

Influence of Strategic Management Process on Performance of Small and Medium-Sized Enterprises in Eldoret Town



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ABSTRACT: A company that wants to surpass its rivals employs a constant culture of appraisal as part of its strategic management process. Developing the organization's broad vision for its present and future goals is a challenging process. This study's objective is to find out the influence of strategic management process on performance of Small and medium-sized enterprises in Eldoret Town. This project was guided by the following objectives, establish the impact of environmental scanning on performance of Small and medium-sized enterprises in Eldoret Town and to find out the impact of strategy formulation on performance of Small and medium-sized enterprises in Eldoret Town. The research relied on the principle of resource-based learning. This study used mixed method both quantitative and qualitative approaches design. 160 responders was study's target population. The respondents were obtained using sample size using Yamane formulae and sample size of 40 was utilized. Every participant in a basic random sample has an equal chance of being chosen, and the entire data set is represented by a tiny, random subset of the population. The gathered data will be analyzed, coded, sorted to remove outliers, and statistically produced using the Statistical Package for Social Science (SPSS). The study findings indicated that the environmental scanning had a positive and statistically significant impact on performance of Small and medium-sized enterprises in Eldoret Town Likewise, strategy formulation exhibited a positive and statistically significant effect on performance of small and medium-sized enterprises in Eldoret Town. In conclusion environmental scanning was essential for SMEs to be innovative, also, strategy formulation empowered SMEs to take a proactive stance in managing their business, enabling them to anticipate, plan for, and respond to changes in their operating environment effectively.

KEYWORDS: Strategic management, strategy formulation, environmental scanning & performance of SMEs

BACKGROUND OF THE STUDY

The process of strategic management aims to preserve or enhance competitive advantage through planning, execution, and evaluation. The evaluation phase focuses on assessing the internal and external surroundings. A company that wants to surpass its rivals employs a constant culture of appraisal as component of its strategic management process. It's a challenging process that involves formulating the organization's broad vision for its present and future objectives. Around the world, small and medium-sized businesses and entrepreneurs are vital to national economies because they provide jobs and revenue, foster innovation and the spread of information, meet specialized or novel demands and societal requirements, and improve social inclusion (Hitt *et al.*, 2019).

The ability of among mid-sized and small enterprises in Pakistan to meet consumer demands while being efficient and achieving the intended goals at the lowest possible cost is referred to as their performance. In the contemporary business climate, small and medium-sized firms' overall performance and long-term growth are significantly influenced by the strategic management process. (Farrukh, et al, 2021). Strategic management first establishes the goals of the company before determining the strategies and tactics needed to achieve those goals (Nyariki, 2013). Because it provides the organization with an overarching direction, the strategic management process might be compared to a lighthouse. Strategic management is not frequently used even while major companies often utilize it and benefit from it, by small and medium-sized organizations (Ali & Qun, 2019)

Globally, creating a strategic mission, establishing goals, analyzing the situation, creating a plan, putting the plan into action, and evaluating the plan make up the global strategic management process. Because the process is dynamic and ongoing, alterations

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to one element may call for adjustments to the entire plan. Many economic, social, political, technological, ecological, and industry environment factors need to be taken into account when creating a strategy. These factors include competition among competitors, entry barriers, the availability of substitutes, and the negotiating power of suppliers and customers. Putting selected strategies into action entails creating appropriate plans, establishing a structure to facilitate effective performance, assigning resources to plans in the right resource categories, and controlling strategic shift. It's referred to as managing strategy in practice as per Robinson *et al.* (2017).

Small and medium-sized businesses, or SME's, are now recognized globally as tools for economic development and expansion. The governments of the world, especially those in developing nations, have worked very hard to create regulations and raise the capabilities of small and medium-sized businesses. However, there is serious doubt and concern about whether small and medium-sized businesses can promote economic growth and development, especially in developing nations, despite institutional and regulatory assistance from the government. The Nigerian government has put in place a number of measures to assist small and medium-sized businesses across the country, including the creation of initiatives and organizations that provide guidance, information, and instructions to individuals beginning and operating their own businesses (Nkiruka & Ogundeinde, 2016).

Small and medium-sized businesses (SME) are primarily responsible for driving economic development in Africa. In both developed and emerging countries, firms constitute over 90% of all businesses in terms of employment, GDP output, and job creation. Aside from their important and constructive function, small and medium-sized companies in Africa confront a variety of difficulties, such as a lack of cash, insufficient information, poor management abilities, and corruption. It is noteworthy that the majority of African governments support small and medium-sized businesses with very little assistance, ignoring an important economic catalyst that ought to serve as a foundation for development. The function, contributions, difficulties, and solutions faced by small and medium-sized businesses were examined (Sabanidze, Kivenko, Benics, Kalkan & Tick, 2021).

According to the report, African countries should include the expansion of small and medium-sized businesses in their development agendas and create policies that support their growth. Small and medium-sized businesses have the potential to significantly impact African development by creating jobs for unemployed communities, establishing the continent as a center of innovation and competition, and supplying the 1.2 billion Africans who make up the market with necessities, creating a sizable market as long as they have access to the appropriate regulatory environment, commercial infrastructure, steady electricity supply, and readily available funding sources (Murithi *et al.*, 2020)

Kenyan small and medium-sized enterprises are essential to the country's economy and job development. Nevertheless, small and medium-sized businesses are lagging behind larger corporations in implementing strategic management practices, and many businesses have not yet completely reaped the rewards of strategic management tools. Additionally, the amount of actual evidence indicating how many small- and medium-sized enterprises' strategy management methods might account for performance disparities. Furthermore, Kenya's small and medium-sized businesses continue to operate poorly and compete fiercely with larger companies. Given this, the purpose of this study is to determine how the strategic management process influences the efficacy of small and medium-sized businesses in Eldoret town (Otieno, 2017).

Problem statement

SMEs function in a competitive environment on a global scale, so their businesses must devise methods to get a competitive edge. SMEs' managers need to be flexible and reorganize their businesses in order to handle the limitations that face them as a result of the growing obstacles in the business environment. For them to remain competitive in the market, they must implement an improved strategic management procedure.

Namusonge (2016) claims that the SME sector has not adopted strategic management process methodologies very well. Additionally, non-emergent, unstructured plans are adopted through the few small and medium-sized businesses who use strategic management method.

Despite the general recognition of the significance of, research on the performance of the strategic management process among small and medium-sized enterprises has not yielded a great deal of data.

There is currently a dearth of research on small and medium-sized companies that focuses on the strategic management process businesses and their strategic management process, methodical and structured study is required. Numerous studies have been conducted on large firms, but small and medium-sized businesses have received less attention. Emmanuel (2015) has credited this fact. By providing additional information about the effect of the strategic management process on the performance of small and medium-sized businesses.

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Objectives of the Study

- i. To establish the impact of environmental scanning on performance of Small and medium-sized enterprises in Eldoret Town.
- ii. To find out the impact of strategy formulation on performance of Small and medium-sized enterprises in Eldoret Town.

Research Questions

- i. What is the impact of environmental scanning on performance of Small and medium-sized enterprises in Eldoret Town?
- ii. What is the impact of strategy formulation on performance of Small and medium-sized enterprises in Eldoret Town?

LITERATURE REVIEW

Theoretical framework

Resource based theory

The first iteration of Resource-Based Theory (RBT), a model for managing a firm's resources, diversification strategy, and productivity opportunities, was developed by Penrose (2009). The institutional resources, industrial resources, and internal resources triangle makes up the RBV approach. The idea that SMEs can employ low-skilled workers, lower crime rates, and even significantly boost a nation's national income especially in developing nations like Kenya, they serve as the backbone of the economy is what spurs this research. SMEs are actually innovative companies that can create distinctive, high-quality products that the export market wants. SMEs, however, lack confidence due to their constraints, which include: financial challenges, lack of knowledge and technology, which isn't always the case for SMEs. The outcomes demonstrated that the RBV approach, which is based on the valuable, rare, unique, and organizational theory (VRIO theory), offers capability assistance to SMEs so they can adapt and compete in a complicated business environment. Most significant, though, is the confidence to compete not just with larger firms but also with other SMEs. For SMEs, the RBV strategy offers mature planning that helps them assess and make the most use of their internal resources. Because of this, SMEs can use the resources at their disposal to gauge their competitive position, which they can then use to choose operational markets (Shaw, 2021).

Strategic Choice Theory

The supposition of strategic opportunities is linked to Child John's 1972 endeavors. When people in positions of authority inside the company decide which way to go with regard to strategic initiatives, this is referred to as a strategic choice. The importance of strategic choice comes from the more social and voluntaristic explanations for human resource management that it provides. The thesis clarifies the relationship between organizational performance, decisions made by senior management, and the inclusive interface that exists between environments and organizations. According to Chandler (1962), the theory's inception stems from opposition to deterministic management theories.

According to Chandler (1962), a company's present and future well-being are contingent upon the individuals in charge of its operations, even though the company may choose its own course. Strategic choice theory was created by Campling and Michelson (1998) to fill the void left by "other theories that neglected the power of managerial agency." Since strategic choice theory is linked to integrative understanding, it highlights how businesses should be viewed as adaptive organizations that make strategic decisions based on the actions of top management and the lessons they learn over time (Child, 1997).

The fundamental tenet of the theory of strategic choice is that conventional wisdom, such as the theories of contingency and resource dependency is insufficient because it downplays the importance of executives in a company's decision-making process (Schoonhoven, 1981). This idea is related to the strategic management theory of action in terms of how employees are arranged to carry out the decisions made by strong executives. In such instance, the executive's superior category and role—this is, at most, reactive—are imposed by the environment and structure (Astley & Van de Ven, 1983).

The potential for superior categories inside the organization to make decisions based on their choices is the worry raised by strategic choice theory. These higher categories are thought to be in charge of making choices that permit employees' obligations within the political structure of the company and its procedures (Child, 1972).

According to Nollet et al. (2005), an organization's strategic decisions—whether to be an analyzer, defender, or prospector—have an impact on how managers and firms operate. Prospectors would try to create internally, change their product portfolio, be inventive, and be proactive (Shook 13 et al., 2009). To ensure effective production and a stable product range, Defenders would only purchase goods from reliable vendors (Shook et al., 2009).

The idea emphasizes that making the optimal choice depends on a few different contextual factors. This theory believes that actors in an organization have a heightened privilege of choice when it comes to their actions and decisions. According to Miles et al. (1978), strategic choice theory describes a firm's behavior as being solely influenced by its external environment. Top executives

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are the primary decision-makers when it comes to the organization and procedures of the company. Therefore, an organization's adoption of business models, innovation, and strategic alliances is determined by strategic choice theory (Thiesart & De Rond, 2007).

Ansoff Strategic Success Theory

The idea emphasizes that making the optimal choice depends on a few different contextual factors. This theory believes that actors in an organization have a heightened privilege of choice when it comes to their actions and decisions. According to Miles et al. (1978), strategic choice theory describes a firm's behavior as being solely influenced by its external environment. Top executives are the primary decision-makers when it comes to the organization and procedures of the company. Therefore, an organization's adoption of business models, innovation, and strategic alliances is determined by strategic choice theory (Thiesart & De Rond, 2007). The strategic diagnosis Ansoff tool is a methodical process for figuring out what adjustments to a company's internal capabilities and strategy are necessary to ensure the organization's success in its future environment. The intention is to arm managers with the tools necessary to navigate the ongoing disruption and change in their environment (Ansoff and McDonnell, 1990). The application of this theory to the research shows that strategic management practices affect an organization's performance when all conditions are met for strategy adoption.

EMPIRICAL REVIEW

The impact of environmental scanning on performance of Small and medium-sized enterprises

Research on environmental scanning and SMEs strategies in Brazil was conducted in 2013 by Mauro de Mesquita Spinola. According to the study, a constantly changing competitive environment necessitates adaptation. Businesses need to keep an eye on the major variables influencing their strategy in order to prioritize their strategic initiatives. However, environment scanning and strategy planning in SMEs (small and medium-sized enterprises) are typically informal and focused on the owner. In this case, these tasks can be neglected or fail to yield data that would aid in the development of a strategy. In light of the situation, it's critical to comprehend how strategic choices and scanning operations in SMEs interact.

Ana's study from 2022 on the strategy of SMEs and environmental scanning. According to the report, small and medium-sized businesses (SMEs), which drive the Brazilian economy, account for almost 90% of all businesses. An analysis of how environmental scanning and strategic decisions interact in small and medium-sized businesses. The figures showed that scanning had no impact on the business plan. To validate the results, more research might be done in establishments that are comparable. Only the owner's viewpoint and the SME's assessment of its surroundings are included in the study. In a competitive setting, quick adaptation is necessary.

In 2018, Onodugo et al. investigated environmental scanning. The study evaluated the role environmental scanning played in the Federal Republic of Nigeria's corporate survival strategy. The results usually show that environmental scanning is essential to a company's survival—not just in the Federal Republic of Nigeria, but in many other parts of the world as well. Data particular to Nigeria indicates that managers' propensity to scan the business environment is significantly influenced by their educational background. Furthermore, the results clearly show that informal sources are more useful than official sources for assessing the b Since SMEs make up more than 90% of all businesses in Brazil, they have a big economic impact. Based on the characteristics of the scanning process in SMEs, the aim of this research is to ascertain relationship between tactics used in competition and scanning activities. A special case study was employed to support the claim that scanning actions are not taken into account while adopting a strategy. Based on the theory, a detailed framework was developed and employed as a research tool. The board was the subject of the interviews. The gathered data was examined and compared to the theoretical outcomes. One factor that can restrict the impact of scanning in strategy is the unstructured and informal nature of the scanning, as well as the unreliability of the information acquired. Scanning operations have not yet had an impact on the company's strategy under study. The relationship between strategy and scanning efforts in SMEs is better understood thanks to this work. The developed framework can act as a point a point of reference for other research. The research's shortcomings include its exclusive focus on the company's image of its own environment, the owner's viewpoint, and the impossibility of generalizing the conclusions. Subsequent studies can replicate the research in comparable organizations to validate the acquired outcomes.

Dr. Azhdar Karam's (2018) study examines growth strategies and environmental scans in high-tech Sme businesses in Uk Environment and business strategy must be integrated, according to the study, which found that environmental scanning can be a crucial component of long-term competitive advantage. It should come as no astonishment that environmental scanning actually frequently seen as the initial stage in the process of connecting strategy and environment. These days, the key focus of the tactics and surroundings discussion is on how important environmental scanning is for developing and implementing strategies. More specifically, comprehensive environmental scanning is thought to be essential for both SMEs to attain exceptional performance

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and for competitive strategies to successfully align with environmental criteria. It is founded on empirical data and the conclusions of a survey conducted among 132 Chief Executive Officers (CEOs) about environmental scanning and SME strategy. It is discovered that improving the performance and environmental scanning of small and medium-sized manufacturing companies in the electronic sector has a strong beneficial correlation. Because the electronic industry is so dynamic, it makes it easier to connect business strategy with environmental concerns by providing information on a wide range of environmental sector issues.

The impact of strategy formulation on performance of Small and medium-sized enterprises

Mugove Mashingaidze *et al.*, (2021) carried out a case study on emerging markets for strategy formulation in Smes manufacturing firms. Historically, the creation of strategy has been associated with large organizations. Despite the abundance of study on strategy formulation, it is insufficiently thorough to take into consideration the intricacies encountered by small and medium-sized enterprises (SMEs) in developing nations (Ahmed & Mukhongo, 2017). The project's goal is to get more knowledge about how SMEs in developing countries Zimbabwe, specifically develop strategies. The Interpretivist theory served as the direction for the inquiry. The results of the study showed that the majority of participants understood and actively took part in developing strategies. The study did discover, however, that strategy creation deviates from the conventional textbook models of strategic formulation because it is not carried out logically or methodically. Theoretically, the findings demonstrated that SMEs develop their strategies both outside and inwardly, depending on the market. The study suggests that SMEs balance professionalism and responsiveness, or the process perspective and the learning perspective, when making plans. Even though the study was restricted to a particular city, similar investigations may be conducted worldwide to find similarities and differences.

The study conducted by Mashingaidz *et al.*, (2017) examined strategy formulation in small and medium-sized manufacturing firms in Zimbabwe, with a focus on emerging markets. According to the study, big corporations have historically been linked to strategy formation (Damke, Gimenez, & Damke, 2018). Although there is a wealth of research on strategy formation, it is not comprehensive enough to account for the complexities faced by small and medium-sized businesses (SMEs) in developing economies (Ahmed & Mukhongo, 2017). The purpose of the project is to learn more about how SMEs in emerging markets Zimbabwe, in particular form strategies. The investigation was guided by the interpretivism philosophy. The study used a qualitative case study approach, gathering data from 15 manufacturing SME owners and managers in Harare, Zimbabwe, through semi-structured interviews.

The study's findings demonstrated that most participants comprehended and actively participated in strategy creation. The study did find, however, that strategy development is not done logically or methodically, and as a result, it differs from the traditional textbook models of strategic formulation. The results theoretically demonstrated that SMEs formulate their strategies through an internal (based on resources) and external (based on markets) guidance process. According to the report, while creating plans, SMEs should strike a balance between responsiveness and professionalism, or between the process and learning perspectives. Even though the study was carried out in a specific location, comparable research may be carried out anywhere to identify parallels and divergences.

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Conceptual Framework

Independent Variables

Strategic management process

Dependent Variable

Performance of Small and medium-sized enterprises in Eldoret Town

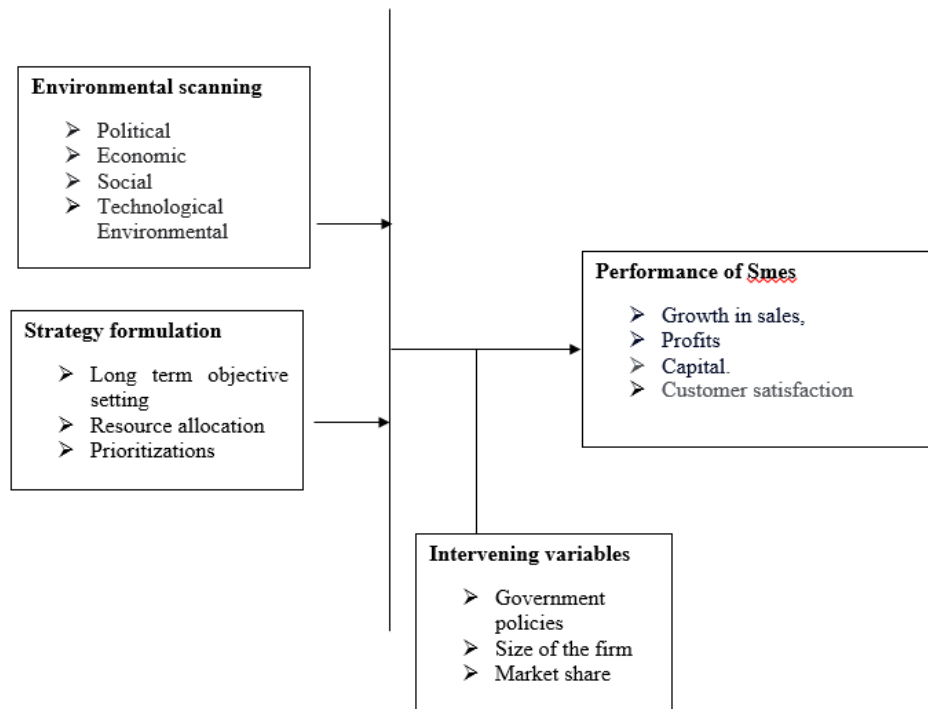


Figure 1. Conceptual Framework

Source: Researcher 2024

RESEARCH METHODOLOGY

Research Design

A plan for using empirical data to address your research question is called a research design. When developing a research design, choices about your general goals and methodology must be made. Descriptive research design was used as it accurately describes a situation, or even population. Descriptive study was used when describing the characteristics of the variables in a phenomenon (Cohen, 2020). Descriptive research design uses a wide variety of research methods to look into a single variable or multiple variables. None of the variables are manipulated by the researcher; rather he/she observes and measures them.

Target population

A population, according to Mugenda & Mugenda (2013), is a whole group of individuals, occasions, or things that have similar observable characteristics. The study concentrated on 480 SME's in the Eldoret Municipality.

Table 1. Target Population

SMEs Category	No of firms
Clothes shop	80
Supermarkets	20
Milk Vendors	25
Cyber shop	30
Eateries	60
Chemists	30
Hardware	35

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M pesa shop	90
Barber shop	40
Grocery	50
Kiosk	20
Total	480

Source: SMEs Category in Eldoret town (2024)

Sampling Technique

Random sampling methods were used in the study to choose the respondents who took part in it. In a simple random sample, each participant has an equal chance of being chosen, and the full collection of data is represented by a tiny, random subset of the population. Researchers used techniques like lotteries or random draws to generate a basic random sample.

Sample size and sampling procedures

The researcher used Yamane formulas to determine sample size (1967).

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

Where n is the sample size required

N is the target population =480

e is the level of precision =0.05

$n = 480 / (1 + 480 * 0.05^2)$

n = 218

Research Instruments

According to Kothari (2018), a questionnaire is any group of questions typed or printed on a form or forms in a specific order. The researcher created closed-ended questions to be given to small business owners. Because questionnaires were inexpensive, the researcher intended to employ them. Despite the universe's size and geographic distribution, it is free from bias, respondents have enough time to provide thoughtful responses and huge samples can be used to increase the reliability of the results (Kothari, 2018). Questionnaire is frequently used to gather population data since each item is designed to answer a particular study objective, research topic, or hypothesis.

Data Analysis

The Statistical Program for Social Sciences (SPSS) version 26.0 was used to analyze quantitative data and calculate descriptive statistics, including means, frequencies, percentages, and standard deviations. Measurements for the particular variable under investigation were provided by the analysis of the numerical and statistical data. Quantitative data was analyzed using both descriptive and inferential statistics. Descriptive statistics included frequencies, means, mode, standard deviation, variance and percentages. Inferential data was analyzed using correlation and multiple linear regressions. Pearson Product-Moment Correlation Coefficient and regression analysis was used in order to test the relationship between the dependent and independent variables. Correlation co-efficient is a measure of the strength of linear association between two variables (Gogtay & Thatte, 2017). Correlation always ranges between -1.0 and +1.0. If the correlation is positive, then there is a positive relationship.

RESEARCH FINDINGS AND DISCUSSION

Descriptive Analysis for Environmental scanning

The study first objective of the study was to assess the impact of environmental scanning on performance of Small and medium-sized enterprises in Eldoret Town

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Table 2: Environmental scanning and performance of Small and medium-sized enterprises

		SD	D	N	A	SA	Mean	Std. Dev
Environmental scanning is essential for SMEs to be innovative	F	17	0	6	54	123	4.33	1.144
	%	8.5	0.0	3.0	27.0	61.5	86.6	
By doing an environmental scan, the company can decide which course of action is best for the development and expansion of the business.	F	7	10	22	51	110	4.24	1.061
	%	3.5	5.0	11.0	25.5	55.0	84.7	
Environmental scanning helps SMEs gain an advantage over their rivals in the marketplace by fostering the creative ideas of their owners.	F	2	6	2	76	114	4.47	.756
	%	1.0	3.0	1.0	38.0	57.0	89.4	
SME's can assess their own preferences about a specific external hire or internal advancement by using environmental scanning.	F	6	6	1	115	72	4.21	.846
	%	3.0	3.0	.5	57.5	36.0	84.1	

Table 2 presents views of the respondents on the descriptive statistics for impact of environmental scanning on performance of Small and medium-sized enterprises in Eldoret Town. The study findings showed that respondents accepted at (mean≈4.33, Std. Deviation>1.144) that environmental scanning is essential for SMEs to be innovative. Recognizing the importance of staying informed about external factors and proactively responding to changes in the business environment enhance SMEs ability to innovate, adapt, and succeed in today's increasingly complex and competitive marketplace.

The study findings showed that at (mean≈4.24, Std. Deviation>1.061) of the respondents accepted that by doing an environmental scan, the company can decide which course of action is best for the development and expansion of the business. Conducting an environmental scan empowers a SMEs to assess the external landscape comprehensively, enabling informed decisions for business development and expansion. The findings concur with Belyaeva (2018) that analyzing factors such as market trends, competitor strategies, regulatory changes, and technological advancements, and socio-economic shifts, enable SMEs gain valuable insights into emerging opportunities and potential threats.

The study findings showed that respondents accepted (mean≈4.47, Std. Deviation>0.756) that environmental scanning helps SMEs gain an advantage over their rivals in the marketplace by fostering the creative ideas of their owners. Systematic monitoring and analyzing external factors such as market trends, consumer preferences, technological advancements, and competitor actions enable SME owners gain valuable insights that fuel innovative thinking and strategic decision-making. Findings by Miocevic and Morgan (2018) concur systematic monitoring and analyzing proactive approach enables SMEs to identify emerging opportunities, anticipate changes in customer needs, and stay ahead of competitors.

The study findings showed that respondents accepted at (mean≈4.21, Std. Deviation>0.846) that SME's can assess their own preferences about a specific external hire or internal advancement by using environmental scanning. Conducting an environmental scan, which entails analyzing external factors such as market conditions, industry trends, competitor actions, and regulatory changes, enables SMEs gain insights into the skills, expertise, and qualities required for success in their particular context. The findings concur with that Monteiro, Santos, Reis, Sampaio, Sousa, Martinho, and Au-Yong-Oliveira (2020) preferences about a specific external hire or internal advancement information enables SMEs to align their hiring and promotion criteria with the evolving demands of the market and industry, ensuring that candidates possess the competencies and attributes needed to contribute effectively to organizational goals.

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Descriptive Analysis for Strategy Formulation

The study second objective of the study sought to find out the impact of strategy formulation on performance of Small and medium-sized enterprises in Eldoret Town

Table 3: Strategy formulation and performance of Small and medium-sized enterprises

		SD	D	N	A	SA	Mean	Std. Dev
Strategy formulation instills a shared sense of responsibility among the SMEs.	F	12	6	2	95	85	4.18	1.034
	%	6.0	3.0	1.0	47.5	42.5	83.5	
Strategy formulation increases operational efficiency among the SMEs.	F	8	2	32	77	81	4.11	.979
	%	4.0	1.0	16.0	38.5	40.5	82.1	
Strategy formulation improves satisfaction and retention among the SMEs.	F	17	4	8	89	82	4.08	1.138
	%	8.5	2.0	4.0	44.5	41.0	81.5	
Strategy formulation enables the SMEs to manage the business expectations and bolsters trust.	F	10	1	20	89	80	4.14	.977
	%	5.0	.5	10.0	44.5	40.0	82.8	
Strategy formulation enables the SMEs to be proactive rather than reactive.	F	3	4	2	111	80	4.31	.731
	%	1.5	2.0	1.0	55.5	40.0	86.1	

Table 3 presents views of the respondents on the impact of strategy formulation on performance of Small and medium-sized enterprises in Eldoret Town. Over three quarters of the respondents, who had an average rating of 4.18, believe that strategy formulation creates a shared sense of responsibility among small and medium-sized enterprises (SMEs). In simpler terms, most of the people surveyed feel that developing strategies within SMEs helps foster a collective feeling of accountability or duty among those involved. The variation is high as indicated by the standard deviation of 1.034. Over three quarters of the respondents with an aggregate mean of 4.11 stated that strategy formulation increases operational efficiency among the SMEs. This implied that SMEs in the area recognize the importance of strategic planning, implementation, and evaluation in achieving their business objectives and improving their overall performance. The variation was high as indicated by the standard deviation of 0.979. Over three quarters of the respondents with an aggregate mean of 4.08 and standard deviation of 1.138 stated that strategy formulation improves satisfaction and retention among the SMEs. This implies that transformative impact that strategic planning can have on the satisfaction of employees and customers, as well as the overall retention of valuable talent and clientele within SMEs. The variation on responses was high as indicated by the standard deviation of 1.138. Prioritizing strategy formulation as a core aspect of business operations, SMEs can enhance their competitiveness, resilience, and ability to thrive in today's dynamic business landscape (Naradda Gamage et al., 2020).

Over three quarters of the respondents with an aggregate mean of 4.14 stated that strategy formulation enables the SMEs to manage the business expectations and bolsters trust. This implies that strategy formulation is not only about setting goals and plans but also about managing expectations and fostering trust within SMEs. The variation on responses was high as indicated by the standard deviation of 0.977. Articulating a clear strategic direction, involving stakeholders in the planning process, and demonstrating accountability and adaptability in execution enables SMEs to build trust among employees, investors, customers, and other stakeholders, which is essential for long-term success and sustainability (Soni *et al.*, 2023).

Over three quarters of the respondents with an aggregate mean of 4.31 stated that strategy formulation enables the SMEs to be proactive rather than reactive. Strategic formulation empowers SMEs to take a proactive stance in managing their business, enabling them to anticipate, plan for, and respond to changes in their operating environment effectively. The variation on responses was relatively moderate as indicated by the standard deviation of 0.731. the findings concur with Seyadi and Elali (2021)

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that embracing strategic planning as a core organizational process enhance SMEs competitiveness, resilience, and ability to thrive in today's dynamic and uncertain business environment.

Regression Coefficients

A T-test was employed to assess the statistical significance of each regression coefficient, revealing the beta (β) value, which quantifies the strength of influence of each independent variable on the dependent variable.

Table 4: Regression Analysis

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.354	.278		4.876	.000
Environmental scanning	.201	.067	.299	4.991	.000
Strategy formulation	.164	.067	.225	3.450	.000
Strategy implementation	.064	.064	.095	0.994	.006
Strategic evaluation	.254	.087	.290	2.909	.004

Table 4 displays the outcomes of the study's variables, specifically the regression coefficients. The study findings indicate that the environmental scanning has a positive and statistically significant impact on performance of Small and medium-sized enterprises in Eldoret Town ($\beta=0.201$; $p<0.05$). Likewise, strategy formulation exhibit a positive and statistically significant effect on performance of small and medium-sized enterprises in Eldoret Town ($\beta=0.164$; $p<0.05$). Furthermore, the strategy implementation are positively and significantly related to performance of Small and medium-sized enterprises in Eldoret Town ($\beta=0.064$; $p<0.05$), and strategic evaluation also show a positive and statistically significant influence on performance of Small and medium-sized enterprises in Eldoret Town ($\beta=0.254$; $p<0.05$). Referring to Table 4.13, the multiple regression equation can be expressed as follows:

$$Y = 1.354 + 0.201X_1 + 0.164X_2 + 0.064X_3 + 0.254X_4 \dots\dots\dots \text{Eq.4.1}$$

The findings can be interpreted as follows: Holding other factors constant, the environmental scanning, strategy formulation, strategy implementation and strategic evaluation in Eldoret Town collectively contribute to increased performance of small and medium-sized enterprises of approximately 1.354 units. Additionally, the coefficients provide further insights. For every one-unit improvement in the environmental scanning, there is an associated increase in performance of Small and medium-sized enterprises in Eldoret Town by approximately 0.201 units. Similarly, a one-unit improvement in strategy formulation corresponds to an increase in performance of Small and medium-sized enterprises of around 0.164 units. Improving the strategy implementation by one unit is associated with an increase in performance of Small and medium-sized enterprises of approximately 0.064 units. Lastly, improving strategic evaluation by one unit is linked to an increase in performance of small and medium-sized enterprises in Eldoret Town of approximately 0.254 units.

CONCLUSIONS

In conclusion environmental scanning is essential for SMEs to be innovative. Environmental scanning recognize the importance of staying informed about external factors and proactively responding to changes in the business environment enhance SMEs ability to innovate, adapt, and succeed in today's increasingly complex and competitive marketplace. Also strategy formulation enables the SMEs to be proactive rather than reactive. Strategic formulation empowers SMEs to take a proactive stance in managing their business, enabling them to anticipate, plan for, and respond to changes in their operating environment effectively.

RECOMMENDATIONS

Given the significant positive influence of strategic management processes on SME performance, policymakers should prioritize the development and implementation of training programs focused on strategic planning, formulation, implementation, and evaluation. These programs should be tailored to the specific needs and challenges faced by SMEs in Eldoret Town, providing practical guidance and tools to enhance strategic management capabilities among business owners, managers, and employees. Policymakers should collaborate with relevant stakeholders, including industry associations, business support organizations, and educational institutions, to facilitate access to resources and tools for strategic planning. This may include providing templates,

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guides, and online platforms for conducting environmental scanning, SWOT analysis, and strategy formulation. By empowering SMEs with the necessary resources and support, policymakers can encourage proactive strategic planning and decision-making

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