Journal of
Business and Strategic Management
(JBSM)

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Journal of Business and Strategic Management
ISSN: 2520-0402 (online)
Vol. 11, Issue No. 9, pp. 43 - 62, 2026
www.carijournals.org

Strategic Orientation Practices and Growth of Small and Medium Size Enterprises in Nairobi City County, Kenya

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Accepted: 19th Oct, 2026, Received in Revised Form: 9th Nov, 2026, Published: 19th Nov, 2026

ABSTRACT

Purpose: The general objective of this study is to examine the effect of Strategic Orientation Practices on growth of small and medium size enterprises In Nairobi City County, Kenya. The study was guided by Technology Acceptance Model (TAM) and Resource-Based View Theory.

Methodology: The descriptive research design was employed. Nairobi County hosts the highest concentration of Micro, Small, and Medium Enterprises (MSMEs) in Kenya, with estimates indicating over 90,000 to 98,598 registered SMEs. The city boasts the highest proportion of SMEs nationally, representing approximately 60% of the country's total. The study was conducted in Nairobi CBD since it has highest concentration of SMEs. The unit of analysis was the SMEs, while the unit of observation was 398 owners and/or managers of these enterprises. Slovin's sample size determination formulae was used. The study collected primary data using questionnaires. Quantitative data collected was analyzed using descriptive statistical techniques which are frequencies, mean, standard deviation. Inferential statistics which include Pearson correlation and the Regression Analysis Model was used to test the relationship between study variables. The significance of the model was tested at 5% level of significance. Data was analysed using Statistical Package for Social Sciences (SPSS) software. The study results were presented through use of tables and figures.

Findings: The study concludes IT adoption has a positive and significant effect on growth of small and medium size enterprises in Nairobi City County, Kenya. The study also concludes that market development has a positive and significant effect on growth of small and medium size enterprises in Nairobi City County, Kenya.

Unique Contribution to Theory, Policy and Practice: Based on the findings, the study recommends that SMEs in Kenya should enhance IT adoption by integrating appropriate digital technologies into their business operations, including sales, communication, record management, and customer service.

Keywords: *Strategic Orientation Practices, IT Adoption, Market Development, Growth, Small and Medium Size Enterprises*

Background of the Study

Small and medium-sized enterprises (SMEs) are widely recognized as the backbone of the global economy due to their significant contribution to economic development, employment creation, and innovation (Klingebiel, 2022). Globally, SMEs account for approximately 90% of all businesses and generate about 50% of global gross domestic product (GDP), while providing nearly 70% of employment opportunities worldwide (Pearce & Robinson, 2025). Their role is particularly pronounced in both developed and developing economies, where they stimulate entrepreneurship, foster competition, and support inclusive economic growth. As a result, the sustainability and growth of SMEs have become a central concern for policymakers, scholars, and development agencies across the world (Jabar, Othman & Idris, 2022).

Despite their importance, many SMEs face persistent challenges that hinder their growth and long-term sustainability. These challenges include limited access to finance, inadequate managerial capabilities, technological constraints, and increased competition in dynamic markets. Studies indicate that although SMEs contribute significantly to employment and value creation, they often lag behind large firms in productivity and strategic capability adoption . Additionally, global estimates show a financing gap of approximately $5.7 trillion for SMEs, particularly in emerging economies, which restricts their ability to invest in innovation and expansion. These constraints underscore the need for firms to adopt effective strategic orientations that enhance competitiveness and resilience in rapidly changing business environments (Nuryakin & Retnawati, 2021).

Strategic orientation practices such as market orientation, entrepreneurial orientation, and learning orientation have increasingly been identified as critical drivers of SME growth and performance (Imalingat, 2022). In a globalized and technology-driven economy, SMEs that adopt proactive, innovative, and customer-focused strategies are better positioned to exploit emerging opportunities and respond to environmental uncertainties (Kasekendi, 2024). Evidence suggests that strategic capabilities, including digital adoption and innovation, significantly improve firm productivity, revenue growth, and operational efficiency. For instance, studies show that over 90% of SMEs adopting advanced technologies report improved revenue performance and competitiveness. Therefore, understanding how strategic orientation practices influence SME growth remains a crucial area of research in advancing sustainable economic development worldwide (Diallo, 2022).

Statement of the Problem

Small and medium-sized enterprises (SMEs) play a central role in Kenya’s economic development and are widely regarded as engines of growth, employment creation, and poverty reduction. According to the Kenya National Bureau of Statistics (2024), SMEs account for approximately 98% of all businesses in Kenya and contribute about 40% of the country’s Gross Domestic Product (GDP). Additionally, the sector provides over 80% of total employment

opportunities, particularly in the informal sector, making it a critical pillar for livelihoods and economic stability (KNBS, 2024). Similarly, studies by International Finance Corporation (2023) indicate that SMEs in emerging economies, including Kenya, are vital for inclusive growth, yet their full potential remains underutilized due to persistent structural and strategic constraints.

Despite their importance, the growth of SMEs in Kenya, particularly in urban areas such as Nairobi, remains limited and inconsistent. Empirical studies reveal that a significant proportion of SMEs fail within the early years of operation. For instance, research by Bowen, Morara, and Mureithi (2024) found that nearly 60% of SMEs in Kenya do not survive beyond their third year of operation. In addition, the Kenya Institute for Public Policy Research and Analysis (2020) reports that although SMEs are numerous, their contribution to GDP is disproportionately low compared to their population, indicating low productivity and limited growth. Further, a study by Fatoki (2024) highlights that many SMEs experience stagnant growth due to inadequate managerial competencies and lack of strategic direction, which limits their ability to scale and compete effectively.

The persistent low growth and high failure rates among SMEs have been linked to both external and internal challenges, with increasing emphasis on the latter. While access to finance, regulatory barriers, and market competition remain significant obstacles (KIPPRA, 2020), scholars argue that weak strategic orientation practices are a major underlying issue. According to Lumpkin and Dess (2022), firms that lack entrepreneurial orientation characterized by innovativeness, proactiveness, and risk-taking are less likely to achieve sustained growth. Similarly, Narver and Slater (2023) emphasize that market-oriented firms tend to outperform their counterparts in terms of profitability and growth. However, many SMEs in Kenya exhibit limited adoption of such strategic practices, resulting in poor market responsiveness and low competitiveness. This mismatch between the strategic capabilities required for growth and those currently practiced by SMEs underscores the need for further empirical investigation into how strategic orientation practices influence SME growth.

Research Objective

General Objective

The general objective of this study is to examine the effect of Strategic Orientation Practices on growth of small and medium size enterprises In Nairobi City County, Kenya

Specific Objectives

i. To establish the effect of IT adoption on growth of small and medium size enterprises In Nairobi City County, Kenya
ii. To assess the effect of market development on growth of small and medium size enterprises In Nairobi City County, Kenya

Theoretical Literature

Technology Acceptance Model (TAM)

Technology Acceptance Model (TAM) developed by Fred Davis (1989). The model explains the determinants of technology adoption and usage behavior, primarily focusing on two key constructs: perceived usefulness and perceived ease of use. Davis (1989) posits that individuals and organizations are more likely to adopt and utilize a technology if they believe it enhances their performance and is easy to use.

The TAM further suggests that perceived usefulness influences the degree to which users believe that adopting a particular technology will improve their job performance, while perceived ease of use determines how effortless the technology is to operate. These perceptions shape attitudes toward technology adoption, which ultimately affect actual usage behavior. In organizational contexts, the adoption of information technology is influenced by management support, user perceptions, and the expected benefits of the technology (Cheruiyot, Kipchillat & Kakiyai, 2020).

In relation to SMEs, IT adoption is a critical strategic orientation practice that enhances efficiency, communication, data management, and access to markets. SMEs that adopt technologies such as digital platforms, enterprise systems, and online marketing tools are able to streamline operations, reduce costs, and improve decision-making processes. Consequently, IT adoption contributes to improved productivity and competitiveness, leading to business growth. The Technology Acceptance Model therefore provides a strong theoretical foundation for understanding how and why SMEs adopt IT and how such adoption influences their growth.

Resource-Based View Theory

The Resource-Based View (RBV) Theory was developed and advanced by Jay Barney (1991). The theory posits that firms achieve sustainable competitive advantage by acquiring and effectively utilizing resources that are valuable, rare, inimitable, and non-substitutable (VRIN). According to Barney (1991), a firm's internal resources and capabilities—such as knowledge, skills, technology, organizational processes, and brand reputation—are the primary determinants of its performance and long-term success. The RBV emphasizes that differences in firm performance arise from variations in resource endowments and how these resources are deployed strategically.

In relation to market development, RBV suggests that SMEs must leverage their internal resources and capabilities to successfully enter and operate in new markets. Market development requires firms to mobilize financial resources, human capital, managerial expertise, and technological capabilities to identify new market opportunities, understand customer needs, and adapt products or services accordingly. SMEs that possess strong organizational capabilities are better equipped to overcome entry barriers, establish distribution channels, and compete

effectively in unfamiliar markets. Thus, the ability to utilize internal strengths determines how successfully a firm can expand into new market segments or geographic areas (Munguti & Opiyo, 2022).

Therefore, within the context of SME growth, the Resource-Based View Theory explains that market development is not only a function of external opportunities but also of internal resource endowments. SMEs that effectively harness unique and well-developed resources are more likely to achieve successful market expansion, increased customer base, and improved performance. The theory underscores that sustainable growth through market development depends on the firm's ability to strategically deploy its resources and capabilities to create value in new markets while maintaining a competitive advantage.

Conceptual Framework

A conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate this. When clearly articulated, a conceptual framework has potential usefulness as a tool to assist a researcher to make meaning of subsequent findings (Tromp & Kombo, 2019). In this study, strategic orientation will be measured using IT adoption and market development. The dependent variable is growth of SMEs in Kenya. The operationalization of the variables is shown in Figure 1.

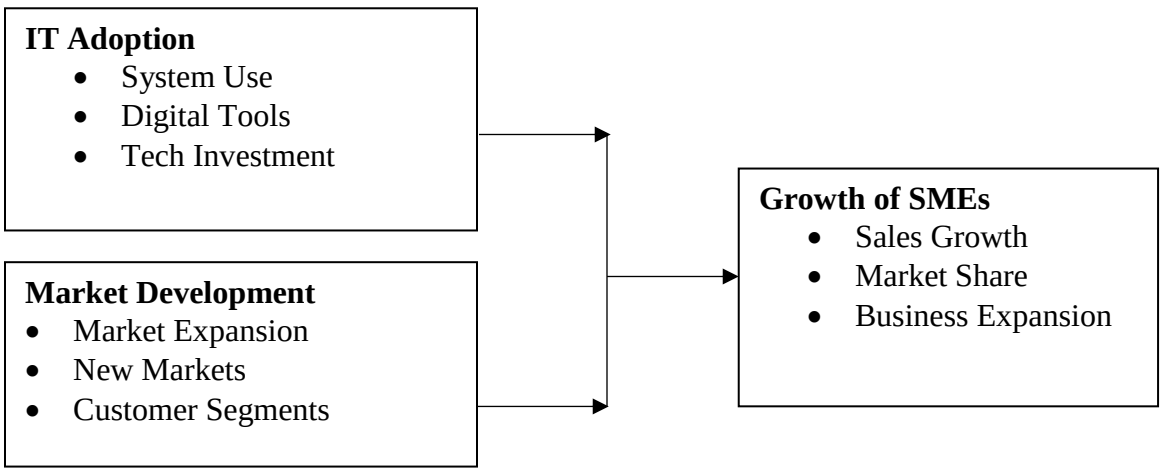


Figure 1: Conceptual Framework

IT Adoption

IT adoption refers to the process by which individuals, organizations, or societies incorporate new information technology (IT) solutions into their existing systems, workflows, and practices. It involves the acceptance, integration, and utilization of IT innovations to improve efficiency, productivity, and effectiveness in achieving organizational or personal objectives. Automation of

processes involves leveraging IT solutions to streamline and optimize routine tasks and workflows within an organization. By automating repetitive or manual tasks, organizations can reduce errors, save time, and allocate resources more efficiently. For example, in manufacturing, automation technologies such as robotic process automation (RPA) can be used to automate assembly line processes, improving production efficiency and quality control. In administrative functions, workflow automation software can automate tasks such as data entry, document routing, and approval processes, reducing manual effort and speeding up turnaround times. Automation of processes also enables organizations to standardize workflows, enforce compliance with regulations or policies, and free up human resources to focus on higher-value activities such as innovation, problem-solving, and customer service (Mehrabi, *et al*, 2018).

The elimination of paperwork involves transitioning from manual, paper-based processes to digital alternatives, reducing reliance on physical documents and paperwork. By digitizing documents and records, organizations can eliminate the inefficiencies associated with paper-based systems, such as manual filing, storage, and retrieval. Electronic document management systems (DMS) facilitate the creation, storage, retrieval, and sharing of digital documents in a secure and organized manner. This not only reduces the costs and environmental impact associated with paper usage but also improves accessibility, collaboration, and information sharing among employees. Moreover, digital documents can be easily backed up, archived, and retrieved, reducing the risk of data loss due to physical damage or loss of paper documents. The elimination of paperwork also supports remote work and mobile access to information, enabling employees to work more flexibly and collaboratively across different locations (Chenuos & Maru, 2020).

A company website serves as a digital hub for information, communication, and interaction between an organization and its stakeholders, including customers, partners, employees, and investors. A well-designed and functional website provides a platform for showcasing products or services, disseminating information about the company's mission, values, and offerings, and facilitating online transactions or interactions. For businesses, a company website is often the first point of contact for potential customers, serving as a powerful marketing and branding tool to attract and engage audiences. Through the website, organizations can build credibility, establish thought leadership, and foster trust with stakeholders. E-commerce functionality allows businesses to sell products or services directly to customers online, expanding market reach and generating additional revenue streams. Moreover, a company website enables organizations to collect feedback, gather analytics, and track user behavior, providing valuable insights for refining marketing strategies, improving customer experiences, and driving business growth (Mwaura &Obonyo, 2018).

Market Development

Market development refers to a strategic business process aimed at expanding the market for existing products or services into new geographic areas, customer segments, or usage occasions. It involves identifying and capitalizing on opportunities to grow sales and revenue by reaching untapped or underdeveloped markets (Auma & Waithaka, 2020). Market development strategies typically involve entering new markets where the company's products or services have not been previously available or expanding the usage of existing products or services among new customer segments. Targeting new market segments involves identifying and appealing to groups of customers with distinct needs, preferences, or characteristics that have not been previously targeted by the organization. This could include demographic segments (e.g., age, gender, income level), psychographic segments (e.g., lifestyle, values, attitudes), or behavioral segments (e.g., usage occasions, purchasing patterns). Market development efforts focus on understanding the unique requirements of these segments and tailoring products, services, and marketing messages to meet their specific needs. By tapping into new market segments, organizations can expand their customer base, increase market share, and drive revenue growth (Lagat, Chepkwony & Kotut 2019).

Expanding into new geographical regions involves entering markets in areas where the organization's products or services have not been previously available. This could involve targeting new cities, states, countries, or even global regions. Market development efforts may require adapting products or services to meet local market preferences, regulations, or cultural norms. It also involves establishing distribution channels, partnerships, or operations in the new region to ensure products or services reach customers effectively. By expanding into new geographical regions, organizations can access new customer bases, diversify revenue streams, and reduce dependence on specific markets or regions (AL-Zoubi, Sam, & Eam, 2018).

Market promotion involves implementing marketing and promotional strategies to create awareness, stimulate demand, and generate sales leads in target markets. This includes a variety of tactics such as advertising, public relations, sales promotions, digital marketing, and direct marketing. Market development efforts focus on effectively communicating the value proposition of products or services to target audiences and differentiating them from competitors. Promotion strategies may vary depending on the characteristics of the target market, such as demographics, psychographics, or purchasing behavior. By investing in market promotion, organizations can increase brand visibility, drive customer engagement, and ultimately boost sales and market share (Cheruiyot, Kipchillat & Kakiyai, 2018).

Empirical Review

IT Adoption and Organization Performance

AL-Zoubi, Sam, and Eam (2018) researched on the analysis of e-government adoption and organization performance in the Jordan businesses sector. An integrated theoretical framework for assessing e-government adoption, beyond initial adoption was developed. The target population was 113 firms .The study found the existence of significant relationship between time, cost and efficiently the businesses e-government adoption. The study concluded that higher explicitness and accumulation of technology can help the transfer of technological knowledge within the organization and can raise the capability to adopt innovative technologies.

Cheruiyot, Kipchillat and Kakiyai (2020) conducted a study on the relationship between selected technologies adoption and organizational performance; a case of dairy societies in Uasin Gishu County, Kenya. The study adopted explanatory research design. The target population was 20 dairy societies in Uasin Gishu County. The study found that adoption of human resource information system has no significant effect on organization performance and adoption of ICT has a positive effect on organizational performance. The study concluded that financial technologies adoption, information communication technology adoption and storage and processing technologies adoption are important determinants of performance of dairy societies.

Muhia and Afande (2019) investigated on the adoption of e-procurement strategy and procurement performance in state corporations in Kenya (A Case of Kenya Revenue Authority). A descriptive research design will be adapted in the study. The target population was staff and the related activities of Kenya Revenue Authority at head office branch which has a total population of 467 employees. The study found that electronic communication and electronic order processing positively influenced procurement performance in Kenya Revenue Authority. The study concluded that cost of e-procurement positively influenced procurement performance in Kenya Revenue Authority.

Gongera, Mindila and Ouma (2020) researched on the adoption of technological innovations on organizational performance: case of commercial banks in Kenya. The study used descriptive survey. The target population was commercial banks in Kenya. The study found that factors driving adoption of IB include increase average bank assets, non-adopters imitating early adopters and loan specialization in consumer lending and factors hindering IB adoption include competition among banks and average age of a bank. The study concluded that increase in the average bank assets has a positive influence on the adoption of internet banking and as the average age of the bank rises then the adoption rate falls.

Munguti and Opiyo (2022) conducted a study on the factors influencing the adoption of cloud computing in software development companies in Kenya. The study used descriptive cross-sectional survey research design. The target population of this study composed of the 283

software development companies in Kenya. The study found that organizational related factors, environmental factors, technological factors and risk factors influenced the adoption of cloud computing technology within organizations. The study concluded that organizational related factors (top management commitment, worker attitudes and right skills) pose significant influence on adoption of cloud computing technology within business firms.

Market Development and Organization Performance

Oloko and Muturi (2017) investigated on the influence of market development strategy on performance of firms within the insurance industry in Kenya. The study adopted a descriptive research design. The target population of the study was 5,188 insurance players in Kenya as at 2013. The study found that market development strategy does not improve the performance of firms. The study concluded that pursuit of the Market Development strategy worked to negate performance.

Wachuiri, Waiganjo and Oballah (2020) researched on the role of supplier development on organizational performance of manufacturing industry in Kenya; a case of East Africa breweries limited. A descriptive case study design was used. The target population was the manufacturing industry in Kenya. The study found that rewards, financial support and firm involvement have a great role in the performance of EABL. The study concluded that supplier development is crucial in improving the supplier performance and the organization performance.

Lubale and Kioko (2018) conducted a study on the effects of supplier development on organizational performance at Kenya Power and Lighting Company Limited. The study adopted a descriptive research design. The study's target population was 474 members. The study found that supplier evaluation, supplier incentives and supplier partnership have significant and positive effects on Kenya power's organizational performance. The study concluded that supplier evaluation was determined to have the most significant effect on organizational performance.

Inota and Mburu (2017) researched on the entrepreneurial factors affecting performance of motor repair firms in Nairobi industrial area: a case of members of the Kenya motor vehicle repairers association (KEMRA). This study adopted a descriptive research design combining both qualitative and quantitative research strategies. The target population was the member firms of KEMRA. The study found that entrepreneurial management and competencies had the greatest effect on the performance of motor vehicles' repair firms, followed by entrepreneurial marketing strategies, then business financing while innovativeness had the least effect to the performance of motor vehicles' repair firms. The study concluded that marketing financing has a greater effect on performance of motor vehicles repairers and the effect of the organization using credit from financial institutions is greater.

Mwaniki, Ngugi and Nyang'au (2022) conducted a study on the strategic orientation and organization performance. The study adopted a descriptive survey design. The target population

was 422 manufacturing SMEs in Nairobi County who are members of Kenya Association of manufacturers. The study found that there was a significant positive relationship between business development services and growth of small and medium enterprises in Kenya. The study concluded that business development services play a great role in the growth of manufacturing SMEs.

RESEARCH METHODOLOGY

Research Design

The descriptive research design was employed where data collected one point in time. Creswell and Creswell (2017) notes that a descriptive survey seeks to obtain information that describes existing phenomena by asking questions relating to individual perceptions and attitudes. The design is considered suitable as it allows an in-depth study of the problem under investigation. Descriptive research design will be adopted when describing the given situation, a phenomenon, it takes into consideration current believes customs and also traditions in data collection (Baumgartner, Strong & Hensley 2019).

Target Population

Nairobi County hosts the highest concentration of Micro, Small, and Medium Enterprises (MSMEs) in Kenya, with estimates indicating over 90,000 to 98,598 registered SMEs. The city boasts the highest proportion of SMEs nationally, representing approximately 60% of the country's total. The study was conducted in Nairobi CBD since it has highest concentration of SMEs.

The unit of analysis was the SMEs, while the unit of observation was 398 owners and/or managers of these enterprises. Owners and managers were targeted because they are directly involved in strategic decision-making and are therefore best positioned to provide reliable information regarding the strategic practices and growth performance of their businesses.

Sample Size and Sampling Technique

A sample is a subset of a population, selected to participate in a research as espoused by Kyalo, *et al.,* (2017) using Slovin's sample size determination formulae. Sample Size (n)

$$n = \frac{N}{1 + N(e)^2}$$

Where:

N = Population

n = is the sample size

e = Appropriate significance level, for instance, at 95 percent, the significance level is .05.

Using this procedure, the sample size arrived at was 398, derived as follows;

$= \frac{98,598}{1+98,598\ (0.05^2)}$

$= \frac{98598}{247.495} = 398$

n≈ 398

Therefore, the research used a sample of 348 respondents.

Data Collection Instrument

Data was collected using a self-administered semi-structured questionnaire. Semi-structured questionnaires were used since they enable the researcher collect quantitative data. Questionnaires are a good method because they provide clarifications seek by respondents and they can be collected immediately after they are completed. Structured questionnaires are easy to administer, analyze and are economical in terms of time and money. A five-point Likert scale was used to measure all variables. The lowest rating of 1 signifies a low opinion by respondent while a high rating of 5 signifies a high rating by the respondents.

Pilot Study

A pilot test was conducted to determine validity and reliability of the data collection instrument. A pilot study is a small experiment designed to test logistics and gather information prior regarding a larger study, in order to improve the latter quality and efficiency. A pilot study can reveal deficiencies in the design of proposed experiment and procedure and these can be addressed before time and resources are expended on large scale studies. The responses from respondents were used to adjust and refine questionnaire accordingly. According to Mugenda and Mugenda (2017) the pretest sample should be between 1% and 10% depending on the sample size. The pilot study was used to test validity and reliability of the data collection instrument

Data Analysis and Presentation

Data obtained from the field was coded, cleaned, and entered into the computer for analysis using the SPSS version 25. The data was summarized in order to see emerging trends and issues around specific themes, which are dependent on the variables and objectives. Presentation of data was done in form of quantitative and qualitative reports which were presented in forms of tables and essay. For the quantitative reports, the tables consisted of mean and standard deviation values that were used to make interpretation of the analysis. Percentage, mean and standard deviation was used to show the frequency of responses. Tables were used to display the rate of responses and to facilitate comparison. Qualitative reports werer presented in form of essay which was discussed as per the study objectives aligned with the theories and empirical study.

Descriptive statistical included frequency, percentages, mean and standard deviation. Inferential statistical analysis comprised of multiple regression analysis and correlation analysis. The

significant of each independent variable was tested at a confidence level of 95%. The multiple regression model that was utilized as shown below:

$$Y = \beta + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where:

Y represents dependent Variable (growth of small and medium size enterprises In Nairobi City County, Kenya),

β represents a constant or Intercept

β_1, β_2, represents the estimated regression coefficients

X_1 represents IT adoption

X_2 represents Market Development

ε represents error term (represents the effect of the variables that were not covered by the equation)

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

Response Rate

The sample size for the study comprised 348 respondents, of whom 40 respondents were selected for the pilot test. The remaining 308 respondents were administered with questionnaires during the main data collection exercise. Of the 308 questionnaires administered, 253 were completely filled and returned, resulting in a response rate of 82.1%. The response rate was considered as suitable for making inferences from the data collected. As indicated by Orodhe, 2019), a response rate that is above fifty percent is considered adequate for data analysis and reporting while a response rate that is above 70% is classified as excellent. Hence, the response rate of this study was within the acceptable limits for drawing conclusions and making recommendations.

Descriptive Statistics

IT Adoption and Growth of SMEs

The first specific objective of the study was to establish the effect of IT adoption on growth of small and medium size enterprises In Nairobi City County, Kenya. The respondents were requested to determine their level of agreement on various statements related to IT adoption and growth of small and medium size enterprises In Nairobi City County, Kenya. The results were as shown Table 1.

From the results, the respondents agreed that their enterprise uses digital tools to manage daily business operations (M=3.867, SD=0.533). In addition, the respondents agreed that they utilize information technology to communicate with customers (M=3.851, SD=0.784). Further, the

respondents agreed that their business uses online platforms for marketing and sales (M=3.840, SD=0.501).

From the results, the respondents agreed that employees are trained to use information systems in business operations (M=3.833, SD=0.677). In addition, the respondents agreed that IT systems improve efficiency in their business processes (M=3.826, SD=0.898). The respondents also agreed that their firm invests in updating and maintaining its technology systems (M=3.811, SD=0.811).

Table 1: IT Adoption and Growth of SMEs

	Mean	Std. Dev
Our enterprise uses digital tools to manage daily business operations.	3.867	0.533
We utilize information technology to communicate with customers.	3.851	0.784
Our business uses online platforms for marketing and sales.	3.840	0.501
Employees are trained to use information systems in business operations.	3.833	0.677
IT systems improve efficiency in our business processes.	3.826	0.898
Our firm invests in updating and maintaining its technology systems.	3.811	0.811
Aggregate	**3.838**	**0.701**

Market Development and Growth of SMEs

The second specific objective of the study was to assess the effect of market development on growth of small and medium size enterprises In Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on various statements related to market development and growth of small and medium size enterprises In Nairobi City County, Kenya. The results were as shown Table 2.

From the results, the respondents agreed that their business actively seeks to enter new markets or regions (M=3.831, SD=0.774). In addition, the respondents agreed that they target new customer segments beyond their current market base (M=3.820, SD=0.807). Further, the respondents agreed that their enterprise uses new distribution channels to reach customers (M=3.817, SD=0.613).

From the results, the respondents also agreed that they conduct market research before entering new markets (M=3.809, SD=0.749). In addition, the respondents agreed that expanding into new markets is part of their growth strategy (M=3.792, SD=0.555). The respondents also agreed that their business adapts its products or services when entering new markets (M=3.788, SD=0.906).

Table 2: Market Development and Growth of SMEs

	Mean	Std. Dev
Our business actively seeks to enter new markets or regions.	3.831	0.774
We target new customer segments beyond our current market base.	3.820	0.807
Our enterprise uses new distribution channels to reach customers.	3.817	0.613
We conduct market research before entering new markets.	3.809	0.749
Expanding into new markets is part of our growth strategy.	3.792	0.555
Our business adapts its products or services when entering new markets.	3.788	0.906
Aggregate	**3.810**	**0.734**

Growth of SMEs

The respondents were requested to indicate their level of agreement on various statements related to growth of small and medium size enterprises In Nairobi City County, Kenya. The results were as shown Table 3.

From the results, the respondents agreed that their business has experienced an increase in sales revenue over the past few years (M=3.790, SD=0.882). In addition, the respondents agreed that the number of their customers has grown consistently over time (M=3.777, SD=0.522). Further, the respondents agreed that their enterprise has expanded its market share in recent years (M=3.763, SD=0.715).

From the results, the respondents also agreed that the profitability of their business has improved over time (M=3.759, SD=0.789). In addition, the respondents agreed that their business has opened new branches or expanded its operations (M=3.732, SD=0.508). The respondents also agreed that overall, their enterprise is growing in terms of size and business performance (M=3.721, SD=0.617).

Table 3: Growth of SMEs

	Mean	Std. Dev
Our business has experienced an increase in sales revenue over the past few years.	3.790	0.882
The number of our customers has grown consistently over time.	3.777	0.522
Our enterprise has expanded its market share in recent years.	3.763	0.715
The profitability of our business has improved over time.	3.759	0.789
Our business has opened new branches or expanded its operations.	3.732	0.508
Overall, our enterprise is growing in terms of size and business performance.	3.721	0.617
Aggregate	**3.757**	**0.672**

Inferential Statistics

Inferential statistics such as correlation analysis and regression analysis were used to assess the relationships between the independent variables (IT adoption and market development) and the dependent variable (growth of small and medium size enterprises In Nairobi City County, Kenya).

Correlation Analysis

This research adopted Pearson correlation analysis determine how the dependent variable (growth of small and medium size enterprises In Nairobi City County, Kenya) relates with the independent variables (IT adoption and market development).

Table 4: Correlation Coefficients

		Growth SMEs	of IT Adoption	Market Development
Growth of SMEs	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	253		
IT Adoption	Sig. (2-tailed)	.002		
	N	253		
	Pearson Correlation	.860**	1	
	Sig. (2-tailed)	.000		
	N	253	253	
Market Development	Pearson Correlation	.842**	.226	1
	Sig. (2-tailed)	.001	.022	
	N	253	253	253

From the results, there was a very strong relationship between IT adoption and growth of small and medium size enterprises In Nairobi City County, Kenya (r = 0.860, p value =0.000). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). The findings are in line with the findings of Cheruiyot, Kipchillat and Kakiyai (2020) who indicated that there is a very strong relationship between IT adoption and growth of SMEs.

The results also revealed that there was a very strong relationship between market development and growth of small and medium size enterprises In Nairobi City County, Kenya (r = 0.842, p value =0.001). The relationship was significant since the p value 0.001 was less than 0.05 (significant level). The findings are in line with the findings of Mwaniki, Ngugi and Nyang'au (2022) who indicated that there is a very strong relationship between market development and growth of SMEs.

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (IT adoption and market development) and the dependent variable (growth of small and medium size enterprises In Nairobi City County, Kenya).

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.817	.667	.668	.10129

a. Predictors: (Constant), IT adoption and market development

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.667. This implied that 66.7% of the variation in the dependent variable (growth of small and medium size enterprises In Nairobi City County, Kenya) could be explained by independent variables (IT adoption and market development).

Table 6: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	82.055	2	41.028	250.171	.002[b]
	Residual	40.912	250	.164		
	Total	122.967	252			

a. Dependent Variable: growth of small and medium size enterprises In Nairobi City County, Kenya
b. Predictors: (Constant), IT adoption and market development

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 250.171 while the F critical was 3.032. The p value was 0.002. Since the F-calculated was greater than the F-critical and the p value 0.002 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of IT adoption and market development on growth of small and medium size enterprises In Nairobi City County, Kenya.

Table 7: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.280	0.073		3.836	0.001
IT adoption	0.355	0.093	0.354	3.817	0.000
market development	0.337	0.088	0.338	3.830	0.001

a Dependent Variable: growth of small and medium size enterprises In Nairobi City County, Kenya

The regression model was as follows:

$$\mathbf{Y = 0.280 + 0.355X_3 + 0.337X_4 + \varepsilon}$$

According to the results, IT adoption has a significant effect on growth of small and medium size enterprises In Nairobi City County, Kenya β1=0.355, p value= 0.000). The relationship was considered significant since the p value 0.000 was less than the significant level of 0.05. The findings are in line with the findings of Cheruiyot, Kipchillat and Kakiyai (2020) who indicated that there is a very strong relationship between IT adoption and growth of SMEs.

In addition, the results revealed that market development has a significant effect on growth of small and medium size enterprises In Nairobi City County, Kenya β1=0.337, p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings are in line with the findings of Mwaniki, Ngugi and Nyang'au (2022) who indicated that there is a very strong relationship between market development and growth of SMEs.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The study concludes that IT adoption has a positive and significant effect on growth of small and medium size enterprises in Nairobi City County, Kenya. Findings revealed that system use, digital tools and tech investment influences growth of small and medium size enterprises in Nairobi City County, Kenya.

The study also concludes that market development has a positive and significant effect on growth of small and medium size enterprises in Nairobi City County, Kenya. Findings revealed that market expansion, new markets and customer segments influences growth of small and medium size enterprises in Nairobi City County, Kenya.

Recommendations

The study recommends that SMEs in Kenya should enhance IT adoption by integrating appropriate digital technologies into their business operations, including sales, communication, record management, and customer service. This can improve operational efficiency, facilitate timely access to business information, expand market reach, and enhance customer engagement, thereby contributing to sustained SME growth.

The study also recommends that SMEs in Kenya should strengthen market development by identifying new market opportunities, expanding their customer base, and adopting strategies that enable them to reach underserved market segments. This can increase market coverage,

attract new customers, enhance sales opportunities, and improve the competitiveness of SMEs, thereby contributing to sustained business growth.

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