ASSESSMENT OF ORGANIZATIONAL CAPABILITIES
AFFECTING PERFORMANCE OF SME’s IN NAIROBI COUNTY

BY

KEVIN KONYE KIMANI

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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A Research Project Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

SUMMER 2017
STUDENT’S DECLARATION

I declare that this work is original and it has not been submitted for academic credit to any other college, institution or university.

Signed: _______________________ Date: ______________________
Kevin K Kimani (ID No 647548)

This project has been submitted for assessment with my approval as the chosen supervisor.

Signed: _______________________ Date: ______________________
Dr. Joyce Ndegwa

Signed: _______________________ Date: ______________________
Dean, Chandaria School of Business
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ABSTRACT
Small and Medium Sized Enterprises (SME’s) form an important economic pillar in Kenya that has been central to economic growth of the country. The Kenya private Sector Alliance (KEPSA) recognized SME sector as the leading contributor to both GDP growth and creation of employment opportunities. However, underneath the impressive metrics attributed the general economic impact in the country, SME’s face survival pressures resulting from business factors like the ferocious marketing competition or even the macro-economic factors. Further, internal organizational factors form critical components that determine the success or failure of an SME business. This study sought to evaluate the influence of organizational capabilities on the success of SME businesses. The study sought to evaluate the influence of organizational capability factors which include; leadership style, financial resources and technology on their impact in the performance of an SME business.

The study adopted a descriptive research design, as the foundational procedure in conducting a field survey utilizing quantitative techniques to gather the required data. The study was limited to Nairobi County, where the unit of analysis was SME’s operating within Nairobi and the unit of observation was the SME owners and managers. The study settled on a sample size of 98 respondents, who were all active frontline people in the SME sector. The study settled on a structured questionnaire, which contained close ended questionnaires. Section A of the questionnaire contained the demographic details of the respondents. The subsequent sections of the questionnaire were split into separate sections organized in order of the research variables. A 5-point interval scale was used to measure the respondent’s level of satisfaction, for all the questions. The researcher took the initiative to distribute the questionnaires in person, and made follow-up, via phone calls and text messages. Eventually 64 respondents were able to fill the questionnaires in time for data analysis, which represents a response rate of 65.3%.

The study found that SME leadership and the owner commitment to engage the employees and seek their input towards tackling of critical organization problems had a significant impact in the success of the SME, registering a mean of 4.45. The study established that the most crucial component of business finances was the amount of financial resources currently available for the business with a mean of 4.73. The study found that, ICT enhanced internal organizational
interactivity where enhanced level of communication between employees was enabled enhanced the performance of the business with an average mean of 4.25.

The study concludes that, leadership style has a strong correlation with the success of the SME business, thus any contributing factor that could potentially limit the effective dispensation of leadership duties, is bound to negatively affect the performance of the business. The study concludes that, the prevailing financial health of an organization is an indicator of the SME business growth rate. The study concludes that technology improves the organization coordination with the external entities such as customers and suppliers which contributes to enhanced service delivery.

The study recommends for a cooperative approach to leadership, where the SME leadership, encourages the employees to work in unity and align all their efforts towards the realization of the organizational objectives. The study recommends that, SME businesses need to adopt strict revenue management and book keeping policies to ensure a strong record management for the financial resources. The study recommends that, SME’s should treat the deployment of ICT systems as critical strategic factor for organizational administration. This is because; ICT platforms wield impact on efficiency in service delivery and contribute to the reduction in operational costs by leaning transactional operations.
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I am extremely grateful to my parents who raised me and taught me to study hard and to give priority in my life to the quest for knowledge.

Finally, much appreciation goes to all the participants, who spared time from their busy schedules to contribute their opinions in the study. May they be find favor from the Almighty, and may the rewards of their hard work increase, thank you very much.
DEDICATION

I take this opportunity to dedicate this study to my father John Kimani Mwangi and my mother Joyce Wangui Kimani for their consistent support and discipline instilled since my early childhood which was a key pillar in pursuing my MBA course. I also dedicate this study to Sandra Kyengo, Stella Wambui and Nathaniel Mupe for their immense support and encouragement which is beyond remembrance. God bless them all.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the study

The idea of organizational capabilities is somewhat questionable. A fundamental assumption of the 'capability view' is that companies have methods for getting things done and managing organizational issues that show solid components of progression Marengo (2011). In any case, firms are heterogeneous, they create diverse organizational schedules regardless of the possibility that they have a place with a similar industry and deliver comparable yields. Firm-particular methods for acting depend on organizational capabilities that have been progressively aggregated and molded inside firms. Organizational capabilities, we can close, empower firms to bargain adequately in a firm-particular manner with key organizational issues (Winter, 2010).

Organizational capabilities are fairly steady; they don't change quickly. Organizational capabilities give a firm its unmistakable focused edge, since they have been connected and additionally created over a more extended timeframe. The accentuation is on the amassing of organizational capabilities and the way that the choices for facilitate advancement at each purpose of time are pointedly compelled by the legacy of the past. The way that capabilities are firm particular makes them especially important, in light of the fact that they are of an inferred nature and accordingly hard to exchange and to copy.

Be that as it may, what are the principle issues companies are confronted with? As there is general understanding that talking about center abilities or organizational capabilities infers a genuinely substantial scale unit of investigation, we can allude to few extremely broad organizational issues as it were. Creating the huge yield in a successful way can be said as the main issue with which companies need to bargain. On the off chance that they can't utilize their assets viably they will scarcely have the capacity to remain in front of their rivals and get by in an increasingly competitive market. Be that as it may, companies cannot assume that they can get by on the premise of their present items, administrations and generation innovation, as
they need to act in a dynamic and unverifiable environment. The capacity to adjust to an exceedingly powerful environment by gathering new information and changing it into mechanical advancements can be recognized as a moment organizational issue companies are confronted with.

When all is said in done, 'organizational relationships' are considered to have much to do with forming association individuals' conduct Argyris (2011). These 'organizational relationships' frame the center of organizational capabilities as it has been the recognizing component from human capital Tomer (2014). Tomer (2014) has portrayed organizational capabilities as a type of human capital, just not vested in people, but rather in the immaterial linkages between individuals. Similarly, Davenport (1999) looked upon association capabilities as 'the aggregate capacities of the association, as particular from the individual capacities that bode well, organizational capabilities are viewed as a type of human capital since its profitable limit is typified in people Tomer (2014). The investigation of organizational capabilities is significant for a few reasons. Initial, a one of a kind mix of various organizational capabilities is the thing that makes firms not quite the same as each other Nelson (1991).

Second, capabilities assume an essential part both in present and future firm execution, through components of abuse and investigation, separately Shalley and Smith (2012). Third, organizational capabilities are manufactured incrementally after some time, and future alternatives for activity rely upon capabilities procured in the past Helfat and Peteraf (2014). As it were, novelty of different sorts depend on are mix of existing learning and assets (Schumpeter, 1934), i.e. organizational capabilities. Organizational capabilities correspond to the limit of associations to mobilize assets of different sorts, substantial or something else, for accomplishing a specific end (Helfat and Lieberman, 2012).

Organizational capabilities are characterized as a firm`s ability to send its assets, substantial (can be touched) or immaterial (can't be touched), to play out an errand or movement to enhance performance. Helfat and Peteraf (2010) characterize organizational capability as 'the capacity of an association to play out a planned arrangement of undertakings, using organizational assets, with the end goal of accomplishing a specific final product'. Organizational capabilities are central to firms` capacity to take care of successfully their
organizational issues Dosi (2000). However in this study we will look at financial resources, technology level and management style as part of the organizational capabilities.

Performance is an intermittent subject in many branches of management as it is important to both scholastic researchers and honing supervisors. The issue of performance has especially been a prevailing issue within key management inquire about as various key management speculations either certainly or unequivocally underscore performance suggestion Venkatraman and Ramanujam (2014). By and large, it is trusted that performance 'is the trial of any methodology Hofer (2013) and 'makes procedure important Jacobs (2010). General performance of the firm is viewed as the focal subject of vital management, went with enthusiasm for the part of general supervisors in affecting this general performance.

Strategic management discipline looks for reasonable contrasts between firms that clarify this predominant performance, as the key worry of strategic hypothesis is to recognize, secure and maintain an advantage over contenders with the end goal that prevalent performance will be accomplished Stacey (2013). A firm is considered to have a competitive advantage when it is actualizing an esteem making system not at the same time being executed by any present or potential contenders. A firm is said to have a maintained competitive advantage when it is executing an esteem making system not at the same time being actualized by any present or potential contenders and when these different firms can't copy the advantages of this methodology Barney (2014). For Hamel and Prahalad (2010) the better capacity than create, utilize and secure center capabilities and assets is the reason for one firm beating another and shape their notable establishment for 'making the future' (Hamel and Prahalad, 2010).

Absence of access to finance is almost universally a key issue for SMEs. Credit limitations work in arrangement of routes in Kenya where undeveloped capital market strengths business visionaries to rely upon self-financing or getting from companions or relatives which is lacking to enable SMEs grasp their business exercises in a perfect world. Absence of access to long term credit for little undertakings compels them to rely upon high cost here and now finance. There are different budgetary difficulties that face little ventures. They consolidate the high cost of credit, high bank charges and expenses. The situation witnessed in Kenya particularly in the midst of the peaking time of the year 2008 affirms the requirement for credit among the
typical and low winning entrepreneurs. Various trade banks out the name of Pyramid plans came up, promising trust among the 'little speculators,' which they can make it to the budgetary adaptability through delicate gaining. The method of reasoning behind swinging to these plans among a better than average number of entrepreneurs is generally to look for options and delicate credit with low financing costs while making benefits. Money related requirement remains a critical test going up against SMEs in Kenya (Wanjohi and Mugure, 2008).

It is realized that the appropriation of ICT speaks to basics of competitiveness and financial development for companies, associations and even nations that can misuse them. Vehovar and Lesjak (2010). As per Ollo-Lopez and Aramendia-Muneta (2012), different examinations have focused on separating how appropriation of ICT impacts associations. In the industrialized countries pretty much 30 percent of every single monetary arrangement of inventive work (in both, private and open ranges) are apportioned to imaginative work of ICT. As showed by Alam S (2007) the gathering of the ICT is believed to be an approach to enable associations to battle on an overall scale, with improved adequacy, and closer customer and supplier associations. Along these lines the allotment of ICT is seen as basic condition enabling SMEs to consider information and correspondence advancement as a basic complete in their business to grasp high ground from the overall markets.

Organizational leadership is about relationship of a person's capacity to impact and be affected by a gathering in the execution of a typical assignment Giambatista (2004). A few leadership styles exist to help managers and association pioneers manage distinctive situations as they introduce themselves in an organizational setting. Leadership style is the general portrayal of a pioneer's reasoning, conduct and organizational environment. It can be viewed as a progression of managerial states of mind, practices, attributes and abilities in view of individual and organizational esteems, leadership interests and unwavering quality of representatives in various circumstances Mosadeghrad (2003). Organizational Success in accomplishing its objectives and targets relies upon its managers and their leadership style. By utilizing proper leadership styles, managers can influence the performance of their association and the long haul accomplishment of the vision and mission (Mosadeghrad and Yarmohammadian, 2006).
The SMEs sector is progressively viewed as an imperative motor for work creation business creation and monetary development. This has been required by the expanding mindfulness within the administration that substantial ventures in the mechanical part are more averse to create the essential work openings, given the high capital-power of yield in the segment. Small and medium sized enterprises (SMEs) have been portrayed as impetuses for the future economy. Amid the most recent decade, examines into small and medium sized enterprises and entrepreneurship has become essentially Lambing and Kuehl (2003). It has been progressively perceived that SMEs are critical to employment and riches creation as well as in encouraging the entrepreneurship, rivalry and advancement that prompts supportable development and improvement. The improvement of small and medium-sized enterprises has long been viewed as essential for the accomplishment of more extensive improvement destinations, including neediness mitigation, financial advancement and the advancement of more law based and pluralist social orders Deakins and Freel (2003). A colossal larger part of firms worldwide are SMEs, and they assume a huge part in the economy. Reference is made to examines directed by Ghosh (2005) who found that SMEs in developing markets numerically represent a mind-boggling extent of all business firms, create 40-50 percent of every nation's GDP, and utilize 70-85 percent of the aggregate workforce in every economy. Entrepreneurial movement by proprietors/managers of SMEs impacts financial development through presentation of inventive items and procedures, profitability increases because of expanded rivalry and learning overflow impacts (Zontanos and Anderson, 2004).

The most refered to public profit of small business development however is the commitment made by these firms to work. Countless did in different nations have reasoned that small business assumes a noteworthy part in work creation Smallbone and Wyer (2000). According to an examination by Barrow (2002) led in different nations, it was inferred that small business assumes a noteworthy part in work creation and that a flourishing small firm is by all accounts an undeniably essential factor in the advancement and prosperity of contemporary industrialist economies. By and by in endeavors to survey its monetary significance, it is critical to hold up under two focuses as a primary concern. To begin with, that the small firm area does not repress a free domain that can be investigated as if it were separate from whatever is left of the economy and society. As per Barrow (2002), the exercises of extensive firms in their different parts of client, provider, and contender, improvements in new advancements, advertises, the
full scale economy and the activities of public approach creators all have their specific impacts on the practicality and development of the small firm area.

Therefore, the performance of the SME area is nearly connected with the performance of the country. As indicated by the World Bank Group (2004), in the lion's share if not the greater part of the developing economies, the SME area is either the private division or structures a huge segment of the private segment. Also, SMEs make a wonderful commitment to local monetary advancement. They are frequently the main achievable motors of improvement, particularly in negligible areas like Kenya. They produce societal development as far as new employments and incomes. SMEs make advancements, and they shape adaptable creation systems. The point of this project will be to assess the organizational capabilities influencing performance of SME’s in Nairobi County.

1.2 Statement of Problem
Kenya has a sizeable SME sector that the legislature is endeavoring to advance. SMEs in Kenya envelop businesses utilizing up to 50 specialists each. The sector was evaluated to utilize around 3.2 million individuals and contributed around 18 for every penny of aggregate GDP in 2003 African Economic Outlook (2005). Prior government strategies went for advancing the SMEs depended on welfare contemplations. In Kenya, the SME sector is considered as one of the real supporters of the economy by giving income and employment to a critical extent of the population Ngugi and Bwisa (2013). The Kenya Economic Survey report GoK (2009) demonstrated that the SME sector contributed 79.8% of new occupations made in Kenya in year 2009. In 2012 the SME fragment contributed more than 80% of the nation's employment with dominant part of new occupations being made in that sector 430,000 out of 503,000 new employments made in 2011 and contributes around 70% to the nation's GDP (GoK, 2012).

Regardless of the SMEs significance to the Kenyan economy, Sessional Paper No. 2 of 2005 demonstrates that three out of five businesses flop within the initial three years of operation GoK (2009). The disappointment of SMEs prompts loss of employments and thusly expanded weakness, low liquidity in the economy, and decrease in financial development. Ganbold (2010), noticed that there had been a noteworthy test of restricted assets in this way making SMEs be overseen in non-proficient frame the same number of the entrepreneurs needed adequate assets to successfully draw in all variables of generation adequately.
The Government of Kenya has set a considerable measure of accentuation on improvement of SMEs as a methods for empowering independent work, destitution lessening and quickening monetary development. In spite of their hugeness, Ganbold (2008) demonstrate that SMEs flop within the initial couple of months of operation. Concentrates likewise demonstrate that it is hard for the SMEs to access finances from the money related establishments since they need appropriate budgetary records as a requirement. Nabintu (2013) did an investigation to build up the variables impacting the performance of small and miniaturized scale enterprises (SMEs) brokers at city park hawkers showcase in Nairobi County, Kenya. The examination built up that access to finance impact performance of SMEs; that access to business information administrations influenced the performance of the business, as it were, technology influenced the businesses to an extremely awesome degree by encouraging correspondence with both the provider and clients. The investigation however centered around (SMEs) brokers at City Park hawkers advertise in Nairobi County while the scientist tries to assess the organizational capabilities influencing the performance of all small and medium enterprises (SMEs) in Nairobi County, Kenya.

1.3 General Objectives
The general objective of this study is to assess the organizational capabilities affecting performance of SME’s in Nairobi County.

1.4 Specific Objectives
The study aims at the following:

1.4.1 To evaluate the impact of Leadership style on the performance of SME’s in Nairobi County.

1.4.2 To determine the impact of Financial Resources on the performance of SME’s in Nairobi County.

1.4.3 To establish the impact of Technology on the performance of SME’s in Nairobi County.

1.5 Importance of the study
1.5.1 Small and Medium Enterprises
The discoveries of this research will give key data to encourage the management of small and medium enterprises in creating fitting techniques and methodologies adapted towards business
supportability. Therefore the discoveries are relied upon to help them distinguish gaps in their strategic responses and empower them to better react to ecological changes.

1.5.2 Distributors and Suppliers

The findings of the study are useful to the merchants and providers of small and medium enterprises since they will be enlightened on how the business reacts to changes in the environment.

1.5.3 Government and policy makers

The findings of the study will be of great significance to policy makers producers in the legislature as they will be enlightened on the vital reaction to outside business environment.

1.5.4 Researchers/Scholars

The study additionally adds to the assortment of information to specialists and researchers who will embrace the information in a related field. It will give them a reference point and make proposal for further studies.

1.6 Scope of the Study

The study will be directed on the Small and Medium Enterprises in Nairobi County. The study will be led from (January 2017 to September 2017). The analyst takes note of that in each study, there are various impediments that may influence the result of the study. In this study for instance, data to be utilized as a part of the investigation was gathered from a sample of small and medium enterprises in the different parts of Nairobi County. A number of limitations shall be experienced in carrying out the study with the foremost being the inability of the respondents to give accurate information of the questionnaires administered leading to inaccurate data as well as the unwillingness of the respondents to participate. To mitigate against these limitations the respondents will receive assurance of the confidentiality of the information they will offer.

1.7 Definition of Terms

1.7.1 Small and Medium Enterprises

Small and Medium Enterprises (SMEs) are non-backup autonomous firms which utilize few quantities of workers which differs crosswise over national factual frameworks (Sauve, 2012).
1.7.2 Organizational Capabilities

Organizational capability is the ability of a firm to play out a planned errand, using organizational assets with the end goal of accomplishing a specific final product (O’Regan and Ghobadian, 2004).

1.8 Chapter Summary

This chapter gives a brief presentation of the proposed area of study offering a brief introduction on the Small and Medium Enterprises. It clearly explains the background of study, problem statement, general and specific objectives of the study and the geographical scope in which the study will be done. The chapter also states the difficulties that will be confronted and how to mitigate them. Chapter two of the study will look at the literature review from various sources and this will be guided by the specific objectives.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter will examine the relevant literature from previous studies to evaluate the organizational capabilities with reference to Small and Medium Enterprises in Nairobi County. This section will be presented in three key parts in respect to the research questions. It will look at the impact of financial resources on the performance of SME’s, impact of technology on the performance of SME’s and lastly impact of management style on the performance of SME’s in Nairobi County.

2.2 Impact of Leadership Style on SME Performance
Several leadership styles exist to assist managers and association leaders manage diverse scenarios as they present themselves in an organizational setting. Leadership style is the general portrayal of a pioneer's reasoning, conduct and organizational environment. It can be viewed as a series of managerial attitudes, behaviors, characteristics and skills based on individual and organizational values, leadership interests and unwavering quality of employees in various situations Mosadeghrad (2003). Organizational Success in accomplishing its goals and objectives depends on its managers and their leadership style. By using suitable leadership styles, managers can influence the performance of their association and the long haul achievement of the vision and mission (Mosadeghrad and Yarmohammadian, 2006).

Organizational leadership is about relationship of an individual's ability to influence and be influenced by a gathering in the execution of a typical task Giambatista (2004). Leaders assume an essential part in ensuring that the workforce and resources are incorporated keeping in mind the end goal to accomplish organizational goals. This means the leaders influence (and are also influenced) by those who are driven within an association. Mehra and Robertson (2006) observed that, when some organizations seek proficient ways to empower them to beat others, a longstanding methodology is to focus on the effects of leadership. It is trusted that great organizational leadership is the way to success that leads to superior performance of the element in question and thus Drucker (2001) observed that compelling organizational
leadership involves thoroughly considering the association's mission, characterizing it, and establishing it, plainly and visibly.

Leadership style and the effectiveness of interactions amongst leaders and their subordinates are vital determinants of organizational performance in any various leveled association. Leadership is the process or ability to influence other individuals to accomplish foreordained goals. It is the mix of personal attributes and abilities such as vision, vitality goals and even information so as to make a shared future and enhanced performance in the organizations. Dear and Nurmi (1995) trust leadership plays a key part in accomplishing organizational greatness and desired business performance. Nohria et al. (2003) discovered that leadership was required to supplement essential management practices in organizations and this is vital as to this study because organizational leadership may influence the management and running of various affairs in the association that specifically influence performance.

The contingency leadership theory attempts to clarify the proper leadership styles based on the pioneer, the subject and the situation. It stresses the significance of situational factors such as the idea of work done, the outside milieu and the attributes of the subjects. It digs profound to unwind the degree to which managerial work is the same or dissimilar across diverse types of organizations, levels of management and the cultures in that. This is premised on the way that cultures are unique and some require totalitarian sort of leadership while others flourish under participative leadership and as such leaders must figure out how to adjust and adjust to various situations and utilize diverse techniques to accomplish success (Finkelstein et al., 2009).

Integrative leadership theory tries to consolidate the trait, behavioral and contingency theories to clarify valiant impacting pioneer subject association. The theory identifies behaviors and attributes that encourage the pioneer's effectiveness and investigate why the same conduct by the pioneer may have distinctive impact on the subjects relying upon the circumstance. It explains why the subjects of some leaders will work so hard and make personal sacrifices to accomplish gathering and organizational goals (Lussier and Achua, 2013).
From the management to the leadership theory explains the distinction there are between the managers and leaders. It states that managers are worried about doing things right whereas leaders focus on making the best choice. Managers are more headed to have stability and the best approach to complete things as leaders put more noteworthy emphasis on creation and change initiatives Finkelstein et al. (2009). Successful managers use a really participative type of leadership as they share the responsibility of management with employees or as leadership responsibilities are transitioned from managers to members. Successful organizations require both management and leadership in spite of the fact that it is normally acknowledged that managers manage visions and individuals. Moreover, anybody can assume the leadership part because of their effectiveness to accomplish the desired goals.

Empirical studies by Whiteman and Chen (2007), demonstrate that the select coterie at the top of the corporate association can intensely influence organizational results through the decisions they make, regardless of whether huge or minute. They plot the agendas by which their institutions do the accompanying activities, such as arrangement, reviving and inspiring others to settle on basic decisions. They are the ambassadors of their organizations through the representative part they culminate, when they express the organization's policies, visions and missions with outside constituencies.

Bush (2003) asserted that successful leadership and management are essential if organizations and institutions are to accomplish the far reaching purposes set for them by their numerous stakeholders and players in the industry. The idea of management has been superseded by the dialect of leadership. Leaders and managers require more prominent understanding skill and resilience to sustain the intensity of pressures that run with their positions and even their institutions. Thus the need to assess the effect of management style on SME performance.

2.2.1 Transformational Leadership
Transformational leadership style is a leadership style in which the supporter feels trust, esteem, reliability and respect towards the pioneer, and is propelled to accomplish more than what was initially anticipated that would do. Katz and Kahn (1978). The transformational pioneer motivates by making supporter more mindful of the significance of task outcomes,
actuating them to transcend their own particular self-interest for the association or group and enacting their higher-arrange needs. Transformational pioneer encourages followers to think basically and seek new ways to approach their jobs, resulting in scholarly stimulation Bass et al. (1994). As a result, there is an increase in their level of performance, satisfaction, and responsibility regarding the goals of their association. Podsakoff (1996). Bass (1990) proposed four behaviors or components of transformational leadership to incorporate charisma, inspirational inspiration, scholarly stimulation, and individual consideration.

Charisma, or idealized influence or attributes, is described by vision and a sense of mission, instilling pride in and among the gathering, and picking up respect and trust Humphreys and Einstein (2003). Charismatic behavior also induces followers to go past self-interest for the benefit of the gathering, giving reassurance that obstacles will be overcome, and advancing trust in the accomplishment and execution. Conger and Kanungo (1998). Followers put an over the top measure of certainty and trust in charismatic leaders Howell and Avolio (1992). Inspirational inspiration is usually a buddy of charisma and is worried about a pioneer setting higher standards, thus turning into a sign of reference.

Bass (1985), points out followers admire their inspirational pioneer as one giving passionate interest to increase awareness and understanding of commonly desirable goals. This is described by the correspondence of exclusive standards, using symbols to focus efforts, and expressing vital purpose in simple ways. The leader always behaves speaking optimistically about the future, articulating a convincing vision for the future and giving an energizing picture of organizational change Bass and Avolio (1994). The inspiration occurs by giving importance and test to the followers work; individual and cooperation are aroused and enthusiasm and optimism are displayed. The leader encourages followers to envision alluring future states, for the association and themselves (Bass et al, 1997).

Scholarly stimulation provides followers with testing new ideas and encourages them to split far from the old ways of considering. Bass (1985). The leader is portrayed as one advancing insight, levelheadedness, sensible considering, and watchful critical thinking. The attributes incorporate seeking varying perspectives when solving problems, suggesting new ways of
inspecting how to finish assignments and empowering reevaluating of ideas that have not been questioned in the past. Bass and Avolio (1994). The leader encourages the followers to be imaginative and inventive by questioning assumptions, reframing problems, and moving toward old situations in new ways.

As per Yulet et al. (2006), a transformational leader permits his subordinates to take part in the process of decision making. He leads by the consent of the gathering instead of by use of specialist. They usually hone discretion constantly and show others how its done to the employees. They also esteem respectability and ethics in discharge of their order. Have zero resilience to pessimism and self-satisfying prophecies of uncertainty in their champion for change. They set goals for the employment as well as for their life. They are insatiably curious and question everything, why not? They have activity and always volunteer to be the first in any assignment. This gathering of leaders always surround themselves with mentors and individuals smarter than them.

A transformational leader is useful in making and supporting organizational changes. Hackman and Johnston (2005) contend that transformational leaders are persons who engage their followers, are passionate about what they do, unreservedly connect with their employees and enable them, are innovative and visionary. Transformational leadership style is imperative in the operation of small and medium businesses.

2.2.2 Transactional Leadership

Transactional leadership involves a trade process that results in devotee consistence with leader request yet not prone to create enthusiasm and responsibility regarding task objective. The leader focuses on having inward actors play out the tasks required for the association to achieve its desired goals. Boehnke (2003). The target of the transactional leader is to ensure that the way to objective accomplishment is plainly understood by the interior actors, to evacuate potential boundary within the system, and to inspire the actors to accomplish the foreordained goals. (House and Aditya, 1997).
Transactional leaders display both constructive and restorative behaviors. Constructive behavior entails unexpected reward, and remedial dimension imbibes management by special case. Unforeseen reward involves the illumination of the work required to get rewards and the use of incentives and unexpected reward to apply influence. It considers devotee expectations and offers acknowledgment when goals are accomplished. The illumination of goals and objectives and giving of acknowledgment once goals are accomplished should result in individuals and groups accomplishing expected levels of performance. Bass (1985). Dynamic management by special case refers to the leader setting the standards for consistence as well as for what constitutes incapable performance, and may incorporate punishing followers for rebelliousness with those standards. This style of leadership implies close observing for deviances, mistakes, and errors and after that making remedial move as fast as possible when they happen.

Transactional leadership seeks to keep up stability instead of advancing change within an association through consistent economic and social exchanges that accomplish specific goals for both the leaders and their followers. Lussier and Achua (2004). Transactional leaders aspire to energize consistent usage of strategic decisions from followers that allows them to meet settled upon goals. Bryant (2003). They use rewards and punishments to advance performance, subsequently making the leader-supporter relationship an economic trade transaction. Followers might be compensated for accomplishing settled upon objectives (known as unforeseen reward leadership). Leaders may also choose to participate in management by exemption (dynamic/passive) where they take part in transactions that, for instance, focus on mistakes or defer decisions. (Barbuto, 2005).

2.2.3 Autocratic Leadership
An autocratic leader is one who takes every one of the decisions himself without consulting his subordinates. Flamholz (1990). He demands finish unwaveringness and unquestioned compliance from his followers and usually they apply their own particular belief system. They have set goals and solid plans and trust that everybody has to be supervised and given a task. They trust that force is amplified by augmenting the controls. They have faith in stable environment and have no space for adaptability. This sort of leadership style portrays the leaders as a definitive leader who demands consistence with orders without clarifying the
reason behind them, uses threats and punishment to instill fear in the employees, sets goals for the association and his/her decisions are acknowledged without questioning. The leader does not have trust in subordinates and employees and monitors them consistently, focusing on employees' mistakes instead of what they did well. Thus the need to assess the effect of management style on SME performance to see how this can be moderated (Flamholz, 1990).

2.3 Impact of Financial Resources on SME Performance
Absence of access to credit/finance is generally appeared as a key issue for SMEs. Credit requirements work in variety of courses in Kenya where undeveloped capital market strengths entrepreneurs to rely upon self-financing or acquiring from companions or relatives which is inadequate to enable SMEs grasp their business exercises in a perfect world. Absence of access to long haul credit for small enterprises compels them to rely upon high cost here and now finance. There are different money related difficulties that face small enterprises. They consolidate the high cost of credit, high bank charges and expenses.

The situation witnessed in Kenya particularly in the midst of the cresting time 2008 affirms the requirement for credit among the ordinary and low winning entrepreneurs. Various trade moneylenders out the name of Pyramid plans came up, promising trust among the 'little speculators,' which they can make it to the monetary adaptability through delicate gaining. The reason behind swinging to these plans among an average number of entrepreneurs is generally to look for options and delicate credit with low loan costs while making benefits. Money related limitation remains a vital test going up against SMEs in Kenya (Wanjohi and Mugure, 2008).

2.3.1 Sources of Capital
The issue related to finance incorporates absence of information on where to source for finance, restrictive crediting offered by business banks, absence of access to finance, deficient financing, absence of notoriety required by the banks, obliged access to security, and the way that money related foundations require appropriate structure for overseeing SMEs. Because of scarcity of finance, small enterprises can't expand, modernize or meet desperate requests from clients. The general income are normally little to help improvement (Harper and Soon, 2009).

Harper Soon (2009) takes note of that businesses like grain mill operators and tailors can't equal with expansive makes of moment products since they have to hold up until the point that
a client furnishes them with crude material or money to get it. Some may be not capable start until the point when a client pays the store, which will be utilized to buy the unrefined material. Access to finance is fundamental for improving SMEs competitiveness, as SMEs need to put resources into new advancements, aptitudes and improvement. Access to finance issues can't be settled by executing financing plans or projects in a vacuum. There are institutional issues covering a range from the large scale level to the miniaturized scale, which are joined by confine insufficiencies.

Macharia (2012) considered the impacts of access to finance on small and miniaturized scale endeavor speculation improvement in Ongata Rongai Township. The examination found that in financing of the scaled down scale and small business, family and companions accepted a noteworthy part in helping the business proprietors support their operations with a typical of 40% of the finances starting from them, an ordinary of 24% began from money related organizations while everything considered 30% of the finances were from business investment funds. The examination likewise found that the standard anticipation of SMEs in accessing formal money related administrations on account of absence of credit administrations mindfulness, absence of protection, banks reviewing systems, requirements of a guarantantor, cost of advances and the work as a security issue are a portion of the deterrents destroying use of the accessible credit offices.

Most studies Ngobo et al. (2016), show finance as one of the key limitations to small venture advancement. This is compounded by the absence of budgetary markets in the creating nations. Small undertaking proprietors can't without much of a stretch access finance to extend business and they are typically confronted with issues of certification, plausibility examines and the unexplained bank charges. This implies they can't access finance to enable them to create. Ngobo (2006), makes a point by point examination of finance as a compelling variable and incorporates protection, loan costs, extra bank charges, frailty to assess money related recommendations and absence of budgetary organization abilities as impediments to small venture improvement. Juvenile financial markets force additional imperatives. There are no financial instruments and no free financial sources that are showcase driven.

Absence of access to finance influences technology decision by restricting the quantity of choices that can be considered. Numerous SMEs may utilize wrong technology since it is the
just a single they can bear. Now and again, even where credit is accessible, the business person may need opportunity of decision on the grounds that the loaning conditions may constrain the buy of substantial, stationary hardware that can fill in as security for the advance. Credit requirements work in assortment of courses in Kenya where undeveloped capital market strengths entrepreneurs to depend on self-financing or acquiring from companions or relatives. Absence of access to long haul credit for small enterprises drives them to depend on high cost here and now finance.

2.3.2 Accessibility to Loans

An investigation by Mwania (2011) on the effect of Biashara Boresha Loan (BBL) on Performance of Micro and Small enterprises asserted by Kenya Commercial Bank (KCB) Ruiru branch clients with goals to review the crediting methodology of biashara boresha progress, to assess the effect of BBL on MSEs execution and to find the difficulties confronted in advancing to SMEs, found that other than BBL, there are diverse variables acknowledged to influence business execution. It likewise found no definitive outcomes on the connection between entrepreneurs' level of direction and business execution. Of the 51% respondents who got get ready in their ranges of business, 49.5% reported that their businesses were doing honorably, assuming that appropriate get ready can make positive outcomes in the running of businesses.

A study by Mugo (2012) to research factors affecting women entrepreneurs' performance in Central Business District (CBD) of the city of Nairobi, had the destinations, to assess the financial accessibility, assess the effect of record keeping challenges, to set up effect of anticipating financial variables affecting women entrepreneurs' performance, and to build up the effect of working capital management on the women entrepreneurs' performance and accessibility to progress. SMEs distinguish financing, particularly medium to long haul finance, as their highest hindrance to development and venture.

These obstacles come at two levels. In least developed economies, and in some transition and developing economies insufficiencies in both the macroeconomic and microeconomic environments pose challenges: high spending shortfalls and flimsy trade rates and legitimate, administrative and managerial environment postures significant obstructions to access of
SMEs to financing. In a few economies, capital may just not be accessible, property rights administrations may not permit responsibility for, business sectors for exchange of stable resources might be extremely immature, credit and insurance enactment may not permit certain advantages that SMEs generally approach, to be utilized as security, absence of registries for home loans and promises may build dangers to moneylenders, contract authorization and resource liquidation might be hampered because of shortcomings in enactment and in the legal. (Kinyanjui, 2006).

Discovering capital for the business is the greatest impediment that various entrepreneurs encounter. In fact, even consequent to starting, getting adequate finance to manage business improvement is another issue. Research discoveries by Daniels et.al (2003) and Kinyanjui (2006) indicate how SMEs are compelled by finance. Studies grasped by Kiiru and Masaviro (2008) for Kenya Rural Enterprise Program (K-Rep) confirm that a significant requirement inside the small business venture sector is financing. In the study passed on in Nairobi among small gathering enterprises. Nyambura (2010) built up that finance was assessed among the greatest issue. Due to their smallness these enterprises end up utilizing an unobtrusive development which is typically not best of the range. This outcomes into high expenses of era and competitiveness. For example small enterprises can't stand to utilize PCs or even where they have a PC, to persistently upgrade their apparatus.

2.3.3 Effect of Access to Financial Resources

The organization needs adequate assets and enough time to help the execution procedure. Genuine costs consolidate sensible time responsibility from staff to fulfill a target, a sensible conspicuous verification of costs related with a methodology, or unexpected cost invades by vendors. Olsen (2005). Absence of access of finances for small enterprises drives them to rely upon high cost here and now finance from relatives and companions. For example; Numerous trade moneylenders out the name of Pyramid plans came up, promising trust among the 'little speculators,' which they can make it to the financial open door through delicate getting. The premise behind swinging to these plans among a tolerable number of entrepreneurs is essentially to look for options and delicate credit with low financing costs while making benefits. Financial requirement remains a significant test going up against SMEs in Kenya (Wanjohi and Mugure, 2008).
Ali (2011) analyzed the factors that influence financial maintainability of NGOs in Kenya with particular reference to Sisters Maternity Home (SIMAHO) in Garissa. The study found that benefactor relationship management contribute most to financial manageability of nongovernmental took after by strategic financial management then pay expansion while possess pay era contributed the minimum to financial supportability of nongovernmental organizations. The study prescribes that keeping in mind the end goal to guarantee that the NGOs stay maintainable; they ought to get employees that are skillful in strategic arranging and financial investigation.

Kinyua (2014) looking into on factors influencing the performance of small and medium enterprises in the Jua Kali Sector in Nakuru town, Kenya with targets to research the part of fund, management abilities, macro-environment variables and foundation on performance of small and medium-sized enterprises in the Jua Kali area in Nakuru town discovered that entrance to back could decidedly influence performance of SMEs.

### 2.4 Impact of Technology on SME Performance

It is known that the reception and represents fundamentals of competitiveness and economic growth for companies, organizations and even countries that can misuse them. Vehovar and Lesjak (2010). As indicated by Ollo-Lopez Aramendia-Muneta (2012), various studies have focused on separating how reception of ICT influences organizations. In the industrialized nations just around 30 percent of every monetary arrangement of inventive work (in both, private and open areas) are apportioned to imaginative work of ICT. As demonstrated by Alam S (2007) the gathering of the ICT is believed to be an approach to engage organizations to fight on an overall scale, with improved effectiveness, and closer customer and supplier connections. Thusly the appointment of ICT is seen as essential condition enabling SMEs to consider information and correspondence development as a basic realize in their business to grasp high ground from the overall markets.

In this way Ashrafi Al-Esmail (2012) states that keeping in mind the end goal to profit by ICT appropriation, to convey better services and investigate new business opportunities, there should be no less than three conditions which incorporate infrastructure, skilled ICT personnel
and spending plan to fund in ICT. Each of the three conditions should be satisfied to accomplish the best results. Following these ideas it is vital to specify that SMEs are not completely abusing the capability of ICT like vast companies. The one of primary findings of Ndiwalana and Esselaar (2012) was the way that the principle constraint to ICT usage remains too high investments and/or usage costs. Usually SMEs faces various inner and outer barriers to ICT appropriation which incorporate administrator characteristics, firm characteristics, execution cost, quantifiable profit, political barriers, infrastructure and social barriers.

The SME sector has a critical part to play in economic advancement, destitution lessening and business creation in creating economies. The SME sector to a great extent exceeds the normal economic growth of national economies in numerous countries and contributes significantly to work creation (Higon, 2013).

A study in the UK recognized three distinct stages in IT use in small businesses Matthews (2007) which included basic – negligible usage of IT, substantial – several applications and machines being used, sophisticated – incorporated various systems and constantly created use of innovation. Matthews (2013) argues that in terms of harnessing technologies a similar staged progression can be observed, with companies progressing from simple to empowering technologies. As association/organization grows/expands a specific capacity or office will probably be required. Additionally, the stage of harnessing technologies and certain infrastructure, skilled ICT personnel and so forth are closely connected and could decide the degree of potential positive effect of ICT.

In the event that there are certain infrastructure, skilled ICT personnel and sufficient spending plan to invest in ICT, positive effect could be normal in the private sector – as indicated by Ashrafi and Al-Esmail (2012) ICT platforms e.g PC’s, mobile phones and web have four primary contributions to organizations: more visibility to business enterprises; provide more data to small firms; allow enterprises to beat conventional exchange barriers; facilitate budgetary transactions. ICT also influences adaptability of the organizations and companies – companies that receive ICT have a tendency to perform better in advertise and easier separate products, services and so forth. Ollo-Lopez and Aramendia-Muneta (2012) state that ICT
selection seems to positively affect profitability, specifically as well as by implication, contingent upon the sectors and to can possibly support a sustainable advancement.

Moreover, the use of email, online business, and social media organize have significantly eliminated the physical transportation required in sending letters, keeping money, advertising and purchasing goods. Al-Esmail and Ashrafi (2012). Be that as it may, it is essential to emphasize significance of long haul investments in ICT because the positive effect of ICT occurs simply after a time of reception. Studies show that investments in ICT considerably affected the efficiency of the work compel and on economic growth. It is also realized that ICTs make services all the more easily tradable and increase efficiency in assembling enterprises (Manochehri, 2012).

Authors also allude to World Bank studies on a sample of 20 000 businesses in 50 creating countries, which demonstrated that sales develop faster, efficiency is higher and furthermore worker's growth is faster in companies using ICT. Matthews (2007). He supported this approach and stated that there is some exact confirmation that small firms utilizing ICT appreciate upgraded productivity and effort and thus can better position themselves for all the more wholesale expansion. The writing analysis shows that ICTs affect on SMEs performance dimensions (benefit, growth, advertise esteem, social and environmental performance, satisfaction) could be considered as significant indicator of business success. Moreover, the results of study suggest that all performance dimensions are similarly vital with a specific end goal to succeed in competitive markets. In summary, the above writing review suggests that ICT can enhance generally speaking, budgetary and operational performance of SMEs in the event that it is used properly.

2.4.1 Management Support of ICT adoption by SME

Management support of ICT adoption refers to owners and top management level of ICT information and skill, willingness to receive ICT and their impression of ICT in connection to how it can enable their companies to pick up a competitive advantage. Agreeing Chuang, Rutherford, and Lin (2011) research, support given by owners and top managers in regards to
ICT appropriation, is critical for the successful reception of ICT, thus an exceptionally skilled and proficient management will probably embrace ICT systems.

Wojitkowski and Hardesty (2012) in their study uncovered that successful usage of ICT initiatives within organizations, very rely upon their key managers being educated of new mechanical trends. In a study done by Caldeira and Ward (2012), the research found that companies that had discovered success in receiving ICT systems and infrastructure, had top management who were eager to embrace new systems to enhance work yield, or had joined forces with an IT firm that offered consulting services and dealt with their ICT infrastructure.

2.4.2 Managers Characteristics

Manager's characteristics identify with official decisions that the SME proprietor or supervisor must make, acquisition of new ICT infrastructure, regardless of whether the SME must consider ICT reception or not, their insight and energy about ICT and new mechanical developments. The issue comes when the administrator is hesitant to push for ICT reception and developments. An all around educated SME proprietor or director usually transforms the SME objectives to develop the organization advance Brynjolfsson and Yang (2013). Where the proprietor or chief of the SME tends not to value the estimation of ICT systems and applications, there is stifled growth in the firm Brynjolfsson et al. (2013). Previous studies have additionally shown that a mix of proprietor or top director perspectives and attitudes towards ICT appropriation and use, assume an imperative part in the improvement of interior ICT competencies, and give a vital commitment to the advancement of an environment that enables ICT selection and use (Caldeira and Ward, 2012).

2.4.3 Level of Education

Education is the foundation of any successful wander, thus having a worthy level of instruction will empower business owners to acknowledge new mechanical advances and how they can be connected in their companies. Surviving studies have discovered that one of the criteria for successful ICT selection amongst SMEs is the level of instruction of top managers and owners Sarosa and Zowghi (2013). Confirmation such as Kenya Certificate of Secondary Education
(KCSE) is imperative as it guarantees that the individual is ready to understand complex concepts and data, and translate this data into significant information that will empower them to settle on a more educated decision Thong et al. (2015). In creating economies where the populace may not profit by advanced education, the owners of SMEs may have challenges in the appropriation and use of ICT systems and applications (Nyagah, 2015).

2.4.4 ICT Knowledge and Skill of Individual

Researchers have discovered that the level of a person's information of ICT specifically affects the appropriation of any given innovation that is presented to the person. Owners and top managers of SMEs who have an adequate level of ICT learning will probably energize ICT appropriation and use in their companies Teo and Ranganathan (2014). A larger amount of valuation for ICT benefits by the owner or key manager will straightforwardly impact considerations for promote ICT selection in the business Montazemi (2014). Because of the accessibility of resources such financing and ease of passage into the business sector because of better policies and a learned populace, SMEs in created countries have a superior information of ICT than those in creating countries (Teo et al., 2014).

In a near study of how SMEs in the US and Canada oversee ICT, Montazemi (2014) found that SMEs in US improve use of ICT and are better guided in managerial decisions making. Karakaya and Shea (2013) demonstrated a high satisfaction of ICT initiatives in US companies which has resulted in expected levels of ICT appropriation success. In most creating countries, a low education level amongst SMEs owners and top management is predominant Nyaga (2015). This makes it troublesome especially for owner and top managers to acknowledge and fathom the competitive advantages of ICT available. Some SME owner and top managers do not have the enthusiasm and creative energy to act past their environment MacGregor and Steriacchini (2012). Much of the time, especially in creating countries, SME managers would do just the base to make themselves abreast with ICT. Previous studies Mutula and Van Brakel (2013) emphasized the significance of skilled ICT personnel within the association or from outsourcing firms to assist in conveying and using ICT. Scupola (2014) found in his study of SMEs based in Britain that ICT selection in the SMEs that partook in his research was upgraded
when the SMEs had the services of employees who had the skills and information in regards to ICT.

2.5 Chapter Summary
This chapter discusses in depth the impact of financial resources, impact of technology and leadership style on the performance of SME’s. It describes the various leadership styles adopted by SME managers, the key elements to access to financial resources and the various factors which play a role in technology impact in an organization.. Chapter three of the study will look at the research methodology.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
Research methodology outlines how research will be conducted. In this chapter, the researcher presents the study approach, population on which data will be collected, sample size, sampling techniques, methods of collecting and analyzing data.

3.2 Research Design
A research design is characterized as a general plan of how the research means to approach the way toward noting the research questions. As per Collis and Hussey (2003), a research design empowers the researcher to plan the research contingent upon the research questions. A research design is essential to improve legitimacy and unwavering quality of a research. This study utilized distinctive techniques and sources keeping in mind the end goal to get substantial and dependable results.

Research design is the essential plan that deliberately highlights exercises important to accumulate data for the study. The study adopted a descriptive research design. Mugenda and Mugenda (2009) opined that a descriptive study concentrates on finding the what, where and how of a wonder. The consequences of this study can be summed up to different business enterprises. The research design concentrated on the organizational capabilities affecting performance of SME’s in Nairobi County.

3.3 Population and Sampling Design

3.3.1 Population
Cooper and Schindler (2014), defines population as the subject that is measured therefore it is a unit of observation. An element is the subject on which the measurement is being taken. A sample is the subset of individuals from a population that is used to get an estimate of the characteristics of the entire population. The population of interest in this study was the SMEs that have been formally registered and are based in Nairobi County. The target population included the 4,560 SMEs in Nairobi County. Data available from the Ministry of Trade and
Ministry of Industrialization, (2015) revealed that there were 2500 SMEs in Manufacturing, 1500 SMEs Trading and 560 SMEs in the service industry (RoK, 2015).

Table 3.1 Target Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>2500</td>
</tr>
<tr>
<td>Trade</td>
<td>1500</td>
</tr>
<tr>
<td>Services</td>
<td>560</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4560</strong></td>
</tr>
</tbody>
</table>

Source: ROK (2015)

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A simple definition of a sampling frame is the set of source materials from which the sample is selected. The definition also encompasses the purpose of sampling frames, which is to provide a means for choosing the particular members of the target population that are to be interviewed in the survey Cooper and Schindler (2014). For this study, the sampling frame was sourced from Ministry of industrialization and Trade Development.

3.3.2.2 Sampling Techniques

Stratified sampling technique was used to select the sample. This method allowed the researcher to divide the sample into appropriate subsections known as strata which are mutually exclusive. According to Cooper and Schindler (2014), stratified sampling gives statistical efficiency increase on a sample, provides adequate data for analyzing the various sub-population. Moreover this technique enabled the selection of respondents with the requisite information to address the specific objectives thus enhancing the credibility of the findings of the study.

3.3.2.3 Sample Size

The smaller size of the larger population is referred to as a sample size Cooper and Schindler (2014). The importance of a sample size is that it is very economical for the researcher when
they are doing their data collection. When the researcher limits studies the population, it can be uneconomical because of producing results that are an inadequate presentation of the entire population size whereas an over-sized population size can be very expensive Cooper and Schindler (2014). At a confidence level of 90%, the margin of error is 10%. To obtain a sample size that has an adequate size relative to the goals of the study, the researcher adopted Yamane’s formula as follows:

\[ n = \frac{N}{1 + Ne^2} \]

Where:

- \( n \) = sample size
- \( N \) = population
- \( E^2 \) = sampling error (10%)

\[ 98 = \frac{4560}{1 + 4560 \times 0.1^2} \]

A sample size of 98 respondents was used to analyze and achieve the specific objectives of the study. The sample size was distributed according to the numerical strength of the SMEs category to avoid biasness.

### Table 3.2: Sample Size

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Population</th>
<th>Percentage</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>2500</td>
<td>55</td>
<td>54</td>
</tr>
<tr>
<td>Trade</td>
<td>1500</td>
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<td>Services</td>
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<td><strong>Total</strong></td>
<td><strong>4560</strong></td>
<td><strong>100</strong></td>
<td><strong>98</strong></td>
</tr>
</tbody>
</table>

### 3.4 Data Collection Methods

Lawrence and Morrison (2007) describe primary data as those items that are original to the problem under study while Ember and Ember (2011) describe primary data as data collected by the investigator in various filed sites explicitly for a comparative study. The main data collection instrument that was used to collect data was a structured questionnaire containing
closed-ended questions with the quantitative section of the instrument utilizing an ordinal scale format. The ordinal format was selected because according to Kiess and Bloomquist (2009), this format yields equal-interval data, a fact that allows for the use of more powerful statistical tools to test research variables. The questionnaire in this study comprised of a background section that covered the demographic data and three other sections which evaluated; how financial resources can influence performance of SME’s; how technology can influence performance of SME’s; what is the effect of management style on the performance of SME’s in Nairobi County. Each section had 10 close ended questions measured against a satisfaction scale of 1 – 5 with 1 lowest level of satisfaction and 5 being the highest level of satisfaction.

3.5 Research Procedures
The researcher initiated the data collection process by conducting a pilot test of the questionnaire. The researcher distributed 10 questionnaires to respondents who are not part of the final study. The pilot test was carried out for the purposes of ensuring that the questionnaires are complete, precise, accurate and clear. This was particularly important as it assisted the researcher in assessing the reliability and validity of the data collection instrument Mugenda and Mugenda (2008). The researcher then, sought the official letter that was used to convince the respondents that the field survey exercise was purely an academic exercise. The researcher proceeded to issue the questionnaires in person to all the participating respondents. The researcher made follow-up by phone calls and text messages in effort to ensure that the respondents filled the questionnaires in earnest and in time so as to enable timely data analysis process.

The data collection process involved the collection of raw primary data using the questionnaire to seek first hand responses from the respondents with regard to the impact of organizational capability factors on the performance of SME businesses. The secondary data was gathered from published journals and previous studies by scholars in the field of management.

3.6 Data Analysis Methods
After finalizing the data collection processes, data analysis process was next important phase of the study. The data and information obtained through the questionnaire was checked for completeness. The researcher coded the questionnaires and produced and made entries of all questionnaires in an excel file. After making all the questionnaire entries the researcher then
exported the excel file into the statistical package for social sciences (version, 20) and analyzed using quantitative technique, where the data was coded further ready for processing. The data was subjected to mathematical or statistical manipulation to produce a broad representative of data to the total population and forecasts of future events under different conditions McDaniel and Gates (2013). Simple linear Regression analysis of all variables was carried out which assisted in the evaluation of the relationships between the dependent and independent variables. Inferential Statistics including; correlations and standard deviations were also presented using graphs to give a conclusion on the relationship between the independent and dependent variables.

3.7 Chapter Summary
This part of the project covered the research methodology, which detailed the process which the researcher undertook while conducting the field survey. The section explained the research design which was adopted in this study. The chapter also defined the target population and the sample size which highlighted the processes of selecting the participants in the study. The section also described the research procedure that was adopted in the course of field survey and finally highlighted the research analysis process that was undertaken after the completion of the field survey. The next section will be chapter four which will present the findings of this study.
CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

4.1 Introduction
This section of the study presents the data collected from the field survey. The main purpose of this study was to assess the organizational capabilities affecting SME’s in Nairobi County. The data was collected from willing participants who the basic requirement was their experience in the SME sector. The experience was deemed a vital component in understanding the critical underlying factors that affect, the performance of SME’s in Nairobi County. The data was coded and processed in SPSS version 20, and is presented using graphs, charts and table.

4.2 Response Rate
The data in table 4.1 present the outcome in terms of the participation by the respondents in the field survey with the total units of observation derived from the study estimate of 100 participants.

Table 4.1 the response rate

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Responded</td>
<td>64</td>
<td>65.3 %</td>
</tr>
<tr>
<td>Not-responded</td>
<td>34</td>
<td>34.7 %</td>
</tr>
<tr>
<td>Total</td>
<td>98</td>
<td>100%</td>
</tr>
</tbody>
</table>

The findings in table 4.1 present the response rate from the field survey exercise. A total of 98 questionnaires were distributed to respondents who accepted to take part in the study. A total of 64 questionnaires were successfully returned in time to commence the data analysis process. This represented a 65.3% response rate. According to Kothari (2004), a 50% response rate, represents an average turnout, whereas 60 – 70% response rate is an adequate figure for statistical deductions. In addition, Morrison and Louis (2007) noted that a response rate of above 60% is adequate for making significant conclusions.
4.3 Respondents Demographic Details
The demographic data covers the background information among the participants in the study. In this study, the demographic data captured, includes; gender distribution, age, the level of academic attainment, experience in business and the ranking at the organization. The demographic details will also capture SME demographics including, the duration of the business, the sector of operation and the number of employees in the organization.

4.3.1 Gender

Figure 4.1 Gender distribution

The findings in figure 4.1, present the gender distribution among the respondents. Majority of the respondents about, 53.1% were male, whereas female participation totaled to 46.9%. The findings indicate that, the gender distribution in the SME sector is still tilted with an offset of at least 3% to realization in virtual 50% gender balance. The results imply that there is more presence of male participation in the SME sector indicating a gender disparity gap in the sector.

4.3.2 Age distribution among the respondents

Figure 4.2 the age distribution among the respondents
The findings in figure 4.2, present the age distribution among the respondents. Majority of the respondents, about 39.1\% indicated that they are in the group 31 – 35 years. About 29.7\% of the respondents indicated that they were in the age group 26 – 30 years. About 28.1\% of the respondents indicated that they were over 36 years of age. Finally, a marginal 3.1\% of the respondents indicated that they are between 20 – 25 years. The findings imply that, majority of SME ventures in Nairobi County are run and operated by young people with an average age of these entrepreneurs being 30 years. This shows that more young people are venturing into SME’s indicating that beside pursuing formal employment, SME’s offer employment opportunities to the youth.

4.3.3 Education level of the respondents

**Figure 4.3 Education attainments among the respondents**

The findings in figure 4.3, present the distribution in academic attainment among the respondents. Majority of the respondents, about 34.4\% indicated to have attained bachelor’s degree level of education. About 26.6\% of the respondents indicated to have attained a high school level of education. About, 25\% of the respondents indicated that, they attained a Diploma, and about 12.5\% of the respondents indicated that they have attained a basic post-high school certificate. Finally, a marginal 1.6\% of the respondents indicated that they had attained post-graduate education. The findings indicate that, a good number of SME owners and administrators have attained decent levels of academic qualification. This implies that, education level influences organizational capabilities of SME’s, as academic attainment impacts on technical ability of respondents in running the SME’s.
4.3.4 Duration of Business operation

Figure 4.4 The duration of business existence

The findings in figure 4.4, present the distribution in the estimated duration of business existence since its inception. Majority of the surveyed SME’s, about 35.9% were found to have been in existence for about 6 – 10 years. About, 29.7% of the surveyed SME’s were found to have been in existence for less than 5 years. About 23.4% of the SME’s surveyed were found to have existed for about 11 – 15 years and finally only 11% of the SME’s were found to have existed for over 16 years. The findings indicate that majority of the SME’s have operated for over 6 years, which include over 70% of the surveyed SME’s. This implies that 6 year operation period can enhance organizational capability of SME’s enabling it to survive in the years ahead.

4.3.5 Work experience

The data in figure 4.5 presents the distribution in work experience among the respondents.

Figure 4.5 Work experience

The findings in figure 4.5, present the distribution in work experience among the respondents. Majority of the respondents about, 37.5% indicated that they had a working experience of 6 –
10 years. About 29.7% of the respondents indicated that, they had a working experience of below 5 years. About 23.4% of the respondents indicated that they had a work experience of 11 – 15 years. A marginal 9.4% of the respondents indicated that they had a work experience of over 16 years. The findings indicate that majority of the respondents had a working experience of over 6 years, who made up over 70% of the respondents. This implies that, the SME’s entrepreneur’s business experience was concurrent with the duration of SME operation. In addition, as the entrepreneurs continue to run the business, they gain more technical skills enhancing their capacity and consequently the organizational capacity of the venture.

4.3.6 Number of employees in the organization

The findings in figure 4.6 present the estimated workforce in the SME’s. Majority of the surveyed SME’s, about 48.4 %, were found to have about 6 – 15 employees. About 23.4% of the SME’s were found to have 16 – 40 employees, where again an equal, 23.4 % of the SME’s were found to have 1 – 5 employees. A marginal 4.7% of the SME’s were found to have 41 – 80 employees. The findings indicate that majority of the SME’s have between 6 – 15 employees. This implies that average number of employees per business in the SME sector is 15 employees.
4.3.7 Position

Table 4.2 Rank in the business

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Level management</td>
<td>34</td>
<td>53.1%</td>
</tr>
<tr>
<td>Middle level management</td>
<td>30</td>
<td>46.9%</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>100%</td>
</tr>
</tbody>
</table>

The findings in table 4.2, present the distribution in the job description among the organizations. Majority of the respondents, about 53.1%, indicated that they were middle level managers, and about 46.9% of the respondents indicated that they were at the top level administration in the business. The respondents in the study held senior management positions in the SME’s. This implies that the respondents wielded significant understanding of the SME sector considering that they held administrative roles in their businesses.

4.3.8 Industry

Table 4.3 the industry of operation

<table>
<thead>
<tr>
<th>Industry</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>23</td>
<td>35.9%</td>
</tr>
<tr>
<td>Trade</td>
<td>26</td>
<td>40.6%</td>
</tr>
<tr>
<td>Services</td>
<td>15</td>
<td>23.4%</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The findings in table 4.3, present the industry of operation for the SME’s surveyed in this study. Majority of the SME’s, about 40.6%, were found to be in the trading sector. The trading sector includes all organized small scale transactional enterprises many in the retail line of business. About 35.9% of the surveyed SME’s indicated that, they were in the manufacturing sector. Finally, about 23.4% of the surveyed SME’s were found to be in the services sector. The findings indicate that retail sector is the most common SME ventures most entrepreneurs are venturing into. This implies that there is a huge disparity between, retail sector and other
sectors such as manufacturing and services. This also implies that, a good number of SME entrepreneurs, prefer to venture in Retail sector, followed by manufacturing then services.

4.4 The Leadership Style impact on the success of the SME business

The data in table 4.4 present the responses on the influence of leadership style on the performance of SME businesses using quantitative estimation derived from a 5-point scale, where; 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

<table>
<thead>
<tr>
<th>Leadership style Factors</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee input on critical issues</td>
<td>4.45</td>
<td>.615</td>
</tr>
<tr>
<td>Founder support for innovation</td>
<td>4.45</td>
<td>.589</td>
</tr>
<tr>
<td>Employee correction</td>
<td>4.42</td>
<td>.529</td>
</tr>
<tr>
<td>Consultation with employees</td>
<td>4.41</td>
<td>.610</td>
</tr>
<tr>
<td>Negativity of authoritarian business administration</td>
<td>4.41</td>
<td>.660</td>
</tr>
<tr>
<td>Leaders push for critical thinking</td>
<td>4.39</td>
<td>.607</td>
</tr>
<tr>
<td>Leadership affirmation on staff</td>
<td>4.36</td>
<td>.627</td>
</tr>
<tr>
<td>Leader encouragement of employees</td>
<td>4.34</td>
<td>.648</td>
</tr>
<tr>
<td>Close employee supervision</td>
<td>4.33</td>
<td>.714</td>
</tr>
<tr>
<td>Owner’s influence on employees</td>
<td>4.33</td>
<td>.736</td>
</tr>
<tr>
<td>Leaders commitment to punctuality</td>
<td>4.31</td>
<td>.639</td>
</tr>
<tr>
<td>Owner’s capacity and personal virtues</td>
<td>4.31</td>
<td>.614</td>
</tr>
<tr>
<td>Administration longevity</td>
<td>4.30</td>
<td>.770</td>
</tr>
<tr>
<td>Rewards and punishments</td>
<td>4.28</td>
<td>.723</td>
</tr>
</tbody>
</table>

The findings in table 4.4 present the respondents opinions on the influence of leadership style on the performance of SME business. A scale of 1 – 5 was used where; 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. The respondents indicated that, the input of employees on critical issues was the most important leadership factor with a mean of 4.45. The respondents were in agreement that, seeking of opinion from other employees on how to solve various problems in the in the organization by the founder improves organizational performance. The respondents further indicated that, the business founder support for innovation was the second most critical factor that influenced the performance of
SME businesses with a mean of 4.45. The respondents were in agreement that, when the business founder encourages creativity and innovation among staff contributes to the improvement of organizational output. The respondents were in agreement that, when the business owner corrects the employees whenever something goes wrong improves the organizational performance, with a mean of 4.42.

The respondents indicated to be in agreement that business owner involvement of employees in decision making process impacts on the realization of organizational objectives, with a mean of 4.41. The respondents were in agreement that, in a situation where the founder makes all decisions without consulting other people in the organization, it wielded negative effect on the organizations performance with a mean of 4.41. The respondents are in agreement that, leadership that encourages employees to think critically and venture into new ways of executing their jobs leads to increase in organizational performance, with a mean of 4.39. The respondents are in agreement that, leadership commitment to informing employees of the importance of their duties plays a vital role in the attainment of organizational output with a mean of 4.36. The respondents agreed that, when the leadership challenges employees to enhance their performance contributes to improved organizational performance, with a mean of 4.34.

The respondents agreed that close monitoring of employees as they performed their tasks contributed to enhanced organizational performance, with a mean of 4.33. The respondents were in agreement that, the business owner’s ability to influence those working in the business helps them succeed in their duties, with a mean of 4.33. The respondents agreed that, genuine concern by the leader about having tasks completed in time by employee’s wielded positive impact on the organizational performance, with a mean of 4.31. The respondents agreed that, the business owner’s intelligence, rationality, logical thinking, and careful problem solving positively influences organizational performance, with a mean of 4.31.

The respondents agreed that, maintenance of stability rather than promoting change within the organization by the founder negatively affects organizational performance, with a mean of 4.30. Finally, the respondent were in agreement that, the use of rewards and punishments to
promote performance amongst employees by the leader contributed to enhanced organization performance, with a mean of 4.28.

4.4.1 Regression Analysis of leadership style impact on organizational performance

The Regression test was used to assess the level of association between the independent variable, leadership style and the dependent variable, SME performance

Table 4.5 Model summary of leadership style influence on organizational performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.543a</td>
<td>.295</td>
<td>.283</td>
<td>.27449</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Leadership Style

The findings in table 4.5, present the model summary for the regression test between the influences of leadership style on organizational performance. The finding indicates an R-value of 0.534 and an output of 0.295 R Square value. The study establishes that, leadership style contributes to a 29.5% on variability in the performance of SME’s, whereas 70.5% in variability in SME performance can be attributed to other factors.

Table 4.6 ANOVA output for leadership impact on organizational performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>1</td>
<td>1.952</td>
<td>25.905</td>
<td>.000b</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>62</td>
<td>.075</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6.623</td>
<td>63</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: SME Performance

b. Predictors: (Constant), Leadership Style

The findings in table 4.6, presents the ANOVA output for that regression test on the influence of leadership style on the performance of SME’s. The study makes a finding, that F statistic value, F(1,62) = 25.905, this is reflected at significance level 0.01 (99% confidence interval). The p-value, recorded is 0.000 (p < 0.01). The study establishes that there exists a significant statistical association between leadership style and organizational performance.
Table 4.7 Coefficients table for Leadership style impact on organizational performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.766</td>
<td>.282</td>
<td>9.798</td>
</tr>
<tr>
<td></td>
<td>Leadership Style</td>
<td>.327</td>
<td>.064</td>
<td>.543</td>
</tr>
</tbody>
</table>

a. Dependent Variable: SME Performance

The findings in table 4.7 indicate the coefficients table for the regression test on the impact of leadership style on the performance of SME businesses. The test is significant at significance level 0.01. The test records a constant Beta of 2.766 and the Beta value for leadership style at 0.327. This output helps to create the regression equation.

The regression equation:

\[ Y \text{ (SME Performance)} = A + (B \times \text{Leadership style}) \]

\[ A = 2.766 \]
\[ B = 0.327 \]

Therefore the equation generated: \( \text{SME Performance} = 2.766 + 0.327 \times \text{Leadership Style} \)

The findings indicate that for every unit change in leadership style, it will cause a 0.327 units change in the performance of SME venture.

4.5 Access to Financial resources on the Performance of the SME Business

The data in table 4.8 present the responses on the effects of the financial resources on the performance of SME business using quantitative estimation derived from a 5-point scale, where; 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

Table 4.8 Finance Resources Mean & Std. Deviation

<table>
<thead>
<tr>
<th>Finance Resources</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pool of resources</td>
<td>4.73</td>
<td>6.422</td>
</tr>
<tr>
<td>Finance guarantee success</td>
<td>4.14</td>
<td>.531</td>
</tr>
<tr>
<td>Financial access</td>
<td>4.05</td>
<td>.517</td>
</tr>
<tr>
<td>Comfortable finance base</td>
<td>4.02</td>
<td>.519</td>
</tr>
<tr>
<td>Finances enhances growth</td>
<td>3.97</td>
<td>.503</td>
</tr>
<tr>
<td>Ready support from FI’s</td>
<td>3.94</td>
<td>.753</td>
</tr>
<tr>
<td>Laxity for long-term credit</td>
<td>3.86</td>
<td>.614</td>
</tr>
</tbody>
</table>
Reduced credit costs | 3.84 | .739  
Semiformal MFI’s credit products | 3.83 | .551  
Easy accessibility | 3.56 | .889  

The findings in table 4.8, present the respondents opinions on the influence of financial sources on the success of SME businesses. A scale of 1 – 5 was used where; 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. The respondents indicated that, having a pool of financial resources was the most vital financial factor with a mean of 4.73. The respondents were strongly in agreement that, the availability of large amounts of financial resources contributed to the growth of SME businesses. The respondents were in agreement that, the second most vital financial factor, was that financial resources was a guarantee of SME success, with a mean of 4.14. The respondents were in agreement that, access to financing is an important component in the growth of an SME business, with a mean of 4.05.

The respondents were in agreement that, organizations with good financial base and adequate financial resources enjoyed strong business performance, with a mean of 4.02. The respondents agreed that financial resources available within a business wield influence to its performance, with a mean of 3.97. The respondents indicated to be in agreement, that incase the organization required more financial muscle, commercial banks and other financial institutions would always be ready to extend credit facilities, with a mean of 3.94. The respondents agreed that, a good number of financial institutions are reluctant to provide long-term credit to SME’s, with a mean of 3.86.

The respondents are in agreement that, reduction in the cost of finance which include lowering, interest rates, application fees, loan insurance premium, legal fees etc made it possible for more SME’s to access financing, with a mean of 3.84. The respondents were in agreement, that the total credit finance accessed through semiformal financial sectors has had a positive effect on the performance of SME’s, with a mean of 3.83. Finally, the respondents were in agreement that, it was much easier to access bank loans for start-ups with a mean of 3.56.
4.5.1 Regression Test between financial factors impact on SME performance

The data in table 4.9 presents the Model summary for the regression test between financial resources and the performance of SME business.

**Table 4.9 Model Summary of financial access versus SME performance**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.589a</td>
<td>.347</td>
<td>.243</td>
<td>.11723</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Financial resources

The findings in table 4.9, present the model summary on the impact of financial resources on the performance of the SME business. The test registers an R value of 0.589 and an R–Square 0.347. This indicates that the independent variable, financial resources, is responsible of 34.7% in the variability for dependent variable, SME performance, whereas 65.3% of the variability in SME performance is attributed to other factors.

**Table 4.10 the ANOVA output for financial resources versus SME performance**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>.384</td>
<td>1</td>
<td>.384</td>
<td>45.814</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>6.239</td>
<td>62</td>
<td>.101</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6.623</td>
<td>63</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: SME Performance
b. Predictors: (Constant), Financial resources

The findings in table 4.10, present the ANOVA output for the regression test on the influences of financial resources on the performance of SME businesses. The outcome is reflected a significance level 0.01 (99% Confidence Interval). The test, records an F statistic value, where F (1, 62) = 45.814 (p < 0.01, p = 0.000). A significance level of 0.01 and a p-value of 0.000 imply that there exists a significant statistical association between financial resources and SME performance.
Table 4.11 Coefficients Table Financial resources versus SME performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.848</td>
<td>.181</td>
<td>21.301</td>
</tr>
<tr>
<td></td>
<td>Financial resources</td>
<td>.315</td>
<td>.044</td>
<td>.241</td>
</tr>
</tbody>
</table>

a. Dependent Variable: SME Performance

The findings in table 4.11, present a coefficient relationship between the financial resources and the SME performance. The test, is reflected at significance level 0.01, and records a t-statistic value of, 1.953 for financial resources. The test records a coefficient Beta value for Constant is equal to 3.848, and Beta value for financial resources of 0.315.

The regression equation for the Test:

\[ Y (\text{SME Performance}) = A (\text{Constant}) + (B \times \text{Financial Resources}) \]

Therefore the equation generated is:

\[ \text{SME Performance} = 3.848 + (0.315 \times \text{Financial Resources}) \]

The test results indicate that, for every unit change that occurs in financial resource (Independent variable) causes a 0.315 units change in SME performance.

4.6 Technology adoption impact on the performance of SME businesses

The data in table 4.12 present the responses on the impacts of technology adoption on the performance of SME business using quantitative estimation derived from a 5-point scale.

Table 4.12 Technology factors Mean & Std. Deviation

<table>
<thead>
<tr>
<th>Technology factors</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhances internal communication</td>
<td>4.25</td>
<td>.436</td>
</tr>
<tr>
<td>Basic IT training</td>
<td>4.23</td>
<td>.463</td>
</tr>
<tr>
<td>Accessibility of ICT</td>
<td>4.22</td>
<td>.453</td>
</tr>
<tr>
<td>Enhances customer communication</td>
<td>4.20</td>
<td>.596</td>
</tr>
<tr>
<td>ICT a strategic resource</td>
<td>4.20</td>
<td>.510</td>
</tr>
<tr>
<td>Funding ICT programs</td>
<td>4.19</td>
<td>.531</td>
</tr>
<tr>
<td>ICT uplifts organizational performance</td>
<td>4.17</td>
<td>.490</td>
</tr>
<tr>
<td>Positive employee productivity</td>
<td>4.17</td>
<td>.456</td>
</tr>
</tbody>
</table>
The findings in table 4.12, present the findings on the influence of ICT on the performance of SME businesses. A scale of 1 – 5 was used where; 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. The respondents indicated to be in agreement that, ICT impact of enhancing internal communication was the most critical factor of technology adoption by the SME businesses, with a mean of 4.25. The respondents were in agreement that organization’s employees having basic IT training was the second most vital factor that influenced the success of an SME business, with a mean of 4.23. The respondents were in agreement that, the accessibility and availability of ICT systems in the organization wielded a positive effect on the organizational performance of an organization with a mean of 4.22.

The respondents were in agreement that the deployment of ICT systems enhances organization communication and interaction with its customers with a mean of 4.20. The respondents were in agreement that, the management view of ICT as a central strategic resource yields a positive impact on the performance of the SME business, with a mean of 4.20. The respondents indicated to be in agreement that the management initiative to set a budgetary allocation for ICT development contributes to increased organizational performance with a mean of 4.19. The respondents were in agreement that, the orientation of employees to new ICT systems in the organization enhanced the performance of SME business with a mean of 4.17.

The respondents were in agreement that the ease of use of ICT systems by employees to perform their duties has a positive effect on the performance of SME business with a mean of 4.17. The respondents were in agreement that the introduction of ICT systems contributed to the reduction in operational costs and enhanced the levels of efficiency in service delivery within the organization, with a mean of 4.16. The respondents were in agreement that technological changes within the organization have contributed to an overall good performance of the organization, with a mean of 4.16. The respondents were in agreement that, the reliability of ICT systems in the organization guarantees constant and consistent high performance levels within the organization, with a mean of 4.16. Finally, the respondents indicated to be in agreement that, the orientation of employees to new ICT systems in the organization enhanced the performance of SME business with a mean of 4.17.

<table>
<thead>
<tr>
<th>Cost cutting and enhanced efficiency</th>
<th>4.16</th>
<th>.570</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization adaptation to ICT changes</td>
<td>4.16</td>
<td>.511</td>
</tr>
<tr>
<td>ICT guarantees reliability</td>
<td>4.16</td>
<td>.541</td>
</tr>
<tr>
<td>employee ICT certification</td>
<td>4.14</td>
<td>.560</td>
</tr>
</tbody>
</table>
agreement that employee certification in ICT proficiency, contributed to high levels of efficiency and effectiveness in delivering in their duties, with a mean of 4.14.

4.6.1 Regression Test for Impact of technology on SME performance

The Regression test was used to assess the level of association between the independent variable, technology, and the dependent variable, SME performance.

Table 4.13 Model summary on technology impact on SME performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.493a</td>
<td>.243</td>
<td>.231</td>
<td>.28430</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Technology

The findings in table 4.13 present the model summary for the regression test on the influence of technology on the performance of SME businesses. The output indicates that, R Value of the test is 0.493, and the R-Square value is 0.243. The study establishes, the dependent variable, technology, contributes to 24.3% in variability on the dependent variable SME performance. The finding implies that, 75.7% of variability in the dependent variable can be attributed to other factors external to the test.

Table 4.14 ANOVA table for Technology impact on SME performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1.612</td>
<td>1</td>
<td>1.612</td>
<td>19.946</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>5.011</td>
<td>62</td>
<td>.081</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6.623</td>
<td>63</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: SME Performance
b. Predictors: (Constant), Technology

The findings in the table 4.14 present the ANOVA output for the regression test on the influences of technology on the performance of SME businesses. The outcome is reflected a significance level 0.01 (99% C. I). The test, records an F statistic value, where F (1, 62) = 19.946 (p < 0.01, p = 0.000). The test establishes that there exists a significant statistical relationship between technology and SME performance, at significance level 0.01, registering a p-value of 0.000.
Table 4.15 Coefficients table of Technology impact on SME Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.491</td>
<td>.383</td>
<td>6.511</td>
</tr>
<tr>
<td></td>
<td>Technology</td>
<td>.407</td>
<td>.091</td>
<td>.493</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: SME Performance*

The findings in table 4.15, present a coefficient relationship between the technology and the SME performance. The test, is reflected at significance level 0.01, and records a t-statistic value of, 4.466 for financial resources. The test records a coefficient Beta value for Constant is equal to 2.491, and Beta value for technology of 0.407.

The regression equation for the Test:

\[ Y \text{ (SME Performance)} = A \text{ (Constant)} + (B \text{ (intercept)} \times \text{Technology}) \]

Therefore the equation generated is:

\[ \text{SME Performance} = 2.491 + (0.407 \times \text{Financial Resources}) \]

The test results indicate that, for every unit change that occurs in Technology (Independent variable) triggers a 0.407 units change in SME performance. Finally, this indicates a positive association where a positive increase in independent variable contributes to an increase to the dependent variable.

4.7 Summary

This chapter covered the data presentation and analysis. The chapters, commences with an overview of the response rate, and the background information, which included; gender distribution, age distribution, education level, duration of business, work experience, number of employees, position and industry. The chapter then covered the descriptive statistics and regression test for the study variables which included; leadership style, financial resources and technology and their impact on the performance of SME’s businesses. The next section is Chapter five.
CHAPTER FIVE

5.0 SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This section of the study covers the final chapter of the study where, final components of the study, notably; summary of the findings, Discussion of the findings, conclusion and recommendations are presented. The section shall analyze the main findings of the study, highlight the major conclusions, and offer suggestions based on the main findings derived. Finally the study shall offer suggestions for future studies.

5.2 Summary of the findings
The study derived a response rate of 65.3%, deriving a sufficient sample that enabled the analysis of the field data and outcome to effectively be generalized to the study population, where in this case refers to the SME businesses in the country. The study found that the SME sector has a high ratio of gender representation, with only an offset of about 3% in advantage to the male gender. The study established that majority of the SME owners are pretty young people who majority fall in the age group, 26 – 35 years. The age distribution among the SME owners indicate, that majority of the SME’s are run by young people who are at the prime of their age and professional careers.

The study established that, the majority of the successful SME are managed or owned by educated people with many having attained a bachelor’s degree and diplomas. In addition, the study found that, all the SME administrators were literate with the lowest having attained secondary school education. The study deduces that, a huge number of SME’s have operated for over 6 years, which indicates that they have been able to break even and survive in a over 5 financial years. The study established that majority of the SME’s operating within Nairobi county have at least 6 employees, even though SME’s still under 5 years of operations, have equally less than 6 employees.

The study deduces that SME owner commitment to engage the employees and seek their input towards tackling of critical organization problems had a significant impact in the success of the SME, registering a mean of 4.45. The study found that, leadership style had 29.5%
variability in the performance of the SME business, at a regression significance of 0.000, which indicates the outcome can be generalized to the whole population. The study establishes that, leadership style factors notably; managers support for innovation, employee correction, consultation with employees, negativity of authoritarian business administration, leaders push for critical thinking, leadership affirmation on staff, leadership encouragement of employees, close employee supervision, owner’s influence on employees, leaders commitment to punctuality, owner’s capacity & personal virtues, administration longevity and finally rewards & punishments have a strong influence on the performance of an SME business.

The study established that the most vital component on business finances is the amount of financial resources available at the SME business disposal with a mean of 4.73. The study found that having access to ready funds was key guarantor for the successful execution of SME business operations. The study established that financial aspect contributed to about 35.8% in the variability of financial influence on the performance of the SME business, at a significance level of 0.001, recording a p-value of 0.000, indicating that the findings of the regression test can be inferred for the whole study population. The study deduces that, financial factors, including; comfortable finance base, ready support from FI’s, Semiformal MFI’s credit products and easy accessibility wielded a positive influence on the performance of the SME business. The study found that access to finances enabled enhanced steady growth of SME businesses. Finally the study makes a finding that the main setback to financing SME’s is the lack of commitment by lenders to offer SME long-term credit products.

The study established that, ICT enhanced the internal organizational interactivity where enhanced level of communication between employees was enabled and it enhanced the performance of the business with an average mean of 4.25. The study deduces that successful deployment of ICT systems to aid in business operations was only feasible and valuable after ensuring a basic level of training among the organization staff. In addition, the study found that there exists a positive significant association at significance level 0.01 between the deployment of ICT systems and the positive performance of an SME venture, recording a p-value of 0.000, suggesting the outcome is applicable across the entire study population. The study established ICT factors notably; enhanced customer communication, ICT as a strategic resource, budgeting for ICT systems, organization adaptation to ICT changes and employee
ICT certification had a positive impact in the performance of the SME business. The study found that, the use of ICT systems contributed to reduction in operational costs and enhanced efficiency.

5.3 Discussion

5.3.1 The effect of leadership style on the performance of the SME businesses

The findings of the study support Mosadeghrad (2003), who identified the main factors that influenced the leadership style included; managerial attitudes, behaviors, characteristics and skills based on individual and organizational values, leadership interests and reliability of employees in different situations. The findings in the study supports the observation of Mosadeghrad and Yarmohammadian (2006), who explained that appropriate leadership styles adopted by business managers has an effect on the performance of their organization and the long term attainment of the vision and mission. The findings support Giambatista (2004), who observed that organizational leadership is about relationship of an individual’s ability to influence and be influenced by a group in the implementation of a common task.

The findings in the study support Mehra and Robertson (2006), who explained that when some organizations seek efficient ways to enable them to outperform others, a longstanding approach is to focus on the effects of leadership. The findings in the study are in agreement with Nohria et al., (2003), who noted that, business leadership was required to offer supplementary management practices in organizations and this is important in regard to this study because organizational leadership may influence the management and running of various affairs in the organization that directly influence performance. The findings in the study agree with Lussier and Achua (2013) who explained that leadership effectiveness was influenced personal traits that, enabled some leaders to be willing to work so hard and make personal sacrifices to achieve group and organizational goals.

The findings in this study were in agreement with, Finkelstein et al., (2009), who acknowledged that managers who are more driven to have stability and the best way to get things done as leaders place greater emphasis on invention and innovation initiatives. The findings agree that, successful managers are those who practice participative form of leadership.
as they share the responsibility of management with employees or as leadership responsibilities are transitioned from managers to members.

The findings in the study are in line with Whiteman and Chen (2007) who adduced that, leadership decisions at the executive level impacted on the overall results accrued from the business operations. They explained that, manager’s decisions wielded significant influence on organizational results regardless of whether huge or minute. SME managers plot the agendas by which their organizations do the accompanying activities, such as arrangement, reviving and inspiring others to settle on basic decisions. They are the ambassadors of their organizations through the representative part they culminate, when they express the organization’s policies, visions and missions with outside constituencies. The findings in the study agree with Bush (2003) who adduced that successful leadership and management are vital if the business organizations are to accomplish the far reaching purposes set for them by their numerous stakeholders and players in the industry.

5.3.2 The effect of financial resources on the performance of the SME businesses

The findings in this study support Harper & Soon (2009) who explained that financial resources form a very critical factor that impacted on the growth of SME’s. In addition, limited access to the finances meant that the business are not able fulfill major ambitions for expansion.

In addition the findings of the study are in support that, access to finance is essential for enhancing SMEs competitiveness, as SMEs need to invest in new technologies, skills and development (Harper and Soon, 2009). The study findings agree that, the access to finance issues cannot be resolved by executing financing schemes or programs in a vacuum.

The findings of the study support observations by Ngobo (2006), Kibera and Kiberam (2010), Chijoriga and Cassiman, (2016), who all acknowledged that constraints to accessing finances was a huge setback to the growth of SME ventures. The study findings support their view that, small business owners are not able to easily access finances to facilitate the expansion of their business since they are often confronted with setbacks of guarantee, feasibility studies and the unexplained bank charges. The findings agree with Ngobo (2006), small businesses are compounded with the lack of enough funds to expand their operations to new markets, which curtails their ability grow.
The findings in this study support Mwania (2011) observations that besides the credit products enabling easier landing for the access to funding for SME owners, it was also important to impart financial management skills to small business owners. In addition, the study supports that the nature of business owners interaction with the business and their influence on execution of its day-to-day duties, wielded significant impact on the performance of the ventures. The study support that, unintended expenditures by the business owner or diversion of business revenues for personal engagements external to the business, had a negative consequence of the business performance, and also was a clear indicator of weak financial skills.

The findings in this study are in agreement with Mugo (2012) who assessed that some of the critical financial factors that influenced the performance of women entrepreneurs’ in the SME sector were record keeping and financial management. The findings of the study also agrees that when it came to financing SME’s, especially medium to long-term finance, was the leading obstacle to growth and investment.

The findings agree with Olson (2005), that limited access to finances for SME’s drove them to rely on finances from relatives and friends. The study agree that, capital financing from relatives and friends were not reliable forms of business financing as it may become costly in the long-term if the relatives would make a claim for the share of the business. Additionally the study agrees with Kinyua (2014), that small businesses are strongly impacted by the volatility in the macro-economic factors such as inflation and lending rates. This is because, a rise in interest rates would trigger an equivalent rise in the cost of loans repayment which can be expensive for SME’s and could cause them to potentially default.

5.3.3 The effect of Technology adoption on the performance of the SME businesses

The findings of this study support the assessment by Alam (2007), who observed that the inception of ICT is a component of empowering the organizations to contend on a worldwide scale, with enhanced effectiveness, and nearer client and provider connections. The findings of the study are in agreement with Ashrafi and Al-Esmail (2012) who observed that for successful implementation of ICT strategy within an organisation as a strategy to deliver better
services and explore new business opportunities, there should be at least three conditions which include infrastructure, skilled ICT personnel and budget to finance in ICT.

The study findings agree with Ndiwalana and Esselaar (2012), the main constraint to ICT usage remains too high investments and / or usage costs. The findings in the study agree that SMEs face various internal and external barriers to ICT adoption which include manager characteristics, firm characteristics, implementation cost, return on investment, political barriers, infrastructure and cultural barriers. The findings in the study support the observations by Ashrafi and Al-Esmail (2012), having the correct infrastructure, skilled ICT personnel and sufficient budget to invest in ICT wielded a positive impact on the performance of the business. The findings are in agreement with Ollo-Lopez and Aramendia-Muneta (2012), who explained that ICT adoption wielded a positive effect on the productivity, directly as well as indirectly, depending on the sectors and to have great potential to support a sustainable development.

The findings in this study agree with Matthews (2007), who observed that, the deployment of ICT platforms enhanced the profitability and outreach and thus can better position a business organization for more wholesale expansion. The findings of the study support the literature on ICTs impact on SMEs performance across a wide scope of areas, including; profitability, growth, market value, social and environmental performance, satisfaction, should be considered as significant indicators of business success. The findings in the study support observations by Vehovar & Lesjak (2010), who explained that the adoption of ICT platforms represented fundamentals of competitiveness in the sector of the operation.

The findings of the study are in agreement with Rutherford and Lin (2011) who observed that, the success of ICT deployment within an organization was subject to the management appreciation and support of IT incorporation in organization operations. The findings are in agreement with Wojitkowski and Hardesty (2012) who explained that successful usage of ICT platforms within organizations was reliant upon key managers being educated of new technological trends. The findings support Caldeira and Ward (2012) who opined that companies which discovered success in utilization of ICT systems and infrastructure, had top management that was eager to embrace new systems to enhance work yield, or had joined forces with an IT firm that offered consulting services and dealt with their ICT infrastructure.
5.4 Conclusion

5.4.1 Leadership style

The study concludes that the most important component of leadership style for SME businesses is the creation of a working environment that seeks the input of other staff members in execution of different organizational operations. The study concludes that, leadership style has a strong correlation with the success of the SME business, thus any contributing factor that could potentially limit the effective dispensation of leadership duties, is bound to negatively affect the performance of the business. The study concludes that, leadership factors including; managers support for innovation, employee correction, consultation with employees, negativity of authoritarian business administration, leaders push for critical thinking, leadership affirmation on staff, leadership encouragement of employees, close employee supervision, owner’s influence on employees, leaders commitment to punctuality, owner’s capacity & personal virtues, administration longevity and finally rewards & punishments have significant influence on the performance of the business. The study concludes that, leadership style yields significant influence on the success of SME businesses.

5.4.2 Financial resources

The study concludes that the existing financial resources at the disposal of an SME venture significantly contributed to the success of the SME business. The study concludes that, the current financial health of an organization is an indicator of the SME business growth rate. The study concludes weak financial management skills and approaches have a negative impact on the performance of the business. The study concludes that financial factors such as; comfortable finance base, ready support from Financial Institutions, Semiformal MFI’s credit products and easy accessibility wielded a positive influence on the performance of the SME business. The study concludes that, existing barriers in access to financing for SME businesses is institutionalized based on a long existing factors, such as the uncertainty of the survival of the small business. The study therefore concludes that, financial resources wield surmountable impact on the success of SME businesses.
5.4.3 Technology

The study concludes that technology contributes to enhance the success of the SME business as it enhances the internal way of information exchange within the organizations. The study concludes that, ICT platforms enhance information exchange achieving high levels of efficiency in organizational coordination. The study concludes that technology improves the organization coordination with the external entities such as customers and suppliers which contributes to enhanced service delivery. The study concludes that, ICT factors including; enhanced customer communication, view of ICT as a strategic resource, budgeting for ICT systems, organization adaptation to ICT changes and employee ICT certification had a positive impact in the performance of the SME business. Finally the study concludes that, the biggest factor that hinders effective adaptation of IT systems by SME organizations is the huge initial investment costs incurred when deploying the system.

5.5 Recommendations

5.5.1 Recommendations for improvement

5.5.1.1 Leadership style

The study recommends that, SME business owners approach adopts conventional manage approach to businesses, which is applicable in the modern day corporate scene. The leadership must show an appreciation for the input extended by the employees not only in undertaking their obligations in the business, but by contributing in ideas on ways to effectively implement or execute organizational initiatives. The study recommends for a cooperative approach to leadership, where the SME leadership, encourages the employees to work in unity and align all their efforts towards the realization of the organizational objectives.

5.5.1.2 Financial resources

The study recommends for the adoption of strong internal financial management strategies as a strategic approach to the business administration. The study recommends that, SME business adopt strict revenue management and book keeping policies to ensure a strong record management for the financial resources. The study recommends that, SME managers and owners continuously pursue training on financial management skills and enhance their
personal levels of financial prudence. Finally the study recommends for the SME’s to adopt financial planning strategies, where they use financial modeling to project expenditures along plans for a fixed period of time, and base application for credit facilities on these projections.

5.5.1.3 Technology

The study recommends that, SME’s should treat the deployment of ICT systems as critical strategic factor for organizational administration. This is because; ICT platforms wield impact on efficiency in service delivery and contribute to the reduction in operational costs by leaning transactional operations. The study recommends SME businesses should identify affordable ICT platforms that are commensurate of the business capacity, instead of focusing on expensive systems that are beyond the reach, they should identify affordable platforms that have good delivery qualities and are industry acceptable.

5.5.2 Recommendations for Future Studies

The study focused on the organization capabilities that influenced the performance of the SME businesses. There exist numerous areas of SME management that need to be studied further in addition to what has been covered in this study. The study suggests;


ii) A study on the impact of Technology adoption on the achievement of optimal employee productivity by SME businesses.

iii) The impact of government financial policies on the accessibility of diverse credit products for SME businesses.
REFERENCES


Chuang, Matthew, W., Rutherford & Binshan Lin. (2011). *Owner/manager characteristics, organisational characteristics and IT adoption in small and medium enterprises.*


Thong.


Scupola, A. (2014), ‘*Organization, strategy and business value of electronic commerce: The*
importance of complementarities. Managing e-commerce and mobile computing

APPENDIX I: LETTER OF INTRODUCTION

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA
P.O. BOX 14634-00800
NAIROBI

Dear Respondent,

RE: ACADEMIC RESEARCH PROJECT QUESTIONNAIRE

I am a graduate student at the United States International University pursuing a Master’s Degree in Business Administration, with a concentration on strategic management. In order to fulfill my degree requirements, I am undertaking a research project on the assessment of organizational capabilities affecting performance of SME’s in Nairobi County.

You have been selected to form part of this study. This is to kindly request you to assist me collect data by filling out the accompanying questionnaire. The information you provide will be exclusively for academic purposes and with utmost confidentiality. I look forward to your prompt response.

Thank you in advance,

Yours sincerely,

Kevin Kimani
APPENDIX II: QUESTIONNAIRE

The purpose of this questionnaire is to investigate the organizational capabilities affecting the performance of SME’s in Nairobi County. Please respond by either selecting the choice that best represents our views or filling in the information requested below.

SECTION A: GENERAL INFORMATION

1. Please indicate our gender;
   Male ( ) Female ( )

2. Please state our age:
   20 – 25 years ( ) 26 – 30 years ( ) 31 – 35 years ( ) 36 years and above ( )

3. What is our highest level of formal education?
   Primary Education ( ) Secondary Education ( ) Certificate ( ) Diploma ( )
   Graduate ( ) Post-Graduate ( )

4. For how long has the business been in operational?
   1 – 5 years ( ) 6 – 10 years ( ) 11 – 15 years ( ) 16 – 20 years ( ) above 21 years ( )

5. For how long have you worked for this organization?
   1 – 5 years ( ) 6 – 10 years ( ) 11 – 15 years ( ) 16 – 20 years ( ) above 21 years ( )

6. What is the number of the employees in the organization?
   1 – 5 ( ) 6 – 15 ( ) 16 – 40 ( ) 41 – 80 ( )

7. What is your position in the organization?
   Top Level Management ( ) Middle Level Management ( ) Low Level Management ( )

8. What industry is your organization operating in?
   Manufacturing ( ) Trade ( ) Service ( )
SECTION B: IMPACT OF LEADERSHIP STYLE ON SME PERFORMANCE

10. Below are statements on the impact of leadership style on the performance of SME’s. On a scale of 1-5 where 5 = **strongly agree**, 4 = **agree**, 3 = **neutral**, 2 = **disagree** and 1=**strongly disagree**, please indicate by ticking (V) the extent of our agreement with each statement.

<table>
<thead>
<tr>
<th>The founders leadership style</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business owner involvement of employees in the decision making process has an impact on achievement of organizational objectives</td>
<td></td>
<td></td>
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<tr>
<td>Business owner’s ability to influence those working in the business helps them succeed in their duties.</td>
<td></td>
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<tr>
<td>The leader informing employees of the importance of their duties plays a vital role attainment of organizational output</td>
<td></td>
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<tr>
<td>The business founder encouraging creativity and innovation among staff helps to improve organizational output</td>
<td></td>
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<tr>
<td>Leader challenging employees to perform better leads to improvement in organizational performance.</td>
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<tr>
<td>Seeking of opinion from other employees on how to solve various problems in the organization by the founder improves organizational performance.</td>
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<tr>
<td>Leader encouraging employees to think critically and seek new ways to approach their jobs leads to increase in organizational performance.</td>
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<td>Maintenance of stability rather than promoting change within the organization by the founder negatively affects organizational performance</td>
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<tr>
<td>The founder making all decisions without consulting other people in the organization negatively affects organizational performance.</td>
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<tr>
<td>Business owner’s intelligence, rationality, logical thinking, and careful problem solving positively influences organizational performance.</td>
<td></td>
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</tr>
</tbody>
</table>
Concern of the leader about having tasks completed on time by employees positively influences organizational performance.

Correction of employees whenever things go wrong by the business owner improves organizational performance.

Use of rewards and punishments to promote performance amongst employees by the leader leads to increase in organization performance.

Monitoring of employees closely to ensure they perform their tasks by the founder improves organizational performance.

SECTION C: IMPACT OF FINANCIAL RESOURCES ON SME PERFORMANCE

11. Below are statements on the impact of financial resources on the performance of SME’s. On a scale of 1-5 where 5 = strongly agree, 4 = agree, 3 = neutral, 2 = disagree and 1=strongly disagree, please indicate by ticking (V) the extent of our agreement with each statement

<table>
<thead>
<tr>
<th>Financial Access and Financial Performance</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to finance is important for growth of SME’s</td>
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</tr>
<tr>
<td>Bank loans are easily accessible and available for use to start up a business</td>
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<tr>
<td>Total credit finance accessed through semiformal financial sectors has positively affected SME’s</td>
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<tr>
<td>Most financial institutions are reluctant to provide long-term credit to SME’s.</td>
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<tr>
<td>Reduction on the cost of finance, that is interest rates, application fees, loan insurance premium, legal fees etc has made it easy for the SME’s to access financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Availability of large amounts of financial resources leads to SME growth</td>
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</tr>
</tbody>
</table>
The organization has a good financial base and adequate financial resources

If the organization required more financial muscle, banks and other financial institutions would be willing to support me.

The financial resources available to your organization have enhanced its performance.

Access to finance leads to overall success of the business

<table>
<thead>
<tr>
<th><strong>SECTION D: IMPACT OF TECHNOLOGY ON SME PERFORMANCE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Below are statements on the impact of Technology on the performance of SME’s. On a scale of 1-5 where 5 = strongly agree, 4 = agree, 3 = neutral, 2 = disagree and 1=strongly disagree, please indicate by ticking (V) the extent of our agreement with each statement.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>The founders leadership style</strong></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management view of ICT as a strategic resource has a positive impact on the organization</td>
<td></td>
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</tr>
<tr>
<td>Deployment of ICT systems improves communication with customers</td>
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<tr>
<td>Deployment of ICT systems improves communication within the organization</td>
<td></td>
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</tr>
<tr>
<td>Introduction of ICT systems leads to cost reduction and efficiency of service delivery within the organization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ease of use of ICT systems by employees to perform their duties positively affects the organizational performance</td>
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<td>Management allocation of budget for ICT development leads to increase in organizational performance.</td>
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<td>Accessibility and availability of ICT systems in the organization positively influences organizational performance.</td>
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<td>Employee certification in ICT proficiency leads to efficiency and effectiveness in their duties and service delivery.</td>
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<td>Adoption of employees to new ICT systems in the organization improves organization performance.</td>
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<td>Reliability of ICT systems in the organization leads to constant high performance of the organizations. Basic IT training by employees has a positive impact on organization performance.</td>
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<td>Technological changes within the organization have led to the overall good performance of the organization.</td>
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THANK YOU VERY MUCH