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ORGANIZATIONAL ALIGNMENT AND PERFORMANCE OF MICRO, SMALL, AND MEDIUM ENTERPRISES IN AN EMERGING URBAN ECONOMY

BY

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Abstract

Organizational performance among Micro, Small, and Medium Enterprises (MSMEs) remains uneven in emerging urban economies despite their central role in employment creation and economic growth. While prior research has emphasized external constraints and broad strategic orientations, limited empirical attention has been devoted to the role of internal strategic coherence. Grounded in Strategic Fit Theory, this study examines the effect of organizational alignment on MSME performance in Nairobi City County, Kenya. Using a cross-sectional survey design, data were collected from 324 owner-managers across retail, manufacturing, services, and technology sectors. Organizational alignment was operationalized through goal clarity, strategy–operations integration, market responsiveness, and performance benchmarking mechanisms. Pearson correlation and regression analyses were employed to test the proposed relationship. The findings reveal a strong and statistically significant positive relationship between organizational alignment and enterprise performance ($r = 0.794$, $p < 0.001$). Regression results indicate that alignment explains approximately 63% of the variance in performance outcomes ($R^2 = 0.630$), underscoring its substantial predictive power. The study extends Strategic Fit Theory to the MSME context by demonstrating that internal coherence between strategic intent and operational execution constitutes a dominant performance driver in resource-constrained urban enterprises. Practically, the findings suggest that strengthening alignment mechanisms may offer MSMEs a cost-effective pathway to improved competitiveness and sustainability in dynamic emerging market environments.

Keywords: Organizational Alignment; MSME Performance; Strategic Fit Theory; Strategic Coherence; Emerging Urban Economies; Enterprise Competitiveness

Background to the Study

Micro, Small, and Medium Enterprises (MSMEs) are central to economic development, accounting for more than 90 percent of businesses globally and contributing significantly to employment creation, innovation, and GDP growth (World Bank, 2023). In emerging economies, their role is even more pronounced because they stimulate urban economic activity and promote inclusive growth. Despite this importance, MSMEs often face high failure rates, limited scalability, and unstable performance, particularly in competitive urban markets characterized by regulatory uncertainty, resource constraints, and changing market conditions (OECD, 2022). These persistent performance differences have attracted scholarly attention toward understanding the internal strategic processes that distinguish high-performing MSMEs from those with weaker outcomes.

While traditional explanations of firm performance emphasized external industry conditions and competitive positioning (Porter, 1980), more recent strategic management literature has shifted attention toward internal organizational processes and leadership practices as important determinants of enterprise success (Barney, 1991; Grant, 2016). One of the most significant internal drivers identified in this literature is organizational alignment. Organizational alignment refers to the degree to which a firm's strategic vision, daily operations, employee behaviors, and performance management systems are integrated and mutually supportive (Kaplan and Norton, 2006). It reflects the consistency between goals, structures, incentives, and everyday activities so that the organization operates with strategic coherence across all levels.

This concept is rooted in Strategic Fit Theory, which argues that organizational effectiveness depends on the alignment between strategy, internal systems, and environmental demands (Venkatraman and Camillus, 1984; Miles and Snow, 1978). Firms with strong internal coherence are better positioned to use resources efficiently, reduce waste, and adapt to external changes. In contrast, poor alignment between strategic objectives and implementation activities often results in operational inefficiencies, loss of focus, resource wastage, and weakened competitiveness (Hrebiniak, 2005). In this sense, organizational alignment is not merely a structural arrangement but a dynamic capability that supports sustained performance over time.

Empirical studies from developed economies have shown that organizational alignment contributes positively to financial performance, innovation, and operational efficiency (Kaplan and Norton, 2001; Beer and Eisenstat, 2000). Firms that clearly communicate strategic goals, link performance measures to strategy, and regularly realign their operations with long-term priorities tend to outperform those with weak integrative systems. However, much of this evidence comes from large firms with formal planning processes, sophisticated systems, and strong managerial infrastructures. As a result, the relevance of organizational alignment for MSMEs, particularly those operating in emerging urban economies, remains insufficiently explored.

MSMEs differ significantly from large organizations in terms of structure, decision-making, and resource availability. In many small firms, decision-making authority is concentrated in owner-managers, systems are less formalized, and operations are often handled in an ad hoc manner (Finkelstein et al., 2009; Njoroge et al., 2021). Although such flexibility may allow rapid responses to market changes, it can also create strategic fragmentation. Without deliberate systems that connect strategy to operations and align employee activities with business priorities, MSMEs may struggle to achieve consistent performance. For this reason, organizational alignment may be especially important in small firms where bureaucratic controls are absent.

Even though organizational alignment is theoretically important, studies in emerging markets have largely focused on broader constructs such as entrepreneurial orientation, market orientation, and innovation capability (Lumpkin and Dess, 1996; Narver and Slater, 1990). These perspectives are useful, but they often overlook the internal integration processes that link strategy to execution. In addition, much of the existing alignment literature is limited to single industries or large organizations, making it difficult to generalize its findings to the diverse MSME sector. In many cases, alignment is treated only as a secondary or mediating factor rather than as a direct predictor of enterprise performance.

In Kenya, research on MSME performance has mainly concentrated on access to finance, regulatory challenges, and broad strategic management practices (Kinyua and Gakure, 2019; Muathe and Muraguri, 2020). Although these studies acknowledge the importance of strategy, they give limited empirical attention to how internal alignment mechanisms influence enterprise performance. Given the structural features of Kenyan MSMEs, including centralized leadership, limited staffing, and informal systems, the effect of organizational alignment may be even stronger than in large firms where managerial control is more dispersed. This creates an important empirical gap.

The present study addresses this gap by examining the relationship between organizational alignment and MSME performance in Nairobi City County. It seeks to determine whether firms that clearly communicate objectives, connect daily activities to strategic priorities, monitor industry trends, and align performance standards with long-term goals achieve better performance than less coherent firms. The study also draws on both Strategic Fit Theory and the Resource-Based View, arguing that alignment helps firms orchestrate scarce internal resources more effectively to generate competitive advantage (Barney, 1991). Practically, the study offers useful insights for MSME owners, policymakers, and development partners by suggesting that strengthening strategic communication, goal integration, and performance monitoring may improve enterprise performance without requiring substantial financial investment.

Statement of the Problem

Micro, Small, and Medium Enterprise (MSMEs) are commonly accepted as economic growth drivers, employers and innovators, especially in the emerging economies. In Kenya, the share of MSMEs is a significant proportion of the employment, and it is a significant share of the national output (KNBS, 2022). Nonetheless, MSMEs despite their economic significance have continued to face institutional performance instability, low scalability, and a high rate of mortality- particularly in those cities that have highly competitive intensity as in the case of Nairobi City County. Most companies are unable to transform strategic purposes into long-term financial gains, operational effectiveness, and competitiveness in the market.

The available literature has attempted to elucidate the differences in the performance of MSMEs using different factors like access to finance, entrepreneurial orientation, positioning the business in the market, and ability to innovate (Lumpkin and Dess, 1996; Muathe and Muraguri, 2020). Although these descriptions are useful they tend to focus on external limitations or general strategic positions but not thoroughly analyzing the processes that occur internally to convert strategy into action. Specifically, less explored in the context of the MSME, the importance of organizational alignment, i.e., the alignment between strategic objectives, operations activities, the conduct of employees, and performance systems remains insufficiently studied.

According to the theory of strategic management, well-considered plans do not work when there is a lack of alignment between internal systems (Hrebiniak, 2005; Kaplan and Norton, 2006). Strategic Fit Theory is a theory which assumes that organizational efficiency is not merely based on the content of the strategy but also on the level of internal fit between strategy, structure and processes (Venkatraman and Camillus, 1984). Nevertheless, the majority of the empirical studies of alignment-performance associations have concerned large companies operating in the developed economies, where formalized systems and managerial infrastructure are properly developed. The possibility of the application of these principles to MSMEs, whose features include centralized decision-making, informality, limited resources, etc. has not been sufficiently tested.

Thus, the research gap in the current case is the lack of empirical data regarding the magnitude with which the organizational alignment is a determining factor in the performance of MSMEs that operate in the context of the emerging urban economy. The given study aims at analyzing the claim that enterprises with a higher degree of coherence between the strategic vision, operational implementation, employee engagement, and performance monitoring have higher organizational outcomes by focusing on Nairobi City County. Thus, the study will add to the literature on strategic management by experimenting on the suitability and validity of alignment theory in resource-constrained MSMEs and give a piece of evidence-based information to enhance enterprise competitiveness under dynamic urban settings.

Main Objective

To examine the effect of organizational alignment on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Nairobi City County, Kenya.

Specific Objectives

To determine the effect of goal clarity on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Nairobi City County, Kenya.

To assess the effect of strategy-operations alignment on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Nairobi City County, Kenya.

To establish the effect of market responsiveness on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Nairobi City County, Kenya.

Purpose of the Study

This research discussed the impact of organizational alignment on the performance of Micro, Small and Medium Enterprises (MSMEs) based in an emerging urban economy, specifically Nairobi City County, Kenya. The research sought to establish the extent to which the level of compatibility among strategic intentions, operational processes, employee involvement, and performance measurement apparatuses significantly predicted organizational performance outcomes.

The research examined organizational alignment as a primary strategic capability with the intention of applying Strategic Fit Theory and the Resource-Based View to the MSME sector, where formalized structures and administrative frameworks were often constrained. In particular, the research compared the effectiveness of businesses that successfully integrated strategic intent with day-to-day performance in achieving higher levels of revenue growth, operational efficiency, and overall competitiveness.

The empirical analysis of the study contributed to the existing literature on the internal factors that determined MSME performance in emerging markets and provided empirical evidence on the strategic mechanisms that promoted enterprise sustainability in a competitive urban setting.

Scope of the Study

The research was aimed at finding out how organizational alignment affects the performance of Micro, Small, and Medium Enterprises (MSMEs) in operation in the Nairobi City County, Kenya. Particularly, it explored how the degree of coherence in strategic objectives, the working processes, the roles of employees, and systems of performance measurements explains the results of an emerging urban economy.

In theory, the research found organizational alignment to be the explanatory variable of primary importance and determined its connection with enterprise performance variables, such as revenue growth, operational efficiency, customer satisfaction, employee retention, and fulfillment of financial goals. Using alignment as a specific strategic capability, the study aimed at establishing whether internal coherence has been an important performance driver in resource-constrained and intensely competitive MSME settings.

The geographical area covered by the research was the Nairobi City County, which is a big business centre with a range of sectors, a high level of competition and institutional complexity. The individual MSME was the unit of analysis, i.e. owner-managers or senior decision-makers who are directly involved in strategic and operational leadership.

The study methodologically employed cross-sectional survey design; it was based on the structured questionnaire information gathered on registered MSMEs under retail, manufacturing, services, and technology industries. The study was a narrow analysis of the alignment performance relationship only, as it did not capture macroeconomic, regulatory and external market factors that determine firm performance.

Theoretical Framework

The study was grounded in Strategic Fit Theory, which holds that organizational effectiveness depends on the degree of coherence between strategy, internal structures, processes, and environmental demands (Venkatraman and Camillus, 1984; Miles and Snow, 1978). The theory argued that superior performance was not achieved only through strategy formulation, but through the consistency between strategic intent and the mechanisms used to implement it. In this sense, sustained firm effectiveness depended on the alignment of internal systems with organizational strategy and external environmental conditions.

Strategic Fit Theory emerged from earlier contingency theories, which maintained that there was no single best organizational structure for all firms (Donaldson, 2001). Instead, organizational success depended on internal consistency and external congruence. Venkatraman (1989) further developed the theory by emphasizing the fit between strategy and organizational factors such as structure, control systems, and operational processes. Where such fit was absent, firms were likely to experience inefficiency, strategic drift, and poor performance. The theory therefore treated alignment not as a minor administrative issue, but as a central determinant of organizational outcomes.

In the context of this study, organizational alignment represented the internal expression of strategic fit. It was reflected in the extent to which strategic objectives were clearly communicated, daily activities were linked to long-term priorities, employees supported strategic goals, and performance measurement systems tracked progress toward desired outcomes (Kaplan and Norton, 2006). When these elements were well coordinated, strategic intent was translated into operational action, reducing fragmentation and improving coordinated performance.

Strategic Fit Theory was particularly relevant to Micro, Small and Medium Enterprises (MSMEs), where formal bureaucratic controls were often limited and strategic authority remained concentrated in owner-managers. Unlike large corporations with multiple management layers, MSMEs relied heavily on internal coherence to manage scarce financial and human resources. In such settings, weak alignment between strategic intentions and day-to-day operations could easily reduce effectiveness and competitiveness. Conversely, a high level of alignment enabled MSMEs to channel limited resources toward key priorities, improve role clarity, and remain focused in unstable market conditions.

Empirical studies had supported the theoretical relationship between alignment and performance. Evidence from advanced economies showed that firms with strong strategic alignment were better positioned to achieve profitability, operational efficiency, and growth (Kaplan and Norton, 2001; Hrebiniak, 2005). Alignment strengthened execution, promoted accountability, and reduced ambiguity in organizational goals. However, much of this evidence was drawn from large firms with formalized systems, leaving uncertainty about whether the same relationship existed in small, resource-constrained enterprises operating in emerging markets.

In emerging urban economies such as Nairobi City County, environmental turbulence, regulatory change, and intense competition made strategic fit especially important. MSMEs in such contexts faced constant pressure to adapt while maintaining internal coherence. Guided by Strategic Fit Theory, the study assumed that enterprises that aligned internal processes with strategic goals were more likely to overcome uncertainty and sustain performance. The theory therefore provided a strong conceptual foundation for examining the relationship between organizational alignment and MSME performance in Nairobi City County.

Empirical Literature Review

Organizational alignment has become one of the key notions of strategic management literature which indicates the level of congruency between strategic intent of the company and its internal systems, structures, and business processes. Original approaches to the concept of alignment lie within Strategic Fit Theory, the main point of which is the idea that the higher organizational performance may be achieved, the more strategy, structure, and environment are aligned (Miles and Snow, 1978; Venkatraman and Camillus, 1984). In this context, alignment would remain that strategic objectives are not only defined at the top but also instilled within the organizational systems of how the organization operates and how the organization behaves. With a coordinated strategy and execution, the firms save inefficiencies, strategic drift and increase coordinated action (Donaldson, 2001).

Later literature has operationalized the concept of alignment to mean the coordination of strategic objectives with day to day operations, job roles, resource allocation processes, and performance measurement systems (Kaplan and Norton, 2006; Hrebiniak, 2005). Kaplan and Norton (2001) posit with the Balanced Scorecard framework that organizations do not fail due to poor strategies but due to lack of alignment between the strategic priorities and the operations. Empirical research in the developed economies has repeatedly shown that companies that are highly internally aligned have performed better as compared to those that are characterised by disjointed execution (Beer &Eisenstat, 2000). Alignment enhances goal clarity, enhances accountability and performance measures as a support of strategic intent.

In addition to structural integration, there is also the aspect of alignment that is cognitive and behavioral. It entails a collective vision of strategic direction among workers as well as alignment to shared goals (Kellermanns et al., 2005). Alignment can be even more critical in small and medium-sized businesses where formal hierarchies are not very prevalent and managerial authority is concentrated. MSMEs do not necessarily have dedicated planning units, and they heavily depend on owner-managers to convey the strategic priorities and align on the implementation (Finkelstein et al., 2009). In this case, lack of alignment may result in inconsistency in operations, redundancy, and wastage of limited resources.

There is ample empirical evidence to support alignment and performance linkage but this is highly skewed on the basis of the size of firms and the context. The study by Robb and Stephens (2021) revealed that strategic alignment was a major factor that enhances the performance of South African SMEs in the process of exporting products especially when the internal processes were combined with the market-oriented strategies. In the same vein, Kinyua and Gakure (2019) observed that strategy-operations fit promoted responsiveness and financial performance of Kenyan firms that conducted business in turbulent markets. The published literature however does not focus much on alignment as a separate explanatory variable but takes it as merely as one of the elements of larger strategic frames. In addition, most of the literature addresses individual sectors or large firms, which does not allow them to be generalized to heterogeneous MSME ecosystems in emerging urban economies.

Although there has been an increased appreciation of alignment as a driver of performance, there has been limited research on the importance of alignment in densely competitive urban settings that are institutionally multifaceted like Nairobi City County. The MSMEs that do business in these environments face the challenges of a lack of resources, unpredictable regulations and speedy technological changes. In these circumstances, internal coherence can be a stabilizing factor with increased resilience and competitiveness. However, there is limited empirical research that separates the role of organizational alignment as an independent predictor of the performance of MSMEs in emerging economies. This gap is crucial to the further development of Strategic Fit Theory outside of the large firm context, as well as the discovery of practical inner processes at the enterprise that enhance its performance in the resource-limited situations.

Conceptual Framework

The conceptual framework that informed this study was discussed in Figure 1. The framework was based on Strategic Fit Theory and assumed that organizational alignment served as a key internal resource for enhancing MSME performance. The concept of organizational alignment was treated as a multidimensional construct consisting of goal clarity, strategy-operations alignment, and market responsiveness. Goal clarity was used to measure how well strategic objectives were articulated and understood within the enterprise. Strategy-operations alignment referred to the extent to which day-to-day operations and resource utilization supported long-term strategic priorities. Market responsiveness described the firm's ability to adjust its strategic direction in response to environmental signals. Together, these dimensions reflected the internal consistency and correspondence emphasized in Strategic Fit Theory.

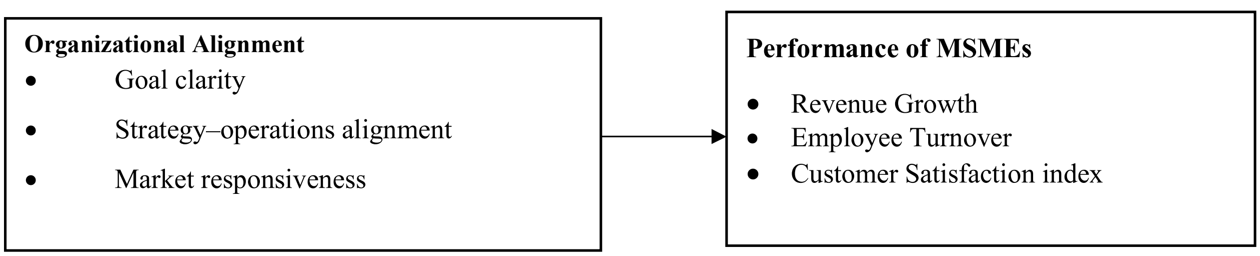

Figure 1: Conceptual Framework

The model hypothesizes that the more the organizational fit, the better, the performance of an enterprise, which is applied with revenue growth, employee turnover, and customer satisfaction. Joint coordination and alignment of activities with strategy are also maximized when the strategic goals are articulate, the company is attentive to the market patterns and firms are not divided internally. This in house consistency makes financial performance strong, workforce retention steady and customer value delivery enhanced. The directional arrow between organizational alignment and MSME performance thus indicates the key hypothesis of the study that alignment is a key determinant of enterprise performance in emerging urban economies, which are mostly internally determined.

Research Methodology

It was a cross-sectional survey study that was carried out to establish the relationship between organizational alignment and the performance of MSMEs in Nairobi City County in Kenya. The sample used to obtain data consisted of 324 owner-managers of registered Micro, Small, and Medium Enterprises operating in retail, manufacturing, services and technology industries. Stratified random sampling was used to select the respondents to guarantee the representation of the sector. Measurement of organizational alignment was done through multi item Likert scale measures of goal clarity, strategy-operations fit and market responsiveness whereas performance measurement was done through perceptual scales of revenue growth, employee turnover, and customer satisfaction. To determine the predictive value of an organizational alignment on enterprise performance, descriptive statistics, Pearson correlation and multiple linear regression were used to analyze data. Diagnostic tests were conducted to verify that there was no multicollinearity and autocorrelation and this fact indicated the strength of the regression estimates.

Findings

Descriptive Analysis

This part is the descriptive analysis of the organizational alignment of Micro, Small and Medium Enterprises (MSMEs) in micro, small and medium businesses within the Nairobi City County. The analysis aims at discussing how well enterprises reflect internal consistency between strategic purpose, business operations, employee engagement and performance measurement systems. The six indicators that were used to operationalize the concept of organizational alignment were that of goal clarity, strategy-operations fit, market responsiveness, strategic evaluation, and performance benchmarking. The mean and standard deviations of the responses were calculated in order to evaluate the central tendency and variability of the responses, which would give an idea of the prevalence and consistency of the alignment practices in the sampled enterprises.

Table 1: Descriptive Statistics for Organizational Alignment

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
Strategic goals are explicitly communicated to all employees to ensure shared understanding.	0.00%	0.00%	32.10%	35.20%	32.70%	4.01	0.81
Daily operations are structured to directly support the organization's strategic objectives.	0.30%	1.20%	32.70%	33.00%	32.70%	3.97	0.86
The business actively monitors market trends to refine its strategic direction.	0.00%	0.00%	28.70%	30.90%	40.40%	4.12	0.82
Employees are regularly updated about how their work contributes to strategic priorities.	0.30%	0.90%	24.70%	39.80%	34.30%	4.07	0.81
The business evaluates its strategic goals periodically to align with evolving industry trends.	0.30%	2.50%	28.70%	36.70%	31.80%	3.97	0.86
Clear performance benchmarks are linked to the achievement of organizational goals.	0.30%	1.20%	29.30%	33.00%	36.10%	4.03	0.86
Average						4.03	0.84

The descriptive statistics in Table 1 show that the high degree of organizational alignment is maintained throughout MSMEs with the composite mean of 4.03 (SD = 0.84). This shows that there is a high level of agreement among the respondents to the fact that alignment-related practices are incorporated in their enterprises. The low mean difference (3.97-4.12) implies homogeneity on the perceptions among the firms, whereas the low standard deviation (below 1.0) implies relatively low dispersion, which implies that the managerial experiences vary across firms, although there is convergence due to the difference in the firm size, sector, and the maturity of the operations. This consistency would mean that alignment is not specific to a few individual firms but is an internalized attitude towards leadership in the large-scale ecosystem of MSMEs in Nairobi.

Interestingly, the greatest means score was achieved on active monitoring of market trends in order to refine on strategic direction (M = 4.12, SD = 0.82). This observation reflects the dynamism of alignment as adaptive and shows how internal coherence is dynamic in competitive cities. The Strategic Fit Theory highlights the fact that congruence to the environment is much wider than internal structural congruence, as strategic responsiveness is more effective (Venkatraman and Camillus, 1984, Donaldson, 2001). In turbulent markets, the firms should always redefine strategy to ensure that they are aligned with the external requirements. The high focus on the environmental scanning that is revealed in this research is consistent with the results by Robb and Stephens (2021), who revealed that SMEs involved in incorporating market intelligence into their strategic processes had better performance results. In a similar fashion, Gorondutse et al. (2021) also found that strategic flexibility integrated in the alignment mechanisms had a greater impact on the competitiveness of SMEs operating in volatile environments. The huge rate of consensus regarding market responsiveness thus implies that Nairobi MSMEs perceive alignment as a dynamic capability not a fixed structural set up.

The indicators indicating goal clarity and communicative integration also registered high mean values. The fact that the strategic goals are clearly conveyed to employees (M = 4.01, SD = 0.81) and that employee role and strategic priorities are regularly aligned (M = 4.07, SD = 0.81) testifies that in these enterprises cognitive alignment is actively developed. The Strategic Fit Theory postulates that internal fit is enhanced when members of an organization have a common ground about the direction of the organization (Miles and Snow, 1978). Kaplan and Norton (2006) also say that the execution of strategies is fundamentally based on the awareness of the employees on the role they play as part of the overall objectives. Communication-based alignment mechanisms are particularly vital in MSMEs that usually have centralized decision-making authority and in which formal systems are infrequent (Finkelstein et al., 2009). Such overwhelming support of these indicators implies that MSMEs in Nairobi are dependent on internal communication procedures to make coordinated action and decrease strategic ambiguity.

The fact that strategy has been embedded in the execution routines is further reinforced by the indicators of operational integration which include structuring the daily operations to support the strategic objectives (M = 3.97, SD = 0.86) and periodic assessment of strategic objectives in relation to changing trends in the industry (M = 3.97, SD = 0.86). Though these scores are slightly lower than the rest of them, they are still in the high-agreement range, which means that strategic planning is not alien to operational processes. According to Hrebiniak (2005), strategic failure is often occasioned by poor connections amid planning and execution systems. The results of the present research indicate that Nairobi MSMEs do strive to close this divide by ensuring the alignment between the everyday operations and the long-term goals. Similar findings by Kinyua and Gakure (2019) have shown that Kenyan SMEs that had high operational alignment had indicated better adaptability and financial stability in turbulent markets.

The integrative nature of the alignment practices can also be discussed based on the correlations between the performance standards and the organizational objectives (M = 4.03, SD = 0.86). The performance measurement systems that are based on strategic priorities also enhance accountability and ensure that the evaluation activities reinforce, yet do not interfere with strategic intent (Kaplan and Norton, 2001). This overlapping of measurement with strategy is, as a strategic device, a better way to attain coherence inwardly and prevent goal mis-direction. The authors of Beer and Eisenstat (2000) also observed that congruent performance systems in the companies helped them to attain greater strategic consistency and long-run performance. The fact that the Nairobi MSMEs have organized benchmarking activities therefore indicates the aspiration to graduate towards disciplined execution structures even in resource constrained environments.

All in all, the descriptive results are in a strong convergent with Strategic Fit Theory and the literature on alignment, in general. The fact that the mean scores are always high in all dimensions demonstrates that the organization alignment is a common practice and value among MSMEs in Nairobi City County. Such patterns build upon previous studies by showing that the alignment mechanisms that are typically linked to large, formalized organizations are actively incorporated into small and medium scale businesses that work in the emerging urban economies. The data indicate that alignment acts as a supported internal competence, which increases coherence, decreases fragmentation, and reinforces a coordinated performance. These descriptive findings thus give a strong empirical support to further inferential analysis on the predictive association between organizational alignment and MSME performance.

Inferential Analysis

Correlation Analysis

To determine the quality and direction of the association of the organizational alignment with the performance of MSMEs, the product-moment correlation coefficient of Pearson was estimated. The findings of Table 2 indicate that there is a positive and significant ($p = 0.01$) relationship between organizational alignment and enterprise performance ($r = 0.794$). The p-value of 0.000 is shown, which means that the chances of this correlation to be resulted by the chance are extremely small and, thus, proves the statistical stability of the given association.

Table 2: Correlation Analysis

		Performance	Organizational Alignment
Performance	Pearson Correlation	1.000	
	Sig. (2-tailed)		
Organizational Alignment	Pearson Correlation	.794**	1.000
	Sig. (2-tailed)	0.000	
** Correlation is significant at the 0.01 level (2-tailed).			

The value of the correlation coefficient ($r = 0.794$) implies that the linear relationship between the two constructs is extremely high. On the behavioral and management research, any correlation over 0.70 is usually thought to be substantial meaning that there is a great deal of shared variance among variables. The fact that the correlation coefficient ($r\ 2 = 0.63$) is squared implies that the changes in the performance of MSMEs are attributed to changes in the bivariate levels of the organizational alignment (approximately 63 percent). This significant explanatory overlap highlights the fact that alignment is a key performance-related construct in the enterprises sampled.

This finding has a theoretical basis, which is a good empirical validation of Strategic Fit Theory. The assumption of the theory is that the effectiveness of things in an organization depends on the level of consistency of strategic intent in line with the internal systems (Venkatraman and Camillus, 1984; Miles and Snow, 1978). The close positive relationship that was found in this research indicates that the MSMEs that have more goal clarity, operational integration, market responsiveness, and performance benchmarking, are more likely to record the best performance results. Stated differently, in case strategy and implementation are coherent internally, businesses seem to be in a better position to attain financial growth, labor stability, and consumer satisfaction. This is in agreement with the argument of Donaldson (2001) that fit leads to efficiency by minimizing internal inconsistency and strategic misfit.

The findings also agree with previous empirical results. Studies by Kaplan and Norton (2001) showed that companies that congruent the strategic goals with the operations based on the integrated performance systems performed well financially. Equally, Hrebiniak (2005) stressed that one of the primary causes of strategic failure is not a bad strategy formulation but rather poor alignment of execution. Robb and Stephens (2021) recorded that strategic alignment was a major factor in increasing South African SMEs exports whereas Kinyua and Gakure (2019) reported that resourceful and financially stable Kenyan businesses had a robust inner alignment mechanism. It is the addition of organizational alignment as a key explanatory variable in a heterogeneous MSME ecosystem in an emerging urban economy that takes the current findings further into this body of literature.

Notably, the strength of the correlation shows that there is strong association, but not causality. The cross-sectional design does not allow concluding on directional effects. However, the scale and the statistical significance of the relationship are good indications that organizational alignment is closely attached to MSME performance. This is a reason why these findings should be followed up with more multivariate analysis to establish whether alignment still is a significant predictor of performance when it is tested in the framework of regression.

Regression Analysis

The predictive role of the organizational alignment regarding the performance of MSMEs was analyzed by running a simple linear regression model. The model summary shows that there is a good fitment of the model with a correlation coefficient (R) of 0.794. This is a significant linear relationship between organizational alignment and enterprise performance in the multivariate level. The coefficient of determination (R 2 =0.630) means that the variation in the performance of MSMEs can be explained by organizational alignment only to the extent of 63 percent. It is a significant capability of a single predictor model in the social science research.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.794[a]	.630	.629	.11729
a. Predictors: (Constant), Organizational Alignment				

The adjusted R^2 value of 0.629 confirms the stability of the model, indicating that the explanatory power remains virtually unchanged after adjusting for sample size and model complexity. The small difference between R^2 and adjusted R^2 suggests that the model is not overfitted and that the relationship observed is robust within the sampled population. These results demonstrate that organizational alignment accounts for a significant proportion of performance variability among MSMEs in Nairobi City County, reinforcing its centrality as an internal strategic capability.

This high power of explanation is very much theoretical in line with Strategic Fit Theory that stipulates internal congruence between strategic intent and organization systems is a key indeed determinant of effectiveness (Venkatraman and Camillus, 1984). The size of R 2 indicates that alignment is not a marginal managerial operation but a performance core within resource limited firms.

The Analysis of Variance (ANOVA) obtained showed that the regression model is statistically significant. The test value of 549.424 with a value below 0.001 implies that the model is much better fitted as compared to the null model with no predictors. Differently put, organizational alignment strongly increases the anticipated MSME performance beyond the levels that would have been anticipated due to chance.

Table 4: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.558	1	7.558	549.424	.000[b]
	Residual	4.430	322	.014		
	Total	11.988	323			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Organizational Alignment						

The big value of F-ratio also shows that the variance covered by organizational alignment (regression sum of squares) is significantly bigger than the amount of variance covered by the residual (residual sum of squares). This strengthens the relationship and it proves alignment to be meaningful to the performance outcomes.

Practically, this value of statistical significance empirically supports the main claim of this study that the higher the inner alignment, the better the enterprise results. The results provide a good insight into the argument presented by the Strategic Fit Theory that coherence between strategy and execution leads to better performance of an organization.

The outputs of the regression coefficient show that the positive impact of the organizational alignment on the MSME performance is strong and significant. The coefficient (B = 0.776) is unstandardized, which means that one-unit rise in the alignment of an organization corresponds to a rise in the performance of the organization by 0.776 units, other things being equal. This indicates a high marginal effect, which shows the practical significance of alignment in terms of enterprise outcomes.

Table 5: Coefficient of Regression

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	1.669	.099		16.798	.000
	Organizational Alignment	.776	.033	.794	23.440	.000

a. Dependent Variable: Performance

The value (= 0.794) of the standardized beta coefficient also supports the existence of this relationship. Being a standardized measure, it means that a one standard deviation change of organizational alignment results in a 0.794 standard deviation change of performance. This magnitude is deemed as extremely powerful in behavioral studies and this demonstrates congruence as a powerful indicator of performance of a MSME at the model.

The t-statistic ($t = 23.440$, $p < 0.001$) shows that the coefficient is very important, and there are very low chances that the effect observed was the result of random changes. The t-value strength will indicate the strength and the uniformity of the alignment-performance relationship throughout the sample.

These findings offer effective empirical support of Strategic Fit Theory theoretically. The significant positive coefficient is an indication that the MSMEs which are successful integration of strategic objectives and operational, effective communication of objectives, reacting to market forces, and equating performance standards to long-term priorities are much more apt to record better financial and operational results. These findings support the fact that alignment is effective in increasing efficiency through decreasing internal fragmentation and increasing the execution of activities (Hrebiniak, 2005; Kaplan and Norton, 2006).

In addition, the standardized coefficient is large enough to indicate that alignment is being applied as one of the core strategic competencies and not as an administrative practice. Internal coherence to MSMEs in cities with a dynamic urban economy full of competitive pressures, and a complex institutional setup, seems to act as the stabilisation mechanism contributing to increased resilience and competitiveness.

Although the cross-sectional design prevents the use of causation, the strength, direction, and statistical significance of the coefficient give excellent evidence that the organizational alignment is highly linked with the enhanced MSME performance. These results support the main hypothesis of the study and prove the correspondence as a decisive factor of the business success in the dynamic business environment of Nairobi.

Conclusion

This paper has investigated how the organizational alignment influences the performance of Micro, Small and Medium Enterprises (MSMEs) in the Nairobi City County, Kenya. The research was based on the

Strategic Fit Theory to establish whether there is a significant relationship between coherence of strategic goals, operational processes, personnel roles and performance measurement systems and the outcome of the enterprise in an emerging urban economy.

The results are highly empirical in creating a statistically significant predictor of MSME performance as organizational alignment. The regression model showed that alignment had a significant performance to the extent that it explained about 63 percent of the variance of enterprise performance implying that internal coherence is a drivers of performance in the sampled firms. Those enterprises that record strategic goals, organize daily activities according to the long-term goals, track the market trends actively, and relate performance thresholds to the strategic priorities are much more likely to report better financial and operational results.

The findings support the main assumption of Strategic Fit Theory: organizational performance and effectiveness is not only a result of how strategy is made but the extent to which it is integrated with internal systems and processes. Using the same theoretical prism to MSMEs in an developing city, the research shows that alignment not only occurs in large firms but is also a paramount asset in resource-limited firms. In dynamic as well as highly competitive settings like Nairobi, internal coherence seems to be a stabilizing factor that improves the resilience and competitiveness of the enterprise.

In general, the research finds that organizational alignment is a strategic capability foundation of MSMEs and a key determinant of the occurrence of performance in the emergent urban economies.

Recommendations

The results highlight the significance of implementing alignment mechanisms in MSMEs. A strong emphasis should be made by the owner-managers on the articulation and the uniformity of the goals of the strategies of the enterprise at all its levels. In even micro-enterprises, which have lean structures, periodic briefings, formal planning, and common goal-setting can do a great job at improving internal coherence.

The MSMEs should also make sure that operations activities on a daily basis are strategized to promote long term plans. This can be in terms of basic yet rigorous planning schedules, frequent assessment of performance measures, and constant observation of the market factors. Instead of using informal decision making, enterprises have been urged to adopt structured performance benchmarks that support strategic priorities. Integrating alignment into daily operations of the management will help MSMEs to minimize fragmentation, enhance accountability, and coordinated implementation.

To policy makers and institutions providing support to enterprises, the results imply that capacity-building programs must focus on strategic alignment skills as well as provision of financial and technical training. The modules on the goal cascading, operational integration, and performance tracking are to be included in interventions focused on enhancing the competitiveness of MSMEs. Since the power of alignment is generally strong, relatively inexpensive training of managers aimed at improving strategic coherence can bring significant performance changes without significant capital expenditure.

Moreover, the government agencies and business development services are supposed to draw up support structures that would promote a systematic strategic planning and performance monitoring among the MSMEs. In the dynamic urban economies, enhancing internal alignment could prove to be a more viable way of entering enterprise growth than merely concentrating on external funding or regulatory change.

Even though the results indicate a close relationship between alignment and performance, future studies need to take into consideration longitudinal designs to evaluate causal patterns in the long run. Also, the research that incorporates objective financial data with perceptual measures would help increase the strength of alignment-performance studies. A comparative analysis between counties or industries could also help understand whether to a different economic context, contextual factors might have a moderating effect on the strength of the alignment effect.

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