

**STRATEGIC PLANNING ADOPTION ON THE
ORGANIZATIONAL PERFORMANCE OF SMALL AND
MEDIUM ENTERPRISES IN KAMUKUNJI TRADING CENTRE,
NAIROBI CITY COUNTY, KENYA**

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Publication Date: August 2024

ABSTRACT

Purpose of the study: The purpose of the study was to assess the effect of strategic planning adoption on the organizational performance of Small and Medium Enterprises (SMEs) in Kamukunji Trading Centre, Nairobi City County, Kenya.

Statement of the problem: SMEs in Kamukunji Trading Centre face numerous challenges, including limited access to financing, stringent regulatory requirements, and intense competition. While strategic planning is widely recognized for its potential to improve organizational outcomes, its specific impact on SMEs in this context remained insufficiently understood.

Methodology: The study employed a descriptive research design, targeting a population of 5,000 registered SMEs in Kamukunji Trading Centre. A sample of 365 SMEs was selected using stratified random sampling. Data were collected using semi-structured questionnaires and analyzed using descriptive statistics, Pearson correlation, and regression analysis.

Findings: The study found that strategic planning adoption had a significant positive impact on the organizational performance of SMEs in Kamukunji Trading Centre. The coefficient of determination (R Square) was 0.469, indicating that strategic planning explained 46.9% of the

variation in organizational performance. A strong positive correlation ($r = 0.685$, $p < 0.01$) was observed between strategic planning adoption and organizational performance.

Conclusion: The study concludes that strategic planning plays a crucial role in enhancing the performance of SMEs in Kamukunji Trading Centre. Despite the challenges faced by these enterprises, effective adoption of strategic planning practices can significantly improve organizational outcomes.

Recommendations: The study recommends that SMEs in Kamukunji Trading Centre should invest in training and capacity building for strategic planning. Policymakers should design supportive policies and provide access to strategic planning tools tailored for SMEs. Further research should explore additional factors affecting SME performance in this context and investigate the long-term impact of strategic planning adoption.

Keywords: *Strategic Planning, SMEs, Organizational Performance, Kamukunji Trading Centre, Kenya*

INTRODUCTION

Strategic planning has long been recognized as a crucial driver of organizational success, particularly for Small and Medium Enterprises (SMEs) operating in competitive and resource-constrained environments. The concept of strategic planning, as defined by Bryson (1988), involves a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it. In the context of SMEs, strategic planning serves as a vital tool for navigating complex business landscapes, allocating scarce resources effectively, and positioning firms for sustainable growth. The importance of strategic planning for SMEs has been underscored by numerous studies, including those by Mintzberg (2020) and Hitt, Ireland & Hoskisson (2017), which highlight its role in enhancing organizational performance, competitiveness, and long-term viability.

The specific focus on SMEs in Kamukunji Trading Centre, Nairobi City County, Kenya, was particularly relevant given the unique challenges these businesses face. As noted by Gure and Karugu (2018), SMEs in this region contend with limited access to financing, stringent regulatory requirements, and intense competition from both local and international businesses. These challenges often constrain their ability to plan effectively and respond to market opportunities, potentially undermining their performance and sustainability. The study builds on previous

research, such as that conducted by Umar, Muhammad, and Hassan (2020) in the Nigerian public sector, and Wun (2019) on microfinance institutions in Myanmar, which demonstrated positive correlations between strategic planning and organizational performance in various contexts.

The theoretical underpinnings of this study draw from several key frameworks that illuminate the relationship between strategic planning and organizational performance. The Resource-Based View (RBV) theory, as articulated by Barney (1991), emphasizes the importance of leveraging unique internal resources and capabilities for competitive advantage. Goal-Setting Theory, developed by Locke and Latham (1990), underscores the role of clear, challenging objectives in driving performance. The Dynamic Capabilities Theory, proposed by Teece, Pisano, and Shuen (1997), highlights the need for organizations to adapt and reconfigure their resources in response to changing environments. Additionally, Contingency Theory, as discussed by Lawrence & Lorsch (1967), suggests that the effectiveness of management practices depends on their alignment with specific organizational and environmental contexts. These theoretical perspectives collectively provided a robust foundation for understanding how strategic planning adoption can influence the organizational performance of SMEs in Kamukunji Trading Centre.

STATEMENT OF THE PROBLEM

Strategic planning is widely recognized as a crucial driver of organizational performance, providing a structured approach for setting goals, allocating resources, and responding to market dynamics. For Small and Medium Enterprises (SMEs), particularly those operating in competitive and resource-constrained environments, strategic planning can be the difference between growth and stagnation. However, despite its importance, the specific impact of strategic planning adoption on the performance of SMEs in Kamukunji Trading Centre, Nairobi City County, Kenya, remains insufficiently understood. SMEs in Kamukunji Trading Centre face numerous challenges, including limited access to financing, stringent regulatory requirements, and intense competition from both local and international businesses (Gure & Karugu, 2018). These challenges often constrain their ability to plan effectively and respond to market opportunities, potentially undermining their performance and sustainability. While strategic planning has been shown to improve organizational outcomes in various sectors and contexts (Bryson, 1988; Mintzberg, 2020), the extent to which SMEs in Kamukunji have adopted these practices, and the resulting effects on their performance, have not been thoroughly investigated. This gap in knowledge is critical because without a clear understanding of the role of strategic planning in this specific context,

SMEs in Kamukunji may continue to struggle with suboptimal performance, missing opportunities for growth and development. Therefore, this study sought to assess the effect of strategic planning adoption on the organizational performance of SMEs in Kamukunji Trading Centre, aiming to provide insights that could help these enterprises enhance their competitiveness and long-term success.

RESEARCH OBJECTIVES

To assess the effect of strategic planning adoption on the organizational performance of SMEs in Kamukunji Trading Centre, Nairobi City County, Kenya.

RESEARCH QUESTION

What is the effect of strategic planning adoption on the organizational performance of SMEs in Kamukunji Trading Centre, Nairobi City County, Kenya?

THEORETICAL REVIEW/ FRAMEWORK

The theoretical foundation for understanding the impact of strategic planning on organizational performance is grounded in several key theories.

Resource-Based View (RBV) Theory

The Resource-Based View (RBV) theory posits that an organization's internal resources and capabilities are crucial for achieving competitive advantage and superior performance. This theory suggests that firms can create sustainable competitive advantage by leveraging their unique, valuable, rare, inimitable, and non-substitutable resources (Barney, 1991). In the context of strategic planning, RBV emphasizes the importance of identifying and developing core competencies that can differentiate an organization from its competitors. Strategic planning, through the lens of RBV, involves a systematic assessment of an organization's resource portfolio and the development of strategies to maximize the value derived from these resources.

For SMEs in Kamukunji Trading Centre, the RBV theory is particularly relevant as it provides a framework for understanding how these enterprises can compete effectively despite resource constraints. By adopting strategic planning practices informed by RBV, SMEs can identify their unique resources and capabilities, such as specialized knowledge, customer relationships, or innovative processes, and develop strategies to leverage these assets for competitive advantage. This approach can help SMEs in Kamukunji to focus on their strengths, allocate resources more effectively, and develop strategies that are difficult for competitors to imitate. The study's findings,

which show a positive correlation between strategic planning adoption and organizational performance, support the RBV perspective by suggesting that SMEs that engage in strategic planning are better able to identify and utilize their unique resources, leading to improved performance outcomes.

Goal-Setting Theory

Goal-Setting Theory, developed by Locke and Latham (1990), emphasizes the importance of setting specific, challenging, and attainable goals to enhance motivation and performance. This theory posits that clear and well-defined goals lead to higher levels of task performance by directing attention, mobilizing effort, increasing persistence, and encouraging the development of task-relevant strategies. In the context of strategic planning, Goal-Setting Theory provides a framework for understanding how the process of setting organizational objectives can drive performance improvements.

The relevance of Goal-Setting Theory to the study of SMEs in Kamukunji Trading Centre is significant. The research findings indicate that strategic planning adoption, which inherently involves goal-setting processes, positively impacts organizational performance. This aligns with the core tenets of Goal-Setting Theory, suggesting that SMEs that engage in formal strategic planning are likely setting clearer, more specific goals for their organizations. For resource-constrained SMEs in competitive environments like Kamukunji, the ability to set focused, achievable goals through strategic planning can provide direction, motivate employees, and optimize resource allocation. The study's results, showing that strategic planning explains a significant portion of variance in organizational performance, underscore the practical implications of Goal-Setting Theory in this context, highlighting the potential for SMEs to enhance their performance through structured goal-setting processes inherent in strategic planning.

Dynamic Capabilities Theory

Dynamic Capabilities Theory, proposed by Teece, Pisano, and Shuen (1997), extends the Resource-Based View by emphasizing the need for organizations to adapt, renew, and reconfigure their resources in response to changing environments. This theory suggests that in dynamic markets, the ability to sense opportunities and threats, seize opportunities, and transform the organization's resource base is crucial for sustaining competitive advantage. Dynamic capabilities

are the organization's capacity to purposefully create, extend, or modify its resource base to address rapidly changing environments.

In the context of SMEs in Kamukunji Trading Centre, the theory is highly relevant. The study's findings, which demonstrate a positive relationship between strategic planning adoption and organizational performance, can be interpreted through the lens of this theory. Strategic planning processes enable SMEs to develop and enhance their dynamic capabilities by providing a structured approach to environmental scanning, opportunity identification, and resource reconfiguration. For SMEs operating in the volatile and competitive environment of Kamukunji, the ability to adapt quickly to market changes is crucial. The study suggests that SMEs adopting strategic planning practices are likely better equipped to develop these dynamic capabilities, allowing them to respond more effectively to market challenges and opportunities, thus improving their overall performance and competitiveness.

Contingency Theory

Contingency Theory posits that there is no one-size-fits-all approach to management, and organizational success depends on aligning strategies with specific environmental conditions (Lawrence & Lorsch, 1967). This theory suggests that the effectiveness of organizational structures and management practices is contingent upon various internal and external factors, including the nature of the environment, technology, organizational size, and features of the organizational structure itself. In the context of SMEs in Kamukunji Trading Centre, the theory offers a valuable framework for understanding how strategic planning practices should be tailored to the specific needs and circumstances of each enterprise. The study's findings, which show a significant positive impact of strategic planning adoption on organizational performance, can be interpreted through the contingency lens. It suggests that SMEs that successfully adopt strategic planning are likely those that have effectively aligned their planning processes with their unique organizational contexts and environmental challenges. For SMEs in Kamukunji, facing distinct challenges such as resource constraints and intense competition, the ability to adapt strategic planning practices to their specific situations is crucial. The study's results underscore the importance of context-specific approaches to strategic planning, highlighting the need for SMEs to develop planning processes that are responsive to their particular environmental conditions and organizational characteristics to maximize performance benefits.

EMPIRICAL REVIEW

Strategic planning is a disciplined effort to produce fundamental decisions and actions aimed at shaping the nature and direction of an organization's activities (Bryson, 1988; Rudd et al., 2008). It involves defining an organization's strategy, assessing its current position, identifying opportunities and threats in the external environment, and formulating plans to achieve a competitive advantage (Mintzberg, 2020). Key aspects of strategic planning include environmental analysis, internal assessment, mission and vision development, and stakeholder engagement (Hitt, Ireland & Hoskisson, 2017; Grant, 2021). Several studies have examined the relationship between strategic planning and organizational performance. Umar, Muhammad, and Hassan (2020) analyzed the impacts of strategic planning on organizational performance in the Nigerian public sector and found that strategic planning positively impacts financial performance and organizational longevity. Similarly, George, Walker, and Monster (2019) conducted a meta-analysis of 31 empirical studies and concluded that strategic planning has a significant positive impact on organizational performance, particularly when formal strategic planning is implemented. In the context of SMEs, Wun (2019) found a positive correlation between strategic planning and organizational performance in microfinance institutions in Myanmar. The study highlighted that strategic planning stimulates a cooperative attitude towards change and an integrated approach to tackling problems and opportunities. Kabeyi (2019) also emphasized the benefits of strategic planning, noting that it leads to increased profitability and better corporate governance when properly implemented. Despite the clear benefits, the extent to which SMEs in Nairobi, particularly in Kamukunji Trading Centre, adopt strategic planning and how it affects their performance remains underexplored. This study fills this gap by focusing on the influence of strategic planning adoption on the performance of SMEs in this region.

CONCEPTUAL FRAMEWORK

The conceptual framework is presented in Figure 1.

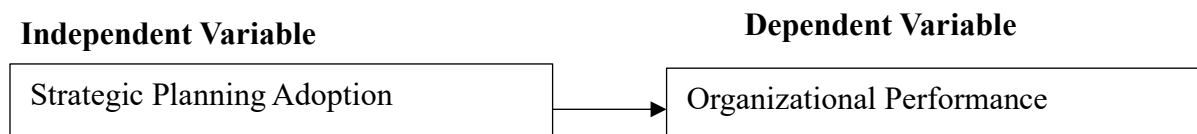


Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

The study employed a descriptive research design to examine the relationship between strategic planning adoption and organizational performance among SMEs in Kamukunji Trading Centre. A sample of 365 SMEs was selected from a population of 5,000 registered businesses using stratified random sampling. Data collection utilized semi-structured questionnaires, combining closed-ended Likert scale questions with open-ended inquiries to capture both quantitative and qualitative insights. The research employed both descriptive and inferential statistical analyses. Descriptive statistics summarized the extent of strategic planning adoption, while correlation and regression analyses examined the relationship between strategic planning and organizational performance. The study adhered to ethical considerations, ensuring informed consent, confidentiality, and voluntary participation. This methodology provided a comprehensive approach to understanding the impact of strategic planning on SME performance in the specific context of Kamukunji Trading Centre.

RESULTS AND DISCUSSIONS

Results

The study targeted 365 SMEs in Kamukunji Trading Centre. A total of 290 responses were received, yielding a response rate of 79.5%. This high response rate can be attributed to the follow-up efforts and the strategic importance of the study to the SMEs involved.

Descriptive Statistics Strategic on Planning Adoption

The study assessed the extent to which SMEs in Kamukunji Trading Centre adopted strategic planning practices. The findings are summarized in Table 1 below

Table 1: Extent to Which Respondents Agree with Statements on Strategic Planning Adoption

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Strategic planning helps in achieving goals	40%	45%	10%	3%	2%
Strategic planning improves organizational performance	42%	43%	9%	4%	2%
Regular updates to the strategic plan are necessary	38%	47%	10%	3%	2%

These results indicate that a substantial majority of respondents recognize the importance of strategic planning in enhancing organizational performance. Most respondents agree that regular updates to the strategic plan are essential, reflecting an understanding of the dynamic nature of business environments.

4.1 Inferential Statistics

4.1.1 Correlation Analysis

The study conducted a Pearson correlation analysis to assess the relationship between strategic planning adoption and organizational performance. The results are presented in Table 2:

Table 2: Correlation Coefficients

Variable	Organizational Performance	Strategic Planning Adoption
Organizational Performance	1.000	
Strategic Planning Adoption	0.685**	1.000

Note: $p < 0.01$

The results show a significant positive correlation ($r = 0.685$, $p < 0.01$) between strategic planning adoption and organizational performance, indicating that as strategic planning practices are more effectively adopted, organizational performance improves.

Regression Analysis

To further explore the relationship between strategic planning adoption and organizational performance, a regression analysis was performed. The results are presented in Tables 3, 4 and 5:

Table 3: Model Summary for Strategic Planning Adoption and Organizational Performance

Model	R	R Square
1	0.685	0.469
Strategic Planning Adoption	0.685**	1

Table 4: ANOVA for Strategic Planning Adoption and Organizational Performance

Model	Sum of Squares	df
Regression	89.134	1
Residual	101.196	289
Total	190.33	290

Table 5: Coefficients for Strategic Planning Adoption and Organizational Performance

Model	Unstandardized Coefficients	Standardized Coefficients
	B	Std. Error
(Constant)	1.102	0.157
Strategic Planning Adoption	0.587	0.04

The regression results indicates that strategic planning adoption significantly predicts organizational performance ($\beta = 0.587, p < 0.001$). The model explains 46.9% of the variance in organizational performance, suggesting that strategic planning is a key factor influencing SME performance in Kamukunji Trading Centre. The findings of this study confirm that strategic planning adoption has a significant positive impact on the organizational performance of SMEs in Kamukunji Trading Centre, Nairobi City County. The descriptive analysis revealed that a majority of the SMEs have adopted strategic planning practices, which include setting clear objectives, conducting environmental analyses, and regularly updating strategic plans. These practices have contributed to improved organizational performance, as evidenced by the strong positive correlation between strategic planning and performance.

The inferential analysis further supports these findings, showing that strategic planning adoption is a key determinant of organizational success in SMEs. The regression analysis indicated that strategic planning explains a significant portion of the variance in organizational performance, underscoring its importance in the strategic management process for SMEs. These findings are consistent with previous research, such as that by Umar, Muhammad, and Hassan (2020), who found that strategic planning positively influences organizational performance in the public sector, and Wun (2019), who demonstrated similar effects in microfinance institutions. The results also align with the theoretical perspectives of Bryson (1988) and Mintzberg (2020), who argue that strategic planning is essential for aligning organizational resources and capabilities with external opportunities and threats. However, the study also highlights some challenges that SMEs face in implementing strategic planning, such as limited resources and the need for more formalized processes. Addressing these challenges through targeted interventions, such as training and support for strategic planning, could further enhance the performance of SMEs in Kamukunji Trading Centre.

CONCLUSION

This study set out to assess the effect of strategic planning adoption on the organizational performance of SMEs in Kamukunji Trading Centre, Nairobi City County, Kenya. The findings clearly demonstrate that strategic planning plays a significant role in enhancing the performance of SMEs by providing a structured framework for setting goals, allocating resources, and navigating the complex challenges faced by these enterprises. The positive correlation between strategic planning and organizational performance suggests that SMEs that adopt formal strategic planning processes are better positioned to achieve sustainable growth and competitive advantage. The results align with existing literature, which emphasizes the importance of strategic planning in improving organizational outcomes across various contexts (Bryson, 1988; Mintzberg, 2020). For SMEs in Kamukunji, where challenges such as limited access to resources and intense competition are prevalent, strategic planning offers a pathway to overcoming these obstacles and driving success.

However, the study also highlights the need for greater support in the adoption of strategic planning practices among SMEs. Many enterprises may lack the necessary resources, knowledge, or skills to implement effective strategic planning. Addressing these gaps through targeted training, capacity building, and access to strategic management tools could further enhance the impact of

strategic planning on SME performance. In conclusion, strategic planning is not merely a luxury for large organizations but a critical necessity for SMEs aiming to thrive in competitive environments like Kamukunji Trading Centre. By embracing strategic planning, SMEs can improve their decision-making, optimize their resource allocation, and ultimately enhance their performance, ensuring their long-term sustainability and success in the marketplace.

RECOMMENDATIONS

Based on the findings of this study, several recommendations can be made to enhance the adoption and effectiveness of strategic planning among SMEs in Kamukunji Trading Centre, Nairobi City County, Kenya:

Training and Capacity Building

There is a need for targeted training programs that equip SME owners and managers with the knowledge and skills necessary to develop and implement effective strategic plans. These programs should focus on areas such as environmental analysis, goal setting, resource allocation, and performance monitoring. Local government agencies and non-governmental organizations (NGOs) should collaborate to provide training workshops and resources to SMEs. These initiatives could include mentorship programs, where experienced business leaders guide SME owners through the strategic planning process.

Access to Strategic Planning Tools

SMEs often lack the sophisticated tools used by larger organizations for strategic planning. Developing and providing access to user-friendly, affordable strategic planning tools tailored to the needs of SMEs could help bridge this gap. Leveraging digital platforms that offer strategic planning templates, guidelines, and automated analysis could make the strategic planning process more accessible to SMEs, especially those with limited resources.

Supportive Policy Framework

The government should consider offering incentives, such as tax breaks or subsidies, to SMEs that adopt formal strategic planning processes. This could encourage more businesses to engage in strategic planning and improve their overall performance. Simplifying regulatory requirements for SMEs could reduce the administrative burden, allowing business owners to focus more on strategic planning and other critical aspects of their operations.

Encouraging Strategic Partnerships

SMEs in Kamukunji Trading Centre should be encouraged to form networks or clusters that can facilitate shared learning and collaboration in strategic planning. Such partnerships can also provide opportunities for joint ventures, resource sharing, and collective problem-solving. Public-private partnerships can be leveraged to provide SMEs with access to resources, expertise, and markets that would otherwise be difficult to obtain. These partnerships can also play a role in promoting strategic planning practices across the SME sector.

Monitoring and Evaluation

SMEs should adopt a continuous monitoring and evaluation process for their strategic plans. This involves regularly reviewing and adjusting strategies to respond to changes in the market or internal business environment. SMEs should benchmark their performance against industry standards or competitors to identify areas for improvement and refine their strategic planning processes.

Promoting Awareness

There is a need for increased awareness of the benefits of strategic planning among SMEs. Government agencies, business associations, and NGOs should conduct awareness campaigns to highlight how strategic planning can drive growth and improve performance. Sharing success stories of SMEs that have benefitted from strategic planning can inspire others to adopt similar practices. These stories can be disseminated through business forums, media, and online platforms.

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