

THE EFFECT OF FORMAL STRATEGIC MANAGEMENT ON ORGANIZATIONAL PERFORMANCE: A STUDY OF SELECTED MEDIUM SIZED MANUFACTURING ENTERPRISES IN NAIROBI, KENYA

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Knowledge of formal strategic management has increased greatly over the last four decades. Most of this knowledge has however been accumulated in the context of more developed countries. Research on formal strategic management in the less developed world is limited but increasing, and concentrates on large private and public sector enterprises. The environment in which the Kenyan Medium Enterprises (MEs) sector exists is very competitive. Medium Enterprises need adjustment efforts that require reassessment of performance for improved management. With increasing challenges in the business environment, ME sector managers must have the capability to adapt and restructure the enterprises to address constraints facing them. They need to adopt formal strategic management.

This study examined the effect of formal strategic management on organizational performance of medium sized manufacturing enterprises in Nairobi, Kenya. It examined the extent to which formal strategic management is adopted by medium sized manufacturing enterprises in Kenya and investigated the effect of various administrative/legal factors on the extent to which formal strategic management are adopted. It also determined the relationship between level of competition and adoption of formal strategic management and investigated the effect of administrative/ legal factors on organizational performance. Finally the study assessed the relationship between adoption of formal strategic management and organizational performance.

The research was conducted through a survey of MEs in Nairobi, Kenya, between July and September 2006. Eighty MEs were selected using simple random sampling. Primary data was collected using a semi-structured questionnaire. The respondents who were members of management team filled open and close ended questions. The data was analyzed statistically using the SPSS and R packages through tabulation, proportions and logit analysis. The results were both consistent and inconsistent with theoretical and empirical expectations. Thus, the majority of MEs have adopted some formal strategic management. This is inconsistent with current literature and empirical studies that suggest that the MEs have not adopted any formal strategic management. It is consistent with past studies that administrative/legal factors affect both adoption of formal strategic management and organizational performance. Competition also influences adoption of formal strategic management. Organizations with formal strategic management perform better than those without formal strategic management.

The top management of MEs should therefore adopt formal strategic management in line with administrative/legal and competitive environmental factors facing the organizations. MEs should also adopt formal strategic management to promote performance and counter competition. This will promote growth in enterprises and enhance entrepreneurship development.

Further research should evaluate the relative importance of other factors like ecological, physical, distributors and suppliers that are assumed to affect organizational performance.