
**STRATEGIC MANAGEMENT PRACTICES AND PERFORMANCE OF
SMALL AND MEDIUM-SIZED ENTERPRISES IN RUIRU SUB-
COUNTY, KENYA**

Peter Mugalo

School of Business and Leadership Studies, St. Paul's University, Kenya

Email: mbadist711619@spu.ac.ke

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ABSTRACT

Purpose: This study examined the relationship between four strategic management practices, namely top management support, managerial customer orientation, environmental scanning and managerial experience, and the performance of small and medium-sized enterprises.

Problem Statement: SMEs contribute significantly to employment, innovation and local economic development, yet their performance varies considerably. The extent to which individual practices are associated with SME performance in Ruiru Sub-County remains insufficiently established.

Methods: The study adopted a quantitative approach employing descriptive and explanatory research designs to examine associations rather than causal effects. Structured questionnaires targeted 186 owners, managers and supervisors across 31 registered SMEs, yielding 179 usable responses. Multiple regression analysis was conducted to examine the relationships between the study variables.

Findings: The four predictors jointly explained 18.3% of the variance in SME performance ($R^2 = .183$; adjusted $R^2 = .164$). Environmental scanning was the strongest positive predictor ($\beta = .350$, $p < .001$), followed by managerial experience ($\beta = .195$, $p = .006$) and managerial customer orientation ($\beta = .171$, $p = .002$). Top management support demonstrated a positive but statistically insignificant independent relationship with SME performance ($\beta = .079$, $p = .251$).

Conclusion: The findings underscore the importance of systematic environmental scanning, managerial mentorship and effective customer complaint-handling processes in strengthening SME performance.

Keywords: *Strategic management, SME performance, environmental scanning, managerial experience, customer orientation.*

INTRODUCTION

Small and medium-sized enterprises (SMEs) are important contributors to employment, innovation, competition and economic development. Their performance is therefore relevant to the resilience of local economies and to the livelihoods supported by small businesses. In Kenya, SMEs operate in settings where customer demand, competition, regulation, technology and access to finance can change quickly. These conditions make strategic management practices potentially valuable, but they can also make consistent planning and implementation difficult for firms with limited resources (World Bank, 2024; Sari, 2024).

Strategic management involves identifying organizational priorities, assessing internal capabilities and external conditions, allocating resources, implementing decisions and evaluating outcomes. For smaller firms, relevant practices include the support senior managers provide for strategy implementation, attention to customer needs, regular scanning of the business environment and the experience that managers bring to decisions. These practices may be mutually reinforcing: environmental information can help managers recognise risks and opportunities, experience can support interpretation of that information, and customer orientation can guide how firms respond to market needs. However, resource constraints may prevent SMEs from implementing every practice equally well (Sinnaiah et al., 2023; Ng'ora et al., 2022).

Ruiru Sub-County in Kiambu County provides a relevant setting for this question because it includes a changing peri-urban business environment and a range of formally registered SMEs. This study examined four practices—environmental effect, managerial experience, managerial customer focus and top management support—to assess their statistical relationship with SME performance in the area. The study is intended to contribute local evidence for SME owners, managers, enterprise-development practitioners and researchers.

Statement of the Problem

SMEs contribute substantially to economic activity, but many face persistent challenges in sustaining performance. Strategic management is often presented as a way to improve planning, competitiveness and resource use; nevertheless, SMEs may lack the capital, staffing and specialist knowledge required to develop, implement and evaluate strategic practices consistently. The effect of particular practices may also differ across industries and local environments, so general claims about strategic management do not establish which practices are most strongly associated with performance in a given setting.

Within Kenya, much of the strategic-management literature has focused on larger or more formally structured organizations, leaving a need for evidence from smaller enterprises in rapidly changing local economies. The specific contribution of environmental scanning, managerial experience, customer orientation and top management support to SME performance in Ruiru Sub-County had not been sufficiently established. This study addressed that gap by examining the four practices together in a multiple-regression model.

Research Objectives

The overall objective was to examine the relationship between strategic management practices and the performance of SMEs in Ruiru Sub-County, Kenya. The specific objectives were to:

assess the relationship between environmental factors and SME performance;
evaluate the relationship between managerial experience and SME performance;
assess the relationship between managerial customer orientation and SME performance; and
examine the relationship between top management support and SME performance.

Research Questions

To what extent are environmental factors related to SME performance in Ruiru Sub-County?
How is managerial experience related to SME performance?
How is managerial customer orientation related to SME performance?
How is top management support related to SME performance?

THEORETICAL REVIEW

Resource-Based Theory

Resource-Based Theory explains differences in firm performance through the resources and capabilities that organisations possess and use. Wernerfelt (1984) and Barney (1991) argue that resources can support competitive advantage when they are valuable and difficult for competitors to reproduce. In this study, managerial experience is treated as an intangible capability, while top management support is considered a mechanism through which financial, human and other resources can be allocated to strategic activity. Customer orientation may also be understood as a capability when a firm develops reliable routines for responding to customer feedback and maintaining relationships (Abrokwah-Larbi, 2024).

A limitation of the resource-based perspective is that broad definitions of valuable resources can make the theory difficult to test unless constructs are measured clearly. The present study therefore treated the four practices as distinct predictors and examined their individual

statistical associations with SME performance rather than assuming that any practice was valuable simply because a firm performed well.

Ansoff's Strategic Success Theory

Ansoff's Strategic Success Model links performance to the fit between an organisation's strategic aggressiveness, its responsiveness and the turbulence of its environment (Ansoff, 2003). The theory is relevant to environmental scanning because SMEs need to identify changes in customers, competitors, regulation and operating conditions and then adjust decisions accordingly. Research on environmental scanning suggests that attention to external conditions can strengthen resilience and competitive positioning (Yahia Marzouk & Jin, 2022; Sekere et al., 2023). For small firms, however, environmental analysis may be informal and constrained by the time and expertise available to owner-managers.

Human Capital Theory

Human Capital Theory regards education, training, knowledge and skills as forms of capital that can improve productivity and decision-making (Becker, 1964; Schultz, 1961). In SMEs, managerial experience can help owners and managers recognise operational problems, interpret market information, coordinate employees and choose responses to uncertainty. The theory therefore provides a basis for expecting a positive relationship between managerial experience and performance. The value of experience may nonetheless depend on the relevance of that experience to the firm's industry and on whether managers can apply what they have learned to current conditions.

Empirical Review

Top Management Support and SME Performance

Top management support is commonly associated with setting direction, committing resources, communicating priorities and monitoring implementation. Research has sometimes treated it as a condition that strengthens the effect of other practices rather than as a standalone predictor. Xu and Zhao (2022), for example, examined the role of senior-management support in the relationship between supply-chain practices and performance, while Jayeola et al. (2022) considered support in relation to cloud enterprise-resource-planning implementation. Such findings suggest that leadership commitment may have greater value when it enables concrete implementation, rather than when it remains at the level of general endorsement. This study tested its direct relationship with SME performance in Ruiru Sub-County.

Managerial Customer Orientation and SME Performance

Customer orientation concerns how managers identify and respond to customer expectations, handle complaints, maintain service quality and encourage repeat business. Abrokwah-Larbi (2024) found that customer focus was associated with organisational performance among SMEs in an emerging West African economy. Kenyan research on service quality also highlights responsiveness, reliability and related service dimensions as important aspects of customer satisfaction (Kemboi et al., 2014). For resource-constrained SMEs, routine complaint tracking and timely follow-up may be more practical than expensive customer-management systems. The current study examined whether managerial customer focus was statistically associated with performance in Ruiru.

Environmental Factors and SME Performance

Environmental scanning refers to the systematic collection and interpretation of information about internal and external conditions, including competition, customer needs, market changes and regulation. Scanning may help SMEs identify opportunities, anticipate threats and align decisions with changing conditions. Sekere et al. (2023) examined environmental scanning among Kenyan SMEs, while Yahia Marzouk and Jin (2022) considered its relationship with resilience and competitive advantage in Egyptian SMEs. Because environmental conditions vary by location and sector, the strength of this relationship needs to be assessed in the local context.

Managerial Experience and SME Performance

Managerial experience can provide practical knowledge of customers, suppliers, employees, finance and business operations. It may improve judgement and allow managers to respond more effectively to unexpected problems. Human-capital research identifies managerial competence as relevant to SME performance (Ng'ora et al., 2022). However, experience alone does not guarantee success: its usefulness may depend on the relevance of prior experience, continued learning and the manager's ability to adapt. This study assessed the relationship between reported managerial experience and SME performance.

Conceptual Framework

The study model specified four independent variables—environmental effect, managerial experience, managerial customer focus and top management support—and one dependent variable, SME performance. Performance was considered through reported changes in profits,

sales, customer numbers and achievement of organisational objectives. The model assumed that each practice could have a direct relationship with performance, while recognising that other factors outside the model may also explain differences between SMEs.

Table 1. Study variables and measurement

Variable	Role	Indicators used in the study	Scale
Environmental effect	Independent	Environmental scanning and use of environmental information in decisions	5-point Likert
Managerial experience	Independent	Managerial involvement, experience, skills and mentorship	5-point Likert / years
Managerial customer focus	Independent	Complaint reduction, public satisfaction, positive image and loyalty practices	5-point Likert
Top management support	Independent	Leadership commitment, resource allocation and support for implementation	5-point Likert
SME performance	Dependent	Reported profits, sales, customer numbers and organisational progress	5-point Likert

RESEARCH METHODOLOGY

Research Design and Study Setting

The study adopted a quantitative approach and combined descriptive and explanatory research designs. The descriptive component summarised respondent characteristics and reported strategic-management practices, while the explanatory component examined statistical relationships between the four independent variables and SME performance. The study was conducted among formally registered SMEs in Ruiru Sub-County, Kiambu County, Kenya. Data collection took place between April and September 2022.

Population, Sample and Data Collection

The study targeted 31 registered SMEs. A purposive quota approach was used to select owners or entrepreneurs, managers and supervisors from the participating firms. The planned sample comprised 186 respondents: 31 entrepreneurs, 62 managers and 93 supervisors. Structured, closed-ended questionnaires were used to collect data. A total of 179 usable responses were included in the reported analysis, equivalent to approximately 96.2% of the planned sample. The respondents provided information about their firms and their reported use of strategic management practices.

Table 2. Planned sample and usable responses

Respondent category	Planned respondents
Entrepreneurs / owners	31
Managers	62
Supervisors	93
Total planned sample	186
Usable responses analysed	179
Usable response rate	96.2%

Validity, Reliability and Data Analysis

Content validity was assessed through expert review. Internal consistency was assessed using Cronbach's alpha. The reported coefficients ranged from .753 to .824 across the constructs, exceeding the commonly used .70 threshold for acceptable internal consistency. Data were analysed using descriptive statistics, Pearson correlation and multiple regression in SPSS. The

regression model examined the joint contribution of top management support, managerial customer focus, environmental effect and managerial experience to SME performance. Statistical significance was assessed using the reported p-values.

Table 3. Reliability analysis

Construct	Items	Cronbach's alpha	Interpretation
Top management support	7	.824	Acceptable
Managerial customer focus	4	.753	Acceptable
Environmental effect	4	.801	Acceptable
Managerial experience	4	.762	Acceptable
SME performance	6	.779	Acceptable

Ethical Considerations

Participation was sought from respondents after the study purpose had been explained, and the research was presented as academic work. The thesis reports that participants were assured of anonymity. The final submission should ensure that the description of consent and any relevant institutional or research-ethics approval details exactly match the approvals and procedures used during the original data collection.

Results and Discussion

Respondent Profile and Reliability

The analysis used 179 responses. Respondents represented a range of ages and education levels. The largest age group was 50 years and above (33.5%), followed by respondents aged 21–30 years (26.8%), 31–40 years (20.1%) and 41–50 years (19.6%). In terms of education, 53.6% reported college education, 20.1% university education, 19.6% secondary education and 6.7% primary education. The reliability analysis indicated acceptable internal consistency for each of the five reported constructs, with alpha coefficients ranging from .753 to .824.

Table 4. Respondent characteristics (n = 179)

Characteristic	Category	Frequency	Percentage
Age	21–30 years	48	26.8%
Age	31–40 years	36	20.1%
Age	41–50 years	35	19.6%
Age	50 years and above	60	33.5%
Education	Primary	12	6.7%
Education	Secondary	35	19.6%
Education	College	96	53.6%
Education	University	36	20.1%

Model Fit and Joint Predictive Contribution

The multiple-regression model produced $R = .428$, $R^2 = .183$ and adjusted $R^2 = .164$. Thus, the four strategic-management practices jointly explained 18.3% of the observed variance in SME performance, with the adjusted estimate at 16.4%. The reported ANOVA result was $F(4, 174) = 9.733$, $p < .001$, indicating that the predictors jointly improved the model relative to an intercept-only model. At the same time, most of the variation in performance remained unexplained by these four predictors, indicating that other firm-level and contextual factors are likely to matter.

Table 5. Regression model summary

R	R ²	Adjusted R ²	Standard error of estimate	F (df = 4, 174)	Model p-value
.428	.183	.164	.27855	9.733	< .001

Individual Predictors of SME Performance

Environmental effect was the strongest positive predictor in the model ($\beta = .350$, $p = .001$). This finding suggests that SMEs that report greater attention to environmental information and its use in decisions also tend to report stronger performance. Environmental scanning may help managers notice changes in customer demand, competition and operating conditions and adjust

decisions before risks become more difficult to manage. The result is consistent with research emphasising the value of environmental scanning for SME resilience and performance (Sekere et al., 2023; Yahia Marzouk & Jin, 2022). The cross-sectional design does not, however, establish that scanning alone caused the reported performance differences.

Managerial experience was the second strongest predictor ($\beta = .195$, $p = .006$). This positive association is consistent with Human Capital Theory, which views knowledge and skills as resources that can support productivity and better decision-making. Experienced managers may be better placed to diagnose operational problems, interpret market information and select workable responses. For SMEs, affordable mentoring, peer learning and practical management development may help build these capabilities. The finding should not be interpreted to mean that years of experience automatically lead to better performance, since the quality and relevance of experience were not independently established by this model.

Managerial customer focus also showed a positive, statistically significant association with performance ($\beta = .171$, $p = .002$). Descriptive results indicated that reducing complaints and maintaining a positive public image were prominent elements of customer orientation, whereas loyalty and reward programmes were less strongly rated. The pattern suggests that customer-oriented routines—particularly effective complaint handling and follow-up—may be useful for SMEs that cannot afford complex customer-management systems. This finding aligns with evidence that customer focus can be related to SME performance (Abrokwah-Larbi, 2024).

Top management support had a positive but statistically insignificant coefficient ($\beta = .079$, $p = .251$). In this model, the evidence was insufficient to conclude that top management support independently predicted SME performance after accounting for the other three practices. This does not mean that leadership is unimportant. Instead, leadership support may work indirectly by allocating resources, setting priorities and enabling environmental scanning, customer service and managerial development. The result is compatible with studies that treat top management support as a condition that can strengthen implementation rather than as a sufficient standalone driver (Xu & Zhao, 2022; Jayeola et al., 2022).

Table 6. Multiple-regression coefficients for SME performance

Predictor	B	Std. error	Standardised β	t	p-value
Constant	3.763	.327	—	11.493	< .001

Top management support	.058	.050	.079	1.153	.251
Environmental effect	.079	.016	.350	4.873	.001
Managerial customer focus	.068	.029	.171	2.391	.002
Managerial experience	.131	.047	.195	2.784	.006

Taken together, the results identify environmental effect, managerial experience and customer focus as statistically significant predictors in the study sample. Their relative order provides a practical basis for prioritising limited management time and training resources. Nevertheless, the model's modest R^2 cautions against treating the four practices as a complete explanation of SME performance. Factors such as access to finance, market competition, firm age, sector, technology adoption and broader economic conditions were not fully captured in this model and merit consideration in future research.

Conclusions

The study examined four strategic-management practices and their relationship with SME performance in Ruiru Sub-County, Kenya. The results showed that environmental effect was the strongest positive predictor, followed by managerial experience and managerial customer focus. Top management support was positive but not statistically significant as an independent predictor when the other practices were included. The findings therefore support the view that practical routines for scanning the business environment, applying managerial knowledge and responding to customers are associated with stronger reported performance among the SMEs studied.

The results should be interpreted in light of the study design. The analysis relied on self-reported questionnaire data collected in 2022 from formally registered SMEs in one sub-county. The regression model explained 18.3% of the variation in performance, so the four predictors represent only part of the broader picture. The findings are informative for the study setting but should not be generalised automatically to all SMEs in Kenya.

Recommendations

First, SME owners and managers should establish a simple, regular environmental-scanning routine. This can involve reviewing competitor activity, customer feedback, supplier conditions, relevant regulations and market trends at set intervals, then recording the implications for decisions. County enterprise-development offices and business associations could support this process through affordable workshops on environmental scanning and SWOT analysis.

Second, SMEs should strengthen managerial capability through practical mentoring, peer-learning groups and targeted training. Where hiring experienced managers is not affordable, owner-managers can seek mentorship from experienced business people or professional associations. Training should be connected to actual decisions and operating challenges rather than delivered only as general theory.

Third, SMEs should formalize basic customer-oriented procedures. A complaint log, a clear person responsible for follow-up, response deadlines and a simple review of recurring complaints can help firms identify service problems and improve consistency. The findings suggest that these everyday practices may be more immediately useful than investing first in expensive loyalty platforms.

Fourth, top management should connect visible support to tangible implementation. Leadership commitment is more likely to be useful when accompanied by resources, responsibilities, follow-up and accountability. Owners should therefore enable the three practices above instead of assuming that encouragement or approval alone will improve performance.

Limitations and Areas for Further Research

The study relied on self-reported questionnaires, which may be affected by recall and social-desirability bias. Performance measures were not independently verified against audited financial records. The study covered formally registered SMEs in one sub-county and used data collected in 2022, limiting its representativeness of informal enterprises, other counties and current conditions. In addition, the four predictors explained a modest share of performance variation. Future studies could use longitudinal data, independently verified performance measures and larger samples across several counties. Researchers could also test whether top management support moderates or mediates the relationship between strategic practices and performance, and examine additional factors such as finance access, competition, technology use and macroeconomic conditions.

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