

## **ABSTRACT**

Despite the massive potential benefits, they have on Kenya's economy and their substantial contribution to employment creation, small medium-sized enterprises in Mombasa County not improving their performance; significantly affecting their role economic development and growth. Although strategic choice and performance have been the subject of several empirical investigations, impact of strategic choice Mombasa County SMEs' performance is yet to be resolved, necessitating further empirical testing. To close this knowledge gap, the current study was appropriate to examine how strategic choice impact on performance of small medium-sized enterprises in Mombasa County. This research assessed the manner that choice affects Mombasa County SMEs' performance and specifically assess manner in which innovation, relationship development and product positioning influence performance of Mombasa based SMEs. In the research, in addition to employing quantitative approach, descriptive research design also adopted while targeting the 209 SMEs in Mombasa County; from which 136 of them formed the sample size; premeditated by means of formula as Mugenda and Mugenda submit. The research employed proportionate sampling and to select respondents. In this research, data from primary sources was gathered using a closed-ended questionnaire that was distributed out using a drop-and-pick method. The quantitative analysis method was used in this study to provide descriptive and inferential statistics. The study concludes that at 0.05 level of significance, each of innovation strategy ( $\beta = 0.259$ ;  $p = 0.002$ ), positioning strategy ( $\alpha = 0.215$ ;  $p = 0.019$ ), knowledge acquisition strategy County ( $\beta = 0.196$ ;  $p = 0.005$ ), and knowledge acquisition strategy ( $\alpha = 0.242$ ;  $p = 0.037$ ) has positively significant influence on organizational performance of SMEs in Mombasa County. The study recommends that the SMEs in Mombasa County that should; invest significantly in their innovation strategy to increase its productivity, strengthen their product positioning strategy; pay more attention on the relationship development strategy; concentrate on building its knowledge acquisition strategy

*Key words: Innovation strategy, Knowledge acquisition strategy, Performance of small medium enterprises, Product positioning strategy, Relationship development strategy, Strategic choice*

## **INTRODUCTION**

### **1.1 Background of Study**

Worldwide, small and medium-sized enterprises (SMEs) are incipient vivacious when driving economy of the majority of today's nations (Gichuki et al., 2014). In addition to helping a country create jobs, they make significant contributions to GDP (gross domestic product) growth (Oynaka, 2020). As a result, SMEs are now increasingly significant economic drivers all over the world. accounting for 60% of the GDP in nations like China and Japan (Organisation for Economic Co-operation and Development [OECD], 2017). OECD (2017) demonstrates that whereas United States of America's (USA's) ratio of rise of SMEs is 65 percent. SMEs produce 52 percent of the GDP in the United Arab Emirates (UAE). Rathnasiri (2014) indicates that SMEs employ 75% of the workers in Europe. In the African, SME sector activities are thought to make up more than 90% of those on this continent while engendering half (50%) of GDP as well as more than half the employment (to Nyalita, 2018; Chodokufa, 2009). In Ghana, this industry contributes more than 50% of the GDP and almost 70% of industrial jobs in Ghana They also assist in lowering taxes by making financial assistance and compensating their employees (Mbaye & Gueye 2018). In Nigeria, 76 percent of all workers were employed by SMEs, while SMEs contributed 48 percent of entire industrial production ((Al-Haddad et al., 2019); Eniola & Entebang, 2015). Meanwhile, SMEs employment represents 56% of all private sector jobs in South Africa and represent 36% of the nation's GDP while 91 percent of South Africa's official business organizations are SMEs (OECD, 2017). Kenya also reaps the rewards of SMEs, which create up to 75% of the country's total revenue while only making up 18% of the GDP (Mutie & Muturi, 2019; Nakhaima, 2016). Importantly, these organizations are recognized as major forces behind employment possibilities, socioeconomic development, and the reduction of poverty (Onyiego, 2019).

Owing to the importance of SMEs, The Government of Kenya (GoK), under Vision 2030, has been developing initiatives to support SMEs for ensuring continuity. Despite their importance, the survival of these businesses depends on the fact that out of every five SMEs that are launched, three fail during the first few months of operation (Government of Kenya [GoK], 2016). As a result, Kenya's SME sector is growing slowly, which might harm the nation's socioeconomic development (Opinya & Rotich, 2015). Nevertheless, it has been widely discovered that strategic management and decision making significantly determine SME success (Kabiru et al., 2018). In this regard, theories have shown that making a strategic option would provide remedies for performance problems connected to competitive advantage. The Strategic Choice Theory (SCT), which is fundamental, highlights management choice indispensable whenever stimulating performance (Rohof, 2013). One fundamental tenet of the strategic choice theory, according to Rohof (2013), is that performance depends on how well strategy and structure fit together. Strategic choice theory impressively arises feasible to make decisions in circumstances when there is a great degree of external influence. The idea explains how decision-making by leaders or leading groups may have an impact on an organization. A series of underlying processes known as "strategic choice" are used to alter or create situations in order to improve an organization's performance (Githinji, 2015). According to the strategic choice viewpoint, organizational decision-makers choose structural configurations and paths of strategic action while taking into account the organization's characteristics and the desired strategy (Misoi & Wario, 2014). In order for SMEs to continue to be economically viable and competitive, the top leadership of those groups should indeed adopt strategic choices that really are compliant with the unhealthy situation (Mohammed et al., 2017). Although there is disagreement over the degree to which these strategic decisions affect performance, scholars relate the strategic decisions that determine organizational success to the types of tactics they select. However, poor strategic decision-making causes many firms to perform worse (Laban & Deya, 2019). In light of this, this study will attempt to determine how organizational Mombasa County SMEs' performance relates to strategic choice. This approach is founded on the idea that, despite the great number of issues SMEs in Mombasa County face that impact their performance, these SMEs are frequently plagued by poor or inefficient entrepreneurial strategic choices (Gathungu & Baariu, 2018).

## **1.2 Statement of Problem**

Despite the enormous contribution SMEs make to creating jobs and the huge beneficial influence they have on Kenya's economy, SMEs in Mombasa County face a great variety of problems impacting on their performance and survival in the current unstable economic climate (County Government of Mombasa, 2020). Therefore, the significant contribution that SMEs have made to Kenya's economic development and growth being severely threatened by all this occurrence. The performance of most of these SMEs has either stagnated or declined; manifesting itself in form of collapse of most of them (estimated 60%) soon after origination while 80 per cent of those that continue fail before the fifth year of origination (Opinya & Rotich, 2015; Mwangi & Namusonge, 2014). This is highly threatening the reality of the SMEs in Kenya and may end up affecting the development and economy of the country. This has been occasioned by lack of or inadequate strategic entrepreneurial choice (Gathungu & Baariu, 2018). Although strategic choice and performance have been the subject of several empirical investigations, inconsistent have been conveyed and therefore the impact of strategic choice Mombasa County SMEs' performance had not been agreed upon; making further empirical testing a necessity (Delbufalo et al., 2016). To close this knowledge gap, the current study was appropriate for examining how strategic choice have an impact on Mombasa County SMEs' performance.

## **1.3 Objectives of the study**

### **1.3.1 General Objectives**

The study investigated the influence of strategic choice of organizational performance of SMEs in Mombasa County.

### **1.3.1 Specific Objectives**

To assess the effect of strategic choice of performance of small medium enterprises in Mombasa County, the study was guided by following specific objectives

1. To examine the influence of innovation strategy on performance of small medium enterprises in Mombasa County.

2. To assess the influence of product positioning strategy on performance of small medium enterprises in in Mombasa County.
3. To assess the influence of relationship development strategy on performance of small medium enterprises in in Mombasa County.
4. To assess the influence of knowledge acquisition strategy on performance of small medium enterprises in in Mombasa County.

## **2. LITERATURE REVIEW**

### **2.1 Theoretical Framework**

Primarily, SCT emerges viable theory for addressing all research objectives; objective [1] highlighting innovation strategy as well Objective [2] singling out product positioning strategy, then Objective [3] bringing on board relational development strategy and lastly Objective [4] exposing knowledge acquisition strategy as determinants of performance. Ideally, strategic choice theory suggests that the body of people and associations within organisations makes decisions that have an effect on the organizations (Keating et al, 1994; Child, 1997). Individuals and associations inside organisations have the agency to make decisions that have an effect on organisations, according to this principle (Keating et al, 1994). In the present study, choice have to made on enhancing performance of SMEs in Mombasa Country which renders this theory absolutely useful in helping SMEs establish the appropriate decisions in the course of improving sustaining this performance (Awino et al., 2017).

According to this theory, the related external forces that influence work relationships such innovation and creativity, positioning of products and services, development relationship, and knowledge acquisition should be taken into consideration (Child, 1997). Firms are induced to adjust their competitive tactics as a result of changes in the external world. Scholars assign the strategic choices that decide corporate success to the types of tactics that are used, although there is little consensus about the degree to which these strategic choices affect performance (Awino et al, 2017). SCT's influence on strategic decisions crosses many domains, including product positioning, relationship building, and knowledge acquisition. As a result, this study concluded that the appropriate IVs cut across; innovation and creativity, positioning of products and services, development of relationship, and knowledge acquisition. Innovation and creativity, positioning of products and services, development of relationship, and knowledge acquisition are all general strategic possibilities (Carraresi et al., 2011). This theory suggests that an organization's innovation and creativity, positioning of products and services, development of relationship, and knowledge acquisition are all suitable strategic decisions (Kiende et al., 2019; Kiviti, 2018; Nyaga & Bett, 2018). This is to mean that these factors are determinants of performance of a firm. As regards the present study, then these strategies are important when seeking to improve performance of SMEs.

### **2.2 Empirical Literature Review**

Carefully analysed hereunder is empirical research and associated studies that would be recognized as useful in connecting strategic choices to improving performance. Here is an overview of each technique that was motivated by certain research goals.

Extensive empirical research on creativity have been undertaken, with the study by Kiende et al. (2019) revealing those innovations substantially and positively impacting performance; to imply that strategic innovations used by businesses aided in improving performance through presenting new products on board. In addition, Nagwan et al. (2018) highlighted that strategic innovation is critical in a third world country like Yemen, and that financial innovation is required since access to capital has been recognized as a significant challenge for SMEs in low-income economies. In the meantime, Nyoike's (2018) research shows beneficial correlation between SME's performance and innovation. According to this study by Ouma (2018), innovation strategy affects how well SMEs function in Kenya (Buil & Omundi, 2017; Mugambi & Karugu, 2017; Nafula, 2017; Osuga, 2016; Namusonge et al.; 2016). Ndesaulwa and Kikul (2016) discovered no consistent results in their explanatory analysis on whether innovations overall impact firm success.

In this study by Ouma (2018), it was shown that certain company kinds of SMEs in Kakamega County performed better when their products and positioning were considered. The results of the Muthengi (2017) study confirm performance is substantially determined by strategic marketing positioning

efforts(Kiviti, 2018; Muthengi; 2015) Ebitu (2016) indicates that SMEs should make innovative investments in product quality to increase their company's profitability. The aspects of corporate image positioning, intended user positioning, characteristic and trait positioning, and competitive positioning were used to construct a brand positioning framework for SMEs (Hlatshwayo, 2015).

Relationship development was highly and favourably associated to the success of MSMEs (Kawira et al., 2019). According to the findings of Nyongesa (2018), customer retention with performance and shows significant favorable associations (Kehinde et al., 2016). Abu Awang and Salam's (2017) study outcomes suggested that in order to boost their financial performance and, consequently, their long-term survival, SMEs must quickly concentrate on relational amendment strategy. The results of the research by Datta (2017) show that good customer loyalty, which leads to customer retention, depends on service quality, trust, bonding, and customer happiness (Nkanata, 2016). Findings of research by Handriana's (2016) demonstrate that communication and the advantages of relationships have a major impact on trust and relational commitment. (Oboreh et al., 2013 Customer loyalty is largely impacted by relationship commitment and trust, though. In the meanwhile, showed a significant and favorable correlation between relationship marketing and sales success. Alibhai and Ogollah (2015) discovered a positive link between CRM and performance (Faroghian&Mazhab, 2015; Magasi, 2015)

In the research by Ajanaku and Mutula (2018), aspects of knowledge management framework and process have a substantial and considerable impact on how well nursing care is provided at teaching hospitals. Alkatheer's (2018) research expose organizational variables and knowledge management as having substantial link. According to research by Nyaga and Bett (2018), the SMEs' performance in Nairobi County is positively correlated with knowledge acquisition. Investigation by Nyaga and Bett (2018) showed a favourable connexion between knowledge acquisition and the SMEs accomplishment among business in Nairobi County. while Lee's (2017) study showed that knowledge management processes affect organizational factors in different ways, and hospital managers should promote a friendly organizational culture and systems. While Nawaz et al. (2014) determined that data acquisition contributes to improved revenue through the creation of new modifications, and innovations, Jaradat and Maani (2014) observed knowledge acquisition and performance intensity link significant relationship (Mohamad et al., 2013) and Nawab et al. (2015) registered significant indirect impact on business performance (Aming'a, 2013; Fattahiyani et al. 2013. Gholami et al., 2013; Nawaz, 2013; White, 2013).

### **2.3 Research gaps**

Strategic choice techniques are related to performance metrics, according to empirical research that have been widely produced. There is, however, little research linking strategic choice to SME performance. As a result, little study has been done both internationally and in Kenya on product strategic choice strategies and SME success. The bulk of research have, according to an examination of the literature, concentrated on strategic choice strategies and strategic marketing. Additionally, minimal investigation had indeed been done to investigate how strategic choice benefited the Mombasa County SMEs' performance and for this reason, this investigation aims to close a gap by investigating how strategic choice strategies affect the Mombasa County SMEs' performance.

## **RESEARCH METHODOLOGY**

### **3.1 Research Design**

In order to analyze strategic choices link to Mombasa County SMEs performance of, descriptive research design will be adopted for gathering data and related evidence. The descriptive research design was utilised in describing occurrence of phenomena's properties. It was employed since it describes the factors of interest and gives in-depth in predicting, and investigating associatory relations (Gupta & Rangi, 2014).

### **3.2 Target Population**

The study's target demographic was the county's 209 SMEs registered in business directory as captured in Table 2 (Business List, 2022; County Government of Mombasa, 2018). The responses came from the SME's managers/owners, who will provide information as the unit of inquiry. As a result, the SMEs will be the unit of analysis.

The study employed proportional sampling to determine the sample size for each type of SME. In order to calculate the statistics, this sample size was produced from each classification of SME by multiplying the population of the classification by the sample size and dividing it by the target population.

The study used the formula suggested by Mugenda and Mugenda.;

$$nf = \frac{n}{1 + \frac{n}{N}}$$

Where; nf= sample size for the population is less than 10,000,n = desired sample when the population is more than 10,000,;N= estimate of the population size.

$$\text{Thus } nf = \frac{384}{1 + \frac{384}{209}} = 135.34 = 136$$

### 3.3 Research instrument

In gathering corresponding data, primary source was acknowledged and standardised questionnaire used for data collection (Kothari, 2012). The survey was indeed be carefully designed and incorporate questions that are placed upon many kinds in a specific order. The fundamental architecture of the questionnaire, the order in which the questions are asked, and the phrasing and wording of the queries are its most key aspects.

### 3.4 Validity

In this investigation, content validity will be employed to evaluate validity. Tests of the tool's content validity will judge whether it can provide data that is completely right, factual, and substantial. Research supervisor and expert of strategic management, mutually possessing in-depth comprehension and knowledge of strategic management, was appointed to aid with the inquiry.

### 3.5 Reliability

Reliability tests were conducted to ascertain how well the instrument will consistently produce accurate results whenever used later on (Cooper & Schindler, 2008). Regularly used internal consistency approach; Cronbach's alpha was adopted to evaluate reliability, where 18 SMES managers in Kilifi County, a nearby county, provided the data for appraising dependability. The study analysed the data to produce the findings shown in Table 1.

**Table 1: Organisational performance Reliability Statistics**

Item	Cronbach's Alpha
Organisational performance of SMEs in Mombasa County	0.747
Innovation strategy	0.754
Product positioning strategy	0.856
Relationship development strategy	0.782
Knowledge acquisition strategy	0.840
Cronbach's Alpha = 0.829, N= 5	

Source: Research data (2023)

Inferred from Table 1, Cronbach's alpha ( $\alpha$ ) coefficient within each of the five factors (N=5) was 0.829, indicating a reliable instrument (questionnaire) because the reliability coefficient was greater than 0.7 while the threshold is 0.7 (Kothari, 2012). The organizational performance of SMEs in Mombasa County ( $\alpha = 0.840$ ), innovation strategy ( $\alpha = 0.754$ ), product positioning strategy ( $\alpha = 0.856$ ), relationship development strategy ( $\alpha = 0.782$ ), and knowledge acquisition strategy ( $\alpha = 0.895$ ) were all determined to have internal consistency over time using the threshold provided by Kothari's (2012). Since the instrument was found to be significantly consistent, the research was able to use it.

### 3.10 Data Analysis

To capture the features of the variables used in this study, quantitative analysis was put in place and this produced descriptive statistics. These descriptive statistics included means (M), and standard deviations (SD). Narratives were used to interpret these findings. The research used inferential statistics to create a method to forecast the DV (Response: Mombasa County SMEs' performance) in Kenya in terms of the

IVs; (innovation strategy, product positioning, relationship development, and knowledge acquisition). Inferential analysis was performed to get correlation (establishing the link between each IV and DV) and regression statistics were utilized to construct a model that estimates the DV in terms of the IVs

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \dots \dots \dots (i)$$

Where:

Y = Organisational performance of SMEs in Mombasa County

X<sub>1</sub> = Innovation strategy

X<sub>2</sub> = Product positioning

X<sub>3</sub> = Relationship development

X<sub>4</sub> = Knowledge acquisition

β<sub>0</sub> is a constant, the value of Y when each of IV is zero.

β<sub>1-4</sub> is the regression coefficients or change induced by innovation strategy, product positioning strategy, connection development strategy, and knowledge acquisition strategy

e = error term

## RESEARCH FINDINGS AND DISCUSSIONS

### 4.1 Response Rate and Participants Background Information

The research sampled a population of 136 SMEs in Mombasa County and as a result 136 questionnaires administered to the manager/owners of these entities. In that exercise, 96 of them filled out the questionnaire completely and returned it, Thus, the response rate was 70.59% then this was high according to Mugenda and Mugenda (2008).

In the present investigation, the analysis requested respondents for a few details that were useful to the research. These particulars, which include; age bracket, highest education level, legal status of the business, number of employees and period worked with the SME. Guided by the results, most of the respondents 40(41.67%) were aged between 18 and 35 years while 36(37.50%) were of the ages between 36 and 45 as 10(10.42%) were of ages between 46 and 55. While 5(5.21%) were between 56 and 55 years, 3(3.13%) were below age of age and 2(2.08%) were over 65 years old. The results showed that most of the respondents, 41(42.71%), had college certificates as their highest education level while 18(18.75%) were university undergraduates, 17(17.71%) were secondary school leavers while 11(11.46%) were primary school dropouts and 9(9.38%) possessed postgraduate qualifications.

While most of the respondents, 39(40.63%), showed that their SMEs were family owned businesses, 37(38.54%) showed these were sole business as 17(17.71%) indicated that they were private limited companies and 3(3.13%) showed that these were business partnership. Based on these results, majority of the respondents, 52(54.17%) indicated that the number of employees did not exceed ten(10) as 23(23.96%) showed that they had between 11 and 20 employees while 13(13.54%) showed that had between 21 and 30 employees, 5(5.21%) showed that they had between 31 and 40 employees and 3(3.13%) showed they had employed more than 40 people. According to these results, while 37(38.54%) showed that they had been in that business for less than 5 years, another 37(38.54%) showed that had been in business for over 10 years and 22(22.92%) indicated that they had been in the business for between five(5) and 10 years.

### 4.5 Descriptive statistics

In order to generate descriptive statistics, the research used a quantitative approach to analyse the data gathered on the key concept. It was significant that the study determined the characteristics of the independent variables (IVs) and how they connected to the dependent variable (DV), the organizational performance of SMEs in Mombasa County. These descriptive statistics results, where means (M) and standard deviations (SD) were captured in tables and thereby interpreted accordingly. Since the results were from ordinal data, the study obtained composite indices using Mean of Means. Data collected using the scale; strongly Disagree = 1: disagree = 2: neutral = 3: agree = 4: strongly agree = 5 was interpreted as follows, 1 to 1.8 to mean strongly Disagree, above 1.8 to 2.6 implied disagree; Above 2.6 to 3.4 to mean neutral; Above 3.4 to 4.2 meant agree, and above 4.2 to 5 implies strongly agree. Meanwhile data collected using the scale; Not at all = 1: Low = 2: Moderate = 3: High = 4: Very high = 5 was interpreted as follows, 1 to 1.8 to mean Not at all, above 1.8 to 2.6 implied Low; Above 2.6 to 3.4 to mean Moderate; Above 3.4 to 4.2 meant High, and above 4.2 to 5 implies Very High.

#### 4.5.1 Innovation strategy and organisational performance

The research assessed influence of innovation strategy on performance of small medium enterprises in in Mombasa County as guided by objective 1 to produce Table 2.

**Table 2: Analysis by innovation strategy and organisational performance**

Innovation strategy Indicator	M	SD
Conducting research and development	2.99	1.29
Carrying out product development and innovation	3.24	1.25
Investment in new equipment	2.95	1.17
innovation strategy	3.06	1.235

**Source: Research data (2023)**

In accordance with Table 3, the respondents showed that the influence of conducting research and development on performance of small medium enterprises in in Mombasa County was moderate (M=2.99; SD=1.29) while carrying out product development and innovation also moderately affected performance of SMEs in in Mombasa County (M=3.24; SD=1.25). Meanwhile the influence of Investment in new equipment performance of SMEs in in Mombasa County was also moderate (M=2.95; SD=1.17). On average, innovation strategy had moderate influence on performance of SMEs in in Mombasa County (M=3.06; SD=1.235) Thus, innovation strategy was shown to have moderately influenced organisational performance of SMEs in in Mombasa County. This differs for the findings in the Kiende et al. (2019) which revealed innovations substantially and positively impacting performance. However, the findings in the current research agree to those in research by Ouma (2018) found that innovation strategy has an impact on how well SMEs perform in Kenya. Notably, the performance of SMEs in Mombasa was moderate and the effect of innovative strategy on performance of SMEs in in Mombasa County too; affirming the finding the research by Ouma (2018; Osuga's (2016) Juma (2014) discovered that the strategic innovation initiatives impacted on performance substantially (Walobwa et al. 2013. While Ngugi and Karina (2014) found that innovation had a positive effect organizational performance., Again, Ebitu (2016) found a substantial relationship between product quality strategy and SMEs' profitability and growth in market share of SMEs.

#### 4.5.3 Product positioning strategy and organisational performance

Guided by objective 2, which was assess the influence of product positioning strategy on performance of small medium enterprises in in Mombasa County the study carried out analysis to obtain Table 4.

**Table 4: Analysis by product positioning strategy and organisational performance**

Product positioning strategy	M	SD
Creating brand identity/clarity	3.63	1.32
Maintaining brand competitiveness	3.63	1.26
Ensuring brand credibility	3.36	1.21
Classifying market according to segmentation	3.57	1.16
Designing product with unique features	3.61	1.13
Enhancing brand values in terms of quality	3.53	1.27
Creating brand awareness	3.72	1.19
product positioning strategy	3.58	1.22

**Source: Research data (2023)**

In accordance with results in table 4, creating brand identity/clarity highly influenced performance of SMEs in in Mombasa County (M=3.63; SD=1.32) as also maintaining brand competitiveness highly influences performance of SMEs in in Mombasa County (M=3.63; SD=1.26) while ensuring brand credibility has a moderate influence on performance of SMEs in in Mombasa County (M=3.36; SD=1.21). While classifying market according to segmentation highly influenced performance of SMEs in in

Mombasa County (M=3.57; SD=1.16), designing product with unique features highly influenced performance of SMEs in in Mombasa County (M=3.61; SD=1.13) as enhancing brand values in terms of quality highly influenced performance of SMEs in in Mombasa County (M=3.53; SD=1.27) and creating brand awareness highly influenced performance of SMEs in in Mombasa County (M=3.72; SD=1.19). These results show that product positioning strategy highly influenced performance of SMEs in in Mombasa County (M=3.58; SD=1.22).

The findings in this study agree to this in the study by Kiviti (2018) which revealed that positioning strategies enable firm become more profitable. It also agreed with that by Ouma (2018) that certain SMEs in performed better when their products and positioning were considered. These findings are confirmed in research by Blankson and Crawford (2012).that the most crucial positioning strategies were: service,value for money, and attractiveness.. Furthermore. the research by Orwa (2012) indicated that positioning and differentiating techniques were ineffective in helping to promote goods. Notably ,improving customer education would improve the performance of payphone services. Similarly, Masua (2012) show positioning strategies vital for preserving steady market competitive edge.

#### 4.5.4 Relationship development strategy and organisational performance

Objective 3, which was to assess the influence of relationship development strategy on performance of small medium enterprises in in Mombasa County helped carry put analysis to produced Table 7.

**Table 3: Relationship development strategy and organisational performance**

Relationship development strategy	M	SD
Identifying existing customers	3.82	1.15
Promoting customer satisfaction and Trust	3.51	0.94
Creating customer value for customer loyalty	3.53	1.06
Key customers focus for customer retention	3.51	1.08
Networking and strategic alliances	3.50	1.08
Customer development	3.48	1.08
relationship development strategy	3.56	1.06

**Source: Research data (2023)**

In accordance with Table 5, it was shown that the respondents indicated that identifying existing customers highly influenced performance of SMEs in in Mombasa County (M=3.82; SD=1.15) while promoting customer satisfaction and trust also highly influenced performance of SMEs in in Mombasa County (M=3.51; SD=0.94) and creating customer value for customer loyalty further highly influenced performance of SMEs in in Mombasa County (M=3.53; SD=1.06). While key customers focus for customer retention highly influenced performance of SMEs in in Mombasa County (M=3.51; SD=1.08), networking and strategic alliances highly influenced performance of SMEs in in Mombasa County (M=3.50; SD=1.08). and customer development (M=3.48; SD=1.08). The results show that relationship development strategy highly influenced performance of SMEs in in Mombasa County (M=3.56; 1.06).

The findings in this section confirm the findings in the research by Kawira et al. (2019) which revealed that relationship marketing was highly and favourably associated to performance. This was also confirmed by Nyongesa (2018) that relationship marketing plays a crucial influence in client retention. The results agreed with the results of the study by Datta (2017) good customer loyalty, which leads to customer retention, depends on service quality, trust, bonding, and customer happiness. In addition, Nkanata (2016) reveals that each of customer relationship process, customer loyalty, and brand recognition positively and substantially affect performance (Ebitu, 2016; Kawsar, 2016; Handriana,2016; Magasi, 2015).; Alibhai & Ogollah, 2015; Faroghian&Mazhab, 2015)., Oboreh et al. (2013) discovered that SMEs, have realized that accepting, using, and adopting the relationship marketing idea and techniques is one guaranteed route of survival.

#### 4.5.5 Knowledge acquisition strategy and organisational performance

Founded on objective 4; to assess the influence of knowledge acquisition strategy on performance of small medium enterprises in in Mombasa County, the study carried out an analysis to produce Table 6.

**Table 4: Analysis by knowledge acquisition strategy and organisational performance**

<b>Knowledge acquisition strategy</b>	<b>M</b>	<b>SD</b>
Acquiring information through frequent employee target-oriented training	3.67	1.22
Equipping employee with more information from top management expertise	3.49	1.12
Utilizing those employees with related expertise to pass information to the rest	3.56	1.16
Conducting regular internal employee trainings on acquiring information	3.39	1.07
Acquiring expertise on the industry	3.30	1.25
<b>knowledge acquisition strategy</b>	<b>3.48</b>	<b>1.16</b>

**Source: Research data (2023)**

These results showed that acquiring information through frequent employee target-oriented training highly influenced performance of SMEs in Mombasa County (M=3.67; SD=1.22), equipping employee with more information from top management expertise highly influenced performance of SMEs in Mombasa County (M=3.49; 1.12) and utilizing those employees with related expertise to pass information to the rest highly influenced performance of SMEs in Mombasa County (M=3.56; SD=1.16). While conducting regular internal employee trainings on acquiring information had a moderate influence on performance of SMEs in Mombasa County (M=3.39; SD=1.07), acquiring expertise on the industry too had had a moderate influence on performance of SMEs in Mombasa County (M=3.30; SD=1.25). It was found that knowledge acquisition strategy highly influenced performance of SMEs in Mombasa County (M=3.48; SD=1.16).

The findings in this research confirm those in the Investigation by Nyaga and Bett (2018) which showed a favourable connexion between knowledge acquisition and the SMEs. SME's performance was found to be satisfactorily explained by knowledge acquisition. Al- Qarioti (2015) explained knowledge acquisition as affecting performance. Akpotu and Lebari (2014) study findings, knowledge acquisition and administrative staff members' performance are significantly correlated. While Nawaz et al. (2014) determined that data acquisition contributes to improved revenue through the creation of new modifications, and innovations, Jaradat and Maani (2014) observed knowledge acquisition and performance intensity link significant relationship (Mohamad et al., 2013) and Nawab et al. (2015) registered significant indirect impact on business performance (Aming'a, 2013; Fattahiyah et al.2013. Gholami et al., 2013; Nawaz, 2013; White, 2013). However, research by Byukusenge and Munene's (2017) exposed innovation as fully mediating the knowledge attainment and commercial success of SMEs relationship.

4.6 Regression Analysis

The present research conducted an inferential analysis at a 5% level of significance that included correlation and regression analysis. Using equation (i), multiple regression was carried out to forecast a model that would be used in the future to estimate the DV, organizational performance of SMEs in Mombasa County, in terms of the IVs; innovation strategy, product positioning strategy, relationship development strategy, and knowledge acquisition strategy. The results are in Table 5.

**Table 5: Regression Coefficients**

	<b>Coefficients<sup>a</sup></b>				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.171E-05	0.001		0.024	0.981
Innovation Strategy	0.259	0.080	0.303	3.232	0.002
Product Positioning	0.215	0.090	0.216	2.382	0.019
Relationship Development Strategy	0.196	0.068	0.266	2.880	0.005

Knowledge Acquisition Strategy 0.242 0.114 0.203 2.121 0.037

a. Dependent Variable: performance of small medium enterprises in in Mombasa County

**Source: Research data (2023)**

The results (T= 3.232; p= 0.002) show a p-values less than 0.05 which means that innovation strategy has significant effect on organizational performance of SMEs in Mombasa County is significant. So, innovation strategy is good estimator of organizational performance of SMEs in Mombasa County is significant. Based on the results (T= 2.382; p = 0.019), the p-value is less than 0.05 which implies that product positioning strategy has significant influence on organizational performance of SMEs in Mombasa County. This is sufficient evidence that product positioning strategy is a suitable predictor of organizational performance of SMEs in Mombasa County. In the results (T= 2.880; p= 0.005), then p-value is less than 0.05 an indicate that relationship development strategy has significant influence on organizational performance of SMEs in Mombasa County and clear evidence that relationship development strategy is a significant predictor of organizational performance of SMEs in Mombasa County. From the results, (T= 2.121; p= 0.037), the p-value is less than 0.05 to imply a significant influence of of knowledge acquisition strategy on organizational performance of SMEs in Mombasa County and evidence that knowledge acquisition strategy is a good predictor of organisational performance of small medium enterprises in Mombasa.

In this research, using Table 6, an estimation model was construed from the beta values and guided by equation, obtaining equation (ii) linear regression mode;

$$\hat{Y} = 3.171E-05 + 0.259X_1 + 0.215X_2 + 0.196X_3 + 0.242X_3 \dots \dots \dots (ii)$$

The study tested the goodness of fit of the model using ANOVA to yield results in Table 6.

**Table 6: ANOVA for organisational performance**

ANOVA <sup>a</sup>					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	.000	4	0.000	8.085	0.000 <sup>b</sup>
Residual	.000	91	0.000		
Total	.000	95			

a. Dependent Variable: performance of small medium enterprises in in Mombasa County

b. Predictors: (Constant), knowledge acquisition strategy, product positioning, relationship development strategy, innovation strategy

**Source: Research data (2023)**

The study tested the fitness of the model guided assumption that; beta values coefficient of  $X_1, X_2, X_3$  and  $X_4$ , are all zero that is  $\beta_1=\beta_2= \beta_3=\beta_4= 0$ ) and the study proposed that alternative was that at least one the beta value;  $\beta_i \neq 0$ . The results (p-value = 0.000, F = 24.012), show that the p-value <0. 05.. then study can conclude that the  $\alpha=0.05$ , there exists enough evidence to conclude that at least one of the IVs; innovation strategy, product positioning strategy, relationship development strategy and knowledge acquisition strategy are useful in estimating the organizational performance of SMEs in Mombasa County and hence the study can estimate a model explaining organizational performance of SMEs in Mombasa County in terms of; innovation strategy, product positioning strategy, relationship development strategy and knowledge acquisition strategy.

**Table 7: Summary of model for organisational performance**

Model Summary			
R	R Square	Adjusted R Square	Std. Error of the Estimate
.512 <sup>a</sup>	.2622	.22298	.0015681

a. Predictors: (Constant), knowledge acquisition strategy, product positioning, relationship development strategy, innovation strategy

**Source: Research data (2023)**

Result in Table 8 shows the coefficient of determination as being .2622. This shows that a change in; innovation strategy, product positioning strategy, relationship development strategy, and knowledge acquisition strategy explains 26.22% of change in organizational performance of SMEs in Mombasa

County by. Therefore, all the variable; innovation strategy, product positioning strategy, relationship development strategy, and knowledge acquisition strategy are determinants of organizational performance of SMEs in Mombasa County.

## CONCLUSIONS AND RECOMMENDATIONS

### 5.3 Conclusions

The study concludes that at 5% significance level, innovation strategy moderate significant and positive influence on organisational performance among SMEs in Mombasa County ( $\beta = 0.259$ ;  $p = 0.002$ ).

The study concludes that at 0.05 level of significance, product positioning strategy has positively significant influence on organizational performance of SMEs in Mombasa County ( $\beta = 0.215$ ;  $p = 0.019$ ).

The research concludes that there is positive significant influence of relationship development strategy on organizational performance of SMEs in Mombasa County ( $\beta = 0.196$ ;  $p = 0.005$ ).

The study concludes that at 5% significance level, knowledge acquisition strategy has a statistically insignificant effect on organizational performance of SMEs in Mombasa County ( $\beta = 0.242$ ;  $p = 0.037$ ).

### 5.4 Recommendations

The study suggested policy recommendation and recommendation for further study. This is because the organizational performance of SMEs in Mombasa County is moderate and the prevailing status of affairs requires to be ameliorated this using effective strategies. Firstly, the study recommends SMEs in Mombasa County should invest significantly in their innovation strategy to increase its productivity. This will be investing more in research and development and therefore necessitating aggressive product development and innovation. These SMEs should ways be investment in new equipment.

Secondly, the study recommends that the SMEs in Mombasa County should strengthen their product positioning strategy by reviewing their brand identity/clarity, innovating their brand competitiveness, securing brand credibility, energizing market segmentation, creativity on product design to create unique features, promoting brand values (quality and brand

Thirdly, the research recommends that SMEs in Mombasa County should pay more attention on the relationship development strategy so as to; create supportive policies for retaining existing customers, create customer satisfaction and trust incentives, create true customer value for customer loyalty, make strategies for key customers focus for customer retention. These SMEs should engage networking and build strategic alliances and invest significantly on customer development.

Lastly, the study recommends that. concentrate on building its knowledge acquisition strategy so as to create effective target-oriented training programs for equipping employee with information, build expertise, utilise internal expertise, engage in regular internal employee trainings, and access industry expertise.

### 5.5 Recommendations for Further Study

This study used data collected from SMEs in Mombasa County, limiting its horizon. It therefore it does not include enterprise. Thus, it is not clear the applicability of the study in business enterprises. According, the study proposes that the same study should conducted in all enterprises in Mombasa County.

The study relied on data collected from primary sources, using a questionnaire. Notably, these are opinions of the respondents and there is therefore the need to conduct the same study using secondary data to verify the findings in this study.

## REFERENCES

- Ajanaku, O.J. & Mutula, S. (2018). The relationship between knowledge management and nursing care performance. *South African Journal of Libraries & Information Science*, 84(2), 41-51. <http://sajlis.journals.ac.za> doi:10.7553/84-2-1785
- Al-Haddad, L., Sial, M., Ali, I., Alam, R., Nguyen V., K. & Khanh, T. (2019). The Role of Small and Medium Enterprises (SMEs) in Employment Generation and Economic Growth: A Study of

- Marble Industry in Emerging Economy. *International Journal of Financial Research*. 10. 174. 10.5430/ijfr.v10n6p174.
- Alkatheer, A. (2018). *An investigative study on the relationship between organizational factors and knowledge management effectiveness in uae public organizations: The Case Of Abu Dhabi* (Doctoral thesis, University of Wolverhampton)
- Awino, Z. B., Ayuya, A. M., Machuki, V. N., & Wainaina, G. (2017). Strategic Choice and Performance: An Overview Of Institutions Of Higher Learning. *Archives of Business Research*, 5(12), 378-390..
- Ayuya, A. & Ombaka, B. (2016). Strategic Choice, Top Management Team Processes and Firm Performance: A Critical Literature Review. 4(1). 32-39.
- Buil, O. B. & Omundi, R. (2017). An analysis of competitive strategies and performance of small and medium enterprises in Kenya: A Case Of Nairobi Central Business District. *Journal of Business and Strategic Management*, 2(2), 72-94.
- Carraresi, L., Mamaqi, X., Albisu, L. M. & Banterle, A. (2011). *The relationship between strategic choices and performance in Italian food SMEs: a resource-based approach*. Paper prepared for presentation at the EAAE 2011 Congress Change and Uncertainty Challenges for Agriculture, Food and Natural Resources August 30 to September 2, 2011 ETH Zurich, Zurich, Switzerland.
- Chodokufa, K. (2009). *An analysis of the business relationship between smes and insurance companies in the Nelson Mandela Metropolitan Area* (Masters Dissertation, University Of Fort Hare).
- County Government of Mombasa (2018). *Local Authority Integrated Financial Operation Management Systems Business activity code summary 2018*. County Government of Mombasa.
- Delbufalo, E. Poggesi, S. & Borra, S. (2016), "Diversification, family involvement and firm performance. *Journal of Management Development*, 35(5),. 663 – 680.
- Eniola, A. & Entebang, H. (2015). SME Firm Performance-Financial Innovation and Challenges. *Procedia - Social and Behavioral Sciences*. 195. 334-342. 10.1016/j.sbspro.2015.06.361.
- Gathungu, J. M., & Baariu, V. L. (2018). Competitive Strategies Entrepreneurial Orientation, External Environment and Performance of Small and Medium Enterprises in the Manufacturing Sector in Nairobi City County, Kenya. *Journal of Arts and Humanities*, 7(9), 22-33..
- Gichuki, J., Njeru, A., & Tirimba, O. I. (2014). Challenges Facing Micro and Small Enterprises in Accessing Credit Facilities in Kangemi Harambee Market in Nairobi City County, Kenya. *International Journal of Scientific and Research Publications*, 4(12), 1-25.
- Githinji, S. W. (2015). *Strategic choice and performance of audit firms in Kenya* (Master Research Project, University of Nairobi, Nairobi, Kenya).
- Government of Kenya. (2016). Economic Survey. *Kenya National Bureau of Statistics*. Kenya.
- Kabiru, F. C., Theuri, M. & Misiko, A. (2018). The influence of leading on the organizational performance of agricultural state owned corporations in Kenya. *International Academic Journal of Innovation, Leadership and Entrepreneurship*, 2(2), 1-16.
- Kawira, K.D., Mukulu, E. & Odhiambo, R. (2019), Effect of Relationship Marketing on the Performance of MSMEs in Kenya, *Journal of Entrepreneurship & Project Management*, 3(1), 68-88.
- Kiende, C. K., Mukulu, E. & Odhiambo, R. (2019). Influence of Strategic Innovation on the Performance of Small and Medium Women-Owned Enterprises in Kenya. *Journal of Entrepreneurship & Project Management*, 3(1), 50-67.
- Laban, O. M., & Deya, J. (2019). Strategic Innovations and the Performance of Information Communication Technology Firms in Nairobi Kenya. *International Journal of Academic Research in Progressive Education and Development*, 8(2), 1–24.
- Mbaye, A.M. & Gueye, F. (2018). *Labor Markets and Jobs in West Africa, Working Paper Series N° 297*. Abidjan, Côte d'Ivoire: , African Development Bank.
- Misoi, M. & Wario, G. (2014). Institutional factors influencing strategic choice in the tea sub sector in Kenya. *The Strategic Journal of Business & Change Management*, 2(34), 663-677. Retrieved from [www.strategicjournals.com](http://www.strategicjournals.com)
- Mohammed, K., Fatima, B., Abdennour, B., & Lakhdar, A. (2017). The fit between strategic choice and organizational structure and their impact on the effectiveness of the organization: Study of a set of medium and large institutions in Algeria. *International Journal of Business and Social Science*, 8(1), 1-9.
- Mugambi, E. N. & Karugu, W. N. (2017). Effect of entrepreneurial marketing on performance of real estate enterprises: A case of Optiven Limited in Nairobi, Kenya. *International Academic Journal of Innovation, Leadership and Entrepreneurship*, 2(1), 26-45.

- Mugenda, O. M. & Mugenda, A. G. (2008) *Research methods: Quantitative and qualitative approaches*. Nairobi Kenya: ACTS .
- Muthengi, W.K. (2017). The Effects of Marketing Strategies on Sales Performance of Commercial Banks in Kenya. [Master's thesis]. [University of Nairobi].
- Mutie J. M. & Muturi, W. (2019). Effect of Equity Finance on Financial Performance of Small and Medium Enterprises in Kenya. *International Journal of Business and Social Science*, 10(5), doi:10.30845/ijbss.v10n5p7
- Mwangi G.W., Gichuhi D. M., Macharia S. M. (2020). Influence of Relationship Management on Organizational Performance among Insurance Companies in Kenya. *International Journal Of Research In Business And Social Science*, 9(1)(2020) 163-171
- Mwangi, S. M & Namusonge, M.J. (2014). influence of innovation on small and medium enterprise (SME) growth- A case of garment manufacturing industries in Nakuru County. *International Journal for Innovation Education and Research*, 2(6), 102-112. www.ijer.net
- Nagwan AlQershi, N., Abas, Z. B. & Mokhtar, S. S. M (2018). *Strategic innovation and its impact on manufacturing SME performance in Yemen*. Proceedings of the 2nd Conference on Technology & Operations Management (2ndCTOM) Universiti Utara Malaysia, Kedah, Malaysia, February 26-27, 2018
- Nakhaima, F.K. (2016). *Factors That Affect Financial Performance of Small and Medium Enterprises in Kenya (Masters Research project (United States International University Africa)*.
- Ndesaulwa, A. P., & Kikula, J. (2016). The Impact of Innovation on Performance of Small and Medium Enterprises (SMEs) in Tanzania: A Review of Empirical Evidence. *Journal of Business and Management Sciences*, 4 (1), 1-6.
- Nyaga, P. M. & Bett, S. (2018). Knowledge management practices and performance of small and medium enterprises in Nairobi City County, Kenya. *International Academic Journal of Human Resource and Business Administration*, 3(1), 451-475
- Nyalita, A. W. (2018) *Family Business Succession Planning, Entrepreneurial Orientation and Firm Performance Among Small and Medium Enterprises*. Proceeding of the 1st Annual International Conference held on 17th-19th April 2018, Machakos University, Kenya
- Nyoike, E. W. (2018). *Innovation practices and performance of small and medium manufacturing enterprises in Kenya* (Doctoral Thesis, Jomo Kenyatta University of Agriculture and Technology)
- Onyiego, G. O. (2019). *Determinants of financial performance of small and medium sized enterprises in tourism sector in Mombasa County and Environs, Kenya* (Doctoral Thesis, Jomo Kenyatta University of Agriculture and Technology).
- Opinya, H., & Rotich, G. (2015). Factors influencing growth of small businesses: A Case study of Nakuru Town. *Strategic Journal of Business and Change Management.*, 591-608. Retrieved from <http://www.strategicjournals.com>
- Organisation for Economic Co-operation and Development [OECD]. (2017). *Enhancing the Contributions of SMEs in a Global and Digitalised Economy*. Paris: OECD
- Ouma, J. O. (2018). *Innovation strategy and performance of small and medium enterprises in Kenya: A case study of Kakamega County* (Masters Research Project, University Of Nairobi)
- Oynaka, N. N. (2020). Determinants of Financial Performance of SME; In Case of Gamo Zone, Arba Minch Town, Southern Ethiopia. *International Journal of Research in Business and Management*, 7(2), 2020, 35-49.
- Rathnasiri, U.A.H.A. (2014). Financial reporting practices of small and medium enterprises (SMEs) in Sri Lanka. *South East Asia Journal of Contemporary Business, Economics and Law*, 4(1), 15-23.
- Rohof, J. W. (2013). *Strategic Choice Theory in Purchasing*. Enschede, The Netherlands.: University of Twente.