

## STRATEGIC MANAGEMENT PRACTICES, LEARNING ORIENTATION AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KENYA

BY

Alton Kipchoge Kogo<sup>1</sup>, Dr. Rahab Lanoi<sup>2</sup>*The Catholic University of Eastern Africa*

### ABSTRACT

This research paper examines strategic management practices, performance and learning orientation of the Small and Medium Enterprises (SMEs) in Kenya. The main research questions of the study were to evaluate how strategic management practices influence SME performance, whether learning orientation is a mediating factor and what challenges SMEs in Kenya. The study was headed by three key theories namely, the Resource-Based View (RBV), Contingency Theory and the Organizational Learning Theory. The most relevant form of a literature review was a qualitative narrative review that needed to be conducted to integrate the findings of the studies conducted on the subject matter over the last ten years and reported in peer-reviewed journals, academic dissertations, and sector reports and company reports published since 2014 and 2025. The thematic analysis approach was used to identify the patterns and gaps between the literature and the strategic management practices, learning orientation and the performance of SMEs. The authors found that SME activities can enhance their operation to an agreeable level through enhanced decision making, resource allocation and positioning in the market by adopting strategic management practices. The learning orientation was discovered to be a significant mediator which helps SMEs to improve the effectiveness of their strategic management practice leading to innovation and adaptability to changes in the market environment. In Kenya, SMEs are however known to be suffering due to several challenges which include inaccessibility of financial resources, incompetence of managerial skills and external factors like political instability. These barriers block the capacity of SMEs to adopt effective strategic management and to maximize on learning orientation. Finally, the paper also notes importance with regards to strategic management practices and learning orientation as far as improvement of performance of SMEs in Kenya is concerned. It means that strategic management practices with an industry focus, role of government policies in the development of SMEs, and effects of learning orientation on the success of the business in long-run should be studied. The research also identifies the necessity of intervention programs to address the problems that the SMEs are currently enduring especially regarding access to finances and skill development of managers in order to have a sustainable competitive SME sector in Kenya.

**Keywords:** - Strategic Management Practices, Learning Orientation, Performance of Small And Medium Enterprises, Kenya

### INTRODUCTION

Strategic management practice is important and the success and sustainability of the Small and Medium Enterprises (SMEs) requires strategic management

practice. These practices bring with them an embodiment of practices that lead firms to set objectives, analyze resources and conduct businesses in market settings aiming to improve their performance

(Meekaewkunchorn et al., 2021). The practices of strategic management are directly connected with the performance of the organization, and the strategies directed at its efficiency preservation, innovativeness, and becoming a competitive force in the marketplace are achieved (Beneke et al., 2016). Positive strategic management structure means that SMEs are able to adapt their operation to the dynamic business environment that is especially important in the emerging economies such as Kenya where business environment is turning out to be volatility competitive (Omsa et al., 2017). In this regard, SMEs that embrace good strategic management behaviours are likely to be financially better, to grow and become stronger.

Among the factors that have been identified to influence the performance of SMEs is learning orientation, which emphasizes lifelong learning, flexibility, and knowledge building conditions in the company (Arshad et al., 2020). The learning orientation is a mediating variable that provides a favorable background to the introduction of new information, innovativeness, and the optimization of strategic decisions (Haryanto et al., 2017). Here, the SMEs are in a position to hone their management management practices and they are hence in a position to improve their performance.

Globally based research has concluded that those SMEs that have a high learning orientation are better placed to adapt to the situations that arise and to exploit the opportunities that come along with it therefore resulting in the improvement of organizational performance (Akomea et al., 2023). There is the close interrelation of the strategic management practice, the learning orientation, and the firm performance, which displays the necessity to learn about the interaction of the variables in reference to the SMEs in Kenya (Arshad et al., 2020).

African-wise we have established that strategic management practices positively impact SMEs performance. To give an example, the study done in South Africa has found that market orientation and learning orientation play an important role in development and performance of SMEs (Beneke et al., 2016). In a similar manner, the case analysis of Nigeria and Ghana indicates that planning, market analysis, and strategy allocation are strategic management practices that predetermine SMEs success in those two

countries (Ekon and Isayas, 2022; Addae-Korankye and Aryee, 2021). But with all the seemingly high significance of such practices, SMEs in Kenya are struggling with a cacophony of problems, some which include lack of resources, managerial skills, as well as external market problems. These are drawbacks that hinder their implementation of good strategic management practices that as a result, exert an overall impact on performance (Mumbe&Njuguna, 2019). With these kind of challenges, it is understandable that a learning orientation can provide Kenyan SMEs with the mechanisms through which they can develop and be innovative to some level mitigating part of the challenges that they face in an effort to enhance performance.

The implementation of strategic management practices that are in line with global best practices is one issue that is certain to confront SMEs in Kenya. Poor infrastructure, high operation, and accessibility to funding make it difficult to incorporate effective strategies in their entirety by SMEs (Gure and Karugu, 2018). Moreover, the lack of skilled human capital and the lack of firm learning orientation among most SMEs also contribute to these challenges. The orientation, which is aimed at constant improvement in the development of the skills and knowledge, is not fully utilized in most of the Kenyan SMEs, therefore, they do not improve their strategic management practices and performance. As a result, the entrepreneurial activities in Kenya tend to do worse than in the rest of the world, which is why the specific problem of the need to investigate the opportunities of learning orientation as a means of bridging the gap between the strategic management practices and the performance of firms emerges (Arshad et al., 2020).

### **Statement of the Problem**

Learning orientation is a structural and cultural commitment of companies to the endless learning and dissemination of knowledge and its use in the adaptive improvement. Argyris and Schoen (1978) concluded that organizations that facilitate learning of doubles loops that do not simply question acts but the assumptions made about acts are better placed to innovate and develop as a dynamic environment. This makes learning orientation a strategic asset that assists

organizations to remain current and competitive (Arshad et al., 2020).

Basic learning orientation encourages the development of a mindset where difficulty is viewed as an opportunity to learn rather than a danger. Argyris adds that the organizations which form the setting favoring inquiry, feedback and experimenting have higher chances to be more resilient and flexible (Argyris, 1991). Haryanto et al. (2017) also signal the fact, that the learning orientation directly refers to the performance of innovation because this orientation facilitates the exchange of knowledge, the generation and application of ideas in various functional fields. This engagement strengthens the capacity of firms to introduce new products, services and processes.

SMEs are particularly dependent on learning orientation due to the lack of resources and exposure to uncertainty. Beneke et al. (2016) claim that it is through the assistance of such culture of learning that such firms are more successful in making decisions because it is also better equipped to anticipate market shifts and to leverage new technologies. Conceptually, the formulation of learning orientation as construct captures the behavior and cultural orientation that drives the organizations into a permanent condition of advancement, adaptability, and capacity to be innovative-a fact that is crucial in guaranteeing business competitiveness on the long term foundation.

### **Performance of Firms**

Firm performance is a multidimensional construct that is not solely limited to financial measures. Akomea et al. (2023) insist that the performance of firms is sustainably interrelated with both entrepreneurial orientation and strategic sustainability practices, which is a condition to counterbalance the short-term deliverables with long-term sustainability. This broad perspective justifies the significance of performance as both an outcome and a sustained dynamic of strategic alignment.

Meekaewkunchorn et al. (2021) established that businesses that have integrated strategic and learning based plans are more productive and innovative, which ultimately leads to competitiveness. Such integration will help the firms exploit their internal capabilities as well as being sensitive to the dynamics of the environment. The effectiveness of ways in which firms

can create value can be regarded as a reflection of how well an organization can implement its strategies and learning culture (Arshad et al., 2020).

Furthermore, introducing such constructs together is extremely beneficial to SMEs, in particular, as they must cope with such unique problems as resource shortages and market ambiguity. The SMEs can not only become efficient in their operations with the application of strategic management practices, but also enhance their innovation performance with the application of the learning mindset. The firm performance is an integrated measure by definition, hence sums up the outcomes of the managerial decision, organizational learning and adaptability and as such, is one of the primary metrics of sustainability and competitiveness in dynamic markets (Omsa et al., 2017).

### **Research Problem**

The performance of Small and Medium Enterprises (SMEs) has been demonstrated to be of great significance in every section of the globe, despite the fact that it has been recorded to be one of the key job creators, innovators, and economically enabling markets (Arshad et al., 2020). It is commonly the unavailability of financial means, managerial capabilities, and institutional inefficiency that impedes the success of good strategic frameworks (Mumbe&Njuguna, 2019). This is further compounded by the fact that little attention to the learning orientation among most SMEs inhibits their responsiveness, creativity and adaptability to the changing business environment (Beneke et al., 2016). Learning orientation has been observed to enhance adaptability and innovation, which is defined as the ability and willingness of the firms to acquire, disperse and apply the new information (Argyris and Schoen, 1978; Arshad et al., 2020). However, the world has a high number of SMEs with low learning orientation cultures resulting in stagnation and inability to adequately react to change in the market and inability to exploit opportunities to be better. Firms with ineffective learning orientation are unaware of how to translate market knowledge into strategic plans and, therefore, suppress the effectiveness of their strategic management processes (Haryanto et al., 2017). Such adaptation, based on ignorance, compromises their

competitiveness and their sustainability in performance.

Although there is available literature that investigates the impact of strategic management practices on SME performance across regions, a gap remains between the two studies indicating the mediating role of learning orientation in the relationship (Meekaewkunchorn et al., 2021; Akomea et al., 2023). The articles conducted in such regions as South Africa, Indonesia, and Europe indicate that learning orientation contributes significantly to the final performance results of the strategic practices (Beneke et al., 2016; Omsa et al., 2017). The outcomes in other environments, however, are quite fragmentary and their generalizability to other environments is not entirely definite due to a diverse institutional, cultural, and market context. This coherent evidence limits the ability of policy makers, practitioners and scholars to develop universally applicable measures that strengthen SME performance. It seems that there are many difficulties that occur in SMEs in Kenya that hamper their performance and growth. Most prominently among them are the availability of financial resources and cheap credit, possibly due to various factors, including their inability to provide collateral and imperfect credit record to invest in innovation, technology and growth. Poor managerial and strategic planning and poor other skills such as financial management, marketing and

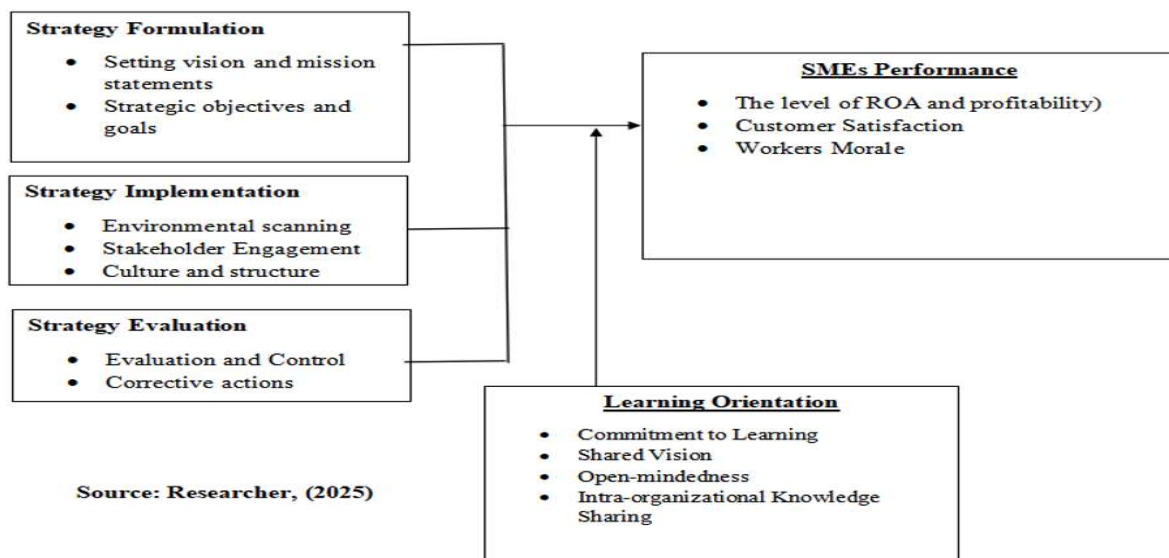
human resource management further diminish their competitiveness. Moreover, the uncertain market condition of economic uncertainties, political uncertainties, and regulatory hinderance are other issues that confront SMEs and are not conducive to long-term strategic planning. Poor infrastructure, inability to access markets, and technological capacity also contribute to the lack of innovation and operational efficiency.

Finally, failure to have an appropriate organizational structure and government supports contributes to such problems and most SMEs are left vulnerable.

In light of these gaps, this paper will attempt to provide a detailed examination of the relationship between strategic management practices, learning orientation and performance of the SMEs, under diverse circumstances. The present research is expected to contribute to the establishment of the conceptual framework and provide a viable consideration of how SMEs can facilitate their competitiveness, improve their decision making, and guarantee sustainable growth, drawing on the mediating effect of learning orientation. It will help the study contribute not only to the existing literature on SME management but also inform the strategies that increase the resilience and innovation of a highly dynamic global business landscape.

### Conceptual Framework

The conceptual framework for this study was as illustrated in Figure 1.



**Figure 1: Conceptual framework****Theoretical Framework**

The research was based on Contingency Theory, Organizational Learning Theory and resource-Based View (RBV). The selection of theories was based on their conceptualizations of the three major study variables i.e. strategic management practices, learning orientation and performance of the SMEs i.e. career growth, hybrid work and organizational support respectively.

**Contingency Theory**

Contingency Theory was proposed by Fred Fiedler (1960) and asserts that there is no optimal method of organizing or leading an organization. The most successful types of management practices and strategies rather than being contingent are based upon contingencies or conditions that the organization is going through (Fiedler, 1964). According to this theory, (all external and internal) conditions like the organizational environment, technology, structure, and resources influence the strategic management practice boundaries that will be the most successful (Gure and Karugu, 2018). It promotes flexibility and adaptability in decision-making, suggesting that the management must synchronize its strategies with the most dominant conditions to reach an optimal performance (Arshad et al., 2020).

The Contingency Theory has the following assumptions: it is believed that the efficiency of a strategic approach to management depends on whether the strategy is matched with environmental variables (Gure&Karugu, 2018). It presumes that no universal approach can be applied to the management and strategy of the organizations, and that circumstances are unique in each case (Woodward, 1965). The theory presupposes that the decision-making process is affected by external processes such as market conditions, competition, and availability of resources. Moreover, it presupposes that successful organizations continuously adapt their strategies to adapt to their internal and external surroundings into a dynamic method of management (Haryanto et al., 2017).

Importantly, although Contingency Theory focuses on flexibility, it has been condemned on being over broad and to some extent vague. There is an argument that it fails to give organizations specific instructions to adapt

to a certain scenario and it fails to offer prescriptive models (Lawrence and Lorsch, 1967). Further, it presupposes the ability of every organization to be able to adapt to external changes and this is not always possible with SMEs having limited resources. However, it can still be useful in the context of the current research since it can be used to describe why strategic management practices within Kenyan SMEs need to be adjusted to address the specific challenges and opportunities they face, such as adopting learning orientation to enhance innovation and performance (Gure&Karugu, 2018).

**Organizational Learning Theory**

Organizational Learning Theory is one such theory, and is articulated by Chris Argyris and Donald Schon during the 1970s, and dedicated to how organisations acquire, generate, and use knowledge to improve their processes and performance (Argyris and Schon, 1978). This theory views organizational learning as the process through which companies use knowledge in a systematic way, adapt behaviors, and refine practices based on the experience and feedback of the past (Gure&Karugu, 2018). It also calls on the importance of information always learning and sharing and developing a culture of learning as a way of making organizations adapt to changing environments to enjoy competitive advantages. Learning orientation, a theoretical statement used in this study is an intervening variable due to the extent to which SMEs in Kenya can utilize learning to drive performance and strategic management (Arshad et al., 2020).

The assumptions of the Organizational Learning Theory comprise the idea that organizations, which advance their learning on a continuous basis, will be capable of augmenting their long-term performance (Haryanto et al., 2017). It also makes the assumptions that knowledge can not only be considered as personal but also as being communal in which everybody within the organization benefits by the shared experience of learning (Argyris, 1991). The theory posits that organizations with a solid learning orientation are highly likely to become innovative as well as environmentally sensitive. It also assumes that organizations must formulate structures, systems, and practices that will facilitate the creation, sharing and



utilization of knowledge to enhance performance and adaptability (Gure and Karugu, 2018).

Notably, the Organizational Learning Theory has received criticism because it relies on formal learning systems and processes that are not applicable in small or informal organizations and SMEs specifically (Hedberg, 1981). In addition, despite the importance of sharing knowledge, there is no need to include all the obstacles that SMEs may face in the development of the learning culture such as the unavailability of resources or mismanagement abilities (Arshad et al., 2020). Despite these criticisms, the theory is also highly applicable in this study as it helps to comprehend how the SMEs in Kenya can improve their performance using the learning orientation that can help in the design of the strategic management practices. Establishing a culture of lifelong learning can assist SME to become more adjustable to the challenges and implement their strategic management practices to provide more positive outcomes (Gure&Karugu, 2018).

### **Resource-Based View (RBV)**

The Resource-Based View (RBV) of the firm is a theory that Formulated by Jay Barney in the early 1990s, which is premised on the fact that competitive advantage of a firm is the firm resources and capabilities (Barney, 1991). RBV goes on to note that to achieve sustainable competitive advantages, organizations must focus on generating and consuming distinctive, precious, rare, and inimitable resources. The theory states that organizations can make use of their successful strategies and improve their performance due to the better resources they have, such as human capital, intellectual property, or organizational culture (Gure and Karugu, 2018). Strategic management practices and learning orientation of the firm in the case of SMEs in Kenya are critical resources that define its competitive position and performance (Haryanto et al., 2017).

The RBV also assumes that resources are the most significant determinants of firm success and not every resources are equal. RBV implies that firms must possess valuable, rare, inimitable and non-substitutable resources in order to achieve competitive advantage

(Barney, 1991). As per the theory, the organizations are expected to be able to develop, protect and exploit these resources to achieve strategic advantage over their competitors. In addition, it emphasizes that the strategic management practices should be designed in such a way that the firm could utilize its distinctive resources to enhance the capabilities and performance. Learning orientation as a resource proves to be a precious tool in situations wherein SMEs employ it to master new skills, to improve the existing processes, and to adapt to the alterations of the market situation (Arshad et al., 2020).

What is more important is that RBV has been attacked because of its focus on internal resources without considering the external elements such as the market dynamics, competition and government policy (Priem and Butler, 2001). In the context of SMEs, the theory assumes that companies can exploit and utilize resources they have effectively and efficiently, which is not always the case particularly in resource-constrained environments like Kenya (Gure & Karugu, 2018). Notwithstanding these criticisms, RBV can be applied extensively in this study since it underscores the necessity of strategic management practice and learning orientation as a resource available to SMEs in Kenya to improve performance. By managing their internal resources properly, SMEs are capable of competing and thriving in a harsh business environment (Haryanto et al., 2017).

### **Literature Review**

Analysis identifies that strategic management processes such as planning, resource allocation and market positioning can enable SMEs to align their goals with the evolving business environment (Gure and Karugu, 2018). Besides, the learning orientation, which revolves around the continuous knowledge and innovation, has been pointed at to mediate the effectiveness of the strategic management practices (Meekaewkunchorn et al., 2021; Arshad et al., 2020).

Whereas practices of strategic management provide a framework of how strategic goals can be achieved and decisions made, learning orientation builds a culture of flexiveness in the organization, which fosters relentless improvement and innovation (Beneke et al., 2016). SMEs get the opportunity of enhancing their competitive advantage since they are able to learn

based on their experiences and their exposure to the market. To illustrate, research has demonstrated that firms with elevated learning orientation are able to respond to market changes and innovate their products leading to better performance (Haryanto et al., 2017). Besides, learning orientation together with strategic management practices will help the SMEs use their resources in a more efficient manner, as it will enable the former to become proactive towards the external challenges and accessible to the opportunities that emerge (Akomea et al., 2023). Such the oreticalization states that learning orientation should be integrated alongside strategic management practises to positively influence improved organizational performance, particularly in the Kenyan SME context.

### **Strategic Management Practices and Performance of SMEs**

It is an aggregation of actions that aim at enabling an organization to define the route in which it is going to move, align its resources with the goals, and adapt to the new environment (Gure & Karugu, 2018). The practice of strategic management has been found to have a positive impact since SMEs that adopt and practice appropriate strategic management practices can better suffer because they can adjust to the forces of the external environment e.g. competition, change in demand in the market and be able to use their resources in a more effective manner (Omsa et al., 2017). These various regions, such as Cape town (Beneke et al., 2016) or Makassar, Indonesia (Omsa et al., 2017) have been studied and lead to the conclusion that strategic management developed will empower the profitability, growth, as well as the competitive advantage of SMEs.

The Kenyan context poses challenges to SMEs such that they cannot implement effective strategic management practices, which encompass access to capital, expertise, and market information (Mumbe & Njuguna, 2019). However, SMEs that focus on building internal capabilities through strategic management practices are better positioned to cope with risks, opportunities, and enhance their performance (Gure & Karugu, 2018). A research example could be found in Nairobi, which could identify that SMEs that applied strategic instruments such as market research and performance analysis

were more effective in their ability to respond to the market dynamics (Gure&Karugu, 2018). This means that strategic management is not only a means of achieving alignment of an organization but also a means of improving performance through making better decisions, innovation and optimization of resources.

However, although the importance of strategic management practices can barely be overestimated, their application by most SMEs is barely possible due to the absence of knowledge and resources (Kapoor, 2024). In strategic management practices, there is need to demonstrate commitment and right combination of leadership, systems, and processes within an organization. In developing economies like Kenya where resources are normally scarce, SMEs in these economies might fail to maximize strategic management practices benefits. The literature claims that the standardization of these practices to fit the specifics of the local environment, such as cultural peculiarities and local economic considerations to spread performance, is imperative (Williams Jr et al., 2020). Thus, this highlights the need to conduct more literature with regards to the nature of strategic management practices that can be tailored to contain the specific problems of SMEs in Kenya.

The assessment of the external and internal environment factors, which impact on the business environment, such as market tendencies and competition, regulatory developments and so on that help SMEs identify opportunities and threats is called environmental scanning (Gure and Karugu, 2018). Next is strategy formulation whereby the SMEs come up with specific and viable strategies which they can implement to achieve long term goals, using the knowledge they have acquired in the scanning phase.

The process of putting the strategy into practice is the implementation of the strategy which was formulated by supplying the resources, putting up structures, and aligning the workforce as well as organizational objectives. Finally, evaluation and control can assist companies in understanding whether the strategies adopted are producing the expected outcomes and hence companies can change and make adjustments in their strategies in response to the changes. These strategic management practices combined together help SMEs to survive to take chances and enhance the

overall performance (Kapoor, 2024). The practices together with the champions of the energy of the SMEs will make it stay competitive and adaptable in a dynamic business environment when properly applied.

### **Learning Orientation Intervening Role in Strategic Management Practices and Performance of SMEs**

This concept, defined as the necessity of a company to acquire, distribute, and utilize knowledge, mediates the following procedures through which it is ensured that organizational practices can result in performance improvements (Meekaewkunchorn et al., 2021). Having high learning orientation is part of the adaptive culture of the organization in which employees are willing to explore new knowledge and innovative solutions which is helping to make the strategic decision effective. It has been discovered that high learning oriented SMEs are better placed to employ strategic management practices as a way of attaining improved adaptability, decision making, and competitive advantage (Arshad et al., 2020; Haryanto et al., 2017).

In new economies like Kenya with a high learning orientation, SMEs will be more likely to succeed, with their disadvantages, which may include limited resources and unstable market circumstances (Akomea et al., 2023). The experience of the past, market response and technological benefits can equip SMEs to learn, and thus can be placed to continually improve their practice of strategic management. As an illustration, the South African research states that SMEs who not only approach learning orientation in the most effectively way possible but also concentrate on learning orientation, are better equipped to become more innovative and effective in using their resources, thus leading to the enhancement of their performance level (Beneke et al., 2016). Learning orientation is therefore a highly significant enabling factor and ensures that the strategic management practices are neither preserved but continuously undergoing improvement as dictated by the dynamic knowledge and market forces.

Moreover, strategic management has also been noted to interact with learning orientation to increase long term sustainability. One of the studies by Haryanto et al. (2017) argues that learning orientation was a

significant mediator, which provided both innovation and market orientation, with a positive influence on performance. This observation underscores the nature of integrating a learning-based approach into the strategic management systems. The game-changer when it comes to SMEs in Kenya is learning orientation because it provides the tools that will allow these organizations to enhance the effectiveness of strategic decisions, keep innovating, and achieve the creation of sustainable competitive advantages (Mumbe & Njuguna, 2019). Consequently, learning culture in SMEs will raise the levels of adaptability of the companies and hence their performance.

The importance of learning orientation to the strategic management-performance association demonstrates the need to make sure that SMEs create a culture of embracing continuous improvement and knowledge. However, despite the discussed strengths, the further development of a successful learning orientation is beyond the capabilities of several SMEs in Kenya due to the limitations caused by training, access to information, and the organizational culture (Akomea et al., 2023). It is on this that a deficiency in the literature particularly on the role of learning orientation as an intervening variable in the relationship between strategic management performance in Kenya. Other studies that can be done later are the incorporation of learning orientation in the SMEs in Kenya.

### **Challenges Facing Performance of Small and Medium Enterprises (SMEs)**

Despite the economic importance of SMEs in Kenya, these companies face numerous threats that affect their operation. The most acute of them is the inadequate access to financial means that constrains their ability to maintain strategic management, perform investment into innovations, or even to sustain their activities (Gure&Karugu, 2018). In Kenya, most SMEs are limited in terms of capital to run their business hence they are struggling to get the appropriate technologies, human and resources needed to enhance the performance. This is an economic limitation and inaccessibility to credit especially where business units do not have collateral which is a tremendous hindrance to growth. Additionally, SMEs in Kenya tend to lack the level of managerial expertise and strategic thinking, which further complicates the challenge of



making sure that they achieve their potential (Mumbe & Njuguna, 2019).

The other greatest challenge to the SMEs in Kenya is the highly volatile and competitive market. The dynamic nature of the economic activities, politics, and regulatory risks make SMEs difficult to predict the market trends and develop long-term strategies (Kapoor, 2024). Such ambiguity normally leads to short time decisions that ignore the adoption of sustainable practices of how strategic issues can be managed. Additionally, in Kenya, technological structures and skilled workforce tend to limit SMEs in terms of innovation or scaly issues. Absence of facilitating environment to innovation discourages the initiatives of the SMEs to adapt to the market shifts and improve performance (Akomea et al., 2023).

The absence of good organizational support structures in SMEs is also an obstacle to performance. The majority of SMEs in Kenya are found in the informal sectors and the business process has not been well-documented and the practices of management are not that effective. It is this impossibility to be formalized that inhibits the implementation of effective strategic management practices of the organization and diminishes the chance of learning and innovation. It is also caused by poor strategic human resource management practices which contribute to low employee engagement and performance. As a result, SMEs cannot build a sustainable competitive advantage and cannot grow and enhance their performance in most instances (Ekon&Isayas, 2022).

The large majority of SMEs have very limited access to cheap funding, typically due to the lack of collateral or credit history, and therefore, can scarcely grow their businesses (Mumbe&Njuguna, 2019). Then there is the problem of limited market access whereby SMEs would not be able to venture or expand to other markets outside the local market unless they have justifications that may include, high barriers to entry, and lack of a distribution channel and a proper marketing mechanism. Such issues are also aggravated by the lack of proper infrastructure like availability of better mode of transport to serve as reliable points of accessing technology, which make the SMEs to operate ineffectively. Lack of knowledge and skills especially in financial management, marketing and strategic planning also inhibits growth and

competitiveness of SMEs. Finally, the question of the speed-up of technological change is also a challenge because SMEs are struggling with the rapidness of technological alterations in digital tools, automation, and online platforms to succeed in the modern economy (Akomea et al., 2023). All these are the problems that inhibit the SMEs to implement the feasible strategies and improve their performance in the competitive Kenyan business environment.

Finally, the external factors such as the accessibility of the markets, poor infrastructure and lack of favourable government policies also contribute to the performance problems of SMEs in Kenya. These restrictions widen the market base of the SMEs, their operation efficiency, and naming of their business. The government aid where it is required is sometimes insufficient or misplaced and most of SMEs are on their own in a competitive and vicious business environment. Research suggests policies aimed at easing financing, improving innovation, and providing technical support as potential remedies to some of these challenges and increase the performance of SMEs (Mumbe&Njuguna, 2019).

### **Empirical Review**

Empirical studies on the topic is illustrated below.

#### **Strategic Management Practices and Performance of SMEs**

Gure and Karugu (2018) conducted a study in a research in Nairobi City county, Kenya, to establish the relation between strategic management practices and performance of small and micro enterprises. The problem of the research was to investigate how strategic level management practices of SMEs in Kenya could be applicable in order to make them improve in their performance. The research design was a quantitative research design with structured questionnaires to ascertain the information about SMEs in the different sectors. It was determined that the strategic management practices such as market analysis, planning and resource allocation to a great extent contributed to the performance of the SME. The outcome of the research proved that the good performance of SMEs was corroborated by the fact that they used formal means of strategic management as opposed to informal and reactive ones. It, however, noted that majority of the SMEs in Kenya attest

obstacles to application of strategic management practice due to finances and incompetence of the management among others.

Conversely, the objective of a research conducted by Omsa et al. (2017) at Makassar, Indonesia, was to establish the impacts of strategic management practices on SME performance. The methodology adopted in the given research was the survey that obtained data on 150 SMEs that operate in various industries. The findings provided that the SMEs which incorporated the idea of strategic planning, competitive positioning and strategic distribution of resources have the capacity to improve their profitability, customer satisfaction and market share. The study has however noted that the dynamic external environment posed a hindrance to strategic management practice of most SMEs in Indonesia which draws an implication that the external environment forms a major determinant of the success of strategic practice. The gap that this research will leave in the body of ethical knowledge is that more studies that are location specific in the sense that the political instability and market volatility impact on SMEs in different areas, notably in Kenya is one that should be empirically carried out.

Similarly, Beneke et al. (2016) conducted a study in Cape Town, South Africa explored the impacts of both market and learning orientation on the performance of SMEs. The review sanctioned the management authority within the firms. However, the research study observed that the issue of poor resources and market penetration was a problem that restrained the ability of SMEs to effectively deploy strategic management practice. The reason as to why additional researches must be conducted in Kenya notably in the capability of SMEs to utilize the existing resources in order to adopt viable strategic management processes is explained in this paper.

Njoroge and Kagira (2017) aimed at learning the influence of strategic management practice on the performance of the SMEs in the Kiambu County, Kenya in a research study. They noted that the management systems assist the firms in achieving value. The study noted that most of the SMEs were informally engaging in strategic practices and they could not track and evaluate their strategies in a systematic manner. The gap identified was the paucity

of studies conducted on the impact of external environmental uncertainties, e.g., policy instabilities.

### **Learning Orientation Intervening Role in Strategic Management Practices and Performance of SMEs**

The impact of learning orientation in South Africa was also discussed by Beneke et al. as an intervening variable between strategic management practices and SME performance (Beneke et al., 2016). The aim of the research was to establish the effect of strategic management practices on performance mediated by learning orientation. The researchers established on a survey based approach that learning orientation was a major determinant of the ability of SMEs to modify their strategic management practices in accordance with the changes in the market to attain improved performance. The researcher however also confirmed that a substantial proportion of the SMEs lacked formal structure of learning making potential benefits of learning orientation hard to realize. The study left an information vacuum in understanding the systematic implementation of the orientation of learning in the strategic management functions particularly in the Kenyan setting, where the learning culture within the SMEs may be infantile.

The other relevant study by Arshad et al. (2020) examined the importance of learning orientation and entrepreneurial orientation on the performance of SMEs in an emerging economy. The researchers who have conducted the study in Pakistan revealed that SMEs that had a high degree of learning orientation enabled by entrepreneurial initiatives were distinguished by high adaptability and positive impact of performance. Other difficulties such as access to training programs and motivations to learn in SMEs was also discovered by the study to be limited and this became a problem with the full utilization of learning orientation. This observation means that future research on how SMEs in Kenya can develop effective learning practices to enhance strategic management and performance needs to be conducted.

Haryanto et al. (2017) identified learning orientation as a mediator variable in the association between market orientation and performance of SMEs in Indonesia. The study which used structural equation modeling method found out that learning orientation was great in influencing the effectiveness of strategic management practices particularly in creating innovations. SMEs

that were open-minded and open to new knowledge and versatility were in a more advantageous position to shift their strategies and alter their performance. The research, however, also established that most of the SMEs lacked an integrated perspective on how they integrated the learning orientation in their daily operations. This void presents a research prospect in Kenya where SMEs tend to face challenges in formalizing learning processes along with integrating them into strategic management practices.

To establish the mediating variables of learning orientation between innovation strategies and the performance of SME, Cheng and Krumwiede (2012) undertook an investigation in Taiwan. In the quantitative study, the methodology was a survey of 200 SMEs to find out that the impact of the innovation-oriented strategic management on the performance of firms played a significant mediating role in promoting constant improvement and flexibility through the lens of learning orientation, which was particularly effective in the promotion of learning orientation. It was emphasized that SMEs with robust learning cultures were in a better position to implement good strategies in changes in technology and markets. However, the identified gap was the lack of studies on how cultural and institutional differences between regions impact the incorporation of learning orientation into strategic management practices, which opens up the prospect of studies on other contexts, such as African SMEs.

### **Challenges Facing Performance of Small and Medium Enterprises (SMEs)**

The scholars of the research conducted in Kenya (Mumbe and Njuguna, 2019) tried to test the issues of the SMEs in Kenya County of Kitui about the strategic management practices and performance. The purpose of conducting the research was to identify the hindrances to the successful implementation of the strategic management practice in SMEs. The research design was a descriptive research design because it was a survey in which 100 SMEs were interviewed and came with a conclusion that the major problem affecting SMEs in Kenya was access to finance, managerial skills and poor infrastructure. The paper has noted that all these were usually making SMEs unable to embrace and uphold effective strategic

management acts that resulted in poor performance. The research recommended that additional special government assistance and accessibility to finance programs should be embraced in such a way that SMEs will grow through such challenges.

Factors affecting strategic management practices in the context of SMEs in Nigeria as well as issues that plague such enterprises have been also reviewed by Ekon and Isayas (2022). The study used a mixed research design that included a survey and interviews of the owners and managers of the SMEs. The findings also showed that the same problems affecting the Nigerian SMEs as in Kenya such as poor access to capital, shortage of skilled workers, and poor market information were also experienced. The researches also revealed that such challenges resulted in innovation deficiency and poor decision making in the SMEs and consequently their performance. This means that the SMEs in Kenya have the same limitations and this necessitates another study to explore the challenges at issue in the Kenyan context and how to overcome them in order to maximize performance.

The second research of interest was that by Addae-Korankye and Aryee (2021) conducted in Ghana which identified the barriers to growth of SMEs with particular emphasis on the problems of strategic management practices. Through the analysis, it was revealed that deficiency in good leadership, deficiency in proper technology and deficiency in long term plans are amongst challenges afflicting SMEs. The paper has also pointed out how strategic management practices can be vital in performance but the external environment like the government policies and economic unrests tended to interfere with proper practice implementation by the SMEs. The conclusion can largely be applied to the Kenyan context in which the same external threats have been intact, which have affected the aptitude of SMEs to embrace effective strategies and improve performance.

### **Research Methodology**

In this study, the researcher adopted a qualitative and narrative design of literature review to achieve the aim of establishing a relationship between the strategic management practices and learning orientation and performance among SMEs in Kenya. The government reports, scholarly dissertations, and institutional

journals issued in 2014-2025 were also used as the source of the corresponding peer-reviewed journals in such platforms like Google Scholar, ResearchGate or in the institutional repositories. The topics targeted in the search were strategic management practices, learning orientation role and SMEs performance in emerging markets. The findings were thematically analysed and the finding of models emphasized. The ethical considerations were kept in check through adequate referencing and utilization of secondary data only.

### Findings of the study

Strategic management practices enhance strategic performance. Gure and Karugu (2018) define that the SMEs within Nairobi City County, Kenya adopted the strategic management practices, including market research, resources allocation, and long-term planning. It observed that correlation coefficient ( $r=0.678$ ) presented an influential and positive relationship between strategic management and profitability, and therefore, planning and strategy were used to enhance SMEs.

Learning as a Strategic Management and Performance Relationship Intermediary. Beneke et al. (2016) conclude that learning orientation plays a significant mediating role in terms of strategic management practices and SME performance. As it was observed, learning orientation had a significantly positive contribution ( $r=0.703$ ) to the enhancement of strategic management practices, which underlines the significance of decisive and adaptable strategic management in an SME.

Weak Strategic Management and Resource Constraints. According to Umbe and Njuguna (2019) SMEs in the Kitui County in Kenya do not have funds and resources required to execute strategic management practices and therefore proposed the necessity of fully understanding the strategy, resources and goals of the organisation, which, in this case, were central to the better performance of the company. It was observed that inadequacy of resources affects the performance of a business negatively.

### 10. Research Gaps From Theories and Empirical Studies

Analysis review shows various gaps. As an example, the work of Gure and Karugu (2018) on the topic of strategic management practices in Kenyan SMEs is

characterized by a tendency to consider the overall performance indicators; they do not pay much attention to the fact that the effects of different paradigms of strategic management, market orientation, or innovation on the performance in specific sectors may be different. No literature is available on how strategic management performance measures have shifted to accommodate new practices that cut across the different sectors of the SME economy in Kenya.

Little Literature on the Role of Learning Orientation in Strategic Management Practices: Although the role of learning orientation in the performance of SMEs is established, e.g., Beneke et al. (2016) and Arshad et al. (2020) in the Kenyan context, few studies have considered the role of learning orientation as an intervening variable in strategic management practices and performance. This gap creates a gap in the knowledge of how learning culture of a SME can be used as an instrument in shaping the strategic management practices to flow-through the various performance measures.

Narrow Analysis of the Social Context That Influences Strategic Management Practices among Kenyan SMEs: Although such studies as Akomea et al. (2023) reflect on the plight of environmental turbulence, not much is known on how environmental turbulence impacts strategic management practices.

### Recommendations

Increased Access to Credit facilities and Finance: The lack of access to finances still hampers the adoption of best strategic management practices in SMEs in Kenya. Enhanced access to low-cost and tailor-made financing programs that cater to the needs of SMEs would encourage inclusion. This may be as government-supported loans and low interest loans; venture capital investments targeting SMEs. Additionally, schemes sponsored by the government to guarantee credit schemes can be used to support concerns of financing institutions, thereby facilitating easier access of credit by SMEs (Gure&Karugu, 2018). Practicing Skills and Competence Building: Another way the government may assist SMEs sector in Kenya is to increase the level of technical and managerial skills within the industry. The government should also

be concerned with education and training which taps the strategic management, innovation, and entrepreneurial skill sets needed in SMEs sector. Moreover, training and education must focus on the leadership, financial and market analysis skills needed in the sector overall. Enhancement of managerial capacities of SMEs will enhance strategic management and implementation and address the managerial issues that are mostly pervasive in the industry. By developing the capacity of SMEs the government can greatly enhance modern managerial complexities and strategic implementation.

### Conclusion

This paper confirm that the sound strategic management design helps SMEs to review their performance in accordance with the changes in the market and create superior decisions and enhance performance. The limitations of resources and poor management is, however, one of the major challenges to full adoption of these practice that needs more information/assistance and capacity development.

Besides, the study has highlighted and highlighted the mediating role of learning orientation. Learning orientation of SMEs creates a setting of adaptation and innovative nature that enables them to keep on changing their strategies and performance. The highly learning oriented SMEs are assumed to be more likely to take proactive measures to exogenous change (e.g. market turbulence or economic crisis), by adjusting their strategies and building internal capability.

Government and the private sector need more interventions to address these issues. To illustrate, one can provide SMEs with more access to finance, skills training, and supportive policies to overcome these obstacles and enhance their strategic management practices. Finally, this paper emphasizes the relevance of strategy in companies. It showed that companies have to employ various models. This is important in the administration of their plans and operations in different regions. They too are supposed to look closer at their stakeholders and other considerations.

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