," 3 indicated "not sure," 2 denoted "disagree," and 1 represented "strongly disagree."

The parameter that obtained the highest score was the enterprise has quality products, ensures customer satisfaction and maximum capacity utilization whose mean score was 4.35. Following closely was the parameter related to the enterprise's return on sales, which obtained a mean score of 4.27, followed by the parameter concerning return on investment with an average score of 4.00. Table 4.2 summarizes these observations.

Table 4.2

Organizational Performance of SMEs in Machakos County

| Statement | Min. | Max. | Mean | Std. Deviation |
|---|-------------|-------------|-------------|-----------------------|
| There is return on investment | 4 | 4 | 4.00 | 0.000 |
| There is return on sales | 4 | 5 | 4.27 | 0.448 |
| The enterprise has quality products | 4 | 5 | 4.35 | 0.480 |
| The enterprise ensures customer satisfaction | 4 | 5 | 4.35 | 0.480 |
| The enterprise ensures maximum capacity utilization | 4 | 5 | 4.35 | 0.480 |

4.6 Organizational Structure and Organizational Performance

The first study objective was to determine the impact of organizational structure on organizational performance. The respondents answered the questions raised on organizational structure measures. The study participants were supposed to show their agreement level with the several statements listed on organizational structure as provided

in table 4.3. The questions were ranked into 5 points with 5 being the highest and representing strongly agree and 1 being the lowest representing strongly disagree.

The parameter which scored highly was on the organizational structure being flexible enough in case of changes with a mean score of 4.27. The organizational structure being not too complex followed with a mean score of 3.90. The organizational structure supports sound decision making process and allowing for employee involvement scored lowly recording a mean score of 3.47, and 3.10 respectively. The results are presented in Table 4.3.

Table 4.3

Organizational Structure influence on SMEs Performance in Machakos County

| Statement | Min. | Max. | Mean | Std. Deviation |
|---|------|------|------|-------------------|
| The structure is not too complex | 3 | 5 | 3.90 | 0.788 |
| The structure is flexible enough in case of changes | 4 | 5 | 4.27 | 0.448 |
| The structure allows for employee involvement | 2 | 4 | 3.10 | 0.728 |
| The structure supports sound decision making process | 3 | 4 | 3.47 | 0.502 |

4.7 Financial Resources and Organizational Performance

The second study objective was to evaluate the impact of financial resources on organizational performance. The respondents gave answers to the questions raised on financial resources measures. The participants were invited to show their agreement level with the several statements listed on financial resources as provided in table 4.4. The questions were ranked into 5 points with 5 being the highest and representing strongly agree and 1 being the lowest representing strongly disagree.

The parameter which scored highly was on the cash flow being well regulated with a mean score of 4.00. The projects initiated being well financed in the organization and the organization worthiness being sufficient to improve organizational performance followed with 3.32 and 3.30 mean score respectively. There being sufficient liquid and solid assets to support scored lowly recording a mean score of 2.91. These results can be found in Table 4.4.

Table 4.4

Financial Resources influence on SMEs Performance in Machakos County

| Statement | Min. | Max. | Mean | Std. Deviation |
|--|-------------|-------------|-------------|-----------------------|
| There is sufficient liquid and solid assets to support strategy implementation in the organization | 2 | 4 | 2.91 | 0.689 |
| The cash flow is well regulated in the organization | 4 | 4 | 4.00 | 0.000 |

| | | | | |
|--|---|---|------|-------|
| The projects initiated are well financed in the organization | 2 | 4 | 3.32 | 0.953 |
| The organization worthiness is sufficient to improve on organizational performance | 2 | 4 | 3.30 | 0.790 |

4.8 Communication and Organizational Performance

The third study objective focused on evaluating the effect of communication on organizational performance. The respondents gave answers to the questions raised on communication measures. The survey participants were questioned to indicate their agreement level with a series of statements related to communication, as presented in Table 4.5. The questions were ranked into 5 points with 5 being the highest and representing strongly agree and 1 being the lowest representing strongly disagree.

The parameter which scored highly was on the on communication being done in a timely manner and feedback regularly issued in the business with an average score of 4.00 and 3.74 respectively. This was followed by the effectiveness of communication channels within the organization and the existence of a well-defined chain of command for efficient communication, which scored mean scores of 3.61 and 3.39 respectively. On the other hand, the parameter regarding official, efficient, and effective communication flows received a relatively low mean score of 3.10. These findings can be found in Table 4.5.

Table 4.5

Communication influence on SMEs Performance in Machakos County

| Statement | Min. | Max. | Mean | Std. Deviation |
|--|-------------|-------------|-------------|---------------------------|
| Feedback is regularly given in the business | 3 | 4 | 3.74 | 0.442 |
| The channels of communication within the organization are very effective | 2 | 4 | 3.61 | 0.794 |
| Communication is done in a timely manner | 4 | 4 | 4.00 | 0.000 |
| There is a well-defined chain of command for efficient communication | 3 | 4 | 3.39 | 0.490 |
| The communication flows are official, efficient and effective | 2 | 4 | 3.10 | 0.831 |

4.9 Monitoring and Organizational Performance

The fourth study objective was to evaluate the influence of monitoring on the organizational performance. The respondents gave answers to the questions raised on monitoring measures. The survey participants were requested to specify their level of agreement with numerous statements related to monitoring, as presented in Table 4.6. The questions were ranked on a 5-point scale, where 5 represented "strongly agree" (highest agreement) and 1 represented "strongly disagree" (lowest agreement).

The measure that scored highly was on the monitoring results being keenly evaluated with a mean score of 3.34. The other measures, such as the full support of monitoring in the enterprise, the presence of monitoring capacity to enhance performance, and the preparedness of a monitoring plan, obtained mean scores of 2.70, 2.52, and 2.50 respectively. Feedback being always given on the implementation process and routine monitoring being always done in the enterprise scored lowly recording a mean score of 2.42 and 2.00 respectively. These results can be found in Table 4.6.

Table 4.6

Monitoring influence on SMEs Performance in Machakos County

| Statement | Min. | Max. | Mean | Std. Deviation |
|--|-------------|-------------|-------------|-----------------------|
| The enterprise as the monitoring capacity to enhance performance | 2 | 4 | 2.52 | 0.884 |
| There is always a monitoring plan ready | 2 | 4 | 2.50 | 0.871 |
| Feedback is always given on the implementation process | 2 | 3 | 2.42 | 0.496 |
| Routine monitoring is always done in the enterprise | 2 | 2 | 2.00 | 0.000 |
| Monitoring is fully supported in the enterprise | 2 | 3 | 2.70 | 0.459 |
| Monitoring results are keenly evaluated | 2 | 4 | 3.34 | 0.786 |

4.10 Multiple Linear Regression Diagnostic Measures

A regression is carried out to assess whether the predictor variables explain the response variable. Multiple linear regression was carried out in assessing the relationship between selected strategy implementation factors and organizational performance. Multiple linear regression model makes various assumptions. It requires a linear relationship between the predictor variables and response variable, the residuals need to be normally distributed and there is absence of multicollinearity and autocorrelation. Hence, the study first conducted the diagnostic measures.

4.10.1 Autocorrelation Test

To examine the presence of autocorrelation in the sample, the Durbin-Watson test was performed. The resulting Durbin-Watson value of 2.0 indicated the absence of autocorrelation in the data. The Durbin-Watson statistic values ranges between 0 and 4. A 2.0 value indicates there is absence of autocorrelation in the sample. Values from 0 to less than 2 shows that there is presence of positive autocorrelation and values from 2 to 4 indicates a presence of negative autocorrelation (Wang & Jain, 2003).

4.10.2 Normality Test

To examine the normality of the study variables, Kolmogorov Smirnov and Shapiro-Wilk test was carried out. The normality hypothesis is usually rejected in the test when the significance level is below or equivalent to 5 percent (Verma & Abdel-Salam, 2019).

Table 4.7

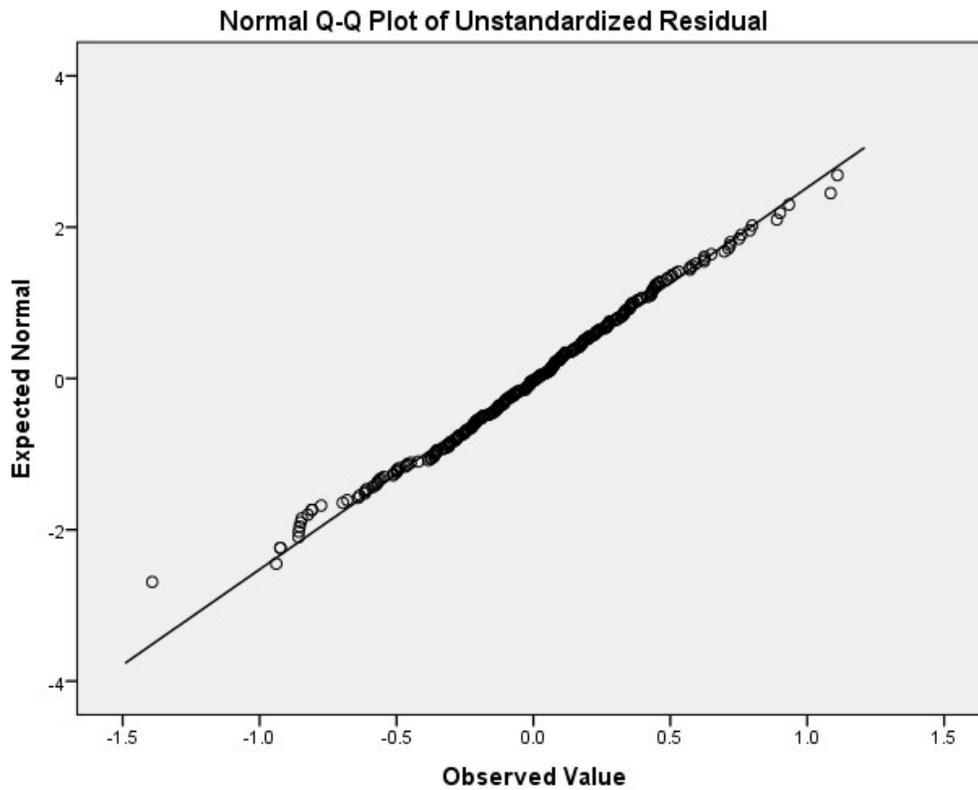
Normality Test

| | Kolmogorov-Smirnov ^a | | | Shapiro-Wilk | | |
|-------------------------|---------------------------------|----|--------|--------------|----|-------|
| | Statistic | Df | Sig. | Statistic | Df | Sig. |
| Unstandardized Residual | 0.085 | 83 | 0.200* | 0.968 | 83 | 0.075 |

Table 4.7 presents the results of the Shapiro-Wilk normality test, which assesses whether the unstandardized residuals follow a normal distribution. Based on observation, the Shapiro-Wilk statistic yielded a significance value of 0.075, which is higher than the 5 percent significance level. Consequently, the null hypothesis of normality in the data is retained, indicating that the unstandardized residuals are normally distributed. It is essential for multiple linear regression analysis that both the dependent variable and the residuals adhere to a normal distribution. The normality assumption of the variables was evaluated using the Kolmogorov-Smirnov test and Shapiro-Wilk test. The results indicated that the residuals were normally distributed, as the associated p-values were greater than 5 percent. Variables are classified as non-normally distributed when the p-values obtained from the Kolmogorov-Smirnov and Shapiro-Wilk tests are below 5 percent. (Abdel-Salam and Abdel-Salam, 2019). These findings were further confirmed by the normal Q-Q Plot, as all the values closely aligned with the diagonal line. This visual representation of the data can be seen in Figure 4.1.

Figure 4.1

Q-Q Plot for Data Normality



4.10.3 Multicollinearity

The study tested for the absence of multicollinearity. Multicollinearity occurs when predictor variables are highly correlated with each other. In case of presence of multicollinearity, the predictor variable is removed. In testing for multicollinearity, the study used correlation matrix, tolerance and variance inflation factor (VIF) criteria as shown in table 4.8 below respectively.

Table 4.8***Correlation Matrix***

| | | Organizational structure | Financial resources | Communication | Monitoring |
|-----------------------------|------------------------|-----------------------------|------------------------|---------------|------------|
| Organizational structure | Pearson Correlation | 1 | -0.104 | -0.151 | -0.244* |
| | N | 88 | 88 | 88 | 88 |
| Financial resources | Pearson Correlation | -0.104 | 1 | 0.056 | 0.317** |
| | N | 88 | 88 | 88 | 88 |
| Communication | Pearson Correlation | -0.151 | 0.056 | 1 | 0.159 |
| | N | 88 | 88 | 88 | 88 |
| Monitoring | Pearson Correlation | -0.244* | 0.317** | 0.159 | 1 |
| | N | 88 | 88 | 88 | 88 |

Table 4.8 shows that the correlation of the predictor variables ranges from -10.4% to 31.7%. This portrays a low correlation thus absence of multicollinearity. Moreover, Table 4.9 displays the collinearity statistics, showing that the values of tolerance are above 0.1 and the variance inflation factor (VIF) values are below 5. This indicates that the data lacks multicollinearity. According to Ombaka (2014), tolerance and variance inflation

factor values for all the variables should be greater than 0.1 and less than 5 respectively. Therefore, the findings indicate lack of multicollinearity.

Table 4.9

Collinearity Test Results

| Independent Variables | Tolerance | VIF |
|--------------------------|-----------|-------|
| (Constant) | | |
| Organizational structure | .927 | 1.079 |
| Financial resources | .899 | 1.112 |
| Communication | .961 | 1.040 |
| Monitoring | .842 | 1.188 |

4.10.5 Heteroscedasticity

To test for heteroscedasticity Breusch-Pagan and Koenker test was carried out. Heteroscedasticity refers to a situation where the variance of residuals is not equal across different ranges of measured values.

Table 4.10

Heteroscedasticity Test

| Statistic | Lagrange Multiplier | P-Values |
|---------------|---------------------|----------|
| Breusch-Pagan | 3.979 | 0.409 |
| Koenker | 3.945 | 0.423 |

Table 4.10 presents the Breusch-Pagan and Koenker tests outcomes, which examine the null hypothesis of homoscedasticity (absence of heteroscedasticity) in the data. Since the observed p-value of Breusch-Pagan test is 0.409 and that of Koenker test is 0.423, which is lower than 5 percent. Based on the available evidence, it can be concluded that there is no indication of heteroscedasticity. Consequently, the assumption of homoscedasticity is deemed to be satisfied.

4.11 Multiple Linear Regression

The study employed multiple linear regression to assess whether selected strategy implementation factors influence organizational performance of selected small and micro enterprises in Machakos County. Multiple linear regression is a suitable statistical method for testing study hypothesis concerning the connection between variables that are also categorical or continuous. (Zikmund, et al., 2013). Variables of the study have an ordinal result. Predictor variables evaluations for the study was conducted. The regression model was used in testing the association between organizational structure, financial resources, communication, monitoring and organizational performance of selected small and micro enterprises in Machakos County.

The test of examining variations in the response variable described by the predictor variables was carried out. The test results are as illustrated in table 4.11 where coefficient of correlation (r) is 0.938, coefficient of determination (R square) is 0.880 and the adjusted R square is 0.874.

Table 4.11

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .938 ^a | .880 | .874 | .77054 |

Table 4.11 shows the r is 0.938, R square is 0.880 and the adjusted R square is 0.874. The r is the study correlation coefficient. The correlation coefficient is a measure that ranges from -1 to +1, indicating the strength and direction of the association between independent and response variables. A higher correlation coefficient value shows a stronger relationship between the variables. A value between +0.3 to +0.7 is generally considered as indicating a moderate positive correlation (Weaver, et al., 2018). This shows that the selected strategy implementation factors have a positive and moderate relationship with organizational performance of selected small and micro enterprises in Machakos County.

An R-squared value of 0.880 suggests that approximately 88 percent of the variations observed in the response variable can be elucidated by the predictor variables. The adjusted R-squared value of 0.874 indicates that approximately 87.4 percent of the variations in the response variable can be accounted for by the predictor variables. The other variations of 12.6 percent can be elucidated by other variables which have not been considered in this study. Adjusted R Square is recommended highly in elucidation the association between predictor variables and response variable. Consequently, the adjusted R squared value of 87.4 is used in describing the link between selected strategy implementation factors and organizational performance of selected small and micro enterprises in Machakos County. It shows that 87.4% of the discrepancies are described by the study independent variables.

The overall implication of the model was assessed using the ANOVA test, with the findings presented in Table 4.12. The calculated F value was 13.069, and the corresponding significance value was 0.000.

Table 4.12

Analysis of Variance

| Model | Sum of Squares | Df | Mean Square | F | Sig. |
|--------------|-----------------------|-----------|--------------------|----------|-------------------|
| Regression | 31.038 | 4 | 7.760 | 13.069 | .000 ^b |
| 1 Residual | 49.280 | 83 | .594 | | |
| Total | 80.318 | 87 | | | |

As indicated in table 4.12, the significance value is 0.000 that is considered to be below 0.05. This is a sign that the model is statistically significant in forecasting how organizational structure, financial resources, communication and monitoring influences the organizational performance. nevertheless, the calculated F is 13.069 while the F critical at a significant level of 5 percent is 2.32. This is an indication that the F computed is greater than the F critical. Therefore, the general model is significant.

On the other hand, study variables were examined so as to compute the coefficient of the predictor variables. The coefficient (β), and the P values of the constant and the independent variables are as specified in table 4.13. The coefficient for organizational structure is -0.202, 0.175 for financial resources, 0.071 for communication and -0.422 for monitoring. Equally, the P value for organizational structure is 0.007, 0.033 for financial resources, 0.318 for communication and 0.000 for monitoring.

Table 4.13

Regression Coefficients

| Model | Unstandardized Coefficients | | t | Sig. |
|------------------------|------------------------------------|-------------------|----------|-------------|
| | B | Std. Error | | |
| (Constant) | 13.177 | 2.192 | 6.011 | .000 |
| Organization structure | -0.202 | 0.073 | -2.776 | .007 |
| Financial resources | 0.175 | 0.081 | 2.171 | .033 |
| Communication | 0.071 | 0.071 | 1.004 | .318 |
| Monitoring | -0.422 | 0.112 | -3.754 | .000 |

The multiple linear regression equation was employed in describing the link between the predictor variables and the response variable. The multiple linear regression test established a prediction equation as highlighted below;

$$\text{Organizational performance} = 13.177 - 0.202 \text{ Organizational structure} + 0.175 \text{ Financial resources} + 0.071 \text{ Communication} - 0.422 \text{ Monitoring} + \epsilon$$

This indicates that organizational structure and monitoring are inversely related to organizational performance of small and micro enterprises in Machakos County. While on the other hand financial resources and communication have a positive relationship towards organizational performance of small and micro enterprises in Machakos County. Therefore, an increase in one unit of organization structure and monitoring would lead to a decrease in organizational performance by their coefficients. On the other hand, an increase in one unit of communication and financial resources would lead to an increase in organizational performance by their coefficients.

4.12 Hypothesis Testing

The study aimed to examine and test four null hypotheses aligned with the specific objectives.

H₀₁: Organizational structure has no significant relationship with organizational performance of selected small and micro enterprises in Machakos County.

H₀₂: Financial resources has no significant relationship with organizational performance of selected small and micro enterprises in Machakos County.

H₀₃: Communication has no significant relationship with organizational performance of selected small and micro enterprises in Machakos County.

H₀₄: Monitoring has no significant relationship with organizational performance of selected small and micro enterprises in Machakos County.

Using SPSS software, the study employed multiple linear regression analysis to examine the relationship between each independent variable (organizational structure, financial resources, communication, and monitoring) and the dependent variable (organizational performance). The multiple linear regression test was conducted to determine the significance of the independent variables in predicting the response variable. In drawing conclusions, the P-values were taken into consideration. If the P-values were found to be below the 5 percent significance level, the null hypothesis was rejected, indicating that there is a statistically significant relationship between the variables. On the other hand, if the P-values were above the 5 percent significance level, the study failed to reject the null hypothesis, suggesting that there is no statistically significant relationship between the variables.

The first null hypothesis was to test whether organizational structure has no significant relationship with organizational performance. As specified in the outcomes in the table 4.13, 0.007 was the P-value of organizational structure and a coefficient (β) of -0.202. This is a sign that an rise in one unit of organizational structure will lead to a decrease in organizational performance by 0.202. Equally, the P-value for the organizational structure

was below 5 percent, thus, it is significant in describing the link between organizational structure and organizational performance. This supports the study carried out by Ogbo, et al. (2015) and found out that there is a significant relationship between organizational structure and organizational performance, but it disagrees with the study conducted by Eze, et al. (2017) who found no evidence of a significant relationship between organizational structure and organizational performance.

The second null hypothesis was to test financial resources has no significant relationship with organizational performance. As specified in the outcomes in the table 4.13, financial resources have a P value of 0.033 and a Coefficient (β) of 0.175 this indicates that a rise in one unit of financial resources will lead to an increase in organizational performance by 0.175. Equally, the P value for the financial resources was below 5 percent, thus, it is significant in describing the connection between financial resources and organizational performance. This in agreement with study carried out by White, et al. (2015) and Flink and Chen (2021) who found out that a significant association exists between financial resources and organizational performance of small and micro enterprises in the service sector in Eldoret municipality.

The third null hypothesis was to examine whether communication has no significant relationship with organizational performance. As specified in the outcomes in the table 4.13, communication has a P value of 0.381 and a Coefficient (β) of 0.071 this translates that a rise in one unit of communication will lead to an increase in organizational

performance by 0.071. Nevertheless, the P value for communication was above 5 percent, thus, it is not significant in describing the relationship between communication and organizational performance. This is in agreement with the study carried out by Vinazor (2020) and concluded that there is a significant association between communication and organization performance. Nevertheless, it disagrees with the research carried out by Musheke and Phiri (2021) whose results indicated that there is no significant relationship between the effective communication and organizational performance.

The fourth null hypothesis evaluated whether monitoring has no significant relationship with organizational performance. As specified in the outcomes in the table 4.13, monitoring has a P value of 0.00 and a Coefficient (B) of -0.422 this can be translated that an increase in one unit of monitoring will lead to a decrease in organizational performance by 0.422. Equally, the P value for the monitoring was below 5 percent, thus, it is significant in explaining the relationship between monitoring and organizational performance. This is in contrast with the research reviewed by Mbilla, et al. (2020) on monitoring and bank performance and found out that there exists no significant relationship.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section summarizes the study findings, conclusion and recommendations as per the study variables.

5.2 Summary of the Study Variables Findings

A response percentage of 92.6 was registered in the study, which was adequate for further analysis. Respondents were the owners of the enterprises. Majority of respondents who were the owners or managers of the small and micro enterprises had a Bachelor's Degree. The respondents have worked for the enterprises for wide-ranging periods with majority have worked for over four years. This is an indication that the enterprises had qualified employees who had expertise of the responsibilities dispensed and had the knowledge to enable them implement a strategy and carry the organizational vision.

The first objective on organizational structure indicted that the organizations did not have very complex organizational structures thus were also not too difficult to implement thus ensuring improved organizational performance. It was also specified that the organizational structure was to some extent flexible allowing for adjustments, when need be, without necessarily affecting the entire organizational system. The employees were

also involved in formulating the organizational structure hence its implementation was not so hard bearing in mind they owned the process. The decision process also seemed to fit well to the organizational structure hence achievement of the intended results and ensured improved organizational performance.

On the second objective, the financial resources were a major factor in the success of strategy implementation looking into factors like liquidity where enterprises seemed to have manageable cash for the daily running of the operations of the enterprise. The cash flow in the enterprises was not poor hence sufficient cash in circulation to enable the enterprises perform its transactions and achieve performance. Most enterprises were well established in terms of owned resources and this was an enabler towards achieving organizational performance. Some enterprises operated on borrowed resources like loans to enable them achieve their desired goals though not a huge number of enterprises operated on borrowed resources.

The third objective on communication seemed to be done well as feedback in most cases was being given to the respective parties. Though to some extent, feedback was not timely and was not regular, to some extent it would affect the levels of organizational performance and also cause production breakdown for lack of correct information required in a timely manner. The channels of communication however being put in place, sometimes they were not adhered to hence affecting performance. The expectations were made clear to all which on the other hand acted as a pillar towards achieving the desired

results in the enterprises. Sometimes information did not flow as per the expectation but as long as it reached the right party in time, work seemed to flow in a definite manner thus improve performance. The chain of command was very clear thus information flow was able to be tracked and in case of any misconception corrections were made and activities run as expected leading to improved organizational performance.

Objective four confirmed that monitoring activities were carried out in the SMEs, with the enterprises having the necessary capacity to conduct such exercises and generate results. These monitoring efforts were aimed at identifying areas for improvement and recognizing performance achievements. Feedback was also given as a way of awakening those who were not up to expectations and also acknowledging efforts. The interval at which the monitoring exercise was done was also recommendable to ensure performance tracking is there and to help discover faults even at an early stage and correct it. It was also realized that the structure and the management supported the monitoring process which in a big way influence organizational performance as the organization was able to tell where it is in relation to where it was supposed to be at a given point in time. The efforts and resources put forth in ensuring the monitoring and evaluation process was done in a big way influenced the performance of an organization since they were able to work against time and goals.

5.3 Conclusions

The study's conclusion was based on a comprehensive research findings summary, which were guided by the study's hypotheses and objectives

5.3.1 Organizational Structure and Organizational Performance

Objective one was to determine the effect of organization structure on organization performance of SMEs in Machakos County. It can be concluded that organizational structure was a key factor in ensuring organizational performance. This was especially due to factors like complexity whereby if the organizational structure was too complex then it meant that even its implementation should require a lot of time while at the same time the resources to implement it were more as compared to a simple organizational structure. The study also concluded that an organizational structure that was more flexible would be much better since the adjustments and amendments would not be a big problem and would not in a big way affect the entire system and the operations as well. Further, employee involvement in formulating the organizational structure was a great factor in ensuring smooth implementation of the organizational structure and also adapting was also easy since they owned the structure. The decision process that fit into the organizational structure was more preferred and seemed to have more reception and impact in terms of organizational performance since the system was able to accommodate the whole process of decision making and wrong decisions leads to the collapse of an entire system but a well speculated decisions leads to improved organizational performance.

Additionally, the null hypothesis tested whether there was no significant relationship between organizational structure and organizational performance of SMEs in Machakos County. The obtained p-value for the predictor variable was below 5 percent, indicating that organizational structure is indeed statistically notable in forecasting the performance of SMEs in Machakos County. However, it should be noted that the negative coefficient value suggests that a rise in one unit of organizational structure is related with a decline in organizational performance.

5.3.2 Financial Resources and Organizational Performance

Secondly, the research objective was to assess the influence of financial resources on organization performance of SMEs in Machakos County. The study concluded that availability of liquid case is an enabler towards achievement of the expected results in an enterprise as resources are made readily available when needed. The study also concluded that enterprises with a high cash flow were better placed in terms of profits and growth and evidence of an active enterprise. Low cash flow indicated minimal activities which meant that the enterprise was running slowly and incidents of expired goods would be experience thus poor organizational performance. Most enterprises operated on own resources though some had little resources; they seemed to enjoy more as they do not need to pay back to anyone at a cost. This meant that own resources bring in profits that are not shared but saw to the growth and improved performance of the enterprise. The study concluded that some enterprises operated on borrowed resources and when times are hard for the enterprises, there was risk of losing the business or even closing down. This was so since the borrowed resources always come with a cost and instead of the

business enjoying the profit alone, then they had to share with the lender which made the enterprises to suffer as they struggle to payback the borrowed resources and perform as well.

Furthermore, the null hypothesis tested whether there was no substantial association between financial resources and organizational performance of SMEs in Machakos County. The obtained p-value for the predictor variable was below 5 percent, indicating that financial resources are indeed statistically substantial in forecasting the performance of SMEs in Machakos County. Moreover, the positive coefficient value suggests that an increase in one unit of financial resources is related with an increase in organizational performance.

5.3.3 Communication and Organizational Performance

The third aim of the study was to assess the impact of communication on organization performance of SMEs in Machakos County. The study concluded that for communication to be complete there must be some feedback. This feedback too needs to be given regularly and in a timely manner to ensure effectiveness that improves performance in small and micro enterprises. Delayed feedback in communication is delayed operations hence poor performance. The channels of communications too have to be clear and known to all in the organization. For instance, if the message is urgent let it be known to all the most convenient and fast way to convey the message. The study also concluded that information has to flow in a definite direction to ensure effectiveness and to initiate

action. If there is no clear flow of information some messages could be distorted along the way hence interfering with organizational performance. The study also concluded that the chain of command should be well defined and known to all to avoid confusion and wrong information. Let there be a hierarchy that governs the flow of information where everyone is able to tell where to go to and who to talk to in case of any issues within the chain of command. This encourages teamwork that together gives birth to improved organizational performance.

Moreover, the null hypothesis tested whether there was no significant relationship between communication and organizational performance of SMEs in Machakos County. The obtained p-value for the predictor variable was above 5 percent, indicating that communication is not statistically substantial in forecasting the performance of SMEs in Machakos County. However, it should be noted that the positive coefficient value suggests that a rise in one unit of communication is related with an increase in organizational performance.

5.3.4 Monitoring and Organizational Performance

The objective of the study related to monitoring was to examine the impact of monitoring on the organizational performance of SMEs in Machakos County. The study concluded that monitoring is a crucial aspect for all small and micro enterprises. The organizations had implemented policies to guide their operations and conducted continuous monitoring and evaluation activities. The enterprises demonstrated the capacity to carry out

monitoring exercises to track their performance. The evaluation process ensured compliance with expectations, and feedback was provided in a timely manner. The enterprises took appropriate actions based on the feedback received, such as implementing performance improvement plans for unachieved milestones and recognizing achievements. Routine monitoring schedules were designed to identify and rectify faults at an early stage, as well as to encourage and track performance against expected outcomes. The enterprises allocated sufficient resources to support the monitoring process, aiming to enhance organizational performance.

Furthermore, the null hypothesis tested whether there was no substantial relationship between monitoring and organizational performance of SMEs in Machakos County. The obtained p-value for the predictor variable was below 5 percent, indicating that monitoring is indeed statistically significant in forecasting the performance of SMEs in Machakos County. However, it should be noted that the negative coefficient value suggests that an increase in one unit of monitoring is related with a decline in organizational performance.

5.4 Recommendations

The study suggests that in order for an organization to succeed and achieve enhanced performance, it is recommended to establish a well-defined organizational structure that aligns with the objectives and aims of the organization. This will contribute to the overall performance of the organization. It can be recommended that organizations should adopt an organizational structure that is not too complex since the implementation process will be simple and not too expensive hence saving on the organizational resources. It is also

recommended that an organizational structure should be flexible to enable for future amendments which will not need to undo the whole structure but only allows for phased or section amendments without necessarily paralyzing or affecting the whole system. The study also recommends that when coming up with an organizational structure, it is important to involve the employees as this will make the employees own the structure and also participate fully in its implementation making it easier to implement and run the functions of the organizational structure fully. The decision process should be well married to the organizational structure to make sure it is clear to all and to have a fair decision that would cause the least consequences to the affected parties within the organization and this too encourages good performance due to standardization of functions and processes.

The study recommends that the financial resources should be made sufficient to support the undertaking of an enterprise. The liquid cash available should be able to fund the acquisition of the enterprise requirements for smooth operations in the enterprise. The study also recommends for high cash flow since it is an indication of an active enterprise and this also leads to profits generation and avoidance of obsolete goods which in turns are considered a loss to the enterprise and affect the performance in the foreseeable. The study further recommends that enterprises should try as much as possible to operate with own resources as opposed to borrowed resources since the borrowed resources come with a cost implication to the enterprise and tis affects the overall organizational performance.

Small and micro enterprises should be very careful when designing their communication system. This is the pillar of the enterprise as information is power in all the undertakings. The study therefore recommends that any form of communication or request should receive a regular and timely feedback to ensure effectiveness and efficiency. The study also recommends for the choice of the best fit communication channel in relation to the type of the enterprise, affordability and maintenance. It is very important to settle for channels that will fit to the needs and desires of the enterprise. This ensures compatibility of the system and the users. The study also recommends for the easiest and simplest flow of information. The more the information stays in the system before it reaches the intended party and is processed, the higher the chances of distortion. If information is distorted then it may change the meaning and at the end of it all could affect the levels of performance negatively. The study also recommends that the chain of command is not too long in such a way that before a request is processed it takes ages hence delaying the production process. The chain should also be able to prioritize to ensure no function is going to stall the other and in the long run affect the organizational performance negatively.

Lastly, the study proposes several recommendations to enhance organizational performance. First, it suggests conducting job and system evaluations that consider functionality and expectations to ensure effective results. Additionally, organizations should prioritize the capacity to support and implement a monitoring system. Timely feedback is crucial for making necessary adjustments and improvements, so organizations should ensure that the monitoring process provides prompt feedback. Regular and

frequent monitoring is advised to achieve desired results and identify and rectify any issues early on. Lastly, organizations are encouraged to support the monitoring process, as it helps control strategy implementation by comparing expected and actual results, thus enabling improvements and overall organizational performance.

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APPENDICES

Appendix I: Cover Letter to Respondent

Fidelis Kinya

P O Box 267 – 60200

MERU.

Dear Sir/Madam

RE: LETTER OF TRANSMITTAL OF DATA COLLECTION INSTRUMENTS.

I am a student at Kenya Methodist University pursuing a Master's Degree in Business Administration specializing in Strategic Management. As a compulsory requirement, I am expected to carry out research on 'Influence of selected strategy implementation factors on organizational performance of selected small and micro enterprises in Machakos County, Kenya. This will assist organizations realize the best fit factors for strategy implementation for their organization that will enhance organizational performance.

I humbly request that you spare a few minutes of your schedule to complete the attached questionnaire. The questions seek your opinions regarding your organizational strategy implementation factors and organizational performance. There is no right or wrong answer; I only need your honest opinion. Your anonymity is assured and the information you will provide will remain confidential.

Thank you for your participation in this study. Much appreciation for your cooperation and contribution in this study.

Yours faithfully,

Fidelis Kinya

Appendix II: Research Questionnaire

Kindly tick [] the appropriate response or provide information as is relevant. Your responses will be anonymous and confidential and will only be used for the purposes of this study. As such, do not write your name on the questionnaire.

SECTION A

Demographic Information of Respondents

1. Indicate your highest level of education.

PhD [] Masters [] Undergraduate degree [] Diploma [] Certificate []

Others (specify): _____

2. Indicate your length of operation

0 - 2 years [] 3 -5 years [] 6 -10 years [] 11 years and above []

SECTION B

Structure

The section seeks to establish the structure of the organization. On a scale of 1-5, to what extent do you agree with the below statements? 1 = strongly disagree 2= Disagree 3= neither agree nor disagree 4= Agree 5= strongly agree.

| STATEMENT | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| 1. The structure is not too complex | | | | | |
| 2. The structure is flexible enough in case of changes | | | | | |
| 3. The structure allows for employee involvement | | | | | |
| 4. The structure supports sound decision making process | | | | | |

SECTION C

Financial Resources

This section deals with financial resources and how they are utilized in the organization.

The following action points are evidence of the existence of financial resources in the organization. On a scale of 1-5, to what extent do you agree with the below statements?

1 = strongly disagree 2= Disagree 3= neither agree nor disagree 4= Agree 5= strongly agree.

| STATEMENT | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| 1. There is sufficient liquid and solid assets to support strategy implementation in the organization | | | | | |
| 2. The cash flow is well regulated in the organization | | | | | |
| 3. The organization has sufficient own resources | | | | | |
| 4. The organization depends on borrowed resources | | | | | |

SECTION D

Communication

This section deals with communication and how it happens in the organizations. The following action points are evidence of communication in the organization. On a scale of 1-5, to what extent do you agree with the below statements? 1 = strongly disagree 2= Disagree 3= neither agree nor disagree 4= Agree 5= strongly agree

| STATEMENT | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| 1. Feedback is regularly given in the business | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| 2. The channels of communication within the organization are very effective | | | | | |
| 3. Communication is done in a timely manner | | | | | |
| 4. There is a well-defined chain of command for efficient communication | | | | | |
| 5. The communication flows are official, efficient and effective | | | | | |

SECTION E

Monitoring

This section deals with monitoring in the enterprises and how it's done. The following action points are evidence of monitoring the enterprises. On a scale of 1-5, to what extent do you agree with the below statements? 1 = strongly disagree 2= Disagree 3= neither agree nor disagree 4= Agree 5= strongly agree

| STATEMENT | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| 1. The enterprise as the monitoring capacity to enhance performance | | | | | |
| 2. There is always a monitoring plan ready | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| 3. Feedback is always given on the implementation process | | | | | |
| 4. Routine monitoring is always done in the enterprise | | | | | |
| 5. Monitoring is fully supported in the enterprise | | | | | |
| 6. Monitoring results are keenly evaluated | | | | | |

SECTION F

Organizational Performance

This section deals with organizational performance and the trends in the enterprises. The following action points are evidence of achievement of organizational performance. How is the performance in the enterprises? On a scale of 1-5, to what extent do you agree with the below statements? 1 = strongly disagree 2= Disagree 3= neither agree nor disagree 4= Agree 5= strongly agree

| STATEMENT | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| 1. The enterprise has quality products | | | | | |
| 2. The enterprise ensures customer satisfaction | | | | | |
| 3. The enterprise ensure maximum capacity utilization | | | | | |

Appendix IV: NACOSTI Certificate



REPUBLIC OF KENYA



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