Influence of Strategic Formulation on the Performance of Small and Medium Manufacturing Enterprises in Kenya

Karimi SEKERE*[1], Peter KIRIRI[1], and Kepha NJENGA[1]

[1]*Chandaria School of Business, United States International University – Africa*

Corresponding Author: *sekerekarimi@gmail.com*

Submitted 12th July, 2023, Accepted 13th July, 2023 and Published 20th September,2023

ABSTRACT

This study addressed the influence of strategic formulation on the performance of Small and Medium Manufacturing Enterprises in Kenya. Methodically, the study was guided by the positivism research philosophy and applied cross-sectional descriptive research design. The population of the study targeted was 622 Small and Medium Manufacturing Enterprises registered under the Kenya Association of Manufacturers membership, based in Kenya. Stratified random sampling technique was adopted to select 243 managers and business owners. Primary data was collected using a structured questionnaire that was designed based on the research objectives. Data collection was conducted in a structured inexpensive and minimal time-consuming manner, assisting in answering the when, who, where, what and how questions and to also determine whether a relationship exists between the dependent and independent variables. Both descriptive and inferential analysis were employed for analysis. The descriptive statistics revealed that mission had the highest average mean of 4.19, while vision, goals and policies had an average mean of 4.12 each. Regression analysis found that strategic formulation significantly predicted performance, β = .300, t =7.292, p = .000, hence the null hypothesis was rejected. The study concluded that strategic formulation significantly influences the performance of Small and Medium Manufacturing Enterprises in Kenya. the study therefore recommends that the management should also review the mission, vision, goals and policies of the firms frequently and accordingly as it helps in performance improvement.

Keywords: *Strategic Formulation, Performance, Small and Medium, Manufacturing Enterprises in Kenya*

I.INTRODUCTION

The need to understand the strategic management processes of small and medium enterprises (SMEs) has been the primary focus for many authors (Conz et al., 2017). The current unpredictable operating environment requires enterprises of all sizes to engage in proper management practices, particularly those relating to strategy formulation (Melo et al., 2018). Strategy formulation, a key facet of strategic management (Pasha & Poister, 2017), is one of the main processes through which enterprises identify and interpret strategic issues and events that may have a potential impact on their growth (Majang & Magang, 2017). This study defines strategy formulation is defined as the development of long-range plans for effective management of opportunities and threats considering corporate strengths and weaknesses that includes defining corporate, specifying achievable objectives, developing strategies, and setting policy guidelines (Stevenson, 2021).

Small and Medium Enterprises are currently operating in highly volatile environments, therefore, making it imperative for a business to develop and implement effective strategic formulation strategies (Melo et al., 2018). For these strategies play a vital role in enhancing better performance and the survival of the business (Williams et al., 2020). Secondly, assists in the selection of the most favorable course of action in the realization of organizational mission, vision and the attainment of organizational goals and objectives (Auka & Langat, 2016). Despite the benefits reaped from practicing strategic formulation, the process of developing strategies for SMEs can be daunting, complex and multifaceted (Simba & Nyandoro, 2016).

According to Wanjohi et al. (2018), the manufacturing sector across various economies has played a key role in promoting and maintaining economic growth, increasing employment prospects, and driving competitiveness in countries expedited by exports. Kenyan SMEs are the heart of the Kenyan economy and create about 80percent of employment while establishing a new middleclass and stimulating the demand for new goods and services. Majority of the SMEs are in the informal sector which is estimated to constitute 98percent of businesses in Kenya, contributing to about 30 percent of jobs and 3percent of the Kenya's GDP (KAM, 2023; Kenya Economic Survey, 2022). Kenya's manufacturing sector contribution to GDP dropped from 4.9% in the last quarter of 2021 to 3.7% in the first quarter of 2022 (Statista, 2022). This is an issue of concern as it calls for concerted efforts to drive growth to attain the 20% contribution target by 2030 as envisioned by the Big Four Agenda as guided by the four pillars which if implemented will transform the economy (KAM, 2023). For this reason, the Government of Kenya places a high priority on the manufacturing sector and is intentional in increasing its share. This can be done by SME development as SMEs have demonstrated their ingenuity and capacity to meet the nation's needs over the years. One of the ways the government has done so is by the introduction of the hustlers' fund to provide affordable financing to the SMEs.

It has been an uphill task for most countries to record economic growth without the manufacturing sector's leading role. Kenya is not an exception as it has been unable to record impressive economic growth due to the inability to develop the manufacturing sector. According to Okwemba and Njuguna (2021), factors that contribute to challenges that SMEs are faced with include; intense competition from multinationals firms, innovation, technology, globalization and lack of managerial ineptness which have a significant impact on performance of the SMEs sector.

Research on the practice of strategy formulation in SMEs is limited in manufacturing firms (Majama & Magang, 2017; Mashingaidze et al., 2021), especially Kenya. While on this, David and David (2016) claim that the strategy development process of enterprises in developed countries differs from those in emerging countries. Damke et al. (2018) and affirms that much literature on strategy formulation in emerging markets has traditionally focused on large enterprises. Williams et al., (2018b) claim that the strategy formulation practices in SMEs may be different from their larger counterparts. The available literature does not capture the intricacies of SMEs in manufacturing sectors (Ahmed et al., 2017). The current study sought to close the gap by exploring strategic formulation in terms of mission, vison, goals and policies to provide an in-depth understanding of how it affects performance of firms.

From a policy gap perspective, the MSE Act of 2012 seeks to provide an institutional framework for the micro and small enterprises. This means that there is a missing middle without adequate literature and specific legal framework for medium scale enterprises that could take into account the unique nature of activities and challenges experienced by these types of firms. This lack of specific studies on legal and regulatory constraints to the competitiveness and performance of medium scale enterprises counteracts sincere efforts in designing programs to best facilitate and aid the growth of the sector.

From a managerial gap perspective, Mwasiaji (2019) concluded that various challenges faced by firms in the manufacturing sector were unfavorable trade and customs regulations, inflexible monetary and credit policies, and excess tax that negatively impacted performance of these firms. The firms have undergone scandals that have brought to the fore the issue of the stability, brand image, accountability, trust, ethics, poor management, misappropriation of funds, a lack of funding and skilled labor, reputation of the manufacturing firms and the role of the government as an effective regulator (Majama & Magang, 2017). Even with the availability of such resources, most of these SMEs do fail due to a lack of strategic management resulting from a lack of managerial education and initiative. Thus, the objective of this study was to determine the influence of strategic formulation on the performance of Small and Medium Manufacturing Enterprises in Kenya.

II. METHODOLOGY

The study was guided by the positivism research philosophy. The study applied cross-sectional descriptive research design since the study answered the ‘what?’ ‘who?’ ‘when?’ and ‘how?’ of strategic formulation process in generating a performance for small and medium manufacturing firms in Kenya. Furthermore, it informed the technique of data collection where data is collected at a specific time. The population of the study targeted was 622 Small and Medium Manufacturing Enterprises registered under the Kenya Association of Manufacturers membership, based in Kenya (Kenya Association of Manufacturers [KAM], 2022). This study used Yamane's (1967) formula to obtain the sample size that consisted of the number of respondents who are business owners or managers in SMEs operating in Nairobi County based on their accessibility reach.

$$n = \frac{N}{(1 + N(d)(d)}$$

where:
N= target (total) population, n = desired sample size, d= confidence interval (0.05 testing at 5% significant level)

Thus

n=622/ (1+622(0.05) (0.05)) = 243 Respondents

This study adopted stratified random sampling technique to select 243 business owners/managers for the study. Furthermore, purposive sampling was also applied to select the manufacturing sector of SMEs in Kenya since it is the largest sector in Kenya providing employment to many people and contributing the largest share of GDP. Primary data was collected using a self-administered questionnaire as the main instrument. For it gives the best results with standardized questions that a researcher has confidence in and can only be interpreted in one way by all participants. The data collected was quantitative in nature. The researcher and research assistants visited the respective SMEs and distributed the questionnaires to the respondents who are business owners or managers in SMEs registered under the Kenya Association of Manufacturers membership. The questionnaires contained closed-ended questions of which each respondent received the same set of questions. In cases where the respondents were busy or unavailable, the questionnaires were administered through the drop-and-pick method.

Thereafter, the researcher made telephone calls and sent out emails for a follow-up to remind the respondents to populate the questionnaires. The researcher and research assistants conducted weekly meetings to assess the development as well as correct any issues that arose during the exercise. The researcher considered ethical considerations during this study whereby consent of information, privacy of the respondents and protocols were observed and aligned to the ethical codes of research that were stipulated by the United States International University – Africa. The researcher also applied for the National Commission for Science, Technology and Innovation (NACOSTI/P/22/17249) permit and sought approval from the Institutional review board (IRB - USIU-A/IRB/190-2022) before undertaking the study.

Both descriptive and inferential analysis were employed for analysis. The study employed descriptive statistics such as mean, standard deviation and frequency distributions to comprehend the data. Inferential statistics namely factor analysis, correlation analysis, Analysis of Variance (ANOVA), chi-square and Linear Regression Analysis were used. A significance level of $p \leq .05$ was used by the study to depict a significant association between the dependent and independent variables. Diagnostic tests were conducted for Normality, Linearity, Homoscedasticity, and Multicollinearity tests. The data was presented in tables and figures.

III. RESULTS

Demographic Profile

Of the distributed questionnaires, 196 were returned for analysis giving a response rate of 80.8%. This is considered high and sufficient for the study. From the responses 53.0% were male, while 47.0% were female. Furthermore, 46.9% who were the majority of the respondents were degree holders, followed by masters' holders at 31.6%, diploma holders at 17.3% and the least at 4.1% were doctoral holders. Majority of the respondents were aged between 30-39 years (44.9%), 40-49 years (37.2%), 50-59 years (10.7%), 20-29 years (6.1%) and above 60 years (1.0%). In terms of the current position held in the organization, 73.0% were in senior management (Director/H.O. D) while 27.0% were owners of the business (founder/co-founder/CEO).

In terms of years worked in the firm, 42.9% have worked in the organization for a period of 5-9 years, 10-14 years (23.5%), 0-4 years (18.4%), 15-19 years (12.8%) and above 20 years (2.6%). Moreover, 93.8% indicated that their company has been in existence for more than 4 years and only 6.2% had been in existence for less than 4 years. There was sufficient representation of the SMEs under the fourteen manufacturing categories. With regard to out who contributes to the creation of the business strategic plan for the organization, 44.9% indicated top-level management, owners of the business (34.2%), middle-level management (17.9%), and entry-level management (3.1%). Lastly, 58.0% indicated that their company is a limited company, 23.0% indicated it is a sole proprietor company and 19.0% indicated the company is registered as a partnership.

Descriptive Statistics for Strategic Formulation

Mean and Standard Deviation for Mission

The analysis in table 1 indicate high variability of the respondents regarding how mission influences performance of Small and Medium Manufacturing Enterprises in Kenya. The average mean was 4.19 with standard deviation of .697.

Table 1:

Descriptive Statistics Results for Mission

	N	Mean	Std. Deviation
The organization has a clearly defined mission statement	195	4.31	.599
The mission statement clearly expresses the unique purpose of the company's existence	196	4.26	.589
The business owner/manager involves employees in the formulation of the organization's mission	196	3.93	.920
The mission statement clearly describes who the company's customers are in the organization	196	4.14	.802
The business owner/manager reviews the mission statement often	196	4.15	.733
The business owner/manager's responsibility is to develop the organization's mission statement	196	4.18	.654
The mission statement includes the values and beliefs of how the organization carries out its business activities	196	4.35	.566
The mission statement includes the values and beliefs of how the organization treats its employees	196	4.20	.713
Average	196	4.19	.697

Mean and Standard Deviation for Vision

In terms of how vision influences performance, the average mean was 4.12 with standard deviation of .832. the results are summarized in Table 2.

Table 2:

Descriptive Statistics Results for Vision

	N	Mean	Std. Deviation
The organizational vision provides a clear view of what the company wants to achieve for its customers	196	4.26	.663
Employees are involved in the formation of the company's vision, mission, strategies and policies	196	3.98	1.072
The business owner/manager frequently revises the organizational objectives to Align with the rapidly changing environment and then communicates the same to the employees in a timely and frequent manner	196	4.13	.760
Average	196	4.12	.832

Mean and Standard Deviation for Goals

With regards to how goals influences performance, the average mean was 4.12 with standard deviation of .789. the results are summarized in Table 3.

Table 3:

Descriptive Statistics Results for Goals

	N	Mean	Std. Deviation
The organizational goals are formulated in line with the company's mission statements	196	4.19	.656
The business owner/manager involves employees in the formulation of the organization's goals	196	3.96	.949
The business owner/manager frequently revises the organizational goals to align with the rapidly changing environment	196	4.20	.762
Average	196	4.12	.789

Mean and Standard Deviation for Policies

In terms of how policies influences performance, the average mean was 4.12 with standard deviation of .761. the results are summarized in Table 4.

Table 4:

Descriptive Statistics Results for Policies

	N	Mean	Std. Deviation
The policies formulated in the organization, assist employees in taking actions and making decisions that support the organization's mission, objectives, and strategies	196	4.00	.877
The policies of the organization provide a clear guidance to managers throughout the organization	196	4.23	.674
The implementation of strategies within an organization is enhanced by the consistent improvement of policies and programs	196	4.12	.731
Average	196	4.12	.761

Factor Analysis

The adequacy and suitability of the sample for factor analysis was checked using the KaiserMeyer-Olkin (KMO) measure. Based on the analysis, the KMO had a value of 0.879 while Bartlett's Test of sphericity was X^2 (91, N=196) = 1496.605, p=0.000 ≤ 0.05. Since KMO value is high and Bartlett's test provides a statistically significant value ($p \leq 0.05$), the results reveal that factor analysis is appropriate for variables for Strategic Formulation.

Table 5:

KMO and Bartlett's Test for Strategic Formulation

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.879
Bartlett's Test of Sphericity	Approx. Chi-Square	1496.605
	Df	91
	Sig.	.000

Furthermore, for Strategic Formulation, the contribution of the four variables namely: mission, vision, goals, and policies were explained by investigating their total variance. Factor analysis extracted variances into a common score, each having its associated quality score, eigenvalue. The findings revealed that the first factor accounts for 48.574% of the variance in Strategic Formulation, while the second factor accounts for 9.284% of the variance in Strategic Formulation. The third factor accounts for 6.757% of the variance in Strategic Formulation while the fourth factor accounts for 5.768% of the variance in Strategic Formulation

Based on the analysis in Table 6, 4 components were extracted with a factor loading of >0.4 for each question. The highest factor loading was 0.861 and the lowest factor loading was 0.414. This shows that the questions loading on the four components of the Strategic Formulation were strong. This means that the first factor comprised of five items, the second factor comprised of five items, the third factor comprised of three items and the fourth factor comprised of one item. The table below provides the various items and their factor loadings.

Table 6:

Rotated Component Matrix for Strategic Formulation

Rotated Component Matrix[a]				
	Component			
	1	2	3	4
The business owner/manager involves employees in the formulation of the organization's mission	.861			
The business owner/manager involves employees in the formulation of the organization's goals	.717			
Employees are involved in the formation of the company's vision, mission, strategies and policies	.716			
The mission statement clearly describes who the company's customers are in the organization	.666			
The mission statement includes the values and beliefs of how the organization treats its employees	.594			.
The organizational goals are formulated in line with the company's mission statements		.795		
The business owner/manager frequently revises the organizational goals to align with the rapid changing environment		.692		
The business owner/manager frequently revises the organizational objectives to align with the rapid changing environment and then communicates the same to the employees in a timely and frequent manner		.575		
The business owner/manager's responsibility is to develop the organization's mission statement		.486		
The business owner/manager reviews the mission statement often		.484		
The organization has a clearly defined mission statement			.818	
The mission statement clearly expresses the unique purpose of the company's existence			.721	

The organizational vision provides a clear view of what the company wants to achieve for its customers	.455
The mission statement includes the values and beliefs of how the organization carries out its business activities	.806

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in twelve iterations.

Correlation Analysis

As shown in table 7, the relationship between the two was statistically significant; r (195) = .465, p<.05. This shows that strategic formulation and the performance of Small and Medium Manufacturing Enterprises in Kenya were positively and significantly correlated.

Table 7:

Correlation between Strategic formulation and Performance

Proxy	Coefficient (r)	P-Value
Strategic formulation	0.465	0.000

Assumptions for Regression

Normality Tests for Strategic Formulation

The normality tests were done using Kolmogorov-Smirnov (K-S) and Shapiro-Wilk (S-W) tests. Table 8 depicts that both tests had p >0.05 values, thus the study concluded that the data on the study variable (Strategic Formulation) was normally distributed.

Table 8:

Normality Tests for Strategic Formulation

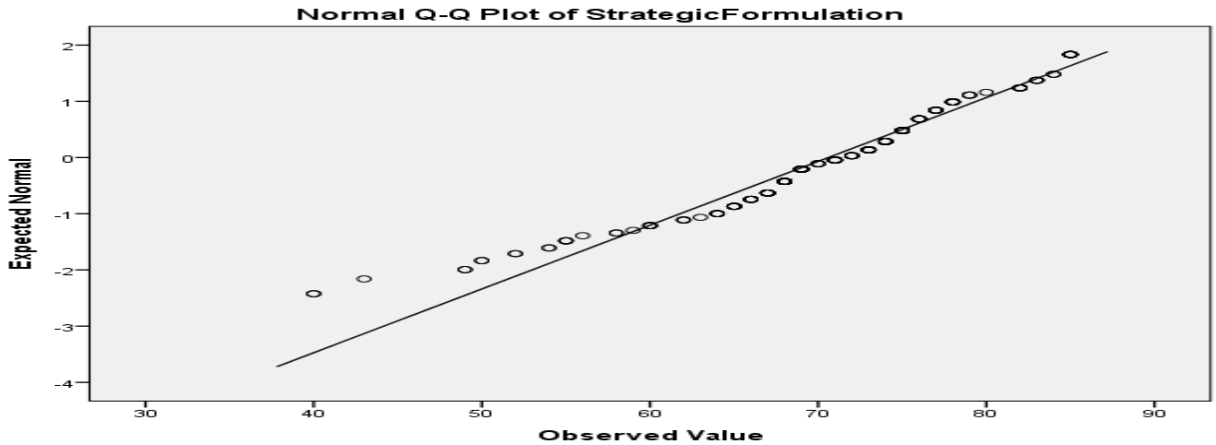
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Strategic Formulation	.100	194	.125	.948	194	.255

a. Lilliefors Significance Correction

Further, QQ plots were used to determine the normality of the independent variables. Figure 1 indicates that the data is normally distributed.

Figure 1:

Normal Q-Q Plot for Strategic Formulation



Multi-collinearity Tests for Strategic Formulation

Multicollinearity test for Strategic Formulation and performance was conducted using the Variance Inflation Factor (VIF). If the VIF lies between 1 and 10, there is an assumption that there is no multicollinearity (Garson, 2012). Since the VIF factor value is 2.279, the study findings reveal no existence of a Multicollinearity problem in the variables testing the relationship between Strategic Formulation and performance of small and medium manufacturing enterprises. The results are presented in Table 9

Table 9:

Multi-collinearity Tests for Strategic Formulation

		Collinearity Statistics	
		Tolerance	VIF
1	Strategic Formulation	0.439	2.279

Linearity Tests for Strategic Formulation

Linearity is the association between the variables whereby the values of the dependent variable are a straight-line function of the independent variable (Hair et al., 2013). It helps to show whether the relationship between Strategic Formulation and performance was linear or not. The results in Table 10 shows that the deviation from linearity was not significant given p = .200 which was greater than 0.05. This meant that a linear relationship existed between Strategic Formulation and performance of small and medium manufacturing enterprises in Kenya.

Table 10:

Linearity Tests for Strategic Formulation

			Sum of Squares	df	Mean Square	F	Sig.
Performance * Strategic Formulation	Between Groups	(Combined)	3758.039	33	113.880	7.326	.000
		Linearity	1352.416	1	1352.416	86.999	.000
		Deviation from Linearity	2405.624	32	75.176	4.836	.200
	Within Groups		2502.761	161	15.545		
	Total		6260.800	194			

Homoscedasticity Tests for Strategic Formulation

The test for homoscedasticity was carried out to determine if the data was equally scattered from the center, therefore implying that the variances of the data from the mean were equal (Hair et al., 2013). The results in Table 11 indicate that for Strategic Formulation, the values for the Levene Statistic, F (28, 161) = 3.221, p = 0.205, p>0.05. This reveals that the dimensions of Strategic Formulation were homogeneous.

Table 11:
Homoscedasticity Tests for Strategic Formulation

	Levene Statistic	df1	df2	Sig.
Strategic Formulation	3.221	28	161	.205

Regression Analysis

The hypothesis for the study was:

H_{01}: There is no significant influence of Strategic formulation on the Performance of Small and Medium Manufacturing Enterprises in Kenya

Table 12 shows that the adjusted R-square (R^2) was .261 which shows 26.1% of the changes on the performance of Small and Medium Manufacturing Enterprises in Kenya were explained by strategic formulation as one of the strategic management processes. This means that 73.9% of the variability in performance is explained by variables not included in this study.

Table 12:
Model Summary of Strategic formulation and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.511[a]	.261	.246	4.93336

a. Predictors: (Constant), Strategic formulation

Table 13 reveals that the regression ANOVA for strategic formulation was significant F (4,190) = 16.811, p = .000 < .05 which shows the linear regression model was suitable to test for the relationship between strategic formulation and performance.

Table 13:
ANOVA table of Strategic formulation and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1636.565	4	409.141	16.811	.000[b]
	Residual	4624.235	190	24.338		
	Total	6260.800	194			

a. Dependent Variable: Performance
b. Predictors: (Constant), Strategic formulation

The results of the regression coefficient for strategic formulation presented in table 14 found that strategic formulation had a coefficient β = .300, t =7.292, p = .000 which is less than the set by the study of p<.05. Therefore, the study rejected the null hypothesis and concluded that statistically strategic formulation significantly influences performance of Small and Medium Manufacturing Enterprises in Kenya.

Table 14:

Coefficient table of Strategic formulation and Performance

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	44.199	2.930		15.087	.000
	Strategic Formulation	.300	.041	.465	7.292	.000

a. Dependent Variable: Performance

The findings of the study derive a linear regression model for strategic formulation and performance as follows:

$$y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where: Y = Dependent variable (Performance), β_0 = Constant term, X_1 = Strategic formulation, ε = Error term (standard error).

The model therefore becomes:

$$y = 44.199 + .300X_1$$

This model implies that every unit increase in strategic formulation leads to an increase of 0.300 in performance in Small and Medium Manufacturing Enterprises in Kenya.

IV. DISCUSSION

The study sought to determine the influence of strategic formulation on the performance of Small and Medium Manufacturing Enterprises in Kenya. In this study, the variable of strategic formulation was studied using the sub-constructs of mission, vision, goals and policies. The results of the correlation analysis revealed that strategic formulation and the performance of Small and Medium Manufacturing Enterprises in Kenya were positively and significantly correlated. The study findings revealed that positive and significant association between strategic formulation significantly influences the performance of Small and Medium Manufacturing Enterprises in Kenya. This finding was validated by Bakar et al. (2018) and Gichunge (2020) who examined the influences of formulation strategies on organizational operation. These results are similar to the findings of Nyamwanza (2016) who examined the impact of strategic formulation on organizational performance and survival of SMEs and indicated that strategy formulation planning enhances better SMEs, thus increasing the survival of SMEs. In addition, the findings agree with Maina, Munga and Njeru (2020) who found that strategic formulation has an impact on performance of state corporations in Kenya while Owich, Katuse and Ngari (2018) revealed that organizational performance was positively and significantly correlated with strategy formulation and that there was a significant mean difference between organizational performance and strategy formulation. Furthermore, these findings are in line Kumar (2021) who found that strategic formulation has a positive and significant impact on performance of pharmaceutical companies in India, while Ahmed and Chowdhury (2019) concluded that strategic formulation was statistically substantial in the SMEs' performance in Bangladesh. Similarly, Gunasekaran et al. (2020), Ashim (2018) and Adeleke et al. (2020) found that strategy formulation influences performance of organizations and their operations.

The study findings also revealed that strategic formulation is influenced by mission. The findings disagree with Chijioke, Vu and Olatunji (2018) who found that the strategy formulation variable company mission negatively impacted the strategic performance of the mobile telecommunication firms in Nigeria. According to Forbes and Seena (2016), a mission statement is crucial as it motivates the employees promotes employee commitment and guides decision-making. The findings further revealed that the vision of a firm affects the strategic formulation, thus, besides mission statements, the vision statement is key in strategic planning process since it provides clarity on what the business wants to be. These findings are in line with Chijioke, Vu and Olatunji (2018), study findings agreed and projected that strategic formulation variables vision and long-term objectives significantly influenced performance of mobile telecommunication firms in Nigeria. Furthermore, the findings showed that the goals of a firm form an integral part of strategic formulation and these findings are in line with Liu (2021) who argues that goals and objectives are vital to an organization's success because they provide direction, aid in evaluation, create organizational synergy, reveal priorities, allow coordination and better communication and are essential for the successful management of organizations.

V. CONCLUSION

The main objective of the study was to determine the influence of strategic formulation on the performance of Small and Medium Manufacturing Enterprises in Kenya. The results of the regression analysis indicated that the overall formulation of strategies aids in improvement of the company's performance. This implies that the procedure by which a company develops its vision, mission, goals and finally policies create and selects a long-term strategic objective to accomplish its defined goals has a positive impact on the organizational performance. The study concluded that that all four variables of strategic formulation, collectively influence the performance of Small and Medium Manufacturing Enterprises in Kenya. Therefore, the study rejected the null hypothesis of the study and concluded that Strategic Formulation significantly influences the performance of Small and Medium Manufacturing Enterprises in Kenya ($p = 0.000$).

VI. RECOMMENDATIONS

The study found that strategic formulation significantly influences the performance of Small and Medium Manufacturing Enterprises in Kenya. Based on these findings, the study recommends that the management should also review the mission, vision, goals and policies of the firms frequently and accordingly as it helps in performance improvement. Furthermore, the firms should create a conducive environment for effective strategy formulation such as ensuring that all the stakeholders are involved in the formulation of the strategies.

The study examined the influence of the strategic formulation on the performance of Small and Medium Manufacturing Enterprises in Kenya. The study recommends an extension of the study to SMEs in other sectors to better understand the influence of the strategic formulation and provide a generalization of the findings across SMEs. Secondly, this study focused on perceptual measures to measure business performance. Future research could use financial measures of performance such as Return on Investments (ROI), Net Profit Margin and Return on Equity (ROE) thus providing rich and valid results.

VII. REFERENCES

Adeleke, Y., Adeniyi, W., & Babatunde, A. (2020). Strategic Management Practice and Corporate performance of Selected Small Business Enterprises in Lagos Metropolis. In *International Journal of Business and Management, 5*(1), 23-45.

Ahmed, A. S., & Mukhongo, A. (2017). Role of Strategic Management Practices in Organizational performance of Customs Department in Mogadishu, Somalia. *The Strategic Journal of Business & Change Management*, *9*, 1201–1211.

Ahmed, K., & Chowdhury, T. A. (2019). Performance evaluation of SMEs of Bangladesh. *International journal of Business and Management*, *4*(7), 126-133.

Aldhaheri, F., Ameen, A., & Osama, I. (2020). The Influence of Strategy Formulation (Vision, Mission, and Goals) on the Organizational Operations. *Journal of Critical Reviews*, *7*(17), 1-9.

Andrew, K. (1987). *The Concept of Corporate Strategy.* Homewood IL: Dow Jones-Irwin.

Ashim, S. (2018). Effects of Leaders Alignment on Strategy Implementation. *Journal of Leadership quarterly 2*(1), 104-113.

Auka, D. O., & Langat, J. C. (2016). Effects of strategic planning on performance of medium sized enterprises in Nakuru town. *International Review of Management and Business Research, 51(*23), 234-259.

B. O., Ouma, C., & Mosoti, Z. (2018). The effect of mission and vision on organizational Performance within private universities in Kenya. *European Journal of Educational Sciences*, *05*(02), 7-19.

Bakar, A. H. A., Asim Tufail, M., Yusof, M. N., & Virgiyanti, W. (2018). Implementation of Strategic Management Practices in the Malaysian Construction Industry. *Journal of Management, 3*(1), 1-11.

Bartkus, B., Glassman, M., & McAfee, B. (2018). Mission Statement Quality and Financial Performance. *European Management Journal, 24*(9), 86-94.

Chijioke, N., Vu, H. M., & Olatunji, F. (2018). Influence of strategy formulation drivers on strategic performance. *Ekonomicko-manazerske spektrum*, *11*(2), 15-25.

Conz, E., Denicolai, S., & Zucchella, A. (2017). The resilience strategies of SMEs in mature clusters. *Journal of Enterprising Communities: People and Places in the Global Economy, 11*(9), 186-210.

Damke, E., Gimenez, F., & Damke, J. (2018). Strategic configurations and performance: a study in micro and small business retailers. *RAUSP Management Journal, 53*(11), 11-22.

David, F.R., & David, F.R. (2016*). Strategic Management: A Competitive Advantage Approach, Concepts and Cases*. Malaysia: Pearson

Erkan, I. (2016). Electronic Word of Mouth on Instagram: Customers' Engagements with Brands in Different Sectors. *International Journal of Management, Accounting and Economics, 2*(12), 1435–1444.

Forbes, D. J., & Seena, S. (2016). The value of a mission statement in an association of not-for-profit hospitals. *International Journal of Healthcare Quality Assurance, 19*(5), 409-419.

Garson, J. (2012). Function, Selection, and Construction in the Brain. *Synthese, 189*(9), 451-481.

Gichunge, E. M. (2020). *The effect of formal strategic management on organizational performance: a study of selected medium sized manufacturing enterprises in Nairobi, Kenya.* (Unpublished MBA project), Kenyatta University.

Gunasekaran, A., Marri, H. B., McGaughey, R. E., & Nebhwani, M. D. (2020). Ecommerce and its impact on operations management. *International Journal of Production Economics, 75*(1-2), 185-197.

Hair, J.F., Black, W.C., Babin, B.J. and Anderson, R.E. (2013). *Multivariate Data Analysis. (7th* Edn.). Pearson Education, Upper Saddle River.

Katsanos, K. (2019). Critiquing strategic management. *Strategic Management Journal, 10(*2), 189-197.

Kenya Association of Manufacturers (2022). Kenya manufacturers and exporters online directory. Retrieved February 7, 2022, from https://directory.kam.co.ke/

Kenya Association of Manufacturers (2023). *How manufacturing can contribute 20% to the GDP by 2030.* Accessed on 7th March 2023 from https://kam.co.ke/how-manufacturing-can-contribute-20-to-the-gdp-by-2030/#:~:text=This%20a%20plan%20to%20increase,implemented%2C%20shall%20transform%20our%20economy.

Kenya Economic Survey (2022). *2022 Economic Survey.* Accessed on 7th March 2023 from https://www.knbs.or.ke/wp-content/uploads/2022/05/2022-Economic-Survey1.pdf

Kumar, B., S. (2021). Effect of Strategic Management Practices on performance of pharmaceutical companies in India. *Journal of Strategic management 5*(3), 44-54.

Langat, M.K., & Wainaina, L. (2019). Strategic management practices and organization performance of deposit taking saccos in Kericho County. *Journal of Strategic Management, 1*(1), 1-12.

Liu, B. (2021). Relationship between strategic orientation and organizational performance in Born Global: A critical review. *International Journal of Business Management. 6*(3), 20-43.

Maina, P. N., Munga, J., & Njeru, E. (2020). Influence of strategy formulation on performance of state corporations in Kenya. *The Strategic Journal of Business & Change Management, 7*(2), 623 – 647.

Majama, N. S., & Magang, T. I. (2017). Strategic planning in small and medium enterprises (SMEs): A case study of Botswana SMEs. *Journal of Management and Strategy*, *8*(1), 74.

Makanga, R.O. (2017). Influence of strategic management practices on performance of Kenya Power and Lighting Company Ltd, Nairobi County, Kenya. *Strategic Journal of Business & Change Management, 4(*1), 1-11.

Mashingaidze, M., Phiri, M. A., & Bomani, M. (2021). Strategy formulation amongst small and medium manufacturing enterprises: An emerging market case study. Journal of Governance & Regulation, 10(1), 158-166

Mattheeusen, S. & Spontak. T. (2018). Strategic Planning in Small and Medium Enterprises in Sweden. *MGTN59 Management-Degree Project,* 5-15.

Melo, F.M.S., Sproesser, R.L., Silva, W.L. & Souza, R. (2018). Business strategy and environmental practices: Evidence in the sugarcane energy sector in Brazil. *African Journal of Business Management*, *12*(2), 44–57.

Nyamwanza, T. (2016). Strategy implementation for survival and growth among small to medium-sized enterprises (SMES) in Zimbabwe. *Journal of Organizational Leadership, 5*(1), 19-29.

Okwemba, J., A., & Njuguna, N. (2021). Effect of Environmental Scanning on performance of Chemelil Sugar Company in Kisumu County, Kenya. *Journal of Strategic Management, 5*(4), 57-69

Ologbo, A. C., Oluwatosin, O. S., & Okyere-Kwakye, E. (2019). Strategic Management Theories and the Linkage with Firm Competitive Advantage from the Human Resource-Based View. *International Journal of Research in Management & Technology, 2*(4), 366–376.

Owich, S., Katuse, P., & Ngari, J. (2018). The Influence of Strategy Formulation on Organizational performance of Companies Listed at Nairobi Securities Exchange. *International Journal of Novel Research in Marketing Management and Economics, 5*(2), 33-49.

Owolabi, S. A., & Makinde, O. C. (2018). The Effects of Strategic Planning on Corporate Performance in University Education: A Study of Babcock University. Kuwait Chapter of Arabian *Journal of Business and Management Review, 2*(1), 27-44.

Pasha O., Poister T. H. (2017). Exploring the change in strategy formulation and performance measurement practices under turbulence. *Public Performance & Management Review*, 40(9), 504-528.

Republic of Kenya (2012). *The MSE Act 2012*. Nairobi. Government Printer.

Santura, A., Muema, W., & Nkaabu, C. (2017). Relationship between strategy formulation and performance of public organization in Isiolo County Government. *European Journal of Economic and Financial Research, 2(*3) 206-217.

Shomali, M., & Peeples, M. (2018). Implementation strategy for a digital health tool influences user engagement. *Diabetes*, *67*(Supplement_1). doi:10.2337/db18-1320-p

Simba, A., & Nyandoro, Z. (2016). Strategic management in retail pharmacy: The case of Zimbabwean companies. *African Journal of Business Management, 10*(9), 233-244.

Statista (2022). *GDP growth of the manufacturing sector in Kenya 2019-2022.* Accessed on 7th March 2023 from https://www.statista.com/statistics/1168103/gdp-growth-of-the-manufacturing-sector-in-kenya/

Stevenson, M. (2021). Strategic Formulation. *Journal of Business Venturing, 34*(8), 242-260.

Valčić, B., & Bagarić, L. (2017). Return on strategic effectiveness – the need for synchronizing growth and development strategies in the hotel industry using revenue management. *Economic Research-Ekonomska Istraživanja, 30*(1), 1631-1654.

Wanjohi, J., Githuku, S., & Wambua, J. (2018). *Manufacturing in Kenya under the 'Big 4 agenda': A sector deep-dive report*. Retrieved from Kenya Association of Manufacturers website: https://kam.co.ke/kam/wp-content/uploads/2018/10/KAM-Manufacturing-Deep-Dive-Report-2018.pdf

Wheelen, T. L., & Hunger, J. D. (2012). *Strategic management and business policy: Toward global sustainability*. Prentice Hall.

Williams, R., Manley, S. C., Aaron, J. R., & Daniel, F. (2018a). The relationship between a comprehensive strategic approach and small business performance. *Journal of Small Business Strategy, 28*(2), 33–48.

Williams, R., Manley, S. C., Aaron, J. R., & Daniel, F. (2018b). The interactive effects of entrepreneurial orientation and a comprehensive strategic approach on small business firm performance. *American Journal of Entrepreneurship, 11*(2), 52–81.

Williams, R. I., Smith, A., Aaron, J. R., Manley, S. C., & McDowell, W. C. (2020). Small business strategic management practices and performance: A configurational approach. *Economic Research-Ekonomska Istraživanja*, *33*(1), 2378-2396.

Willy, M. (2019). *Influence of the strategic management practices on performance of Floriculture Firms in Kenya.* Unpublished Masters' thesis, Kenyatta University.