

**EFFECT OF STRATEGY IMPLEMENTATION FACTORS ON PERFORMANCE OF  
SMALL AND MEDIUM SIZE ENTERPRISES IN KISUMU**

**BY**

**LINET LYDIA ATIENO**

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**MASENO UNIVERSITY**

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ABSTRACT

It is evident to note that SMEs are a major source of entrepreneurial skills, innovation and employment, when well managed. A recent National Economic Survey report by the Central Bank of Kenya (CBK) indicates that SMEs constitute 98 percent of all business in Kenya, create 30 percent of the jobs annually as well as contribute 3 percent of the GDP. In Kisumu County, SME's account for 70% of employment and over 60% of GNP (Economic survey, 2006). Despite their contribution, statistics from A Survey by the Kenya National Bureau of Statistics released early 2017 indicate that three out of five SME businesses fail within the first five years of operation of those that are left, four out of five fail within the next four years. Of the remaining businesses, only 15% will be making a profit, the remaining will barely be surviving. The strategy implementation factors are essential in the improvement of business performance and turning around a loss-making business into profitable ventures. However, past studies linking strategy implementation to organizational performance focused majorly on variables such as strategic leadership, organization structures and resource allocation as possible factors of strategy implementation. In Addition, review of past literature shows that little attention was given to factors like organizational culture, communication and organization systems which are also regarded as critical factors for strategy implementation. Consequently, the effect of organization culture, communication and organization systems on organization performance has not been explored and remain unknown. Therefore, the purpose of this study was to analyze the influence of strategy implementation on performance of SMEs in Kisumu. Specifically, the study sought to establish the effect of organization culture, organization system and organization communication on performance of SMEs. Mc Kinsey's 7S framework and Higgins 8s strategy implementation framework guided the study in correlation study design. Out of over 10,000 owners/mangers of SMEs, a sample of 384 respondents were selected using Krejcie and Morgan's formula. Pilot results showed reliability test of a Cronbach's Alpha coefficient between 0.870 and 0.962. Validity was established through expert review. The findings revealed that strategy implementation factors collectively accounted for 50% ( $R^2 = 0.50$ ,  $p = 0.000$ ) variation in performance of SMEs in Kisumu County. It was further revealed that dimension of organization culture ( $B = 0.168$ ,  $p = 0.000$ ), organization systems ( $B = 0.059$ ,  $p = 0.000$ ) and organization communication ( $B = 0.437$ ,  $p = 0.000$ ) all had significant positive influence on performance of SMEs in Kisumu. The study concludes that organization culture, organization system and organization communication are all critical antecedents of performance. Therefore, the study recommends to the management or owners of SMEs to intensify the adoption of practices such as: organization culture, organization system and organization communication as they are positively associated with performance. The results of the study may be useful for the managers/owners in SMEs as it gives new insight on strategic direction they can chat for their organization so as to enhance their business performance.

## CHAPTER ONE

### INTRODUCTION

This chapter examines the background of study, statement of the problem, objectives of the study, research questions, justification of study, scope and limitations of study and its conceptual framework. It reviews concept of strategic implementation factors along three dimensions including organization culture, organization systems and communication. It focuses on the SME sector and the various challenges they face with respect to implementation of its strategies.

#### 1.1 Background

Strategy Implementation refers to the execution of the plans and strategies, so as to accomplish the long-term goals of the organization. It converts the opted strategy into the moves and actions of the organization to achieve the objectives. Strategy implementation can also be defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance. Strategy implementation is done through action plans detailing the tactics and actions that will be taken in each functional activity. The organization has to get work of the business done efficiently and effectively so as to make the strategy work. Successful strategy implementation depends upon skills of working through others (delegation), organization, and motivation, culture, building and creating strong fits between strategy and how the organization does things. (Pearce and Robinson, 2003). Pearce et al (1997), categorizes components of strategy implementation that managers have to take into consideration during implementation as; the structure, systems, shared values (culture) and leadership. These factors play a big role during strategy implementation, (Thompson and Strickland, 2003). It is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure, resource-allocation process, etc. Schorodt (2002) defines organization culture as the underlying beliefs, assumptions, values and ways of interacting that contribute to the unique social and psychological environment of an organization. Culture includes the organizations vision, values, norms, systems, symbols, language, assumptions and habits (Needle 2004). According to Oduol (2015), for performance of firms to improve, present organization culture should be supportive and compatible with intended strategies and day to day running of activities of employees. For a strategy within an organization to be developed and implemented successfully, it must align with organization

culture. When implementing strategy, it influences how management will grow its business, how it will build loyal clientele and out compete its rivals (Hough et al,2008).

Empirical studies that link organization culture to performance in different contexts exists. For instance, Glenc (2017) looked at the effect of strategy implementation on performance as well as the moderating role of organization culture in Turkish local governments. Elsewhere, Maura (2014) investigated the role of organization culture on strategy implementation and found similar results. Omukanga (2016) studied organization culture and employee performance and found similar results with that of a study done by Ul Mujeeb et al (2011). However, the above reviewed studies are not without limitations. For instance, Maura (2014), Mutai (2015) studied the effect of organization culture on strategy implementation instead of performance. Glenc (2015) was focusing on how culture moderates the relationship between strategy implementation and performance. Both Seyed et al (2012) and Ul Majeeb et al (2011) focused on organization culture and performance but in different contexts such as bank and universities. Consequently, little is known on the effect of organization culture on performance in the context of SMEs.

A system is an organized collection of parts of subsystems that are integrated to accomplish an overall goal (Meadows and Wright ,2008) An organization of even modest size is composed of many units or departments such as personnel and payroll, customer service, or billing and shipping and each of the units is a system. To maintain the health of organizations of every kind, they must be receptive to fresh perspectives as exposure to negative entropy builds resilience. Every system is dependent on a periodic inform of opposing forces to secure a reservoir of energy for future use (Flood 1999; Meadows and Wright, 2008). Anderson (2015) in the article six systems of organization effectiveness identifies leadership, accountability and human performance as some of the components that make up successful organization system.

Past empirical literature suggest link between organization systems and performance. For instance, Muinami (2013) did a study on organization systems and performance, focusing on the NGOs in Kenya. Similarly, Maina (2015) did study on the effect of performance management systems on performance in FAO and the results concluded that various organization systems affect performance. Gharaibeh, Malkawi (2013) did a study on the impact of management information systems on performance while Wanjohi, (2013) did his study on strategic control systems focusing the study on Bamburi cement. Both studies through in different contexts and

focusing on different components of organization systems concluded that the various components of organization systems affect performance. Kathiri (2014) also did a study on the effect of organization systems on service delivery and concluded that organization systems affect service delivery. It is evident that the above studies are not short of limitations. For instance, studies by Gharaibei, Malkawi (2013), Wanjohi (2013) and Maina (2015) focused their studies on specific components of organization systems and not organization systems as a whole. Kithuri (2014) focused his study on service delivery while Muinami (2015) focused on NGOs in Kenya. None of the above-mentioned study looked into the effect of organization systems on the performance of SMEs.

Communication is the process by which information is shifted to individuals and/or organizations in a manner that its result could bring forth an understandable reaction. (Peter, 2015). It is disclosed that there is a correlation between quality communication and total performance within an organization (Tubbs and Moss ,2008). The absence of effective communication obstructs successful organizational performance (Robbins et al ,2010).

From the above viewed studies, there is enough evidence to attest to the existence of a link between communication and organization performance in different contexts. For instance, Haroon (2018) did a study on the impact of organization communication on performance in universities in Pakistan. Otto (2015) did another on the effect of communication on performance of Ghana revenue authority and found similar result. Olang (2015) investigated the role of communication on strategy implementation and found similar results with that of a study done by Ayusa (2016). It is however evident that the above reviewed studies have limitations. For instance, Sumeya (2016) studied the influence of internal communication channels on employee performance focusing on NGO's in Somalia. Both Ayusa (2016) and Olang (2015) focused their studies on communication and strategy implementation instead of performance. None of these studies (Haroon (2018), Otto (2015), Olang (2015),Ayusa(2016),Sumeya(2016))focused on the effect of communication on performance of SMEs. Consequently, the effect of communication on performance of SMEs is not known.

According to Richard et al. (2009) organization performance encompasses three specific areas of firms outcomes: financial performance (profit, return on assets, return on investments),product

market performance (sales, market share) and shareholder return (total shareholder return, economic value added). A business organization could measure its performance using the financial and non-financial measures. The financial measures include profits, return on assets, return on investment and sales, while the non-financial measures focus on issues pertaining to customer's satisfaction and customer's referral rates, delivery time, waiting time and employee's turnover. Bucklin and Sengupta (1993) claim that financial measures of performance such as sales and profits, may not clearly reflect the quality of the firms' performance. Mouzas (2006) emphasized two indicators to assess the performance: the efficiency and the effectiveness. Usually effectiveness determines the policy objectives of the organization or the degree to which an organization realizes its own goals (Zheng, 2010). Meyer and Herscovitch (2001) analyzed organizational effectiveness through organizational commitment. In the workplace may take various forms, such as relationship between leader and staff, employee's identification with the organization, involvement in the decision making. According to Heilman and Kennedy – Philips (2011) organizational effectiveness helps to assess the progress towards mission fulfillment and goal achievement.

Efficiency measures relationship between inputs and outputs or how successfully the inputs have been transformed into outputs (Low, 2000). According to Pinprayong and Siengthai (2012) there is a difference between business efficiency and organizational efficiency. Business efficiency reveals the performance of input and output ratio, while organizational efficiency reflects the improvement of internal processes of the organization, such as organizational structure, culture and community. Excellent organizational efficiency could improve entities performance in terms of management, productivity, quality and profitability.

According to Peacock (2004), SMEs have created more new jobs in the Organization of Economic and Cultural Development (OECD) countries since the 1970s. Their contribution to respective GDPs were 30% in Australia and New Zealand, 51% in the United Kingdom (UK) and United States of America (USA), 57% in Canada and Japan and 76% in Luxembourg (Ghobadian, 2012). It is evident to note that SMEs are a major source of entrepreneurial skills, innovation and employment, when well managed. Most prospering countries have SME driven economies because the sector is cornerstone of strong economic growth. Employment opportunities, reduction in poverty levels and subsequent improved standards of living are some of the major contributions of the SME sector (Chadamoy, 2012). In the European Union SMEs is the backbone of the economy, employing more than 87 million EU citizens. SMEs generate

every second newly created job and produce nearly 60% of the GDP of the European Union (EC, 2012). However, SMEs were increasingly afflicted by the crisis. Research shows that only 50 % of businesses survive the first five years of its existence and economic crisis definitely decreases this number. Estimated full 1.7 million jobs were lost in 2009 due to insolvency of companies, what represents an increase of 22 % compared to 2008.

SMEs are therefore the main source of employment in developed and developing countries alike, comprising over 90% of African business operations and contributing to over 50% of African employment and GDP according to World Bank, (2013). It is however clear that SMEs struggle to operate, manage and improve their businesses efficiently in order to deliver quality products and services consistently and on time. This is because in most enterprises in the developing countries, the application of business strategies requires a host of expensive and time consuming changes both in the organizational culture and structure hence many owners have had to overlook some necessary and critical business strategies.

While Kenya's small and medium enterprises (SMEs) continue to create jobs and boost the country's GDP, they face a myriad of challenges that impede their growth. Kenya's 2017 overall GDP growth is projected at 6.4 percent with SMEs contributing 3 percent. A recent National Economic Survey report by the Central Bank of Kenya (CBK) indicates that SMEs constitute 98 percent of all business in Kenya, create 30 percent of the jobs annually as well as contribute 3 percent of the GDP. According to the 2014 survey, 80 percent of the 800,000 jobs created in the year came from the informal sector which is dominated by the SMEs. Further according to a report Deloitte Kenya Economic Outlook 2016, SMEs are hindered by inadequate capital, limited market access, poor infrastructure, inadequate knowledge and skills and rapid changes in technology. Corruption and other unfavorable regulatory environments present other bottlenecks to this vital cog of the economy. A research titled "Barriers to Kenyan SMEs Growth and Investment showed that SMEs in Kenya close shop in the first three years mainly due to lack of skills, good governance and limited access to finance

A survey by the Kenya National Bureau of Statistics released early 2017 indicates that approximately 400,000 micro, small and medium enterprises do not celebrate their second birthday. Few reach their fifth birthday leading to concerns of sustainability of this critical sector. The report further stated that a total of 2.2 million MSMEs were closed down in the last five

years, with 46% of the MSMEs died in their first year of establishment. The survey found out that most MSMEs closed down because of increased operational costs, declining income and losses incurred from business

In Kisumu County, SME's account for 70% of employment and over 60% of GNP (Economic survey, 2006). Whilst SMEs have a strong focus on the requirements of the markets they serve, for financial reasons this focus tends to be directed at maximizing short-term sales opportunities rather than optimizing long-term supply chain growth (Persona, 2006). Despite their significance, statistics indicate that three out of five SME businesses fail within the first five years of operation (Kenya National Bureau of Statistics, 2007). Of those that are left, four out of five fail within the next four years. They are either closed down, liquidated, merged, acquired, change direction or become a new business. Of the remaining businesses, only 15% will be making a profit, the remaining will barely be surviving (SMIDEC, 2009). Among other challenges are access to credit as well as difficult business environment brought by policy inefficiencies this will result in SMEs lacking sufficient capacity to leverage market opportunities for growth. To this end, it is paramount to come up with a proper solution on the improvement of the performance of SMEs from strategic point of view by analyzing, the influence of strategy implementation and its effect on performance of SMEs in Kisumu County, Kenya.

## **1.2 Statement of The Problem**

Kenya's 2017 overall GDP growth is projected at 6.4 percent with SMEs contributing 3 percent. National Economic Survey report by the Central Bank of Kenya (CBK) indicates that SMEs constitute 98 percent of all business in Kenya According to the Kenyan economic survey 2011, out of 503,000 jobs created in the year 2010, 440,400, or 80.6 percent were in small and medium enterprises, with only 62,600 or 12.4 percent were created in the formal sector (RoK, 2011). A survey by the Kenya National Bureau of Statistics survey (2017) concluded that establishments that were started or acquired within the last two years were more vulnerable to closures and they accounted for 61.3% of the total business closed. The main reason for the closure was shortage of funds reported at 29.6%. This was occasioned by increasing operational expenses, reduction in income, decline in income and losses incurred from the business. Diversion of returns and operating capital was also a major reason for closure. The strategy implementation process is essential in the improvement of business performance and turning around a loss-making business



into profitable ventures. However, past studies linking strategy implementation to organizational performance focused majorly on variables such as strategic leadership, organization structures and resource allocation as a possible factors of strategy implementation. In Addition, review of past literature shows that little attention was given to factors like organizational culture, communication and organization systems which are also regarded as critical factors for strategy implementation. Consequently, the effect of organization culture, communication and organization systems on organization performance has not been explored and remain unknown. Therefore, the purpose of this study will be to analyze the effect of strategy implementation factors on performance of SMEs in Kisumu.

### **1.3 Research Objectives**

#### **1.3.1 General objective**

The general objective of this study was to analyze the effect of strategy implementation factors on performance of small and medium enterprises in Kisumu Kenya.

#### **1.3.2 Specific objectives**

The specific objectives were to

- i. To analyze the effect of organization culture on performance of SMEs in Kisumu.
- ii. To analyze the effect of organization systems on performance of SMEs in Kisumu.
- iii. To analyze the effect of communication on performance of SMEs in Kisumu.

### **1.4 Research Hypothesis**

- i. H<sub>01</sub>. Organizational culture does not significantly affect Performance of SMEs in Kisumu.
- ii. H<sub>02</sub>. Organizational system does not significantly affect Performance of SMEs in Kisumu.
- iii. H<sub>03</sub>. Communication does not significantly affect Performance of SMEs in Kisumu.

### **1.5 Justification of the Study**

In Kenya SMEs play a key role in economic development and job creation. Small and medium sized enterprises are not only a source of lively hood for the residents in Kisumu, but they also serve as an important source of revenue to the county Government. They create jobs, contribute to GDP, aid industrial development, satisfy local demand for services, innovate and support large firms with inputs and services among many more in 2014, 80% of jobs created were dominated by SMEs. The purpose of the study is therefore to analyze the influence of strategy implementation factors on the performance of SMEs in Kisumu. The study sought to find out how factors like communication, systems and culture influence the performance of SMEs in

Kisumu. The research study will form part of important source of material that would help other researchers to identify gaps they would want to fill. This would in turn deepen empirical research on the study.

The County government of Kisumu may benefit from this study since it may be a source of information to them. They will be able therefore to support them and in turn help them overcome the challenges that SME's in Kisumu county. With the survival of many SMEs in Kisumu, the county will be able to collect more revenue. The management of the various SMEs will also benefit from this research since they will get to implement the findings of this study this will help them to grow and remain in business for longer. Entrepreneurs (those who wish to startup businesses in Kisumu) will also benefit from this study since they will be able to look at the recommendations of the study and this will help them in ensuring that they are able to be relevant in their business

### **1.6 Scope of Study**

The study was conducted to establish the influence of strategy implementation on SMEs in Kisumu county. It targeted the owners/management and of the various SMEs. The study took about 4 months to be complete.

### **1.7 Conceptual Framework**

A conceptual framework is a written or visual presentation that explains either graphically or in a narrative form the main things to be studied like the key factors, concepts or variables and their presumed relationship among them (Miles & Huberman, 1994; Robson, 2011). A variable is a measure characteristic that assumes different values among subject, Mugenda & Mugenda, (2003). Kothari (2003) defines a variable as a concept which can take on qualities of quantitative values. (Kombo & Tromp 2006), states that independent variable also called explanatory variables is the presumed change in the cause of changes in the dependent variable; the dependent variable attempts to indicate the total influence arising from the influence of the independent variable Mugenda & Mugenda, (2003) The current conceptual model hypothesizes that strategic implementation factors, composed of three variables; culture, organizational systems and communication affects organization performance dimensions such as efficiency and effectiveness

**Independent variable**

- Organization culture**
- Values
  - Norms
  - beliefs

- Organization systems**
- Infrastructures
  - Tools and equipment
  - ICT technologies

- Communication**
- Understanding of mission
  - Understanding of objectives
  - Understanding of strategies

**Dependent variable**

- Organization performance**
- Effectiveness
  - Efficiency

**Figure 1: Conceptual Framework showing the relationships of the variables of the study**

Source: Authors own conceptualization (2019)

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter presents literature related to the influence of strategic implementation factors performance of SMEs in Kisumu. Additionally, it looks at empirical review of literature with a view of revealing knowledge gap for each specific objective.

#### 2.1.1 Theoretical literature

##### 2.1.1.1 Mc Kinskys 7s framework.

This frame work advocates that the success of strategy implementation is more likely to be realized when managers of organizations focus on six components that include organization structure, systems in the organization, the staff skills, styles and shared values, then effective implementation of strategy is assured. This contention is based on a study that was undertaken by the McKinsey organization in early 80's (Peter and Waterman,1992) in which the superior performance of an organization was found to be dependent on a set of factors which include strategy, shared values, structure, skills, systems, staff, and style, all of which are the main factors that manages of organizations need to focus on to ensure successful strategy implementation.

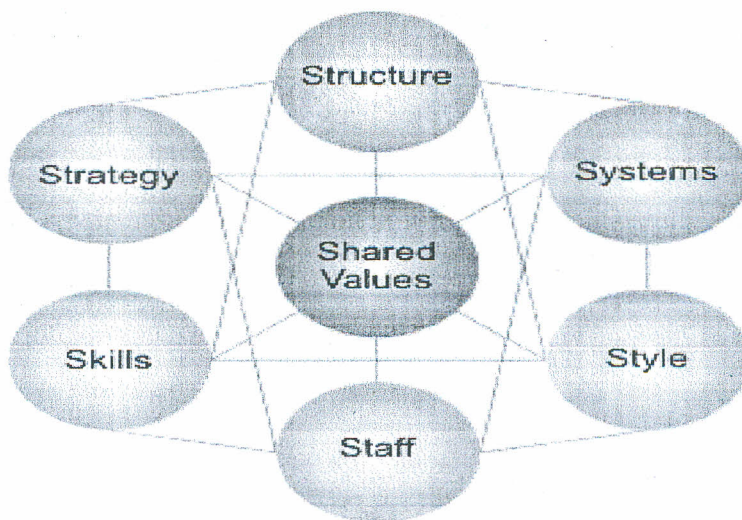


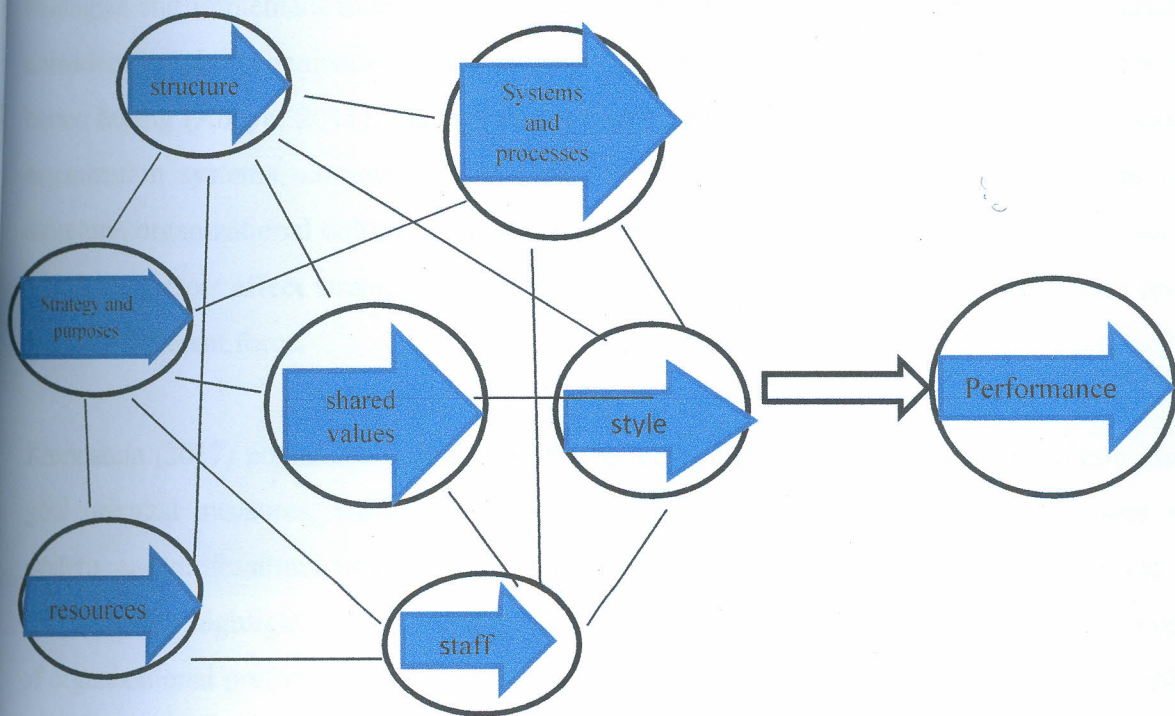
Figure 2 McKinskys 7s framework

### 2.1.1.2 Higgins 8-S Strategy Implementation Framework

Higgins (2005) revised the original McKinsey's 7-S framework and developed the 8-S framework for implementing strategies in organizations. The famous and widely applied 7-S strategy implementation framework was developed in 1980's by Peters and Waterman (1982). In their study of the "best run" American companies, Peters and Waterman identified seven intertwined components that managers need to pay attention when implementing organizational strategies.

Higgins pointed out that the 8-S's framework enables a manager to work more efficiently and effectively in managing the cross-functional duties and activities associated with strategy implementation. The model observes that executives who realize that strategy implementation is as important as strategy formulation usually spend a lot of their time and efforts in strategy execution and this enables their organizations achieve better performance.

The 8-S's framework states that successful strategy implementation revolves around aligning the key organizational components (the 8-S's) with the strategy that the organization intends to implement. However, due to environmental dynamism and changes that take place in organization's business environment now and then, it is important for managers to continue reshaping their strategies in line with these changes. Therefore, this call for a continuous realignment of the 8-S's components in line with the new strategy and this presents the greatest challenge to managers in their endeavor to successfully implementation strategies. Since the 8-S's components are intertwined, the executives in the organizations must continuously align all these eight cross-functional components with the new strategy for successful strategy execution and better performance (Higgins, 2005).



**Figure 3 Higgins 8-S Strategy Implementation Framework**

## 2.2 The Concept of Strategy Implementation factors

Strategy implementation is done through action plans detailing the tactics and actions that will be taken in each functional activity. The organization has to get work of the business done efficiently and effectively so as to make the strategy work. Successful strategy implementation depends upon skills of working through others (delegation), organization, and motivation, culture, building and creating strong fits between strategy and how the organization does things. (Pearce and Robinson, 2003). Pearce et al (1997), categorize components of strategy implementation that managers have to take into consideration during implementation into; the structure, systems, shared values (culture) and leadership. It is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure, resource-allocation process, etc.

Strategy formulation and implementation involves both tangible and intangible variables such as cultures, values, motivation, commitment, power relationships, and attitudes, perceptions, managing human and physical resources. Organizations that want to be successful must develop

strategies and implement them successfully. If the strategies are developed without taking into consideration the organizational objectives, its implementation will lead to problems arising hence failing (Abuya, 2011). Factors that affect strategy implementation can be categorized as organization systems, communication (information availability and accuracy), organizational structure, organizational culture, human resources, and technology. Although most authors agree that these factors affect strategy implementation, each factor's impact is at a different level and carries a different force.

Kamaamia (2017) postulates that all constituent components of organizational culture including goal oriented measures, work oriented measures, employee oriented measures, open culture system, and professional work culture enhance organizational performance. Ahmed and Shafiq (2014) further highlight that all the dimensions of the culture influence the different perspective of organizational performance. According to Oduol (2015), for performance of firms to improve, present organization culture should be supportive and compatible with intended strategies and day to day running of activities of employees.

### **2.2.1 The Concept of Organizational culture**

Organizational culture is a vital element in strategy implementation since it affects the way employees do things in the organization (Wheelen and Hunger, 2003). Charan (2006) emphasizes the importance of culture by stating that the greatest cause of corporate under performance is the failure to execute and the inability to take decisive action is rooted in a company's culture. According to (Wagner & Spencer 2006), Organizational culture is "the personality of the company". This personality includes what is valued, the dominant leadership style, language and symbols, procedures and routines, and the definitions of success that characterize an organization.

(Cameron & Quinn, 2011). Defined Organizational culture as Shared beliefs and a way of thinking that enable people to distinguish different aspects in a situation. This is also described as the subconscious values and assumptions, people's expectations and their collective memories in an organization (Schein, 1992; Cameron & Quinn, 2011). Organizational culture includes the shared beliefs, norms and values within an organization. It sets the foundation for strategy (Mullins, 2005).

Effectiveness of an organization depends largely on its organizational culture (Wehrich and Koontz, 2004). Flexibility in organization culture enables firm to respond faster to changes in an increasingly turbulent environment, facilitates internal restructuring and modification of employee behavior (Denison, 2009). A successful enterprise needs to adapt its organization culture to the prevailing environment and such firms exhibits close communication, teamwork and risk taker (Brown. 2005) A weak organizational culture affects effective strategy implementation in the organization since the employees would be lacking strategy coherence and direction. There would be a missing link between management and the employees which would hinder the smooth flow of the strategy. Most organizational cultures will be derived from the individual characteristics and beliefs of the founder and the top management team and this for many organizations are out of the control of the organization. An organization can, however develop and implement cultural values to help manage member's behavior.

### **2.2.2 Concept of Communication**

Communications can be applied as a means, or tool throughout the strategy implementation process, the main purpose being to ensure consistency and alignment of the implementation process and activities, to the key values outlined in the strategy document (Jones, 2008). In order for a strategy to be meaningful, have impact and ensure change, support for its implementation in terms of means should be adequate, with enough capacity and capability, otherwise the entire process will count for little (Hunter, 2007). Communicating strategy is both an internal and external process, where successful organizations effectively communicate whatever they want to achieve and the key activities to be undertaken.

The importance of communication in strategy implementation is also emphasized by Quirke (1996), who states that management must spend time communicating with staff in order to reduce the resistance normally encountered during the strategy implementation phase. Through effective communication, the strategic leader can be in a position to share his / her vision with the rest of the organization and be able to "paint a picture" of a desired future that is better than the present situation.

In support to the foregoing, Wheelen and Hunger (2003) noted the importance and effectiveness of communication towards change management, they highlight the need for management to



update the workers the reasons behind strategic changes that they would have initiated. If the employees are not informed of the changes that might have taken place, it usually causes the strategy to suffer as employees would work towards sabotaging the strategy. Successful implementation of a corporate strategy calls for the customers and staff to fully understand the strategy. Corboy and Corrbui ( 2002) observe that there is a tendency for Chief Executives and senior management to communicate the business strategy on a “need to know” basis and this leads to failure in strategy implementation efforts. A strategy implementation plan, according to these authors, should include a communication plan.

The communication plan should include, in addition to senior management, middle management supervisors and staff, external stakeholders like the customers and suppliers. Also emphasizing the importance of effective communication Sterling (2003) states that communication of the strategy and its underlying rationale, are critically important particularly when reaching out beyond the group directly involved in the development of the strategic plan. Furthermore, organizations must also ensure that there is two – way communication between top management and the staff below. According to (Thompson & Strickland, 2003:408) organizations that ensure that ideas and suggestions of employees are valued and respected, increase employee motivation and satisfaction and thus enhance chances of strategy implementation.

In support of the need for upward communication, (Quirke 1996) argues that the majority of existing channels of communication are designed for effective downward communication and are wrong for a strong upward and horizontal communication. Reiterating the importance of two-way communication during strategy implementation (Beer & Eisenstat, 1996) state that people cannot develop realistic and implementable plans for change unless, all impediments are taken into account. The environment in an organization that is implementing a corporate strategic plan must allow employees to highlight problems encountered during the implementation process.

The communication process should not be an event but a continuous process if it is to achieve the desired results. According to (Wilson, 2004), the Chief Executive Officer must use every opportunity to explain (and, if need be, defend) the nature of the culture shift, the reasons, for this shift, and the changes in personal behavior that it entails. The author strongly argues that

there is no more important challenge to a CEO's leadership than meeting this communication challenge.

### **2.2.3 Concept of Organization Systems**

A system is a network of interdependent elements that work together to accomplish the systems aims (or its intent) Meadows and Wright (2008) defined system as an organized collection of parts or subsystems that are integrated to accomplish an overall goal. An organization of even modest size is composed of many units or departments, such as personnel and payroll, customer service, or billing and shipping, and each of these units is a system. If one part of the system is changed, the overall system is likely to be influenced through the network of relationships between parts. The organization as a total system is made up of sub systems which typically include its functions These include marketing, finance, production, operations and human resource. According to Thompson et al (2007). Effective strategy implementation depends on the competent personnel and effective internal organization systems

Anderson (2015) in the article six systems of organization effectiveness identifies leadership and human performance as some of the components that make up successful organization system. According to an article by Levinson (2018) An organizational system is the structure of how an organization is set up. That structure defines how each division of a business is set up, the hierarchy of who reports to whom and how communication flows throughout the organization.

### **2.2.4 The Concept of Performance**

Neely (2013) postulates that performance refers concurrently to the action, the action results, and to the triumph of the outcome matched to some standard. Kaplan and Norton (2012) defined performance, therefore as a set of factors that describe the procedure by which countless outcomes and results are attained. Performance is referred to as being about doing the work, as well as being about the results achieved. It can be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of an organization, customer satisfaction and economic contributions (Jain, Apple & Ellis, 2015)

Strategic implementation is important for organizational performance. Statistics indicates that many strategies that are well formulated end up not well implemented because of challenges in strategy implementation. Well implemented strategies lead to realization of better organizational

performance (Blahová & Knápková, 2010). Scientific studies from strategic management standpoint, suggests that applying appropriate strategies in an organization is essential in achieving better organizational performance (Brown Squire & Blackmon, 2007).

There are various methods for the measurement of business performance. The first of them is through: Objective (quantify) and Subjective (judgmental) methods. Financial (e.g. profit, sales) and operational (e.g. customer satisfaction, quality). Primary (from organization) and secondary (from databases) data bases (Venkatraman and Ramanujam, 1986; Sang, 2004). In objective measurement, quantitative data (i.e. absolute performance data) is measured whereas in subjective method what is measured is perceptive opinions about performance according to the competitors or company expectations (Dess and Robinson, 1984). The same performance criteria are measured both objectively and subjectively. What matters is to determine those criteria. Your criteria can be qualitative (e.g. customer satisfaction, overall business performance) or quantitative (e.g. profit, sales).

Effectiveness oriented companies are concerned with output, sales, quality, creation of value added, innovation, cost reduction. It measures the degree to which a business achieves its goals or the way outputs interact with the economic and social environment. Usually effectiveness determines the policy objectives of the organization or the degree to which an organization realizes its own goals (Zheng, 2010). Meyer and Herscovitch (2001) analyzed organizational effectiveness through organizational commitment. Commitment in the workplace may take various forms, such as relationship between leader and staff, employee's identification with the organization, involvement in the decision-making process, psychological attachment felt by an individual. Shiva and Suar (2010) agree that superior performance is possible by transforming staff attitudes towards organization from lower to a higher plane of maturity, therefore human capital management should be closely bound with the concepts of the effectiveness.

According to Heilman and Kennedy – Philips (2011) organizational effectiveness helps to assess the progress towards mission fulfillment and goal achievement. To improve organizational effectiveness management should strive for better communication, interaction, leadership, direction, adaptability and positive environment. Back in 1988, Seiichi Nakajima has introduced the concept of Total Productive Maintenance, which has been widely applied in the plants and

covered the entire life of the equipment in every department including planning, manufacturing, and maintenance (Fu-Kwun Wang, 2006; Muthiah and Huang, 2006).

### **2.3 Empirical literature**

A review of literature has revealed that different studies have been done on the effect of strategy implementation on performance. However, less studies have focused of SME's. Some of the studies that have been done are as follows

#### **2.3.1 Culture and performance**

Maura (2014) did a study on the effect of organizational culture on strategy implementation: a study of three companies in construction sector in Nairobi, Kenya. The researcher employed explanatory research design. A sample of 196 respondents from the three companies was selected according to the random table. The researcher then used proportional allocation in order to pick the sample size per each company. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS package and presented through percentages, means, standard deviations and frequencies. For qualitative data, explanatory analysis was utilized where the responses were categorized in to themes then tabulated to give an insight in to the information. The information was displayed by use of bar charts, graphs and pie charts and in prose-form. The study found that organization culture enhances social system stability, as well as guiding and shaping behavior as shown by a mean of 4.56 and standard deviation of 0.08. The study concluded that top managers should demonstrate their willingness to give energy and loyalty to the implementation process which amount to being flexible thus creating an enabling environment of addressing customer's problems so as to compete well with other players in the industry, in addition clan culture was found to be highly correlated with strategy implementation which therefore implies that clan culture in an organization is an important recipe in strategy implementation.

Glenc (2017) conducted a study on strategy implementation, organizational culture and performance in Turkish local government. The study used a cross-sectional design because of its suitability for the nature of the study. The target population for this research comprises senior managers in Turkish metropolitan municipalities. A questionnaire survey was used to collect the primary study data. A pilot study was conducted with four public managers in branches of Turkish local government. A mixed method research design was applied using 134 survey

responses and 16 semi-structured interviews. Survey data, as the main quantitative component of the study, were analyzed using multiple and robust moderated regression models. Qualitative data collection was then undertaken to clarify the relationships uncovered by the quantitative data analysis. The study results confirmed the presence of a significant positive relationship between rational strategy implementation and organizational performance. In regards to organizational culture types, only the hierarchy culture showed a consistently positive influence on performance. Nevertheless, a rational strategy implementation style appeared to strengthen the effects of a hierarchical and a market-based culture on performance, while an incremental strategy implementation style seemed to enhance the effects of a clan-oriented culture and an adhocracy culture on performance. Qualitative data analysis largely supported the quantitative findings on the independent and moderating effects of strategy implementation style and organizational performance. However, it also identified some positive performance effects from a hierarchy culture, a market-based culture, a clan culture and an adhocracy culture.

Mutai (2015) conducted a study on organization culture and strategy implementation. The research focused on Airtel Kenya, a telecommunication industry. The study seeks to find out how the nature of culture and the extent of influence of culture in strategy implementation, Research participants interviewed were employees of the firm. They consisted of senior managers from different departments: CEO, Office, networks, cooperate communication, marketing, customer service airtel money, sales and distribution and finance. Findings indicated that there were two dominant cultures, market culture and clan culture.

Omukanga (2016) conducted a case study on the effects of organization culture on employee performance at AON, in Nairobi. The study used interviews as a means of data collection and required the researcher to identify respondents whose cooperation was required to answer certain questions. The findings of the study indicated the existence of a strong cooperate culture at AON and has influence on performance. The culture is strong because there is a high degree of commitment organization values and norms. Majority of respondents agreed to the fact that employee output is affected by culture. The study concluded that corporate culture if well comprehend by all can work to the advantage of the organization because it's been established that it directly affects employee performance.

Seyed et al (2012) did a study on the relationship between Organizational Culture and Strategy Implementation: Typologies and Dimensions. This research was a survey to investigate relationship between typologies and dimensions of organizational culture and strategy implementation in Iranian Karafarin Bank. The population embodied 210 members i.e. managers and experts in headquarters of the bank. Therefore 136 questionnaires have distributed in all departments of the bank. The findings of the study proved that main hypothesis which claims there is a meaningful relationship between organizational culture and strategy implementation (H1). Results showed all types of organizational cultures have significant relations with implementation process but the extent of these influences vary from the most effective (Clan culture) to the less effective (Hierarchy Culture). The findings supplied empirical support for the logic idea of highly significant relation between strategic emphases in culture of an organization and its strategy implementation.

Ul Mujeeb et al (2011) performed a study to establish the relationship between Organizational Culture and performance management practices in Universities in Pakistan. The study used exploratory research designed to determine if organizational culture is associated with performance management. Primary data was collected with the help of questionnaire distributed to 60 employees in COMSATS Institute of Information Technology which included a mix of faculty members, staff members, section heads, and heads of departments. 42 usable responses were received back. Data was analyzed using SPSS version 16 and Microsoft Excel. Scores of all dimension was averaged in one main construct for both Organizational Culture and Performance Management Practices. The Pearson correlation was used to reflect the degree of linear relationship between two variables and determine the strength of the linear relationship between the variables; whilst, One-Way ANOVA was employed to determine the significance of the relationship. Results show that adaptability and mission has significant positive values in correlation for performance management practices. Traditionally organizational culture and design of human resource management practices such as performance management have been studied independently for organizational success. The results of this study indicate that they are strongly associated with each other and should be complimentary

From the above reviewed studies, it is evident that there are several studies that link organization culture to performance in different contexts. For instance, studies (Glenc 2017) looked at the

effect of strategy implementation on performance as well as the moderating role of organization culture in Turkish local governments. Elsewhere, Maura (2014) investigated the role of organization culture on strategy implementation and found similar results. Omukanga (2016) studied organization culture and employee performance and found similar results with that of a study done by Ul Mujeeb et al (2011). However, the above reviewed studies are not without limitations. For instance, Maura (2014), Mutai (2015) studied the effect of organization culture on strategy implementation instead of performance. Glenc (2015) was focusing on how culture moderates the relationship between strategy implementation and performance. Both Seyed et al (2012) and Ul Majeed et al (2011) focused on organization culture and performance but in different contexts such as bank and universities. Consequently, little is known on the effect of organization culture on performance in the context of SMEs.

### **2.3.2 Communication and performance**

Nebo et. al, (2015) did a study on the role of effective communication on organizational performance. The study was done in Nnamdi Azikiwe university, Awka, Nigeria. The research design used in this research work was the survey design. The study area is Nnamdi Azikiwe University, Awka Anambra State. The data for this research was collected basically through the primary and secondary sources. A sample size of 166 was selected using the Taro Yamani (1964) formula with 5% error limit of 300 staff of randomly selected for the study. Furthermore, in analyzing the data the simple percentage statistical tool was used to analyze the respondent's characteristics and for the questionnaire chi-square statistical tool was used to test the hypotheses. Likewise, it was observed that communication techniques have enhance the performance of staff in terms of their relationship with the various Heads of Departments, Deans of Faculties, Students and University Community as a whole. The finding of this research showed that effective communication should be highly recommended to every organization in all the sectors of the economy. Any management both government establishment and private that is desirous of ensuring the success and efficiency of its workforce, should be conscious of implementing effective communication programmes to their employees for better performances

Haroon (2018) did a study on the Impact of Organizational Communication on Organizational performance in universities. Present study was based on descriptive research design and quantitative approach was employed. The population of the study was comprised of all public

and private universities of Islamabad capital territory of Pakistan. The study was delimited to 3 out of 15 public and 3 out of 6 private sector universities as only selected universities were included in Higher Education Commission Ranking-2015. Proportional stratified sampling technique was applied to select sample from universities. Data was analyzed through Statistical Package for Social Science (SPSS) Software and presented in the form of table. Linear regression was applied to see the impact of organizational communication on organizational performance. The findings of public and private sector universities on organizational communication system functioning and organizational performance scores revealed harmonization between organizational communication and organizational performance. It was concluded that independent variable (Organizational Communication) had significant effect on dependent variable (Organizational Performance) of public and private sector universities. In addition, on the basis of organizational communication scores and organizational performance ranking scores of universities, it was concluded that organizational performance improves subsequently when organizational communication system performs well. Both organizational communication and organizational performance are interdependent. Imperfect functioning of one element (communication system), results in the failure of other (performance). Organizational communication and organizational performance of public and private sector universities turned out to be interrelated with each other.

Olang (2015) conducted a study on the role of communication in strategy implementation. The study focused on African women agricultural research and development. The research looked at the extent to which communication has been incorporated by the organization as a component of strategy implementation. The study applied descriptive survey research design. For the purpose of this research, the study population were the staff of AWARD, including managers and supervisors. This is because they are best placed to provide information on ongoing activities and information regarding strategy implementation. 18 full time staff members, and another 10 consultants were eligible for the study because they were actively engaged in the organization, either as trainers, or program professional, primarily working in communications and monitoring and evaluation. Data was collected through an online questioner designed by goggle forms. The study established that communication has been outlined as a key component of achieving the organizations mission. With regards to internal communication processes and effectiveness, it



was established that organization management highly encourage staff to be aware of strategies, policies and have a full understanding of business model of organization

Ayusa (2016) conducted a study on communication and strategy implementation in telecommunication firms in Kenya. The objective of the study was to establish the forms of communication adopted by telecommunication firms in Kenya and how they affect strategy implementation. The researcher employed descriptive research design since it gives room for collection of data that demonstrates relationships and describes environment as it is. Primary data was collected by the use of structured questionnaires. Qualitative and quantitative data was collected from the target population of thirteen telecommunication firms in Kenya .data was analyzed using SPSS application package. This study targeted all the 13 telecommunication firms located in Kenya as per the CCK (2014) report. Various forms of communication used were assessed.it was established that verbal communication, non- verbal communication and written communication were the main forms of communication in use. The study further established that three forms of communication used in telecommunication firms were very significant in strategy implementation. Based on the study findings summarized above, the researcher found out that the three forms of communication were an essential component of communication since they determined the success of strategy implementation

Sumeya (2016) the influence of internal communication channels on employee performance in nonprofit organizations in Somalia. This study applied descriptive study design in order to be able to get information on how internal communication processes in Help Leads to Hope are carried out. The design enabled the study to get information as it is. Descriptive research design further enabled the study to establish downward communication, upward communication and peer to peer communication at Help Leads to Hope and establish how they influence employee performance. Due to the different categories of the target population, stratified random sampling was employed. This ensured that each population segment got a proportionate sample selected. This also ensured the randomness of the selected sample and a representative sample hence findings from the sample were reliable. The Data collected was analyzed using Statistical Package for the Social Sciences (SPSS) and Microsoft Excel. Data analysis was through descriptive and relational statistics. All the data was subjected to descriptive statistics where frequency and percentile tables were generated showing the response pattern for all the responses

in the questionnaire. Further, correlation statistics that indicated the association of internal communication and employee performance were used. Study findings established that upward communication did not have a significant relationship with employee performance. Further, upward communication practices at HLH was weak and had not enabled employees to improve their performance. Hindrances to upward communication included lack of multiple avenues to communicate with superiors, inability of employees to provide opinions and suggestions to superiors, inability of employees to approach superiors for assistance, working together and inability of employees to express their outlook or attitude to management. Findings regarding upward communication also indicated that respondents agreed that there was free communication with superiors and also agreed that employees were able to use non-formal means of communication.

Otto (2015) did a study on effect of communication on employee performance at Ghana revenue authority, Kumasi. The research design used in this study was descriptive survey, which allows both implicit and explicit hypothesis to be tested. The population targeted for this study consisted of all the staff in the Kumasi Area of Small Tax Offices (STOs), Medium Tax Offices (MTOs) and Customs Offices of Ghana Revenue Authority. The offices specifically used include Asokwa STO, Asokwa MTO, Adum STO, Ashanti New Town STO, Suame, MTO and Kwadaso STO as well as Customs Collection Kumasi. A card drawing simple random sampling was used to select a total of 200 employees as the sample size for the study. 200 out of about 395 staff members who picked YES cards were put together as the sample size while those who picked NO cards were left out of the study. The next stage was the presentation of the statistical results for mean, correlation and regression analysis using chi-square, relative index, T-ratio, F-test and R-square values. The study identified selective listening, distraction, time pressure, and communication overload as barriers and breakdowns in the communication systems of GRA. Others include information distortion, rationalization and prejudice. Information distortion is indicated by employees as the greatest barrier and breakdown in communication systems in GRA.

From the above viewed studies, there is enough evidence to attest to the existence of a link between communication and organization performance in different contexts. For instance, Haroon (2018) did a study on the impact of organization communication on performance in universities in Pakistan. Otto (2015) did another on the effect of communication on performance

of Ghana revenue authority and found similar result. Olang (2015) investigated the role of communication on strategy implementation and found similar results with that of a study done by Ayusa (2016). It is however evident that the above reviewed studies have limitations. For instance, Sumeya (2016) studied the influence of internal communication channels on employee performance focusing on NGO's in Somalia. Both Ayusa (2016) and Olang (2015) focused their studies on communication and strategy implementation instead of performance. None of these studies (Haroon, 2018; Otto, 2015; Olang, 2015; Ayusa, 2016; Sumeya, 2016) focused on the effect of communication on performance of SMEs. Consequently, the effect of communication on performance of SMEs is not known.

### **2.3.3. Organization systems and performance**

Muinami (2013) did a study on organizational systems and program performance in Kenya non-governmental organizations. The purpose of the study was to determine the relationship between organization systems and program performance in Kenya Non-Governmental Organizations (NGOs). Descriptive survey research design which is a very valuable tool for assessing opinions and trends was used. The population under study consisted of all NGOs that carried out operations in Nairobi, Kenya between 2008 and 2012. International NGOs in Nairobi were considered appropriate for this study because given their relative sizes and location they are more likely to have robust operation systems for service delivery. The data collected was analyzed using Statistical Package for Social Sciences (SPSS) software. The analysis used inferential and descriptive statistics; such as frequencies, percentages, and means. Correlation method was used to verify the relationship between organization systems and program performance. Regression analysis was used to uncover any association between organization performance and the predictor variables. Multiple regression analysis was then employed to establish the quantitative association between the variables. The result finding of this study revealed that the organization system has a negative correlation with program performance (in terms of cycle time) on Kenya NGO's. The

finding also reveals that continuous improvement, use of factual approach to decision making, process approaches to management and use of standard operating procedures to a great extent affects overall program performance. The study finding concluded that organizational system management leads to improved business performance. There is need to put more emphasis on proper planning and design layout of organization, process flow management, quality

management and monitoring of organization systems at all levels to ensure improved organization business performance.

Gharaibeh and Malkawi (2013) did a study on The Impact of Management Information Systems on the Performance of Governmental Organizations- a case study of Jordanian Ministry of Planning The target population for this study was the governmental organizations in Jordan, the ministry of planning was chosen as a case study, 89 questionnaires were distributed; the response rate was 86.5% (77 usable responses). Secondary data was collected based on the finding of published papers, articles, books, previous, studies, and the World Wide Web. Primary data collection was carried out using a self- designed questionnaire, Statistical package for social sciences (SPSS) was used to analyze the data. Descriptive techniques such as Frequencies, Percentages, Means, standard deviations, Coefficient of correlation, were used to describe variables and multiple regression analysis were used to test the hypothesis of the study After analyzing the data and testing the hypotheses, the following major conclusions were reached: there are no statistically significant effect for the equipment & software on the performance of governmental organizations, there are statistical significant effects for the networks within governmental organizations on the performance of governmental organizations, there are statistical significant effects for individuals & procedures on the performance of governmental organizations, there are statistical significant effect for the variables of MIS as a whole and the performance of governmental organizations ,there is a strong relationship between networks within the organization and doing business well. Individual & procedures have a large & active role in the government's performance in general, there are strong relationships between MIS and improving performance within governmental organizations.

Wanjohi (2013) conducted a study on strategic control systems in strategy implementation and financial performance of Bamburi cement limited, Kenya was done The research was approached as a single case study. The study relied on both primary and secondary data. Primary data was collected through structured personal interviews with elements of unstructured guided conversation, targeting a minimum of 2 executives and 6 cross-functional middle tier managers due to the strategic insight required on the information sought; while secondary data was collected through observation of available company documents and company's published annual report and financial statements. The primary data analyzed was collected through in-depth interviews with all the eight targeted managers thus yielding 100% response rate. The managers

interviewed represented eight key departments at Bamburi Cement Limited namely; finance, human resources, sales, marketing, logistics, procurement, production and strategy. The content analyzed from secondary data was sourced from the company's published annual financial statements and selected management reports between 2008 and 2012; and internal publications which included principles of action, Lafarge way, group rules, principles of organization, management cycle and selected internal memos. The study established that Bamburi Cement Limited has a formalized strategic control and evaluation process which is integrated in the company's well understood strategic management cycle. It was further established that the company applies several strategic control systems in control and evaluation of strategies implemented. It was noted that these control systems are administrative structures, tools and activities that provide the company's management with feedback and feed forward necessary to manage strategies implemented.

Maina (2015) did a study on the effect of performance management systems on employee performance of food and agriculture organization (FAO). The study adopted a descriptive research design. The population of interest consisted of 94 staff members of Food and Agriculture Organization. A census was undertaken to interview the entire population. Data was collected using structured questionnaires. The data was analyzed using the Statistical Package for Social Sciences (SPSS) into frequency distribution and percentages. The data was presented using tables and charts. The major findings of this study is that employees feel there is a great need for a performance management system in FAO. The system should have inputs from the staff members through staff involvement, it should have fair monitoring structures and reward staff who are high performers. It should also have stronger emphasis on proper communication and reporting. The study concludes that the perception of employees towards performance management practices is very critical in all organizations as this motivates them to achieve the goals set by the organization and the respondents pointed out to the various aspects of performance management practices in line with the planning and employee expectation, observing performance management practices, developing the capacity of performance management practices to perform and evaluate performance management practices which are crucial to managing the output given by the employees. The study concluded that FAO should enhance the various parameters mentioned on the employee's perception towards performance management practices in FAO and widen the scope on other parameters that may be used to

gauge the levels of performance management practices in FAO by the employees. Transparency should be encouraged, performance management to be carried out regularly, perform job design in order to match staff qualifications to the right job, boost staff morale by giving them longer contracts, create job growth path for staff and orient new staff on performance management and engrave it to the organization policy

A study on the effect of organizational systems on service delivery in civil organizations in Marsabit county was done by Kathuri (2014). The study used descriptive design. It targeted senior level management staff in these organizations working within Marsabit County. The population comprised of civil organizations that had a project office in Marsabit County. The population was 128 managers where 80 were from local civil organizations while 48 were from International non-governmental organizations, the sample size was 64. The data was collected using questionnaires and a research assistant assisted with distributing and collecting the questionnaires. Data was analyzed using SPSS. The collected data was analyzed to obtain descriptive statistics through frequencies, percentages, mean and standard deviation and correlation analysis. Results were presented using tables and figures. Major findings of the study revealed that governance structure has an effect on service delivery. The study concluded that functional structure with many hierarchical levels, delegation of authority and the Board of Directors devotion to organization issues were factors that would improve service delivery to organizations. The study also concluded that many organizations were over reliance on international donor funding. Organizations should start exploring in-country funding from private companies and also setting project that have financial sustainability, social sustainability and environment sustainability

From the above reviewed literature, it is evident that organization systems can be linked to performance. For instance, Muinami (2013) did a study on organization systems and performance, focusing on the NGOs in Kenya. Maina (2015) did an almost similar study on the effect of performance management systems on performance in FAO and the results concluded that various organization systems affect performance. Gharaibeh and Malkawi (2013) did a study on the impact of management information systems on performance while Wanjohi (2013) did his study on strategic control systems focusing the study on Bamburi cement. Both studies through in different contexts and focusing on different components of organization systems concluded

that the various components of organization systems affect performance. Kathiri (2014) also did a study on the effect of organization systems on service delivery and concluded that organization systems affect service delivery. It is evident that the above studies are not short of limitations. For instance, studies by (Gharaibei, 2013; Wanjohi, 2013) and Maina, (2015) focused their studies on specific components of organization systems and not organization systems as a whole. Kithuri (2014) focused his study on service delivery while Muinami (2015) focused on NGOs in Kenya. None of the above mentioned study looked into the effect of organization systems on the performance of SMEs

## CHAPTER THREE

### RESEARCH METHODOLOGY

This chapter presents the research methodology that was used to address the objectives of the study. It outlines in detail how the research was conducted and the justification of the methodology to be adopted. Specifically, the chapter discussed the study area, research design (target population, study participants, sampling design, sample size, sample frame, and procedure), data collection tools, validity and reliability of the research instruments, administration of research instruments, data collection and data analysis methods and finally ethical consideration

#### 3.1 Research Design

A research design is an overall framework, a plan, structure and strategy for investigation and logical model that is conceived in order to provide means of obtaining responses to the research hypotheses and/or questions. The research design suitability depends on the nature of the study and the research objects (Mugenda, 2008). Research design is always based on the research questions and guides in selection of sources and types of information for the research (Cooper & Schindler, 2003). The study employed correlation study design. According to Mugenda and Mugenda (1999), correlation research design can be used to study a wide range of variables and their interrelationship. It also allows the application of inferential statistics. As such it is suitable for the current study since the current study used inferential statistics to establish relationships among study variable and draw generalizations. As such it is justified for the current study.

#### 3.2 Area of study

Kisumu county is one of the 47 counties in the republic of Kenya. It is located in western part of Kenya. It borders follow those of the original Kisumu district. It has a population of 968,909 (2009 National census) Kisumu county neighbors are Siaya county to the West, Vihiga county to the North, Nandi county to the North- East and Kericho to the East. Its neighbors to the south is Nyamira county and Homabay county is to the South West. Kisumu county is one of the fastest developing counties in Kenya, and the growth has been attributed by development of new SMEs which has contributed to the GDP of the county. Kisumu is strategically located in the East African Community and is likely to be the region's economic hub. The geographical position and



its cosmopolitan profile places Kisumu county strategically as a competitive growth center in the emergent age of technological and economic development

### **3.3 Target population**

The target population of the study comprised of management of the SMEs that operate within Kisumu county. The population of study was 10,000 SMEs operating within Kisumu county. Out of which samples size 384 (three hundred and eighty-four) was selected.

### **3.4 Sample size and sampling techniques**

#### **3.4.1 Sample size**

Kisumu town hall records of registered SMEs estimates the total number of population of SMEs operating in Kisumu City to be 10000. These entities are engaged in various sectors of economy in Kisumu City. This will form the population of the study. The population of study will be 10,000 out of which samples size 384 (three hundred and eighty-four) was selected. Krejcie and Morgan's Table for Sample Size Calculation was adopted to arrive at a sample of 384 respondents in the category of employees, and low, middle and top managers of the SMEs. Simple random sampling was utilized to select a sample size of 384 owners/managers and staff of SMEs.

### **3.5 Data Collection Instruments**

The study utilized the pre-validated questionnaires developed by the researcher in order to collect data. Each questionnaire was divided into four sections. Section A dealt with the demographic characteristic of the respondent while section B looked at organization culture and performance. Section C handled organization systems and performance and the final section D covered the aspect of performance of the SMEs. According to Dillman (2000), the greatest use of questionnaires is made in the survey strategy. This is because each person (respondent) is asked to respond to the same set of questions and it provides an efficient way of collecting responses from a large sample prior to quantitative analysis. Questionnaires also reduces time and cost. The study will use self-administered structured questionnaire to gather primary data from sampled respondents. The study used self-administered structured questionnaire to gather primary data from sampled respondents. The questionnaires will be scored as follows: very large extent-5, large extent -4, Moderate extent- 3, small extent- 2, no extent-1.

### **3.5.1 Pilot Testing**

To ensure reliability and validity of the questionnaire, pilot test was done using 25 respondents from the various SMEs operating within the area of study. The time of completion was recorded and how well the questions are understood and answered was ascertained. The findings were used to test for reliability of the research instruments and the results thereof was omitted from the research findings. Cronbach's alpha indicates the extent to which a set of items could be treated as using a single latent variable. The pilot test is meant to test and improve the questionnaire and also determine response time of various respondents.

### **3.5.2 Validity of the Study**

Validity tests according to Saunders, Lewis and Thornhill, (2007) is the degree to which a test measures what it is supposed to measure. To establish the validity of the research instrument, the researcher solicited for the opinions of experts in the field of study especially the researcher's supervisor and lecturers. This facilitated the necessary revision and modification of the research instruments thereby enhancing validity.

### **3.5.3 Reliability of the Study Instruments**

Cronbach's alpha test of internal consistency was used to test the findings from the gathered data. Cronbach's alpha indicates the extent to which a set of items could be treated as using a single latent variable. The cutoff point was 0.7 (Meller, 2001). To test for reliability, the data collection instruments were administered to conveniently selected respondents. A pilot study was carried out in SMEs in Kisumu CBD. The researcher conveniently selected a pilot group of 25 individuals to test the reliability of the research instrument. According to Cooper and Schindler (2003), the pilot group can range from 25 to 100 subjects but it does not need to be statistically selected.

The pilot data was not included in the actual study. The pilot study allows for pre-testing of the research instrument. The clarity of the instrument items to the respondents was established so as to enhance the instrument's validity and reliability. The pilot study enabled the researcher to be familiar with research and its administration procedure as well as identifying items that require modification. Pilot study helped the researcher to correct inconsistencies arising from the instruments, which ensured that they measure what was intended. This reliability estimate was measured using Cronbach's Alpha coefficient ( $\alpha$ ). Nunnally (1978) recommends that instruments

used in research should have reliability of about 0.70 and above. The results of reliability test were shown in Table 3.1.

**Table 3.1: Internal consistency of Scale**

<b>Constructs</b>	<b>No. of Items</b>	<b>Cronbach's alpha</b>
1. Culture	12	0.890
2. Organization System	15	0.962
3. Communication	12	0.937
4. Performance	8	0.870

Source: Survey Data, (2019)

As shown in Table 3.1, the reliability test for all items yielded a Cronbach's Alpha coefficient of between 0.870 and 0.962. Since all items had alpha coefficient ( $\alpha > 0.7$ ), then the scale was regarded as reliable for measuring the four main constructs of the study (Nunnally, 1978).

### **3.6 Data Collection procedures**

The researcher collected data using a self-administered questionnaire. Prior to data collection, the researcher informed the respondents that the instruments being administered was for research purpose only and the responses from the respondents was kept secret and confidential. At the preliminary stage, the researcher obtained an introductory letter from the University to collect data from SMEs based in Kisumu CBD. Data collection exercise was assisted by two research assistants who were trained on data collection procedures one week before the commencement of the actual field work. The researcher adopted drop and pick later method in which research assistants were expected to make regular follow up to check and collect the ones that were already filled. The research team were regularly monitored to ensure that they achieve 100% response rate.

### 3.7 Data Analysis Procedures

Descriptive statistics such as mean, mode, frequencies and standard deviation was used to analyze data and answer research questions. The findings will then be presented by use of Charts and Tables.

According to Ntongai et.al (2013) the regression model specification is given as:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \varepsilon_i$$

Where

$\beta_0$  –Is the constant or intercept

$\beta_i$  (i=1,2,3)-Are the regression coefficients or change induced in Y by each  $X_i$

- Independent variable culture

$X_2$ - Independent variable organization systems

$X_3$ - Independent variable communication

Y- Dependent variable-organization performance

$\varepsilon$ - Is the error component.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

This part is divided into two main sections. The first section addresses the descriptive aspects of the data such as the demography of the sample data while the second part deals with the quantitative or inferential statistics. It basically shows the extent of the adoption of organizational culture, organizational system and communication, the observed relationship between these three variables and organizational performance of SMEs in Kisumu County, using direct entry regression techniques. Therefore, this chapter will address the specific objectives of the study.

#### 4.1 Socio- Demographic Information of Respondent

Primary data was collected by means of self-administered questionnaires, of which out of 384 expected respondents, 355 of the questionnaires were completed, a response of 92.4 % which was deemed sufficient. According to Sekaran (2008), a response rate of 60% is considered adequate for analysis in social science research. The response rate is summarized in Table 4.1 below.

**Table 4.1: Response Rate**

Description	Numbers
Number of Respondents Targeted in the Survey	384
Actual Number of participants who took part in the survey	355
Number of Non-responses.	29
Percentage response rate	92.4%

Source: Survey Data (2018)

The gender summary of the respondents was as per Table 4.2 of which 159 were male representing a sample of 44.8 % of the total study population while 196 were female with 55.2 % of the total population. This therefore means that there were slightly more female respondents than male respondents during the study

**Table 4.2: Gender of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	159	44.8	44.8	44.8
Female	196	55.2	55.2	100.0
Total	355	100.0	100.0	

Source: Survey data (2019)

From the Table 4.3, majority of the respondent sampled have a strong relationship to the formal education, 42.3 % comprised Bachelor's degree levels while 32.7% comprised Diploma level. Only 10.4 % comprised Master's Degree level. This means that the highest percentages of the respondents are degree holders and on the other hand the lowest percentages of the respondents are Masters Holders. This therefore imply that majority of the participants have acquired formal education and are well versed with the issues the study was interrogating.

**Table 4.3: Distribution of Respondents on the Level of Education of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
O-Level	52		14.6	14.6
Diploma	116		32.7	47.3
Degree	150		42.3	89.6
Post graduate (Masters, PhD)	37		10.4	100.0
Total	355		100.0	

Source: Survey Data (2018)

Table 4.4 below shows the distribution of sampled respondents based on the duration worked at the SMEs. According to the Table 4.4, majority of respondents (38.6 %) reported that they worked for a period of between 5-10 years. Only 13.8% reported that they worked for the company for below 2 years. This infers that most respondents in the study area have worked for considerably longer time duration in there SMEs.

**Table 4.4: Distribution of Respondents Based on Years of Experience in SME business**

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 2 years	49	13.8	13.8	13.8
2-5 years	98	27.6	27.6	41.4
5-10 years	137	38.6	38.6	80.0
Above 10 years	71	20.0	20.0	100.0
Total	355	100.0	100.0	

Table 4.5 below shows the distribution of sampled respondents based on the position held at the SMEs. According to the Table 4.5, majority of respondents (55.8 %) reported that they hold the management position in the firm while the remaining 44.2% reported that they actually own the business. This infers that most respondents who participated in the study are employees who are engaged in SMEs at management levels.

**Table 4.5 Distribution of respondents Base on Position Held in the Business**

	Frequency	Percent	Valid Percent	Cumulative Percent
Management	198	55.8	55.8	55.8
Owner	157	44.2	44.2	100.0
Total	355	100.0	100.0	

Source: Survey Data (2019)

Table 4.6 below shows the distribution of sampled respondents based on their age at the time when the study was conducted. According to the Table 4.5, majority of respondents (29.3 %) were between the age of 36-45 years. This was closely followed by those who are between 26-35 years at 28.5% with the least participant being those in age bracket of 46-55years at 12.7%, followed by those over 55 years at 14.4. This infers that most respondents who participated in the study were mature adults who engage in owning and/or running SMEs in the study area.

**Table 4.6. Distribution of Respondents Based on the Age of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
18-25 years	54	15.2	15.2	15.2
26-35 years	101	28.5	28.5	43.7
36-45 years	104	29.3	29.3	73.0
46-55 years	45	12.7	12.7	85.6
Over 55 years	51	14.4	14.4	100.0
Total	355	100.0	100.0	

Source: Survey Data (2019)

#### 4.2 Extent of Organization Culture Practices Among SMEs in Kisumu County

In the study, while trying to address the study objectives, an attempt was made by the researcher to use descriptive statistics to address the extent to which organizational culture practices was manifested among SMEs in Kisumu County. This finding was shown in Table 4.7.

**Table 4.7 Descriptive Statistics on The Extent of Adoption of Organization culture Among SMEs in Kisumu**

	N	Min	Max	Mean	Std. Dev.
The values of the organization are very clear, focused and easily conceptualized	355	1	5	3.53	.951
All employees adhere strictly to the organization values	355	1	5	3.46	.980
The organization values have an effect on the effectiveness of organizations operations	355	1	5	3.57	.961
All employees understand the importance of adhering to organization values	355	1	5	3.53	1.001
There are specific norms that are expected to be followed by all	355	1	5	3.59	.977
The different norms affect the effectiveness of the organization's operations	355	1	5	3.63	1.070
The organization norms are easily adapted to by new employees	355	1	5	3.39	1.031
All employees willingly embrace the existing norms in the organization	355	1	5	3.54	.960
All employees are allowed to embrace what they believe in	355	1	5	3.43	1.077
The organization has employees with different beliefs	355	1	5	3.71	1.038
The different beliefs influence effectiveness and efficiency of the organization's operations	355	1	5	3.59	1.241
The organization has a way of dealing with the different beliefs	355	1	5	3.48	.906
<b>Overall Mean Score</b>	<b>355</b>			<b>3.53</b>	<b>1.016</b>

**Source: Survey Data (2019)**

The results for descriptive statistics as shown in table 4.7 above, with N = 355 as the total number of respondents indicate the following as the findings. Overall, organization culture practices have been reported to be prevalent to a moderate extent as shown by the overall mean value of 3.53 and a standard deviation value of 1.016 in samples SMEs. This therefore implies that the SMEs in Kisumu County has adopted Organization culture practices to a moderate extent. However, the finding of the moderate adoption of organizational culture practices among the SMEs suggests that more emphasis should be given to this practice if its impact on organizational performance is to be enhanced.



### 4.3 Extent of adoption of Organizational Systems Among the SMEs in Kisumu County

In the study, while trying to address the study objectives, an attempt was made by the researcher to use descriptive statistics to address the extent to which SMEs in Kisumu County have adopted organization systems in daily management of their business.

This is seen in Table 4.8.

**Table 4.8: Descriptive Statistics on The Extent of Adoption of Organization culture Among SMEs in Kisumu**

	N	Min	Max	Mean	Std. Dev.
The organization has sufficient infrastructure	355	1	5	3.71	.994
The organization has the ability to adopt the use of modern infrastructure	355	1	5	3.78	1.033
The organizations occasionally replace worn out infrastructure with new ones	355	1	5	3.72	1.012
Each department in the organization has the infrastructure they need to perform their daily duties	355	1	5	3.70	.995
The organization has adopted modern technology in its operations	355	1	5	3.76	.975
Employees are well trained in the use of the modern technology	355	1	5	3.62	1.092
The organization often upgrades its technology to more advanced ones	355	1	5	3.62	1.060
The technology used by employees is reliable	355	1	5	3.71	1.067
The organization has embraced the use of computers in the organization	355	1	5	3.75	1.011
The organization has an active website and social media pages	353	1	5	3.70	1.014
Every employee is equipped with sufficient ICT skills	355	1	5	3.55	1.117
All departments in the organization has embraced the use of information technology	355	1	5	3.54	1.042
There are enough tools to be used by all employees	355	1	5	3.65	1.085
The organization is properly furnished	355	1	5	3.75	1.036
The organization has all the needed equipment	355	1	5	3.68	1.017
<b>Overall Mean Score</b>	<b>355</b>			<b>3.68</b>	<b>1.036</b>

Source: Survey Data, (2018)

The results for descriptive statistics as shown in table 4.8 above, with N =355 as the total number of respondents indicate the following as the findings. Overall, Organization systems indicators have been reported to be prevalent to a moderate extent as shown by the overall mean value of 3.68 and a standard deviation value of 1.036 among the samples SMEs in Kisumu County. This, therefore imply that the SMEs have adopted or implemented Organization systems measures to a moderate extent. Further, the findings of moderate extent of adoption of organizational systems

suggests that more needs to be done if its full potential in terms of contributing to organizational performance is to be realized.

#### 4.4 Extent of adoption of Organizational Communication Among the SMEs in Kisumu County

In the study, while trying to address the study objectives, an attempt was made by the researcher to use descriptive statistics to address the extent to which SMEs in the study area have adopted communication practices. This result is illustrated in Table 4.9.

**Table 4.9: Extent of Adoption of Organizational Communication Among SMEs in Kisumu.**

	N	Min	Max	Mean	Std. Dev
The organization has a clear communicated mission for which everyone works towards achieving	355	1	5	3.53	.951
All employees have a clear understanding of the organizations mission	355	1	5	3.50	.952
All employees in the organization are encouraged to work towards achieving the organizations set mission	355	1	5	3.79	.975
The mission statement is placed at a point that makes is possible for everyone to read	355	1	5	3.62	.953
The organization has a clear communicated objective for which everyone works towards achieving	355	1	5	3.79	1.018
All employees have a clear understanding of the organization's objectives	355	1	5	3.77	1.051
All employees are encouraged to work towards achieving the organizations set objectives	355	1	5	3.88	1.000
The organizations objectives are placed at a point that makes it possible for everyone to read	355	1	5	3.85	.918
The organizations strategies are clearly communicated to the rest of the employees once formulated	355	1	5	3.64	1.076
All employees understand the strategies formulated and work toward successful implementation	355	1	5	3.70	1.127
The organizations strategies have been successfully implemented to achieve effectiveness	355	1	5	3.69	1.092
The strategies are communicated timely to ensure successful implementation	355	1	5	3.85	1.004
<b>Overall Mean score</b>	355			<b>3.72</b>	<b>1.009</b>

Source: Survey Data, (2018)

The results for descriptive statistics as shown in Table 4.9 above, with N = 355 as the total number of respondents indicate the following as the findings. Overall, organization communication measures have been reported to be prevalent to a moderate extent as shown by the overall mean value of 3.72 and a standard deviation value of 1.009 in SMEs in Kisumu

County. This, therefore imply that SMEs in Kisumu have adopted communication practices to a moderate extent even though more still needs to be done in its full implementation.

#### 4.5 Extent of Organization Performance Among SMEs in Kisumu County

The study also sought to establish the extent of performance of SMEs in Kisumu county. This was necessary as it will lay foundation for the subsequent analyses of relationship between organizational culture, organizational systems, communication and organizational performance.

The findings are in Table 4.10.

**Table 4.10: Extent of performance levels Among SMEs in Kisumu.**

	N	Min.	Max.	Mean	Std. Dev.
<b>Effectiveness</b>					
The organization is able to meet its objectives	355	1	5	3.73	.819
The organization is able to meet its purpose	355	1	5	3.81	.875
The organization achieved its goals	355	1	5	3.79	.918
The organization fulfilled its mission	355	1	5	3.75	.953
<b>Efficiency</b>					
Our customers are satisfied with the quality of our goods/products	355	1	5	3.70	.951
Employees are satisfied in the way the organization in run	355	1	5	3.93	.933
The organization fully utilizes its resources e.g. human resource, financial resource	355	1	5	3.97	.852
There are enough resources to run the organization	355	1	5	3.84	.967
<b>Overall Mean Score</b>	<b>355</b>			<b>3.82</b>	<b>0.908</b>

Source: Survey Data, (2019)

The results for descriptive statistics as shown in table 4.10 above, with N = 355 as the total number of respondents indicate the following as the findings. Overall, the level of performance of SMEs in Kisumu County stood at a moderate extent as shown by a mean value of 3.82 and a standard deviation value of 0.908.

#### 4.6 Effect of Strategy Implementation factors on Organization Performance.

To actualize the study objectives, a regression analysis between the three dimensions of strategy implementation factors namely: organizational culture, organizational system and communication and the dimensions of performance was undertaken. The direction and magnitude of influence or effect of each of the dimensions of strategy implementation factors on

Table 4.11 gives the model summary which shows that the proportion of variance in the organization performance that is explained by the independent variables (strategy implementation factors) is 50% ( $R^2 = .50$ ,  $p < 0.001$ ). The coefficient of determination ( $R^2 = 0.50$ ) and the model is acceptable since the F-statistic is significant and suggests that the independent variables jointly influence the dependent variable. The value of Durbin-Watson is 1.715. Generally, the value of the Durbin-Watson statistic ranges from 0 to 4. As a rule of thumb, the residuals are uncorrelated if the Durbin-Watson statistic is approximately 2. A value close to 0 indicates strong positive correlation, while a value of 4 indicates a strong negative correlation. The computed value is also close to 2, which indicates the absence of serial correlation.

**Table 4.11: Estimated Model of Organizational Performance**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			Durbin-Watson	Sig. F Change	
					R Square Change	F				
1	.707 <sup>a</sup>	.500	.495	.46752	.500	116.850	3	351	.000	1.715

a. Predictors: (Constant), Org comm, Org System, Org culture

b. Dependent Variable: Org performance

Source: Survey Data (2019)

Table 4.12 shows ANOVA results of the estimated model. The data test revealed that  $F(3, 351) = 116.850$  at  $p < 0.01$ , an indication that the model fits the research data well. The researcher can therefore, deduce that all the independent variables (i.e. organizational culture, organizational system and communication) jointly explain performance of SMEs in Kisumu County.

**Table 4.12: ANOVA Results on the Estimated Organizational Performance Model**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	76.622	3	25.541	116.850	.000 <sup>b</sup>
Residual	76.720	351	.219		
Total	153.341	354			

a. Dependent Variable: Org perform

b. Predictors: (Constant), Org comm, Org System, Org culture

The regression model was in the form  $Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \epsilon_i$  and by adding regression coefficient as was shown in Table 4.13. This was later transformed into:

$$Y = 1.391 + 0.168 X_1 + 0.059 X_2 + 0.437 X_3 \dots \dots \dots \text{equation 4.1}$$

$$R^2 = 0.50 (50\%)$$

**Table 4.13: Estimated Regression Coefficients for Variables in Organizational Performance Model**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error				Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	1.391	.139		10.030	.000	1.118	1.664		
Org culture	.168	.036	.195	4.613	.000	.096	.240	.799	1.252
Org System	.059	.014	.162	4.181	.000	.031	.087	.950	1.053
org comm	.437	.034	.542	12.711	.000	.369	.505	.783	1.278

a. Dependent Variable: Org perform

Source: Survey Data (2019)

#### 4.6.1 Establish the effect of Organization culture on performance of SMEs in Kisumu

The first objective of the study was to establish the influence of organization culture on performance of SMEs in Kisumu. In this regard, organization culture was found to have a significant positive influence on performance of SMEs ( $B = 0.168, p = 0.000$ ) thereby rejecting the null hypothesis  $H_{01}$ , which state that organization culture does not significantly influence performance of SMEs in Kisumu County. This means that a unit change in organization culture practices causes 0.168 unit change in performance and the change is significant. This implies that organization culture is a significant determinant of performance at SMEs in Kisumu County.

The findings show that organization culture has exerted significant positive influence on organizational performance has received some support from theoretical literature as well as past empirical studies. For instance, Glenc (2017) looked at the effect of strategy implementation on performance as well as the moderating role of organization culture in Turkish local governments and found similar results with the current study. Elsewhere, Maura (2014) investigated the role

of organization culture on strategy implementation and found similar results. Omukanga (2016) studied organization culture and employee performance and found similar results with that of the current study. Further, the results of the current study collaborate well with that of UI Mujeeb et al (2011) who also found positive relationship between organization culture and performance. However, the above reviewed studies are not without limitations. For instance, Maura (2014), Mutai (2015) studied the effect of organization culture on strategy implementation instead of performance. Glenc (2015) was focusing on how culture moderates the relationship between strategy implementation and performance. Both Seyed et al (2012) and UI Majeeb et al (2011) focused on organization culture and performance but in different contexts such as bank and universities. Consequently, little is known on the effect of organization culture on performance in the context of SMEs.

The current study however was a great milestone in terms of hypothesizing, empirically testing and establishing the link between organization culture as a facets of strategy implementation and performance that hitherto remained unexplored especially in the context of SMEs in Kisumu County.

#### **4.6.2 The Effect of Organization system on Performance of SMEs**

The second objective of the study was to examine the influence of organization system on performance of SMEs in Kisumu County. In this regard, organization system was found to have significant positive influence on performance ( $B = .059$ ,  $p = .000$ ) thereby rejecting the second null hypothesis  $H_{02}$ , which states that organization system does not significantly affect performance of SMEs in Kisumu County. This means that a unit change in organization system will cause 0.059 unit change in performance and the change is significant. This implies that organization system is a significant predictor of performance in the context of the study areas. However, it is worth noting that organization system exerts least amount of influence on performance of SMEs when compared to the other strategy implementation factors like culture and communication. Nonetheless, it is still a significant predictor of performance.

The finding that organization system has exerted significant positive influence on performance of SMEs has received some support from theoretical literature as well as past empirical studies. For instance, Muinami (2013) did a study on organization systems and performance, focusing on the

NGOs in Kenya and found positive relationship between them. Similarly, Maina (2015) did study on the effect of performance management systems on performance in FAO and the results concluded that various organization systems affect performance. Gharaibeh, (2013) did a study on the impact of management information systems on performance and concurred with the findings of the current study by stating that there exists positive relationship between the two. While Wanjohi, (2013) did his study on strategic control systems focusing the study on Bamburi cement. Both studies through in different contexts and focusing on different components of organization systems concluded that the various components of organization systems affect performance. Kathiri (2014) also did a study on the effect of organization systems on service delivery and concluded that organization systems affect service delivery.

However, some of the above studies have shortcomings. For instance, studies by Gharaibei, (2013), Wanjohi (2013) and Maina (2015) focused their studies on specific components of organization systems and not organization systems as a whole. Kithuri (2014) focused his study on service delivery while Muinami (2015) focused on NGOs in Kenya. None of the above-mentioned study looked into the effect of organization systems on the performance of SMEs. The current study however has made enormous contribution to new knowledge in terms of hypothesizing, empirically testing and establishing the link between organization system and performance that hitherto remained unexplored especially in the context of Small and medium enterprises.

#### **4.6.3 The influence of organization communication on performance of SMEs**

The third objective of the study was to establish the effect of organization communication on performance of SMEs. In this regard, organization communication practices were found to have significant positive influence on performance ( $B = 0.437, p = .000$ ) thereby rejecting the third null hypothesis  $H_{02}$ , which states that organization communication does not significantly influence performance of SMEs. This means that a unit change in organization communication practices will cause 0.437 unit change in performance and the change is significant. This implies that organization communication is indeed a significant determinant of performance of SMEs in Kisumu County. It further suggests that compared to the other two factors, organization communication was the factor that exert the greatest significant influence on performance of SMEs in Kisumu County as was shown by high value of B-statistics.

The finding above concurs with other theoretical literature as well as past empirical studies. For instance, Tubbs and Moss (2008) contends that there is a correlation between quality communication and total performance within an organization. Robbins et al ,(2010) further contends that the absence of effective communication obstructs successful organizational performance. Empirically, the study finding concurs with that of Haroon (2018) who did a study on the impact of organization communication on performance in universities in Pakistan and found similar results. Similar finding was revealed by Otto (2015) who sought to establish the effect of communication on performance of Ghana revenue authority. Olang (2015) investigated the role of communication on strategy implementation and found similar results with that of a study done by Ayusa (2016). It is however evident that the above studies have limitations. For instance, Sumeya (2016) studied the influence of internal communication channels on employee performance focusing on NGO's in Somalia. Both Ayusa (2016) and Olang (2015) focused their studies on communication and strategy implementation instead of performance. None of these studies (Haroon, 2018; Otto, 2015; Olang, 2015; Ayusa, 2016; Sumeya (2016) focused on the effect of communication on performance of SMEs.

This current study however, has made enormous contribution to new knowledge in terms of hypothesizing, empirically testing and establishing the link between organizational communication and performance that hitherto remained unexplored especially in the context of Small and Medium enterprises.



## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter provides a summary of the study findings based on each research objective. It also covers conclusions and recommendations emanating from the results.

#### 5.1 Summary of Findings

The first objective of the study was to analyze the influence of organization culture on performance of SMEs in Kisumu. The corresponding null hypothesis was that organizational culture does not significantly affect Performance of SMEs in Kisumu. The study finding revealed that organization culture was found to have a significant positive influence on performance of SMEs.

The second objective of the study was to determine the influence of organization systems on performance of SMEs in Kisumu. The corresponding null hypothesis was that organizational system does not significantly affect Performance of SMEs in Kisumu. The study finding revealed that organization system was found to have significant positive influence on performance of SMEs in Kisumu County.

The third objective of the study was to establish the effect of organization communication on performance of SMEs. The corresponding null hypothesis was that organization communication practices does not significantly affect Performance of SMEs in Kisumu. In this regard, organization communication practices were found to have significant positive influence on performance of SMEs in Kisumu County. The study finding further revealed that organization communication exerts the greatest significant positive influence on performance of SMEs when compared to other strategy implementation factors such as culture and organization system.

significant positive influence on performance of SMEs in Kisumu County. Therefore, it is a critical determinant of performance among the SMEs.

On the third objective of the study which was to establish the effect of organization communication on performance of SMEs, the study concludes that there is a statistically significant positive relationship between organization communication and performance of SMEs in Kisumu County.

### **5.3 Recommendation**

Based on the foregoing findings and conclusions the study therefore recommends the following.

First of all, since a significant positive relationship exists between organization culture and performance, the management or owners of SMEs should lay more emphasis on the implementation or adoption of organization culture practices to a greater extent as it was found to positively influence performance of SMEs. Specifically, focus should be on making the values, norms and beliefs of the organization very clear, focused and easily conceptualized. Currently, organization culture practices are being implemented only in a moderate extent.

Secondly, because organization system exerts the positive significant effect on performance, more effort and resources should be focused on putting in place systems in terms infrastructures, tools, equipment's and ICT technologies that will enhance organizational performance.

Thirdly, since the study revealed that organization communication exerts the greatest significant positive influence on performance of SMEs in Kisumu County, management or owners of the SMEs should focus their attention towards adoption and implementation of communication practices that will ensure understanding of mission, objectives and strategies.

### **5.4 Limitations of the Study**

While this research offers insights into how various strategy implantation factors influence performance of SMEs in Kisumu County, this work is not without limitations. Specifically, the sample size was limited due to time and cost constraints but this weakness was remedied by thorough literature review to compensate the inadequacy that was caused by data limitations.

### **5.5 Areas for Further Research**

Based on the foregoing conclusions on the findings of this study, the researcher suggested the following future research directions in the field strategy implementation factors and organizational performance.

First, this study used cross-sectional data to test the hypothesis on the perceived relationship between the strategy implementation factors and performance. It only provided a snapshot picture at a single point in time. Therefore, there is need to conduct a longitudinal study to provide even more conclusive evidence to the above relationship.

Secondly, Future research efforts could also be focused on this study by further investigating the moderating effects of the external environmental factors such as government policy in the hypothesised relationship.

Finally, the hypotheses in the current study were tested using data obtained from owners or managers of SMEs in Kisumu County. There is therefore need to test the results in different national cultures and economic contexts to be able to establish global generalizability of the findings.

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