STRATEGY IMPLEMENTATION FACTORS AND PERFORMANCE OF MICROFINANCE INSTITUTIONS IN MACHAKOS COUNTY, KENYA

ALEX MITHIORI KIMANI

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DECLARATION

Declaration by Student

This research project is my original work and has not been presented for any academic award in any other university.

Signature .... Date 10-07-2025

Alex Mithiori Kimani

Reg. No: D53-6905-2020

Declaration by Supervisors

This research project has been submitted for examination with our approval as the University

Supervisors:

1. Signed .... Date 10-07-2025

   Prof. Robert Arasa, Ph.D.

   Department of Business and Finance

   School of Business, Economics, Hospitality and Tourism Management.

   Machakos University

2. Signed .... Date 10/07/2025

   Dr. James Karau, Ph.D.

   Department of Economics

   School of Business, Economics, Hospitality and Tourism Management.

   Machakos University

DEDICATION

I dedicate this research project to my beloved wife Kellen Wanjiku and our precious children.

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LIST OF ABBREVIATIONS AND ACRONYMS

AMFI	Association of Microfinance Institutions
CBK	Central Bank of Kenya
DTM	Deposit Taking Microfinance
ICT	Information Communication Technology
KWFT	Kenya Women Finance Trust
MFIs	Micro Finance Institutions
NACOSTI	National Commission for Science, Technology and Innovation
NGOs	Non-Governmental Organizations
RBV	Resource-Based View
SMEP	Small and Micro Enterprise Programme
SMEs	Small and Medium Enterprises
SPSS	Statistical Packages for Social Sciences
VRIN	Valuable, Rare, Inimitable, and Non-substitutable

DEFINITION OF TERMS

Organizational Culture	Organizational culture entails the shared beliefs, values, norms, behaviors and attitudes that define the unique character and identity of an organization. It encompasses the unwritten rules, social interactions, and overall atmosphere within the organization, influencing how employees and stakeholders interact with one another and make decisions (Denison, 2020)
Organizational Performance	Refers to the measurement and evaluation of the overall effectiveness, efficiency, and sustainability of these organizations in achieving their financial and social objectives (World Bank, 2019).
Organizational Structure	Organizational structure encompasses the framework and responsibilities, relationships and arrangement of roles within an organization, defining how various tasks, processes, and information flow are organized to achieve the organization's objectives (Daft, 2020).
Resource Allocation	Allocation of resources involves the processes of distributing and apportioning resources available in an organization, such as finances, human capital, material, and time, among various competing needs

	and demands within an organization or a system (Brown, Jones & Patel, 2022).
Strategy Communication	It is the process of effectively conveying an organization's strategic objectives, plans, and initiatives to relevant stakeholders, both internal and external, in a clear and coherent manner. It involves the dissemination of information that outlines the rationale behind the chosen strategies, the anticipated outcomes, and the necessary actions to implement the strategies (Henderson & Venkatraman, 2020).

ABSTRACT

Microfinance institutions play a vital role in financial inclusion, providing access to credit, savings, insurance, and other financial services to low-income individuals and marginalized communities. This study investigated the influence of strategy implementation on the performance of Microfinance institutions (MFIs) in Machakos County, Kenya. Specifically, this study set out to examine the influence of resource allocation, strategy communication, organizational structure and organizational culture on performance of microfinance institutions in Machakos County. The study was guided by the resource-based view theory, managerialism theory, contingency theory and theory of organizational excellence. An explanatory research design was chosen for the study. Closed-ended structured questionnaires were administered by the researcher on the respondents to collect data. The target population was 63 microfinance staff in Machakos County. Thus, the MFIs formed the unit of analysis. The target population for this study comprised the staff in the microfinance branch offices in Machakos County. A pilot test on 6 respondents randomly selected from the target population was conducted to offer preliminary data for the selection of a probability sample and identifying any weaknesses in the research design and instrumentation. The questionnaires were administered physically on drop and pick basis. The collected data was analyzed using SPSS version 26. Multiple regression analysis was carried out to establish the nature and magnitude of the relationship between resource allocation, strategy communication, organizational structure organizational culture and MFIs performance. The findings were presented using tables, graphs and bar charts. The findings showed that effective resource allocation and a strong organizational culture had a positive correlation with firm performance. The study found that resource allocation (($\beta = 0.382$, p value = 0.000), strategy communication ($\beta = 0.247$, p value = 0.000) and organizational culture ($\beta = 0.330$, p value = 0.000) had a statistically significant positive impact on firm performance. However, organizational structure ($\beta = -0.343$, p value = 0.000) had a negative significant effect on performance of MFIs. The study concluded that efficient resource allocation strategies in enhancing firm performance, strategic communication is a critical determinant of firm performance, an overly rigid or bureaucratic organizational structure can impede adaptability and responsiveness to market dynamics and organizational culture is a powerful driver of firm performance within microfinance institutions in Machakos County. The study recommended that policymakers and microfinance institutions (MFIs) should prioritize developing clear guidelines and frameworks for efficient resource allocation, establish structured communication channels that ensure strategic goals are effectively communicated across all levels of the organization and MFIs should consider adopting more flexible organizational structures that align with their operational and strategic needs. The study suggested that future studies should focus on the influence of regulatory changes, economic conditions, and market competition on organizational strategies and performance outcomes.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Chakrabarty and Bass (2019) indicated that a strategic approach enables MFIs to identify their target customer segments, design appropriate financial products, establish efficient operational processes, and build strong relationships with stakeholders. For example, the use of market segmentation strategies helps MFIs to better understand the needs and preferences of different client segments, allowing them to tailor their products and services accordingly. Moreover, strategic partnerships with local communities, government agencies, and other financial institutions can enhance the MFI's outreach and impact. By aligning their strategies with the unique challenges and opportunities in the microfinance sector, MFIs can enhance their operational efficiency, attract funding, build customer trust, and ultimately improve their overall performance (Alastair, 2020).

Effective strategy implementation remains a crucial determinant of organizational performance across various sectors globally. Organizations increasingly recognize that having a well-crafted strategy alone does not guarantee success; rather, how that strategy is executed determines long-term sustainability and competitiveness (Alshammari & Hussein, 2021). This is particularly true in the financial services sector, where rapid technological changes, regulatory shifts, and evolving customer expectations demand strategic agility and robust implementation mechanisms (Rahman et al., 2020).

In the contemporary global financial landscape, microfinance institutions (MFIs) have emerged as pivotal entities in fostering financial inclusion, particularly among underserved populations. Effective strategy implementation within these institutions is paramount to achieving their objectives and ensuring sustainability. The operational process factors, namely, resource availability, communication, operational planning in addition to control and feedback, have been highlighted to have significant effects on the success of strategy implementation (Obeidat *et al.*, 2022). Factors such as resource allocation, strategy communication, organizational structure, and organizational culture have been identified as critical determinants influencing the performance of MFIs. The significance of robust resource management and strategic planning in enhancing the operations of small enterprises, has been the subject of attention in the operational dynamics of MFIs (Dominic & Theuvsen, 2023).

Resource allocation refers to the process through which an organization distributes its available financial, human, and physical resources to support the achievement of strategic goals (Hassan et al., 2021). In MFIs, effective resource allocation ensures that sufficient inputs are directed toward critical functions such as credit management, customer service, and technological innovation, thereby promoting improved service delivery and financial performance. Strategy communication is the deliberate process of conveying strategic goals, roles, and expectations throughout the organization (Mutua & Ngugi, 2023). Clear and consistent communication of strategies enhances employee understanding, minimizes resistance to change, and improves execution efficiency. For MFIs, strategic communication is essential in aligning individual roles with institutional objectives, especially in decentralized or community-based operational settings.

Organizational structure denotes the formal system of task and authority relationships that control how people coordinate their actions and use resources to achieve organizational goals (Muchiri & Wambua, 2022). A flexible and responsive structure enables MFIs to adapt to changing environmental demands, improves accountability, and facilitates timely decision-making—factors that are critical to performance. On the other hand, organizational culture, on the other hand, encompasses the shared values, beliefs, norms, and practices that shape employee behavior and organizational identity (Dominic & Theuvsen, 2023). A culture that supports innovation, transparency, and accountability fosters a cohesive work environment that is conducive to effective strategy implementation and performance improvement.

MFIs in Africa are instrumental in poverty alleviation and enterprise development. Yet, many struggle with persistent operational inefficiencies and high portfolio-at-risk ratios, which are often linked to weak strategic execution (Kabwegyere & Muli, 2023). Kenyan MFIs, in particular, operate in a highly dynamic environment characterized by regulatory constraints, market competition, and shifting client needs. Despite the proliferation of strategic planning among these institutions, a significant number still fall short in achieving desired performance metrics (Omondi & Mwangi, 2021).

African organizations, however, encounter obstacles during the strategy implementation process, such as insufficient infrastructure and limited technological development (Johnson and Scholes, 2020). These challenges can impede an organization's ability to transform strategies into action effectively. For African organizations, strategic management becomes even more critical due to unique challenges specific to the region. One of the primary objectives of strategic management is to create a clear plan of action, commonly known as a strategy, which outlines how an organization will achieve its vision and mission within a specific timeframe and ever-changing environment (Alastair, 2020). Despite the significance of effective strategy implementation, it remains a major challenge for many organizations in Africa (Aaltonen and Ikavalkro, 2020). Transforming strategies into actionable plans requires overcoming complexities and difficulties associated with the uncertain future and accommodating changing stakeholder expectations.

Specific hurdles emerge during strategy implementation in many Kenyan organizations, including resistance to change, ineffective communication, inadequate resources, rigid organizational structures, and lack of top management support during transitions, a tendency to prioritize personal interests over organizational goals and poor risk management (Ochanda, 2020). Furthermore, organizations may struggle to deal with new changes that accompany the implementation of novel strategies. Addressing these challenges is crucial for African organizations to remain competitive and achieve their objectives. Organizations need to develop the rationale necessary for adopting and implementing formulated strategies (Pearce and Robinson, 2020). Implementing well-formulated strategies is essential for building value over time and benefiting stakeholders (Johnson and Scholes, 2020).

This study aims to explore the issues facing microfinance institutions, particularly those in Kenya, in their strategy implementation process. Studies indicate that implementation factors such as leadership commitment, organizational structure, resource availability, and employee involvement critically affect the translation of strategic plans into tangible outcomes (Muchiri & Wambua, 2022; Hassan et al., 2021). Despite having well-formulated strategies, many MFIs struggle to achieve desired outcomes due to challenges in implementation. Resource allocation, strategy communication, organizational structure, and organizational culture, reflect key factors identified in literature as influencing strategy implementation. By examining these elements within the context of Machakos County, the study aims to uncover specific organizational dynamics that either facilitate or hinder performance, ultimately providing evidence-based insights to enhance the operational success of MFIs.

Statistics show that microfinance institutions have been experiencing an increasing growth. According to the Central Bank of Kenya (2021) annual report, there has been an increase in customer deposits by 8.6% while assets declined by 2%. Moreover, the profitability saw a decrease, resulting in a loss of Kshs 2.4 billion for the twelve-month period ending in June 2021. This is in contrast to the loss of Kshs 1.0 billion reported for the same twelve-month period ending in June 2020. These trends show that despite the growing appreciation of MFIs among the people, the organizations themselves have not fully met their performance expectations. As a result, they have to turn to rigorous strategy implementation to help them improve their overall performance. Thus, the findings of this study will contribute to the body of knowledge on strategic management and provide valuable insights for policymakers, organizational leaders, and other stakeholders, ultimately promoting sustainable growth and success in microfinance institutions.

1.1.1 Strategy Implementation

Strategy implementation is a critical process that allows organizations to transform their strategic plans into actionable initiatives and achieve their long-term objectives effectively (Ongori, 2019). In the Kenyan context strategy implementation in Microfinance Institutions (MFIs) is particularly significant due to the sector's essential role in providing financial services to the unbanked and underserved population. Successful strategy implementation in this sector requires careful consideration of the local economic conditions, regulatory environment, and the unique needs of the target clientele. The process involves translating the strategic vision into practical steps, resource allocation and alignment of the organization's culture and structure to support the strategic objectives.

Kenyan MFIs face various challenges during strategy implementation, including the need to strike a balance between financial sustainability and social impact. They must address issues related to client outreach, loan portfolio management, and risk mitigation while also staying true to their mission of financial inclusion and poverty alleviation. Effective governance, strong leadership, and stakeholder engagement play critical roles in ensuring the successful execution of strategies in the MFI sector in Kenya (Njeru et al., 2019).

1.1.2 Microfinance Institutions

Microfinance institutions play a vital role in financial inclusion, providing access to savings, credit and insurance among other finance related services to low-income individuals and marginalized communities (Gonzalez & Rosenberg, 2021). These institutions have gained considerable attention from governments, international organizations, and development agencies due to their potential to foster economic development, empower women, and reduce poverty (Morduch, 2020). With an estimated 140 million active borrowers and 300 million depositors worldwide, the impact of MFIs on global financial inclusion cannot be underestimated (World Bank, 2020).

The microfinance sector has witnessed significant transformations over the years. From its origins as informal lending groups to the establishment of formalized microfinance institutions, the sector has become more sophisticated and diverse in its offerings (Morduch, 2020). Additionally, the rise of fintech and digital innovations has further accelerated the growth of digital microfinance services, allowing MFIs to reach more underserved populations with improved efficiency (D'Espallier et al., 2022). In this rapidly changing landscape, the formulation and implementation of effective strategies has become even more critical for MFIs to maintain their relevance and competitiveness.

Microfinance institutions (MFIs) in Kenya, particularly in Machakos County, have significantly contributed to financial inclusion by providing services to the unbanked and underserved populations. The most commonly known MFIs include KWFT, Faulu, BIMAS, Mwananchi Credit and Musoni among others. They offer microloans, micro savings, and other financial products, aiding in poverty alleviation and economic development. The sector has grown over the years, with the adoption of technology and mobile money platforms like M-Pesa facilitating efficient service delivery and expansion (Gupta et al., 2019).

However, the MFIs face challenges in strategy implementation and performance. Limited funding, capacity constraints, and risk management issues hinder their ability to deliver sustainable financial services. The increasing competition in the microfinance sector adds further pressure to attract and retain clients. Despite these challenges, well-managed MFIs have demonstrated financial sustainability and positive returns on investments. They often provide non-financial services, such as financial literacy training and business support, to enhance their social impact. To ensure continued success and impact, MFIs need to address operational challenges and adapt to market dynamics (Bhanot & Bapat, 2020). Regulators like the Central Bank of Kenya oversee the sector, setting standards for safe and secure operations. By remaining committed to their social missions while maintaining financial viability through proper strategic planning and implementation, MFIs can continue empowering women, rural communities, and small businesses, fostering inclusive growth in Kenya.

1.1.3 Performance of Microfinance Institution in Machakos

According to Kiringai and Mungai (2019), performance in microfinance institutions (MFIs) entail their ability to achieve their financial and social objectives while effectively serving their target population. Financial performance indicators include sustainability, portfolio quality and profitability while social performance indicators focus on poverty reduction, women empowerment, and financial inclusion. Well-performing MFIs demonstrate high levels of efficiency, effective management practices, and a strong focus on client satisfaction. These institutions are able to achieve financial sustainability while making significant contributions to poverty alleviation and economic development. MFIs need to balance financial and social objectives to ensure long-term sustainability. This requires a comprehensive understanding of their target population's needs, designing appropriate financial products, and providing tailored financial literacy and business development services (Odongo, Anyango & Rotich, 2021).

Performance in microfinance institutions is based on their effectiveness and efficiency in achieving their mission of providing financial services to low-income individuals and underserved communities (Bhatt et al., 2020). Performance assessment in microfinance institutions is multifaceted, encompassing various dimensions such as financial sustainability, outreach, and social impact. Financial sustainability entails the ability of microfinance institutions to generate enough income to cover their operational costs, maintain profitability, and ensure the long-term viability of their operations. Additionally, outreach refers to the extent to which microfinance institutions are able to reach and serve their target population, usually measured by indicators such as the number of active borrowers, loan disbursements, and the depth of outreach in terms of loan sizes and average loan amounts (Alastair, 2020). Finally, social impact evaluation assesses the extent to which microfinance institutions contribute to poverty alleviation, empowerment of women, and overall socio-economic development in the communities they serve.

According to the (CBK, 2021), the microfinance institutions' industry has grown rapidly in the past two decades. Specifically, microfinance institutions have been operating in Machakos County for over a decade, with the initial three entrants being Faulu Microfinance Bank Ltd, Kenya Women Microfinance Bank Ltd, and SMEP Microfinance Bank Ltd. Over time, the number of MFIs in the county has increased to more than twenty. Furthermore, the Central Bank of Kenya's annual report for the year ending in 2022 presented a concerning picture, showing a decline of 10% in return on assets, 8% in return on investment, and 11% in return on equity for three major microfinance institutions: Faulu Microfinance Bank Ltd, Kenya Women Microfinance Bank Ltd, and SMEP Microfinance Bank Ltd. These three institutions have been operating in Machakos County for the longest period (CBK, 2022). Interestingly, despite Machakos County's close proximity to Nairobi, the capital city of Kenya, which hosts over 60 MFIs, the fact that Machakos County only hosts 21 MFIs suggests that there may be environmental factors or other challenges hindering the penetration of MFIs in the area.

The growth of microfinance institutions has been bolstered by the introduction of new participants, novel offerings, and evolving practices, all driven by the imperative to better serve customer demands. Furthermore, technological advancements and various microeconomic factors such as financial liberalization have fostered the emergence of improved services, fresh products, and the expansion of these microfinance entities. Consequently, there is now a heightened emphasis on microfinance institutions to craft competitive strategies capable of adapting to the ever-changing market landscape among financial service providers. This heightened competitiveness and the dynamic nature of the market are becoming increasingly apparent through the growing number of market participants (CBK, 2022). It's important to note that internal factors play a significant role in strategy implementation and should not be overlooked due to their substantial contribution.

1.2 Statement of the Problem

The microfinance sector has experienced rapid global growth, playing a pivotal role in advancing financial inclusion and supporting small enterprises. However, despite this progress, many microfinance institutions (MFIs) continue to grapple with internal and external challenges that affect their overall performance. In Kenya, MFIs face mounting competition from commercial banks and digital financial platforms such as M-Pesa, which offer more accessible and innovative services. As reported by the Association of Microfinance Institutions (AMFI, 2024), while some credit-only institutions have shown slight improvements, overall performance for banks and deposit-taking microfinance institutions (DTMs) declined between 2020 and 2024. These trends are particularly evident in Machakos County, where the Kenya Economic Survey (2024) noted a 10% decrease in return on assets and an 11% drop in return on equity for the three leading MFIs, alongside low market penetration of only 4.5%.

Despite extensive global and regional studies on MFI performance, there remains a significant contextual and methodological gap in the literature regarding strategy implementation factors in emerging economies, particularly at the sub-county level. Previous research has primarily examined resource allocation in developed contexts like the UK and China, or in sectors such as manufacturing and SMEs (Brown et al., 2022; Taljaard & Jaen, 2020; Wang et al., 2020), with limited focus on MFIs in counties like Machakos. Additionally, while some studies have addressed technological innovation or financial sustainability, few have investigated how core elements of strategy implementation, specifically, resource allocation, strategy communication, and organizational structure, affect performance in microfinance institutions operating under the socioeconomic conditions found in Machakos County.

Moreover, there is a noticeable absence of research into the cultural dynamics that shape organizational behavior within MFIs in Machakos. Although studies such as those by Cameron and Quinn (2020) and Armendariz and Szafarz (2019) have explored organizational culture and structure on a broader scale, they often overlook the importance of community-specific values and social norms that influence performance outcomes. Given the critical role of culture in determining how strategies are communicated, interpreted, and implemented, a better understanding of the local organizational culture is essential. This gap calls for a localized investigation into how these factors interact in the performance of MFIs amid Kenya's evolving regulatory and competitive financial landscape. This study therefore seeks to bridge this gap by exploring how resource allocation, strategy communication, organizational structure and organizational culture factors, collectively influence the performance of MFIs in Machakos County. Insights from this research will help inform more contextually relevant strategy implementation practices, contributing to the academic discourse and offering actionable recommendations for policymakers and practitioners in the microfinance sector.

1.3 Objectives of the Study

1.3.1 General Objective

The study was set out to investigate the influence of strategy implementation factors on the performance of microfinance institutions in Machakos County, Kenya.

1.3.2 Specific Objectives

Specifically, this study was set out to examine the influence of;

i. Resource allocation on performance of microfinance institutions in Machakos County, Kenya.
ii. Strategy communication on performance of microfinance institutions in Machakos County, Kenya.
iii. Organizational structure on performance of microfinance institutions in Machakos County, Kenya.
iv. Organizational culture on performance of microfinance institutions in Machakos County, Kenya.

1.4 Hypothesis of the Study

The following hypotheses were formulated for testing for purposes of this study.

i. Resource allocation has no statistically significant effect on performance of microfinance institutions in Machakos County, Kenya.
ii. Strategy communication has no statistically significant effect on performance of microfinance institutions in Machakos County, Kenya.

iii. Organizational structure has no statistically significant effect on performance of microfinance institutions in Machakos County, Kenya.

iv. Organizational culture has no statistically significant effect on performance of microfinance institutions in Machakos County, Kenya.

1.5 Justification of the Study

This study stems from the critical need to enhance the performance and sustainability of microfinance institutions (MFIs), particularly in the face of intensifying competition and changing financial landscapes in Kenya. As MFIs strive to remain relevant amidst growing digital financial innovations and competition from commercial banks, there is an urgent need to understand the internal strategic factors that shape their success. Previous studies have established that strategy implementation plays a central role in determining organizational outcomes (Armendariz & Szafarz, 2019). However, there remains limited empirical evidence on how specific elements such as resource allocation, strategy communication, organizational structure, and organizational culture influence MFI performance within localized contexts like Machakos County. Given that the Central Bank of Kenya (2024) has recorded notable declines in financial performance metrics for MFIs in Kenya, this study provides timely and policy-relevant insights into how better strategy implementation could reverse such trends.

Moreover, this research addresses a significant gap in scholarly literature by focusing on under-explored strategy implementation dimensions within the Kenyan microfinance sector. While prior research has focused on general organizational performance in developed economies and large-scale sectors (Brown et al., 2022; Wang et al., 2020), this study is one of the few to contextualize these strategic dimensions within Kenya's microfinance framework. As Taljaard and Jaen (2020) argue, the success of strategy implementation is highly contingent on context, necessitating localized studies that take into account socio-economic, cultural, and institutional specificities. Additionally, organizational culture—a variable often overlooked in MFI studies—is particularly pertinent in Machakos, where community values and social norms significantly influence employee behavior and decision-making (Armendariz & Szafarz, 2019). By incorporating cultural dynamics into the strategic analysis, this study adds depth and relevance to the discourse, offering a comprehensive understanding of the performance drivers for MFIs.

1.6 Significance of the Study

The study's results hold significant importance to policymakers as they work on developing frameworks and guidelines for microfinance institutions. The findings can offer valuable insights into the correlation between strategy implementation and performance within the micro finance sector.

The management in different financial institutions will find this study beneficial in understanding how the variables in this variable contribute to overall performance. Particularly, microfinance institutions in Machakos County and across Kenya will find this study exceptionally valuable as it highlights the differences in value obtained by those who implement strategies compared to those who do not. This, in turn, can aid these firms in achieving greater success by incorporating effective strategy implementation processes to improve their performance.

Other stakeholders, such as credit reporting agencies, government agencies, and regulators, can benefit from this study as they can understand how MFIs carry out their strategic implementation to fulfil their objectives.

The study is also of great value to scholars and practitioners in the field of strategic management, as it contributes to the existing body of knowledge in this area. Additionally, it can serve as a valuable source of background information for other researchers and scholars. Moreover, individual researchers can utilize the study to identify gaps in research and areas that require further exploration.

1.7 Scope of the Study

The extent and parameters of this study were delineated based on the selection of institutions, geographical reach, the study duration, and the specific research topics covered. The study defined its scope based on the selection of institutions, geographical reach, study duration, and specific research topics. This approach aims to closely align the research with defined objectives for precise examination. Conducted in Machakos County, Kenya, the area exhibits diversity due to its proximity to Nairobi, the capital. Progressing since the early 2010s, Machakos County now hosts over twenty MFIs, pivotal in poverty alleviation in the developing world. To fulfill their mandate, MFIs formulate and implement strategies, and their performance hinges on effective implementation. Therefore, this study in Machakos County serves two main purposes.

Firstly, it investigates strategy implementation factors facing MFIs. Secondly, it explores the potential relationship between specific strategy implementation factors and organizational performance, an aspect not established in Machakos County. Independent variables include resource allocation, strategy communication, organizational structure, and organizational culture, while organizational performance is the dependent variable. These variables are derived from a synthesis of theoretical frameworks, empirical research, and conceptual models aligning with the study's objectives. The study primarily employs the resource-based view theory, supported by managerialism theory, contingency theory, and the theory of organizational excellence. To address study questions, primary data was collected from the targeted population of 63 managers and strategic staff, forming the unit of analysis in the 21 existing MFIs branches in Machakos County.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section delved into various concepts of strategy implementation and examines their significance in shaping the performance of microfinance institutions within the specific scope of this study. The selected concepts were directly relevant to the study's focus area. It explored the empirical literature pertaining to the topic, provides support from relevant theories, and establishes a comprehensive conceptual framework as the foundation for the study.

2.2 Theoretical Framework

This study was based on the arguments of the resource-based view theory, managerialism theory, contingency theory and theory of organizational excellence.

2.2.1 Resource-Based View (RBV)

Resource-Based View (RBV) theory is a management theory that focuses on a firm's unique resources and capabilities as the key drivers of sustained competitive advantage. Its origins can be traced back to early 20th-century scholars like Joseph Schumpeter and Edith Penrose (Peteraf, 1993). However, it gained prominence in the 1980s and 1990s through the works of researchers like Jay Barney, Wernerfelt, and Peteraf (Barney, 1991; Wernerfelt, 1984). RBT emphasizes the VRIN framework, highlighting the importance of resources that are valuable, rare, inimitable, and non-substitutable. Over time, the theory evolved to incorporate the concept of dynamic capabilities, which emphasizes a firm's ability to adapt and renew resources to maintain a competitive edge (Teece, Pisano, & Shuen, 1997).

Resource-based view has several strengths that contribute to its popularity. It shifts the focus from industry-wide factors to internal resources, providing a nuanced understanding of competitive advantage (Barney, 1991). The VRIN framework offers a systematic way to assess resources, while the dynamic capabilities perspective enables the examination of a firm's ability to adapt over time (Teece et al., 1997). However, RBT has faced criticism for the practicality of applying the VRIN criteria and the challenge of explaining performance differences among firms with similar resources (Peteraf, 1993). Additionally, some argue that RBT may overlook external factors that influence competitive advantage.

Scholars, such as Barney (1991), argue that organizations need to identify and allocate resources that are rare, valuable, non-substitutable, and difficult to imitate. This underscores the importance of strategic resource allocation to ensure that organizations possess the right mix of resources that can contribute to sustained competitive advantage. Teece, Pisano, and Shuen (1997) extended RBV by introducing the concept of dynamic capabilities – an organization's ability to integrate, build, and reconfigure its internal resources in response to changing external environments. This perspective emphasizes the need for ongoing resource allocation to adapt to evolving market conditions and maintain competitiveness over time. Amit and Schoemaker (1993) argue that firms must strategically allocate resources to areas that have the potential for significant returns. This involves making choices about resource allocation that align with the organization's growth objectives.

Jun Cui (2025) conducted a survey-based study in Chinese technology firms to examine how internal knowledge-management resources and dynamic capabilities drive organizational performance. Drawing on RBV and the knowledge-based view, the study surveyed 129 employees and tested relationships via structural equation modeling. The findings showed that knowledge-based organizational support, AI-driven knowledge sharing, dynamic KM capabilities, and organizational learning each had statistically significant positive effects on performance. Moreover, the impact was amplified by moderators like staff education, skills, and innovation. This application demonstrates RBV's utility for explaining how firms leverage unique digital and knowledge assets to achieve superior outcomes.

The RBV theory explains how resource allocation decisions of microfinance institutions influence their performance, sustainability, and ability to compete in a dynamic and challenging industry. It highlights the importance of identifying and leveraging unique resources and building capabilities to achieve and maintain a competitive advantage in the microfinance sector. Resource-Based Theory's relevance is evident in research on resource allocation and strategy implementation because it seeks to explain and emphasize the importance of resource allocations in strategy implementation. Scholars use RBT to examine how firms strategically allocate resources to build and sustain competitive advantages. This includes exploring the role of financial resources, human capital, and technology in creating unique products, reducing costs, and fostering innovation (Barney, 1991). RBV theory is also applied in M&A research to identify potential synergies and resource integration opportunities (Wernerfelt, 1984). Despite its limitations, Resource-Based view theory remains a valuable tool for understanding how firms can leverage their resources to achieve and maintain a sustainable performance in competitive environments (Teece et al., 1997).

2.2.2 Managerialism Theory

Managerialism theory originated in the 1970s and 1980s as a critical perspective in organizational studies, exploring the increasing influence of managers within modern organizations. Scholars like James Burnham and Chester Barnard laid the groundwork for managerialism theory, but it gained prominence in the 1990s with Stewart Clegg's contributions. Clegg emphasized the rise of professional managers and the separation of ownership from control as key elements of managerialism (Clegg, 1989). Over time, the theory expanded to address broader societal implications, including its impact on governance, public policy, and organizational ethics (Gond & Barin Cruz, 2017).

The managerialism theory offers strengths in strategic management research, providing a critical lens to analyze managerial power and its influence on decision-making and organizational outcomes (Parker, 2002). It allows researchers to delve into managerial ideologies and practices and uncover underlying assumptions and values. However, the theory's generalization of managerial behavior and lack of practical guidance are cited as weaknesses. Critics argue that it overlooks managerial heterogeneity and does not provide prescriptive solutions to strategic management challenges. Additionally, the theory's focus on managerial power dynamics might overshadow other influential factors in shaping strategic decisions (Knights & Willmott, 2012).

Scholars argue that effective communication strategies are essential for organizations to navigate the complexities of the business environment and gain a competitive edge (Dozier, Grunig, & Grunig, 1995). This perspective aligns with the broader view of managerialism, emphasizing the role of professional management in achieving organizational goals. Gioia and Chittipeddi (1991) integrated managerialism with sense making theory, arguing that strategic communication plays a vital role in helping organizational members make sense of their environment. They proposed that communication is central to the process of organizational sense making, which is crucial for effective decision-making and adaptation.

Smith and Garcia (2024) in a recent case study of a major US urban homeless-services nonprofit examined the penetration of managerialism, management methods borrowed from the corporate world, into mission-driven, human-service environments. The paper detailed how practices like performance metrics, hierarchical oversight, and growth-oriented planning became embedded. The authors found that while these reforms aimed at efficiency, they often impeded the agency's ability to fulfil its core mission, serving vulnerable populations, due to conflicts with service ethics and frontline realities. The study offers a critical empirical lens on the double-edged effects of managerialism in the nonprofit sector.

In the context of strategy communication and organizational performance, managerialism theory offers valuable insights. It highlights the role of managers as key communicators of strategic goals to stakeholders and emphasizes the influence of managerial ideologies and power dynamics on communication practices. Effective strategy communication is theorized to be crucial for organizational performance, as it ensures alignment and collective effort toward achieving objectives. Researchers can explore how communication practices, driven by managerial interests and biases, impact employee engagement and commitment. The theory also encourages studying how transparent and inclusive communication fosters a sense of shared ownership over the organization's strategy, leading to desirable performance outcomes (Cornelissen, 2017; Gioia & Thomas, 1996).

2.2.3 The Contingency Theory

Contingency theory, also known as situational theory, originated in the late 1950s and early 1960s as a response to the limitations of one-size-fits-all management approaches. Joan Woodward's research on the relationship between technology and organizational structure, Fred Fiedler's contingency model of leadership, and Lawrence and Lorsch (1967) study on organizational environments and design were pivotal in its evolution. The theory emphasizes the importance of context and recognizes that effective management practices and organizational structures should be contingent on various factors, including the external environment, technology, and strategy (Woodward, 1958; Fiedler, 1967).

Contingency theory's strengths lie in its contextual approach, allowing organizations to adapt their strategies and structures to suit specific situations. It recognizes that there is no universal best way to manage organizations and provides valuable insights into aligning strategies with the external environment (Donaldson, 2001). However, some weaknesses include the complexity of determining relevant contingencies and establishing precise cause-and-effect relationships (Mintzberg & Waters, 1985). Critics also question its theoretical foundation, limiting its generalizability across different settings (Keegan & Turner, 2002). Nonetheless, the theory has been widely applied in strategic management research, offering valuable insights into corporate governance, innovation, and international strategy (Donaldson, 2001; Keegan & Turner, 2002).

Other researchers such as Donaldson (2001) emphasized the role of the external environment in shaping organizational structures. He argued that organizations should align their structures with the demands of their external environments. Research emphasizes that different environments require different organizational structures to perform effectively. For instance, in a dynamic and uncertain environment, organizations may benefit from a more flexible and decentralized structure (Donaldson, 2001). Chandler (1962) suggested that organizations evolve through different life stages, each requiring a different structure. Contingency theory has been used to explain how the organizational structure needs to change as the organization grows and matures.

Tseliso Ramoeletsi *et al.* (2024) applied contingency leadership theory within the South African National Defence Forces (SANDF), analyzing how leadership effectiveness varies under different operational contexts. They contrasted combat versus support divisions and found that in combat units, task-oriented leadership predominated, while support units benefited from a blend of relationship- and task-oriented styles. They also emphasized training to improve leaders' adaptive flexibility. This study exemplifies contingency theory's main thesis: there is no universally optimal leadership style—effectiveness depends on situational factors like unit type and mission demands.

In the context of organizational structure's impact on performance, contingency theory highlights that the effectiveness of a structure depends on the organization's external circumstances and strategy. In stable environments, mechanistic and hierarchical structures may be suitable for control and efficiency, while dynamic environments may require organic and flexible structures to promote adaptability and innovation (Burns & Stalker, 1961). Additionally, the relationship between structure and performance is influenced by organizational size. Larger organizations may require more formalized structures for coordination, while smaller ones can function well with more informal arrangements (Galbraith, 1973). Furthermore, technology plays a crucial role in determining work organization and decision-making decentralization (Galbraith, 1973).

2.2.4 The Theory of Organizational Excellence

The theory of organizational excellence originated in the early 1980s with the seminal work "In Search of Excellence" by Peters and Waterman, which identified eight characteristics shared by successful companies (Peters & Waterman, 1982). Over time, the theory evolved and was refined, with subsequent contributions from scholars such as Collins and Porras, who emphasized enduring greatness and the importance of core values (Collins & Porras, 1994). The Theory of organizational excellence continues to draw insights from various disciplines, becoming a comprehensive framework to understand organizational success.

In strategic management research, the theory demonstrates several strengths. Its holistic approach allows researchers to analyze the complex interplay of factors contributing to excellence, while its focus on enduring greatness promotes long-term strategic thinking (Collins & Porras, 1994). However, the reliance on successful case studies may lead to survivorship bias (Cameron & Quinn, 2020), and its static nature might oversimplify the complexity of organizational dynamics, limiting its universal applicability.

Denison's model focuses on four key cultural traits: involvement, consistency, adaptability, and mission. Research utilizing this model often explores how these cultural dimensions impact organizational performance. For instance, a study by Denison and Mishra (1995) found a positive relationship between organizational culture and business performance. Research based on this model may investigate how deeply ingrained cultural assumptions influence an organization's ability to excel. O'Reilly et al. (1991) investigated how organizational culture influences organizational performance in terms of financial success and growth. They found that strong cultures, characterized by clear values and beliefs, were associated with better performance.

Wright and Ahmed (2025) in a study in the public relations field integrated Grunig's Excellence Theory to evaluate how PR professionals adopt responsible AI practices. The research used qualitative interviews with PR experts to understand how strategic, two-way communication norms are retained, or reshaped, in AI-driven environments. Findings suggest successful adoption of AI in PR depends on maintaining symmetrical dialogue with stakeholders and balancing ethical transparency with operational efficiency. This aligns with Excellence Theory's prescriptions: that public relations contribute to organizational effectiveness through empowered PR roles, two-way symmetrical communication, and strategic integration.

Regarding organizational culture's impact on performance, the theory of organizational excellence proves valuable. The theory asserts that an organization's culture, encompassing its core values and norms, significantly shapes behavior and decision-making (Denison, 1990). Studies highlight the relationship between constructive cultures and performance (Denison, 1990). Therefore, the theory offers valuable insights into understanding and enhancing organizational performance through adopting a culture that supports and enables the implementation of strategies undertaken by the organization.

2.3 Empirical Literature

2.3.1 Resource Allocation

Wang, Chen and Li (2020) in their study in China assessed resource allocation and firm performance in emerging economies. The research focused on a sample of 150 manufacturing firms in China. Data on resource allocation decisions and financial performance were collected from annual reports and structured interviews with the firms' executives. The study employed statistical techniques such as cluster analysis and variance analysis to identify resource allocation patterns and their impact on firm performance. The study revealed that manufacturing firms in China with a more balanced allocation of resources across different functional areas (e.g., production, marketing, research, and development) achieved higher levels of performance compared to firms that heavily favored one area over others. It also indicated that a higher level of financial resource allocation to innovation and technology-related activities positively influenced firm performance.

Taljaard and Jaen (2020) used a mixed-methods approach, combining qualitative interviews and quantitative analysis, to explore how resource allocation decisions affect the financial performance of small and medium-sized enterprises (SMEs) in South Africa. The study found that effective resource allocation strategies positively impacted SMEs' financial performance and growth prospects. The study identified financial constraints as a significant barrier to effective resource allocation among SMEs. Limited access to funding and high borrowing costs can impede the ability of SMEs to allocate resources optimally.

El-Helaly et al. (2020) examined resource allocation practices in Egyptian public organizations and its impact on organizational efficiency. The research used a combination of surveys and financial data analysis. The findings emphasized the need for effective resource allocation to enhance the efficiency and effectiveness of public organizations in Egypt. The survey results revealed that resource allocation decisions in Egyptian public organizations are often influenced by factors such as political priorities, historical budget allocations, and bureaucratic procedures. However, a significant number of organizations also consider performance indicators and the alignment of resources with strategic goals in their decision-making processes.

Kianda and Kitur (2021) conducted a study on the implementation of strategies and the performance of microfinance institutions (MFIs) in Kenya, specifically focusing on MFIs in Nairobi. The main aim of the research was to investigate how the organizational structure influences the performance of these institutions. The study employed a descriptive research design and collected data from senior management, supervisors, and non-management staff through a questionnaire. The analysis of the data included descriptive statistics such as mean, average, and percentages. Additionally, Pearson correlation analysis was utilized to examine the relationship between the dependent and independent variables. The findings were presented using tables and figures. The study's outcomes indicated a positive correlation between organizational structure and performance The regression analysis further confirmed that there was a moderately significant relationship, implying that a change in organizational structure could explain a corresponding change in performance.

Brown, Jones and Patel (2022) in their study focused on optimizing resource allocation for startups in the United Kingdom's tech sector. This study examined 50 technology startups in the United Kingdom. Researchers collected data through interviews with founders and key personnel, financial records, and publicly available information. The study employed a qualitative content analysis approach to identify resource allocation strategies and their impact on the startups' performance. The research found that startups with a clear focus on allocating resources to core business activities achieved faster growth and higher survival rates. Additionally, the study highlighted that successful startup tended to allocate resources to hiring and retaining top talent, which had a direct positive impact on the overall performance and innovation capabilities of the firms.

2.3.2 Strategy Communication

Vu, Nguyen, and Le (2020) explored the relationship between strategy communication and organizational performance within the context of microfinance institutions in Vietnam. The paper aimed to shed light on how effective communication of organizational strategies impacts the overall performance of these financial entities. To achieve this, the researchers adopted an empirical approach, collecting and analyzing data from several microfinance institutions across Vietnam. The research employed a mixed-methods approach, combining quantitative data analysis and qualitative insights. The quantitative data was gathered through structured surveys distributed to employees at various levels within the microfinance institutions. The research revealed that there was a statistically significant positive correlation between the effectiveness of strategy communication and overall organizational performance. Institutions with clear, transparent, and well-communicated strategies tended to exhibit higher levels of performance across various metrics.

Hadizatou et al. (2020) sought to investigate the influence of Information and Communication Technologies (ICTs) on the performance of microfinance institutions (MFIs) in Niger. They conducted their analysis using data from 23 MFIs spanning the period from 2005 to 2020, and they employed the single-step generalized moments method (GMM) to assess whether investments in ICTs had an impact on both the financial and social performance of these MFIs. The findings of the study revealed a positive relationship between investments in ICT and the financial performance of MFIs. Increased technology investments were associated with several advantages, such as reducing operational errors, expediting task completion, lowering operational costs, and increasing the likelihood of achieving higher financial profits. Additionally, the study indicated that MFIs affiliated with a network and those making ICT investments tended to exhibit stronger financial performance. However, it's important to note that the influence of ICT investments on the social performance of MFIs was relatively limited, suggesting that while ICTs may bolster financial outcomes, their impact on the social aspects of MFI performance was less pronounced.

Omondi et al. (2020) sought investigate the impact of strategic implementation on water service provision in Kakamega County, Kenya. The primary objective of this study was to assess the impact of the communication method employed for strategy implementation on urban water service provision within Kakamega County. The study's participants consisted of 176 employees affiliated with the Kakamega County Urban Water and Sanitation Company, selected through a stratified sampling technique, and the study ultimately focused on a sample size of 130 employees. To gather data for the research, the investigators employed a semi-structured questionnaire as their primary data collection tool. In terms of data analysis, they utilized methods such as correlation, simple linear regression, and multiple linear regression. The study's ultimate finding indicated that the mode of communication did not have a significant effect on the provision of water services in Kakamega County, Kenya.

Chepkosgei, Mwangi and Kinyua (2020) sought to explore how strategic communication impacts Commercial State Corporations in Kenya in terms in their financial aspects. The study employed a descriptive research design and utilized both simple random sampling and proportionate stratified sampling to gather data from 145 respondents, forming a representative sample. The data was collected through a structured questionnaire, and subsequent analysis involved descriptive and inferential statistics. The findings revealed a significant association between strategic communication and the performance of Financial and Commercial State Corporations in Kenya.

2.3.3 Organizational Structure

Bateman and Chang (2019) investigated the relationship between organizational structure and the performance of MFIs in Bangladesh. Through a comprehensive meta-analysis of microfinance data from various countries, the researchers demonstrated that the organizational structure of MFIs significantly influences their financial performance and outreach. They observed that cooperatives and NGOs tend to perform better than banks in terms of reaching the poor and achieving financial sustainability. The study provided valuable insights into the organizational choices that can contribute to the success of MFIs on a global scale.

Agyapong and Ahenkan (2019) conducted an empirical review to investigate the effect of organizational structure on the performance of MFIs in Ghana. The study employed a mixed-methods approach, combining quantitative data on financial performance with qualitative assessments of governance and operational practices. Their findings indicated that MFIs adopting a cooperative structure demonstrated higher outreach to marginalized populations and improved financial sustainability compared to other organizational types.

Nyambegera et al. (2019) investigated the effect of organizational structure on the outreach of MFIs in Kenya. The researchers analyzed a cross-sectional dataset of Kenyan MFIs to understand the relationship between organizational structure and outreach to marginalized populations. The study found that MFIs adopting cooperative structures were more successful in reaching rural and underserved clients, highlighting the importance of organizational choices for expanding financial inclusion in Kenya.

Muumi et al. (2020) conducted a study to investigate how the organizational structure of micro finance institutions affects their performance. They examined the legal structures and business cycle timings in various countries and analyzed data from 1518 microfinance institutions across 105 countries over a 20-year period. The empirical results revealed that Microfinance institutions operated by non-governmental organizations exhibited a more significant social outreach compared to those run by commercial banks and credit unions. The findings suggested that the organizational structure of NGOs was better suited to achieve the dual objectives of social outreach and financial self-sustainability.

Mailu et al. (2020) in their research study on strategy implementation and organizational performance within the pharmaceutical industry in Kenya adopted a descriptive survey research design. The target population for this study included all 64 pharmaceutical companies located in Nairobi, Kenya. They employed a questionnaire as their primary data collection instrument, and the data collected was analyzed using descriptive statistical methods. The findings of the study revealed that organizational structure, organizational resources, and organizational culture indeed had a significant impact on the performance of the pharmaceutical industry in Kenya. Based on their findings, the study recommended that senior management within pharmaceutical companies should empower their employees and grant them the autonomy needed for success. Furthermore, they suggested that these companies should allocate resources more effectively, with a particular focus on providing adequate funding to departments responsible for strategy implementation.

Sharma and Adhikari (2021) focused on the effect of organizational structure on the performance of MFIs in Uganda. Their study utilized a longitudinal dataset and conducted regression analysis to assess the relationship between different organizational structures and the financial performance of MFIs. The results showed that credit unions and NGOs outperformed other types of MFIs in terms of portfolio quality and financial sustainability, underscoring the importance of organizational choices in achieving successful microfinance operations in Uganda

2.3.4 Organizational Culture

Armendariz and Szafarz (2019) explored the relationship between organizational culture and financial performance of microfinance institutions. The researchers employed a mixed-methods approach, combining quantitative data analysis with qualitative assessments of organizational culture. The findings revealed that MFIs with a strong emphasis on social mission and client-centeredness, as opposed to profit-maximization, tend to perform better in terms of outreach, repayment rates, and sustainability. These institutions demonstrated a strong commitment to their social objectives, which, in turn, garnered greater trust and loyalty from their clients and stakeholders. This study emphasizes the importance of aligning organizational culture with social mission in microfinance institutions for achieving sustainable and impactful financial performance.

Chijoriga and Foya (2019) explored the effect of organizational culture on the financial sustainability of microfinance institutions in Tanzania. Using a mixed-methods research design, the authors conducted surveys and interviews with various stakeholders from multiple MFIs. The results indicated that MFIs with a strong culture of financial discipline, transparent governance, and a focus on long-term sustainability tend to outperform their peers. These institutions were more resilient during economic downturns and better equipped to handle financial challenges. The study underscores the importance of establishing a strong and sustainable organizational culture within MFIs operating in Africa to ensure their long-term success and impact on poverty alleviation.

Cameron and Quinn (2020) examined the effect of organizational culture on the performance of microfinance institutions (MFIs) across various countries. The researchers employed the Competing Values Framework to classify organizational cultures into four types: clan, adhocracy, market, and hierarchy. Through a comprehensive analysis of data from a diverse range of MFIs, the study found that organizations with a clan or adhocracy culture tend to exhibit higher levels of innovation, employee engagement, and customer satisfaction, leading to improved financial performance. On the other hand, organizations with a market or hierarchy culture showed a greater focus on efficiency and control but were less adaptable to changing market conditions. This study highlights the significant influence of organizational culture on the performance of MFIs on a global scale, suggesting that fostering a culture of innovation and collaboration can enhance their performance.

African countries have witnessed significant growth in microfinance institutions, and Kaba and Gueyié (2020) in their study specifically focused on the effect of organizational culture on the performance of MFIs in Africa. The researchers collected data from a diverse sample of MFIs across the continent and analyzed it using regression analysis. The study revealed that MFIs with a culture that prioritizes client-centric services and emphasizes social responsibility tend to achieve better financial performance. This is attributed to the increased client satisfaction and trust, leading to higher loan repayment rates and a positive impact on the institutions' sustainability. The findings underscore the importance of cultivating a strong client-oriented organizational culture to enhance the performance and social impact of microfinance institutions in the African context.

Shiundu and Munyoki (2020) conducted a study to investigate the relationship between organizational culture and financial performance in Kenyan microfinance institutions. The researchers used a quantitative research approach, analyzing financial data and conducting structured surveys with MFI staff. The study found that MFIs with a culture that fosters innovation, client responsiveness, and efficient customer service tend to have higher financial performance indicators, such as higher loan repayment rates and increased outreach. Conversely, MFIs with a rigid and bureaucratic organizational culture showed limited adaptability to changing market demands, leading to relatively lower financial performance. The study highlights the significance of promoting a dynamic and customer-centric organizational culture in Kenyan MFIs to enhance their financial performance and overall effectiveness.

Ouma and Kamau (2020) studied the impact of organizational culture on the outreach and sustainability of Kenyan microfinance institutions. Through a mixed-methods approach, the researchers assessed the influence of culture on the institutions' ability to reach underserved populations and maintain long-term operations. The findings indicated that MFIs with a culture that emphasizes social responsibility, community engagement, and risk management demonstrated better outreach to marginalize communities and enhanced sustainability. Such institutions were more successful in gaining the trust of clients, attracting social investors, and securing financial support. The study provides valuable insights into the importance of nurturing a socially responsible and community-oriented organizational culture in Kenyan microfinance institutions to expand their reach and achieve sustainable operations.

2.4 Critique of Literature Review

The reviewed literature above encompasses diverse studies that investigate the effect of resource allocation on the performance of different types of institutions in various countries. Notably, studies carried out by Brown, Jones and Patel (2022), Wang, Chen and Li (2020), Taljaard and Jaen (2020) and Kianda and Kitur (2021), were able to show how organizations and institutions have embraced strategy implementation. They have supported the notion that resource allocation plays a key role in supporting the decisions made.

Vu, Nguyen, and Le (2020) conducted a study in Vietnam and found a positive correlation between effective strategy communication and organizational performance in microfinance institutions. Hadizatou et al. (2020) focused on Niger and demonstrated a positive link between ICT investments and the financial performance of MFIs. Omondi et al. (2020) investigated water service provision in Kenya and concluded that the communication mode for strategy implementation did not significantly influence the water service provision in Kakamega County. Lastly, Chepkosgei, Mwangi, and Kinyua (2020) studied Financial and Commercial State Corporations in Kenya, and their findings revealed a significant association between strategic communication and the performance of these corporations. These studies provide valuable insights into the importance of strategic communication in different organizational contexts, and they contribute to the understanding of how effective communication can impact performance metrics. However, it is essential to note that variations in the research methodologies and contexts could account for some differences in the results obtained.

Hishigsuren and Kruse (2019) focused on Mongolian MFIs and found that larger institutions tended to adopt more formalized and centralized structures, which could enhance efficiency but pose challenges in maintaining client connections. In contrast, Mersland and Strøm (2021) examined Norwegian and Tanzanian MFIs and concluded that decentralized structures led to better financial performance and outreach to poorer clients. Muumi et al. (2020) highlighted that MFIs run by non-governmental organizations had a greater social outreach compared to those run by commercial banks and credit unions.

Mailu, Ntale, and Ngui (2020) discovered that organizational structure, resources, and culture significantly affected pharmaceutical industry performance. Mwanthi (2022) emphasized the importance of choosing an appropriate organizational structure based on factors such as size, technology, external environment, and strategies employed to ensure successful strategy execution. These studies collectively underscore the significance of organizational structures in different sectors and regions. However, they have not explored the interplay between various organizational aspects to provide a more comprehensive understanding of their impacts.

Kaba and Gueyié (2020) in their study of MFIs in Africa highlighted the importance of a client-centric organizational culture in achieving better financial performance. Chijoriga and Foya (2019) found that MFIs with a culture of financial discipline, transparent governance, and a focus on long-term sustainability outperformed their peers in Tanzania. Shiundu and Munyoki (2020) emphasized the significance of promoting a dynamic and customer-centric organizational culture in Kenyan MFIs to enhance their financial performance. Lastly, Ouma and Kamau (2020) demonstrated that MFIs in Kenya with a socially responsible and community-oriented organizational culture achieved better outreach and sustainability. Overall, the literature underscores the importance of fostering specific cultural attributes, such as innovation, social responsibility, and customer-centricity, to positively impact the financial performance and sustainability of microfinance institutions unlike the current study which focuses on organizational performance.

Table 2.1: Summary of Empirical Literature

Author, year	Focus of study	Context of study (location, sector)	Methodology employed	Key findings and recommendations	Research gap
Brown, Jones & Patel (2022)	Optimizing Resource Allocation for Startups: Evidence from the United Kingdom's Tech Sector. Entrepreneurship & Regional Development	United Kingdom, Tech	Qualitative content analysis	Startups with a clear focus on allocating resources to core business activities achieved faster growth and higher survival rates.	Knowledge and contextual
Kianda and Kitur (2021)	The implementation of strategies and the performance of micro finance institutions (MFIs) in Kenya	Kenya, MFIs	Descriptive research design	The study's outcomes indicated a positive correlation between organizational structure and performance	Contextual and knowledge
Chepkosgei Mwangi & Kinyua (2020)	Effect of strategic communication on financial performance in commercial state corporations in Kenya	Kenya, Public	Descriptive research design	The findings revealed a significant association between strategic communication and the performance of Financial and Commercial State Corporations in Kenya.	Contextual
Shiundu and Munyoki (2020)	The relationship between organizational culture and financial performance in Kenyan microfinance institutions	Kenya (MFIs)	Quantitative research approach	MFIs with a culture that fosters innovation, client responsiveness, and efficient customer service tend to have higher financial performance indicators, such as higher loan repayment rates and increased outreach	Contextual
Omondi, P., J., et al. (2020).	The effect of communication mode for strategy	Kenya, Public	Descriptive Research Design	The communication mode did not have a significant effect on	Contextual and knowledge

	implementation on water service provision in Kakamega			water service provision	
Kaba and Gueyié (2020)	To investigate the effect of organizational culture on the performance of MFIs in Africa.	African, MFIs	Descriptive	MFIs with a culture that prioritizes client-centric services and emphasizes social responsibility tend to achieve better financial performance	Contextual
Shiundu and Munyoki (2020)	The relationship between organizational culture and financial performance in Kenyan microfinance institutions	Kenya (MFIs)	Quantitative research approach	MFIs with a culture that fosters innovation, client responsiveness, and efficient customer service tend to have higher financial performance indicators, such as higher loan repayment rates and increased outreach	Contextual
Chijoriga & Foya (2019)	Organizational Culture and Financial Sustainability of Microfinance Institutions in Tanzania	Tanzania, Private (MFIs)	Mixed-methods research design	MFIs with a strong culture of financial discipline, transparent governance, and a focus on long-term sustainability tend to outperform their peers	Contextual and knowledge
Wang, Chen and Li (2020)	Resource allocation and firm performance in emerging economies.	China, manufacturing	Cross-sectional survey	The study revealed that manufacturing firms in China with a more balanced allocation of resources across different functional areas. The study recommended that employee development should be done in the organization.	contextual
El-Helaly, El-Mallah & Saleh (2020)	Resource Allocation and Organizational Efficiency in Egyptian	Egypt, Public	Surveys and financial data analysis	Resource allocation decisions in Egyptian public organizations are often influenced by	Contextual and knowledge

	Public Organizations. Public Administration Review			factors such as political priorities, historical budget allocations, and bureaucratic procedures	
Muumi (2020)	The Role of Executive Development in Strategy Implementation. Unpublished MBA Project, University of Nairobi.	Kenya, Non-governmental	Empirical Review	The findings suggested that the organizational structure of NGOs was better suited to achieve the dual objectives of social outreach and financial self-sustainability.	Contextual and knowledge
Mailu, Ntale and Ngui (2020).	Strategy implementation and organizational performance in the pharmaceutical industry in Kenya	Kenya, pharmaceutical industry	Descriptive survey research design	Performance of the pharmaceutical industry is significantly influenced by organizational structure, organizational culture and organizational resources. As a result, the study suggests that senior management within pharmaceutical companies should take steps to empower their employees and provide them with the necessary autonomy to excel and contribute to the company's success.	Contextual and knowledge

2.5 Research gaps

The reviewed empirical literature provides valuable insights into resource allocation strategies and their impact on the performance of startups, manufacturing firms, SMEs, public organizations, and microfinance institutions in different geographical contexts (Brown et al., 2022; Wang, et al., 2020; Taljaard & Jaen, 2020). A noticeable research gap exists in the examination of resource allocation practices within the specific context of Machakos County in a developing economy, Kenya. The existing studies have predominantly focused on developed countries like the United Kingdom and China, or on different sectors such as manufacturing and microfinance. However, there is a lack of comprehensive research specifically addressing the unique challenges and opportunities faced by MFIs in emerging economies. Understanding how resource allocation decisions contribute to the success or failure of technology startups in these contexts is crucial, given the rapidly evolving nature of the tech sector and the increasing importance of innovation for economic growth in emerging markets. Therefore, this research concentrates on investigating the dynamics of resource allocation in this contexts in an emerging economy, considering factors such as access to funding, regulatory environments, and the role of innovation in driving MFIs' performance.

Vu, Nguyen, and Le (2020) adopted an empirical approach, collecting and analyzing data from several microfinance institutions across Vietnam. Hadizatou et al. (2020) conducted a study to examine how information and communication technologies (ICTs) influence the performance of microfinance institutions (MFIs) in Niger. These studies show that there exists a contextual and a methodological gap which can be addressed by the current study. The current study seeks to understand the influence of strategy communication on performance of the MFIs in the Kenyan context.

Furthermore, Hishigsuren and Kruse (2019) used cross-country data from a variety of sources and analyzed the organizational structures of microfinance institutions in Mongolia. Mersland and Strøm (2021) used a panel dataset of microfinance institutions from Norway and Tanzania. Muumi et al. (2020) conducted a study to investigate how the organizational structure of micro finance institutions affects their performance.

Mailu, Ntale and Ngui (2020) investigated strategy implementation and organizational performance in the pharmaceutical industry in Kenya. All these studies have shown a contextual gap in terms of location and sectors they were conducted thus the need to investigate how organizational structure affects organizational performance which is the aim of the current study.

Finally, there is a notable research gap concerning the specific cultural dynamics within MFIs operating in this county. The existing studies predominantly focus on a global or continental scale, encompassing diverse regions and contexts, but fail to delve into the unique cultural factors that may influence MFI performance specifically in Machakos County (Cameron & Quinn, 2020; Armendariz & Szafarz, 2019; Kaba & Gueyié, 2020; Chijoriga & Foya, 2019; Shiundu & Munyoki, 2020; Ouma & Kamau, 2020). Understanding the local cultural nuances, such as community values, social norms, and economic dynamics, is crucial for tailoring organizational culture interventions effectively. Therefore, this research is necessary to investigate how the local organizational culture within MFIs in Machakos County interacts with broader cultural factors and impacts their performance outcomes, thus providing actionable insights for practitioners and policymakers in this specific region.

2.6 Conceptual Framework

A conceptual framework is a structured, visual, or narrative representation that outlines the key concepts, variables, and relationships relevant to a study. It serves as a guide for the research process by helping to clarify what will be studied, why it is important, and how the various elements of the research are connected (Luft et al. 2022). The primary objective of this study was to investigate the impact of strategy implementation on the performance of microfinance institutions in Machakos County. In this research, the dependent variable was the performance of microfinance institutions in Machakos County, while the independent variables being examined include resource allocation, strategy communication, organizational structure, and organizational culture. The study aimed to establish how strategic implementation factors influence the performance of microfinance institutions in the specified region. The conceptual framework is demonstrated in Figure 1.1 below.

Independent Variables

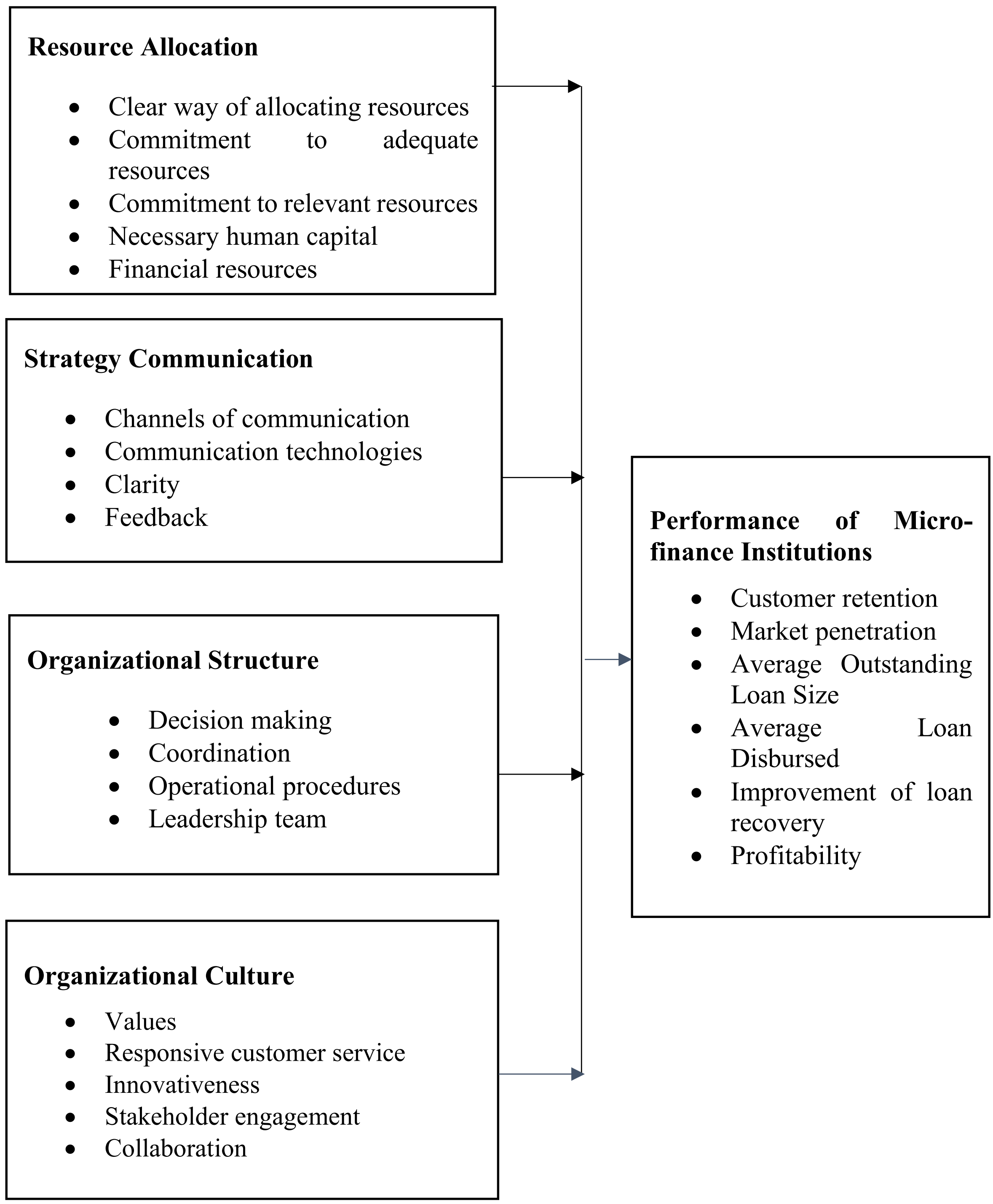

Figure 1.1: Conceptual Framework

Source: Adopted from Hourani's Conceptual Frameworks for Strategy Implementation (2017)

2.7 Operationalization of Variables

2.7.1 Resource Allocation

Allocation of resources involves the processes of distributing and apportioning resources available in an organization, such as finances, human capital, material, and time, among various competing needs and demands within an organization or a system (Brown, Jones & Patel, 2022). It involves making strategic decisions to optimize the utilization of resources to achieve desired objectives while considering constraints and trade-offs. Resource allocation plays a crucial role in business management, project planning, government budgeting, and numerous other domains. Effective resource allocation enhances efficiency, productivity, and overall performance.

2.7.2 Strategy Communication

Strategy communication refers to the process of effectively conveying an organization's strategic objectives, plans, and initiatives to relevant stakeholders, both internal and external, in a clear and coherent manner. It involves the dissemination of information that outlines the rationale behind the chosen strategies, the anticipated outcomes, and the necessary actions to achieve them. Effective strategy communication fosters alignment, shared understanding, and commitment among stakeholders, thereby enhancing the likelihood of successful strategy execution. The utilization of various communication channels, such as presentations, reports, emails, and meetings, is crucial to facilitate the flow of information and ensure that all parties are informed and engaged. Strategy communication is an integral part of strategic management and is essential for achieving organizational goals.

2.7.3 Organizational Structure

Organizational structure encompasses the framework and responsibilities, relationships and arrangement of roles within an organization, defining how various tasks, processes, and information flow are organized to achieve the organization's objectives. It establishes a hierarchy that outlines reporting lines, communication channels, and decision-making processes, which shape the overall functioning and coordination of the organization's activities. The organizational structure plays a crucial role in determining the level of centralization, specialization, and formalization within the organization, thereby influencing its efficiency, adaptability, and overall performance (Daft, 2020).

2.7.4 Organizational Culture

Organizational culture entails to the shared beliefs, values, norms, behaviors and attitudes that define the unique character and identity of an organization. It encompasses the unwritten rules, social interactions, and overall atmosphere within the organization, influencing how employees and stakeholders interact with one another and make decisions. Organizational culture plays a vital role in shaping the organization's work environment, productivity, and overall success. Over time, the organizational culture becomes deeply ingrained and can be challenging to change, influencing the organization's performance and long-term success (Denison, 2020).

2.7.5 Organizational Performance

Organizational performance in the context of microfinance institutions refers to the measurement and evaluation of the overall effectiveness, efficiency, and sustainability of these organizations in achieving their financial and social objectives. It encompasses various aspects, such as financial indicators (e.g., return on assets, portfolio quality), operational efficiency (e.g., cost management, outreach), social impact (e.g., poverty reduction, empowerment of underserved communities), and institutional sustainability (e.g., long-term viability and growth). Understanding and optimizing MFI performance are crucial to ensuring the effective delivery of microfinance services and promoting the well-being of clients and the broader community (World Bank, 2019).

Table 2.2: Operationalization of Variables

Variable	**Indicators**	**Measurement**	**Supporting Literature**
Resource allocation	Clear way of allocating resources	Likert Scale	Brown, Jones and Patel (2022)
	Commitment to adequate resources		
	Commitment to relevant resources		
	Necessary human capital		
	Financial resources		
Strategy Communication	Communication channels	Likert Scale	Vu, Nguyen, and Le (2020)
	Communication technologies		
	Clarity		
	Feedback		
Organizational structure	Decision making	Likert Scale	Muumi et al. (2020)
	Coordination		
	Operational procedures		
	Leadership team		
Organizational Culture	Values	Likert Scale	Shiundu and Munyoki (2020)
	Responsive customer service		
	Innovativeness		
	Stakeholder engagement		
	Collaboration		
Organizational Performance	Customer retention	Likert Scale	Hitt et al. (2019), Ngugi (2020) and World Bank (2019)
	Market penetration		
	Average Outstanding Loan Size		
	Average Loan Disbursed		
	Improvement of loan recovery		

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter outlined the approach that was employed in the research. It covers the chosen research design, an explanation of the intended study population, the sampling method to be utilized, the tool for data collection, the procedures for gathering data, the preliminary testing phase, the assessment of the data collection instrument's validity and reliability, the process of data analysis, and how the data was ultimately presented.

3.2 Research Design

According to Creswell (2014), a research design is a structured plan used for conducting research, which includes the conditions for data collection and assessment. Its primary purpose is to ensure that the investigation aligns with the research objectives. In this study, an explanatory research design was employed. This scientific process involved observing and delineating the behavior of the subject matter without interference and the analysis of multiple variables. An explanatory research design was particularly useful in this study since the study aimed at observing and describing specific behavior or characteristics related to the study's phenomenon (Cooper & Schindler, 2015). This design was appropriate because it allowed for unrestricted data collection and description, as well as the determination of relationships among the study variables. Moreover, it suited this research as it sought to collect data on various variables simultaneously to explain the connections between them. As demonstrated by Kianda and Kitur (2021), the explanatory research design was suitable in conducting research on the variables resource allocation, strategy communication, organizational structure and organizational culture. Their previous study was successful despite its difference in context.

3.3 Target Population

Cooper and Schindler (2014) recognize a target population as the complete set of elements that share common observable characteristics and patterns, and which the researcher aimed to draw inferences from. The MFIs formed the unit of observation while their employees were the unit of analysis. The target population in this study was the 21 MFIs operating in Machakos County as shown in Appendix V. All the staff suitable to provide the required data were 63 employees and were suited to this study as shown in the table 3.1 below.

Table 3.1: Target Population

Category	Frequency	Percentage (%)
Branch Managers	21	33.3
Strategic Team Staff	42	66.7
Total	**63**	**100**

Source: Licensed MFIs Offices in Machakos County (2023)

3.4 Sampling Design and Sample Size

A sampling design refers to the methodological framework used to select a subset (sample) of individuals, items, or observations from a larger population for the purpose of conducting research. It outlines how the sample will be chosen, what type of sampling method will be used, and why that method is appropriate for achieving the study's objectives (Cash *et al.,* 2022). The study carried out a census. A census, as defined by Cooper and Schindler (2014), is a quantitative research method where every single member of a population is counted or surveyed. When using a census, a researcher decides to gather data from the entire population, typically characterized by one or more shared traits. This method is frequently employed to compile comprehensive assessments of events or experiences. In this study, the MFIs formed the unit of analysis in the study. Therefore, all the 63 people purposely selected among the branch managers, and two other strategic employees selected among the finance officers, marketing and sales staff from the 21 licensed MFIs operating in Machakos County participated in the study.

3.5 Instrument of Data Collection

In this study, primary quantitative data was gathered through the use of questionnaires. Questionnaires are considered effective tools for collecting data from willing respondents (Saunders et al., 2016). The data collection focused on quantitative information and utilized structured questionnaires featuring closed-ended questions. The selection of closed-ended questionnaires is intended to provide respondents with a standardized test assessing the impact of strategy implementation on the performance of Microfinance Institutions (MFIs) in Machakos County. The questionnaire for this study was divided into six sections. The first section collected respondents' demographic data, the next four sections collected opinions and perceptions of the respondents' about the independent variables; resource allocation, strategy communication, organizational structure and organizational culture. The sixth section collected opinions and perceptions about the dependent variable, performance of MFIs. The questionnaire was administered physically by the researcher on a pick and drop basis to managers and other staff targeted by this study within Machakos County branches as they continue running the MFIs on their daily basis (Mugenda & Mugenda, 2013; Kothari, 2004).

3.6 Pretesting of Data Collection Instruments

A pilot test was used to pretest the questionnaire. The pretest offered preliminary data for the selection of a probability sample and identifying any weaknesses in the research design and instrumentation (Cooper & Schindler, 2014). Connelly (2015) suggests that a sample size comprising 10% or more of the target population is typically sufficient for conducting a pilot study. Thus, this study carried out a pilot test on 6 respondents, representing 10% of total population, who were considered enough for pilot the study. The participants for the pilot study were randomly chosen from the same population, but they were not included in the main survey. Conducting a pilot study assists the researcher in identifying research questions that may potentially make respondents feel uneasy or uncomfortable (Saunders et al., 2016).

3.6.1 Reliability

Creswell (2014) emphasizes the crucial importance of assessing the reliability of a research instrument in the research process. Reliability aims to ascertain whether the scores obtained from items on a research instrument are internally consistent, stable over time, and if the administration and scoring of the test produce consistent results. Internal reliability, in particular, focuses on the consistency in how data is collected, analyzed, and interpreted. It is achieved when an independent researcher, upon re-analyzing the information, arrives at similar findings as the original researcher. In this study, the reliability of the research instrument was assessed using Cronbach's Alpha. Orodho (2014) indicates that a correlation coefficient (r) of 0.7 or higher is generally considered sufficient to establish the reliability of the instrument. To assess internal consistency, responses from the six questionnaires that were pretested during the pilot study were correlated.

3.6.2 Validity

Validity, as explained by Kothari (2004), is a critical measure of a research instrument's effectiveness in accurately measuring what it is intended to measure. Content validity specifically assesses the extent to which the data collected adequately represents all the factors being studied. To establish the validity of the research instrument in this study, input and opinions from experts in the field of study as well as from supervisors was sought. This ensures that the instrument effectively measures the intended variables and encompasses the content of the research in a comprehensive manner.

3.7 Data Collection Procedures

The study initiated the data collection process by obtaining an introductory letter from Machakos University, which was used to apply for authorization from the National Commission for Science, Technology, and Innovation (NACOSTI) to collect data. The administration of the questionnaires involved visiting the respondents at their business premises and hand-delivering the questionnaires to them. In order to enhance the response rate, each respondent received an explanation of the study's purpose and was kindly asked to voluntarily participate. The questionnaire featured a Likert scale with a range from 1 to 5, enabling respondents to indicate the extent to which they agreed with the provided statements. Respondents were encouraged to provide their responses within the defined limits of the Likert scale.

3.8 Data Analysis and Presentation

Kombo and Tromp (2016) describe data analysis is a systematic process involving the examination of collected data, followed by the derivation of inferences and deductions from that data. In this study, the collected quantitative data was coded and entered into Statistical Packages for Social Sciences (SPSS version 26), which was employed for analysis through descriptive statistics. The findings were presented in various formats, including tables, graphs, and pie charts, as well as in written prose. This multifaceted presentation approach aimed facilitating data comparison, the identification of relationships, key patterns, and trends within the dataset.

The study utilized inferential statistics for the multiple regression and correlations analysis. Pairwise correlations between all pairs of variables were calculated and used to construct a correlation matrix using the obtained correlation coefficients. The correlation coefficients measured the direction and strength of any linear relationship between a pair of variables, ranging from -1 to +1. It is used to determine any relationships observed between variables (Quirk & Palmer-Schuyler, 2020). The study also conducted a multiple regression analysis to establish the nature and magnitude of the relationship between the strategy implementation and performance of MFIs in Machakos County. It helped demonstrate the weight that the independent variables (strategy implementation factors) have on the dependent variable (MFIs' performance). The multiple regression analysis therefore was used to shed light on the relationship between resource allocation, strategy communication, organizational structure and organizational culture and performance of MFIs in Machakos County. Below is the multiple regression equation that was used;

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon$$

Where;

Y = Performance (Dependent Variable)

α = Intercept term (constant)

Independent variables, including:

X1 = Resource allocation

$X2$ = Strategy communication

$X3$ = Organizational structure

$X4$ = Organizational Culture

$\beta 1\text{–}4$ = Regression slope coefficients

ε = Error term

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter details the results of data after analysis, the findings of the study and discussions emanating from the study findings.

4.2 Response Rate

The response rate of the study was 92.0 percent (58) while 8.0 percent (5) did not return the questionnaires as expected who agreed to take part in the study as shown in the table 4.1 below. This shows that the responses were adequate and reliable to answer the study questions.

Table 4.1: Response Rate

Category	Frequency	Percentage (%)
Returned	58	92.0
Strategic Team Staff	5	8.0
Total	**63**	**100**

4.3 Demographic Information

4.3.1 Gender

The male respondents accounted for 55.2% while female respondents accounted for 44.8%. This finding suggests that MFIs employ both male and female staffs in their ranks to a near gender balanced level. The finding possibly reflects on MFIs commitment to gender diversity and equality in employment practices. Understanding the gender composition of the workforce can provide insights into the dynamics within the workplace, such as gender-based roles, interactions, and potential disparities. This could influence various aspects of organizational behavior and performance.

Table 4.2: Gender Analysis

Category	Frequency	Percentage (%)
Returned	32	55.2
Strategic Team Staff	26	44.8
Total	**58**	**100**

4.3.2 Duration of Work in the Organization

Among the respondents, 24.1% had worked in their organizations for 1-2 years, 29.3% for 3-4 years, 25.9% for 4-5 years while the remaining 20.7% had worked for 6 year and above as shown in table 4.3 below. This finding showed that the respondents had enough experience which could help in the study.

Table 4.3: Work Duration

Category	Frequency	Percentage (%)
1-2 years	14	24.1%
3-4 years	17	29.3%
4-5 years	15	25.9%
6 year and above	12	20.7%
Total	**58**	**100**

4.3.3 Position in the Organization

The analysis as shown in table 4.4 below shows that the 43.1% of the respondents were operating in the middle level management, 25.9% in the supervisory level while 31.0% were from the top management. This finding indicates the respondents were spread across the strategic units of MFIs thus capable of providing reliable information.

Table 4.4: Position in the Organization

Category	Frequency	Percentage (%)
Middle level	18	31.0
Supervisory level	15	25.9
Top Management	25	43.1
Total	**58**	**100**

4.4 Validity and Reliability Results

Table 4.5 below presents the reliability analysis of various strategy implementation factors related to performance of microfinance institutions, with Cronbach's Alpha used to assess internal consistency. For each variable, resource allocation, strategy communication, organizational structure, organizational culture, and performance, the Cronbach's Alpha values are provided, ranging from 0.709 to 0.897. All variables were accepted as their alpha values exceed the commonly accepted threshold of 0.70, indicating good reliability in the measurement of these constructs. Resource allocation had the highest alpha (0.897), suggesting very high internal consistency, while performance had the lowest (0.709), though still within an acceptable range.

Table 4.5: Reliability Analysis

Variables	Number Items	Cronbach's Alpha	Comment
Resource Allocation	6	0.897	Accepted
Strategy Communication	6	0.719	Accepted
Organizational Structure	6	0.763	Accepted
Organizational Culture	6	0.771	Accepted
Performance	6	0.709	Accepted

4.5 Descriptive Analysis Results

4.5.1 Resource Allocation and Performance of MFIs

The study's first objective was to examine the influence of resource allocation on performance of microfinance institutions in Machakos County, Kenya. The respondents were asked to indicate the extent to which the following elements of resource allocation have helped their organization in strategy implementation. Their responses were analysed and presented below.

Table 4.6: Effect of Resource Allocation on Performance of Microfinance Institutions in Machakos County

Statement	Mean	STD e. DEV
There is a clear way of allocating resources in your organization	4.09	0.657
Commitment and allocation of adequate resources for strategy implementation	3.98	0.713
Commitment and allocation of relevant resources for strategy implementation	3.88	0.651
Necessary human capital to enable strategy implementation	4.00	0.649
Financial resources to support strategy implementation	4.24	0.683
Technological resources to support strategy implementation	4.14	0.661
Average	**4.06**	**0.669**

Table 4.6 shows that the majority respondents agreed to a greater extent that there is a clear way of allocating resources in their organizations. This finding was supported by a mean of 4.09 and a standard deviation of 0.657. These findings indicate that MFIs ensure that the resources they have a well allocated in order to implement their strategies and enhance their performance.

The study also sought to assess whether there was commitment and allocation of adequate resources for strategy implementation in order to improve performance. The majority respondents agreed with the statement. This was supported by a mean of 3.98 and a standard deviation of 0.713. The findings indicate that strategy implementation relies on allocation of adequate resources, hence, MFIs are committed to allocating adequate resources to strategy implementation activities which affects their performance.

Thirdly, the study sought to assess whether there was commitment and allocation of relevant resources to strategy implementation. The majority of the respondents indicated that their organizations were committed to the allocation of resources relevant to strategic implementation. This was supported by a mean response of 3.88 and a standard deviation 0.651. The findings postulate that strategy implementation in MFIs requires specific resources in order to positively influence their performance.

On whether there was the necessary human capital to help in strategy implementation, majority of the respondents agreed with the statement to a great extent. This was supported by a mean response of 4.00 and a standard deviation of 0.649 from the mean. This finding suggests that strategy implementation in MFIs requires and is dependent on having the necessary human capital who understand the strategy, its implementation factors and its importance to the organizational performance.

Further, the study sought to assess whether their organizations had the financial resources to support strategy implementation to influence performance. The findings showed that majority of the respondents were in agreement with the statement as supported by a mean response of 4.24 and standard deviation of 0.683 from the mean. These study findings indicate that financial resources are key in strategy implementation in MFs since their strategies are largely tied with financial issues.

In an effort to assess whether MFIs have technological resources to support strategy implementation, most of respondents were in agreement with the statement. A mean response of 4.14 and standard deviation of 0.661 from the means supported the finding. Thus, the study findings indicate that MFIs have embraced technology in implementing their strategies in order to improve their performance. Most of the MFIs have invested in technological resources to help them push for their strategic initiatives.

4.5.2 Strategy Communication and Performance of MFIs

The study's second objective was to investigate the impact of strategy communication on performance of microfinance institutions in Machakos County, Kenya. The respondents were asked to indicate the extent to which the following elements of strategy communication have helped their organization in strategy implementation. The findings are presented below.

Table 4.7: Effect of Strategy Communication on Performance of Microfinance Institutions in Machakos County

Statement	**Mean**	**STD e. DEV**
There are known channels of communication in your organization	4.14	0.661
The channels of communication in your organization are working	3.93	0.645
Communication technologies are used in strategy implementation	3.83	0.901
There is clarity of communication on strategy implementation	3.43	0.5
Feedback on strategy implementation is valued	3.76	0.709
Average	**3.82**	**0.683**

Majority of the respondents agreed with the statement that there are known channels of communication in their organization with majority of respondents agreeing to a great extent. This finding was supported by a mean response of 4.14 and a standard deviation of 0.661 from the mean showing minimal variation. These findings suggest that MFIs have recognized the important role communication plays in ensuring that the strategy is well communicated to the relevant people for it to be implemented.

The study also sought to assess whether the channels of communication in the MFIs are working. The majority respondents agreed with the statement. This was supported by a mean of 3.93 and a standard deviation of 0.645. The findings suggest that MFIs have ensured that their communication channels are active to help in the continuous communication of their strategic directions and activities for better performance.

Thirdly, the study sought to assess whether communication technologies are used in strategy implementation. The majority of the respondents indicated that their organizations were committed to the allocation of resources relevant to strategic implementation. This was supported by a mean response of 3.83 and a standard deviation 0.901. The findings postulate that strategy implementation in MFIs requires specific resources in order to positively influence their performance.

On whether there was the necessary human capital to help in strategy implementation, majority of the respondents agreed with the statement to a great extent. This was supported by a mean response of 4.00 and a standard deviation of 0.649 from the mean. This finding suggests that strategy implementation in MFIs requires and is dependent on having the necessary human capital who understand the strategy, its implementation factors and its importance to the organizational performance.

Further, the study sought to assess whether MFIs have the necessary financial resources to support strategy implementation to influence performance. The findings showed that majority of the respondents were in agreement with the statement as supported by a mean response of 4.24 and standard deviation of 0.683 from the mean. These study findings posit that financial resources are key in strategy implementation in MFs since their strategies are largely tied with financial issues.

In an effort to assess whether MFIs have technological resources to support strategy implementation, most of respondents were in agreement with the statement. A mean response of 4.14 and standard deviation of 0.661 from the means supported the finding. Thus, the study findings indicate that MFIs have embraced technology in implementing their strategies in order to improve their performance. Most of the MFIs have invested in technological resources to help them push for their strategic initiatives.

4.5.3 Organizational Structure and Performance of MFIs

The study's third objective was to investigate the impact of organizational structure on performance of microfinance institutions in Machakos County, Kenya. The respondents were asked to indicate the extent to which the following elements of organizational structure have helped their organization in strategy implementation. The study findings are presented below.

Table 4.8: Effect of Organizational Structure on Performance of Microfinance Institutions in Machakos County

Statement	Mean	STD e. DEV
There are known decision-making procedures in your organization	4.31	0.467
Decision making in the organization is part of strategy implementation	3.34	0.479
There is coordination in strategy implementation	3.81	0.687
There are operational procedures on strategy implementation	3.64	0.742
There is a leadership team concerned with strategy implementation	2.67	0.685
Average	**3.55**	**0.612**

Table 4.8 above shows that with a mean of 4.31 and a standard deviation of 0.467, employees in microfinance institutions in Machakos generally agree that there are established decision-making procedures within their organizations. The high mean score indicates a strong consensus on the presence of clear decision-making processes, which likely contributes to organizational stability and efficiency. The relatively low standard deviation signifies that this perception is consistent across respondents, showing little variation in their opinions.

Secondly, the mean score of 3.34 with a standard deviation of 0.479 indicates a moderate agreement that decision making is integrated into strategy implementation within these institutions. While this finding indicates that some alignment exists between decision making and strategic efforts, the mean value close to the midpoint points to potential areas for improvement. The standard deviation shows moderate variability, indicating that while some employees may see a strong link between decision making and strategy, others may not, highlighting a potential inconsistency in how this integration is perceived or executed.

Thirdly, a mean of 3.81 and a standard deviation of 0.687 indicates that there is a relatively high level of agreement among employees about the presence of coordination in strategy implementation. This suggests that, overall, the institutions manage to synchronize various activities and resources towards achieving strategic goals. However, the standard deviation, being somewhat higher, suggests that there are differing opinions on the effectiveness or extent of this coordination, which could point to variations in experience or implementation across different areas or levels within the organizations.

Consequently, with a mean of 3.64 and a standard deviation of 0.742, the data indicates a fairly positive view on the existence of operational procedures related to strategy implementation. This mean score suggests that while most employees recognize the presence of these procedures, there might still be room for more clarity or better enforcement. The higher standard deviation indicates a noticeable degree of variability in responses, which may reflect inconsistencies in how these procedures are understood or applied across different departments or teams.

Lastly, the mean score of 2.67 and a standard deviation of 0.685 suggest a low level of agreement that there is a dedicated leadership team focused on strategy implementation. This low mean implies that many employees feel that leadership in this area is lacking or ineffective. The standard deviation, although not very high, indicates some variability in responses, which could suggest differences in how leadership is perceived in different parts of the organization. Overall, this points to a potential gap in strategic leadership that could hinder effective strategy execution.

4.5.4 Organizational Culture and Performance of MFIs

The study's fourth objective was to examine the impact of organizational culture on performance of microfinance institutions in Machakos County, Kenya. The respondents were asked to indicate the extent to which the following elements of organizational culture have helped their organization in strategy implementation. The findings are presented below.

Table 4.9: Effect of Organizational Culture on Performance of Microfinance Institutions in Machakos County

Statement	Mean	STD e. DEV
There are defined values in your organization	2.88	0.651
The values in the organization are part of strategy implementation	2.81	0.687
There is responsive customer service that relates to strategy implementation	3.03	0.700
There are innovative ways for strategy implementation	3.29	0.918
There is stakeholder engagement in strategy implementation	2.74	0.715
There is collaboration across the firm to ensure strategy implementation	4.17	0.752
Average	**3.15**	**0.737**

The mean score of 2.88 and a standard deviation of 0.651 in table 4.9 above indicate a moderate level of agreement among respondents that there are defined values within their organizations. The relatively low standard deviation suggests that most respondents have similar perceptions regarding the existence of defined organizational values, reflecting a common understanding or experience of these values within the microfinance institutions in Machakos.

With a mean score of 2.81 and a standard deviation of 0.687, respondents moderately agree that organizational values are integrated into strategy implementation. The slightly higher standard deviation compared to the previous statement shows a bit more variation in responses, indicating that while many perceive values as part of strategy implementation, there are differences in how strongly this is felt across the institutions.

The mean score of 3.03 and a standard deviation of 0.700 suggest that respondents generally agree there is responsive customer service linked to strategy implementation. The mean above 3.00 indicates a positive assessment of customer service responsiveness, and the standard deviation reflects a moderate consensus among respondents about this aspect of their organizational culture.

The mean score of 3.29, paired with a standard deviation of 0.918, indicates a relatively high agreement that innovative methods are used for strategy implementation. The higher standard deviation here points to more diverse opinions among respondents, suggesting that while innovation is recognized, its extent and effectiveness may vary significantly between different microfinance institutions in Machakos.

The mean score of 2.74 and a standard deviation of 0.715 reveal a moderate level of agreement on stakeholder engagement in strategy implementation. The mean score below 3.00 suggests that there might be some room for improvement in engaging stakeholders effectively. The standard deviation indicates moderate variation in responses, highlighting that experiences with stakeholder engagement differ across the institutions.

With a mean score of 4.17 and a standard deviation of 0.752, there is a strong agreement that collaboration across the firm is crucial for strategy implementation. The high mean score suggests that respondents widely recognize and experience effective collaboration within their organizations. The standard deviation, though slightly higher, indicates that while collaboration is generally perceived positively, the extent to which it is practiced can vary.

4.5.5 Performance of MFIs

The study also sought to determine the extent to which the performance of the microfinance institutions on the following indicators has improved due to strategy implementation.

Table 4.10: Firm Performance

Statement	**Mean**	**STD e. DEV**
Customer retention	4.00	0.816
Market penetration	3.6	0.674
Average Outstanding Loan Size	3.24	0.733
Average Loan Disbursed	3.81	0.826
Improvement of Debt recovery	4.31	0.467
Average	3.79	0.703

The findings in table 4.10 above show that the performance indicator for customer retention has a mean of 4.00 with a standard deviation of 0.816. This suggests that the strategy implementation has led to a high level of customer retention, as reflected by the strong average rating. However, the standard deviation indicates a moderate level of variation among responses, implying that while many have seen significant improvement, there may be some variability in the extent of this improvement across the organization.

Market penetration has a mean score of 3.6 and a standard deviation of 0.674. The mean indicates that there has been a good level of improvement in market penetration following the strategy implementation, but not as strong as some other factors. The relatively lower standard deviation suggests that there is somewhat consistent agreement among respondents about the improvement, indicating a moderately positive impact of the strategy on expanding market reach.

The mean score for the average outstanding loan size is 3.24 with a standard deviation of 0.733. This mean value shows a moderate level of improvement in this area, which is somewhat lower compared to other indicators. The standard deviation suggests a moderate amount of variability in responses, indicating that the effect of the strategy on outstanding loan size has been varied, with some areas possibly experiencing greater changes than others.

For the average loan disbursed, the mean score is 3.81 with a standard deviation of 0.826. This indicates a fairly strong improvement in the average loan amounts disbursed due to the strategy implementation. The standard deviation is relatively higher, pointing to a significant variation in the responses. This means while the overall trend shows improvement, the extent of this improvement varies considerably among different parts of the organization.

The improvement of debt recovery has the highest mean score of 4.31 and the lowest standard deviation of 0.467. This high mean suggests that the strategy implementation has been particularly effective in improving debt recovery processes. The low standard deviation indicates a high level of agreement among respondents, signifying that the improvement in debt recovery has been consistently recognized across the organization, highlighting this as a key success area of the strategy implementation.

4.6 Inferential Statistics Analysis Results

4.6.1 Correlation Analysis

The correlation matrix shows relationships between five variables: resource allocation, strategy communication, organizational structure, organizational culture, and firm performance. Resource allocation has a significant negative correlation with strategy communication ($r = -0.358$, $p = 0.006$) and a significant positive correlation with organizational structure ($r = 0.387$, $p = 0.003$) and Organizational Culture ($r = 0.270$, $p = 0.04$). Strategy Communication is significantly negatively correlated with both Organizational Structure ($r = -0.502$, $p < 0.001$) and Organizational Culture ($r = -0.514$, $p < 0.001$). Organizational Structure has a significant positive correlation with Organizational Culture ($r = 0.615$, $p < 0.001$). Firm Performance shows a significant positive correlation with Resource Allocation ($r = 0.302$, $p = 0.021$) and Organizational Culture ($r = 0.394$, $p = 0.002$), but no significant correlation with Strategy Communication ($r = 0.136$, $p = 0.309$) or Organizational Structure ($r = -0.069$, $p = 0.607$). This implies that effective resource allocation and a strong organizational culture are positively associated with better firm performance, while strategy communication might have complex interactions with other organizational elements.

The correlations imply that effective resource allocation and a strong organizational culture are positively associated with better firm performance. This implies that companies should focus on investing resources wisely and cultivating a positive organizational culture to enhance performance outcomes. Secondly, the negative correlations of strategy communication with organizational structure and culture suggest that while clear strategy communication is important, it may sometimes conflict with rigid organizational structures or cohesive cultures. This highlights the need for organizations to balance clear communication with adaptability and cultural alignment. The strong positive correlation between organizational structure and culture indicates that organizations with well-defined structures often also have strong cultures. This synergy can potentially reinforce organizational effectiveness and performance in MFIs.

Table 4.11: Correlation Analysis

		Resource Allocation	Strategy Communication	Organizational Structure	Organizational Culture	Firm Performance
Resource Allocation	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	58				
Strategy Communication	Pearson Correlation	-.358**	1			
	Sig. (2-tailed)	0.006				
	N	58	58			
Organizational Structure	Pearson Correlation	.387**	-.502**	1		
	Sig. (2-tailed)	0.003	0			
	N	58	58	58		
Organizational Culture	Pearson Correlation	.270*	-.514**	.615**	1	
	Sig. (2-tailed)	0.04	0	0		
	N	58	58	58	58	
Firm Performance	Pearson Correlation	.302*	0.136	-0.069	.394**	1
	Sig. (2-tailed)	0.021	0.309	0.607	0.002	
	N	58	58	58	58	58

**** Correlation is significant at the 0.01 level (2-tailed).**

*** Correlation is significant at the 0.05 level (2-tailed).**

4.6.2 Regression Analysis Results

4.6.2.1 Model Summary

The model summary in Table 4.12 indicates that 56.0% of changes in performance is explained by organizational culture, resource allocation, strategy communication, and organizational structure while the remaining percentage can be explained by other factors outside this study. Also, the Adjusted R Square (.527) provides a more conservative and reliable estimate, confirming that the four strategy implementation factors meaningfully contribute to performance, though not exhaustively. The difference between the two (0.033) is small, suggesting the model is not over-fitted and the included variables are relevant.

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.748[a]	.560	.527	.1313

a. Predictors: (Constant), Organizational Culture, Resource Allocation, Strategy Communication, Organizational Structure

4.6.2.2 ANOVA

The analysis of variance as shown in Table 4.13 below indicates that organizational culture, resource allocation, strategy communication, organizational structure has a joint significant effect firm performance of microfinance institutions in Machakos County.

Table 4.13: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.164	4	0.291	16.873	.000[b]
	Residual	0.914	53	0.017		
	Total	2.077	57			

a Dependent Variable: Firm Performance

b Predictors: (Constant), Organizational Culture, Resource Allocation, Strategy Communication, Organizational Structure

4.6.2.3 Regression Coefficients

The regression analysis as shown in table 4.14 below shows the constant ($\alpha = 1.487$, p value. = 0.007) indicating that when all the independent variables (resource allocation, strategy communication, organizational structure, and organizational culture) are held at zero, the baseline level of firm performance is 1.487. The significance value of 0.007, which is less than the conventional threshold of 0.05, suggests that this intercept is statistically significant. Although in practical terms it's unlikely these variables would ever be truly zero in a real firm, the value is statistically meaningful, providing a solid reference point for interpreting the contributions of each predictor.

In the first research question the study sought to determine the impact of resource allocation on firm performance. The coefficient for resource allocation ($\beta 1 = 0.382$, p value = 0.000) indicates that for each unit increase in resource allocation, performance is expected to increase by 0.382 units, assuming all other variables remain constant. The significance value of 0.000, which is less than 0.05, suggests that this relationship is statistically significant. This suggests that firms that allocate their financial, human, and technological resources more effectively are likely to see tangible improvements in performance. Among the predictors, this variable shows the strongest positive effect, implying it could be a priority area for strategic focus.

The second research question of the study suggested that strategy communication has an impact on firm performance. The coefficient for strategy communication ($\beta 2 = 0.247$, p value = 0.000) indicates that for each unit increase in strategy communication, firm performance is predicted to increase by 0.247 units, holding other factors constant. The significance value of 0.000, which is less than 0.05, suggests that this relationship is statistically significant. Thus, the relationship is statistically significant, suggesting that when strategic goals are clearly and consistently communicated across all levels of the organization, employees are more aligned, which translates into better overall performance. However, its effect is slightly weaker than that of resource allocation or organizational culture.

The third research question of the study suggested that organizational structure has an impact on firm performance. The coefficient for organizational structure ($\beta 3 = -0.343$, p value = 0.000) indicates that an increase in organizational structure by one unit leads to a decrease in performance by 0.343 units, all else being equal. The significance value of 0.000, which is less than 0.05, suggests that this relationship is statistically significant. Despite being statistically significant, the negative sign suggests that certain structural characteristics, such as excessive hierarchy, bureaucracy, or inflexible reporting lines, could hinder performance. This might point to a need for more flexible, decentralized structures that enhance responsiveness and innovation.

Lastly, the fourth research question of the study suggested that organizational culture e has an impact on firm performance. The coefficient for organizational culture ($\beta 4 = 0.330$, p value = 0.000) indicates that each unit increase in organizational culture is associated with an increase of 0.330 units in Firm Performance, assuming other variables remain constant. The significance value of 0.000, which is less than 0.05, suggests that this relationship is statistically significant. This suggests that nurturing a supportive and strategically aligned culture can be a key driver of success. Its effect is nearly as strong as resource allocation, emphasizing the value of a strong cultural foundation in achieving strategic goals.

The resultant regression model for the study was;

Firm performance = 1.487 + 0.382* Resource Allocation + 0.247* Strategy Communication + -0.343* Organizational Structure + 0.33* Organizational Culture.

Table 4.14: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.487	0.527		2.821	0.007
	Resource Allocation	0.382	0.087	0.444	4.401	0
	Strategy communication	0.247	0.06	0.461	4.086	0
	Organizational structure	-0.343	0.081	-0.521	-4.217	0
	Organizational culture	0.33	0.048	0.831	6.858	0

a Dependent Variable: Firm Performance

4.7 Discussions

The following sub-sections present a discussion of each variable:

4.7.1 Resource Allocation and Firm Performance

The findings of this study indicate that effective resource allocation, encompassing clear processes (mean score 4.09, SD 0.657), adequate resources (mean score 3.98, SD 0.713), relevant resources (mean score 3.88, SD 0.651), necessary human capital (mean score 4.00, SD 0.649), financial stability (mean score 4.24, SD 0.683), and technological investment (mean score 4.14, SD 0.661), plays a critical role in the performance of Microfinance Institutions in Machakos County. Each of these factors contributes to the successful implementation of strategies, thereby enhancing the overall performance and sustainability of these institutions. MFIs that prioritize and manage their resources effectively are better positioned to achieve their strategic goals and improve their operational outcomes. The regression analysis indicated that resource allocation has a positive (0.382) statistically significant relationship with performance.

A study conducted by Kihoro and Mwihia (2021) in Kenya examined the impact of resource allocation on firm performance. Their findings support the notion that efficient resource allocation positively influences firm performance. This supports the idea that proper resource allocation enables firms to optimize operations, make effective investments, and ultimately enhance overall performance (Kihoro & Mwihia, 2021). In contrast, a study by Ogutu and Odongo (2020) in Uganda presented findings that challenge the notion of a universally positive effect of resource allocation on firm performance. Their research focused on large manufacturing firms across East Africa, including Kenya. They found that while resource allocation is important, its impact on firm performance varies significantly depending on industry context and management practices. Their analysis suggests that factors such as market volatility, regulatory environments, and internal management capabilities may moderate the relationship between resource allocation strategies and firm performance (Ogutu & Odongo, 2020). Similarly, Bhatnagar and Sharma (2023) explored resource allocation in the healthcare sector in India. They found that while resource allocation is crucial, its effectiveness is highly dependent on the specific sector's needs and challenges. In the healthcare sector, for instance, the prioritization of certain resources, such as specialized human capital and technological infrastructure, plays a more pronounced role in determining outcomes compared to other sectors.

The study findings highlight the critical role that strategic resource management plays in optimizing the operational efficiency and success of microfinance institutions in the region. This finding suggests that efficient resource allocation enables firms to optimize their operations, invest in crucial areas, and achieve better outcomes, thereby enhancing overall performance. Strategic resource management plays a key role in optimizing the operational efficiency and success of microfinance institutions in the region.

4.7.2 Strategy Communication and Firm Performance

The study examined the impact of communication strategies on the performance of Microfinance Institutions (MFIs) in Machakos County. The study found that the MFIs generally have established and recognized channels of communication, with a majority of respondents strongly agreeing (mean = 4.14, SD = 0.661). This indicates minimal variation in perception, highlighting the robustness of communication frameworks within these institutions. Additionally, respondents perceived these communication channels to be effective (mean = 3.93, SD = 0.645), emphasizing their role in consistently conveying strategic directives and activities. Moreover, the study revealed that MFIs utilize communication technologies in strategy implementation (mean = 3.83, SD = 0.901), underscoring the importance of technological resources in enhancing operational efficiencies and performance outcomes. Further, the regression also indicated a positive 0.247 statistically significant relationship between strategic communication and performance of MFIs in Machakos County.

A recent study in Kenya by Mwiti and Nyaga (2023) investigated the impact of strategy communication on firm performance among SMEs. Their findings align with the assertion that effective strategy communication positively influences firm performance. Through a survey of 200 SMEs, they found a significant correlation between clear and consistent strategy communication and improved financial performance indicators such as profitability and growth. This study underscores the importance of aligning organizational objectives through effective communication strategies to enhance overall performance. However, Adewale et al. (2022) explored similar themes in Nigerian manufacturing corporations but arrived at different conclusions. Their research indicated that while strategy communication is important, its direct impact on firm performance is less straightforward. It was found that while effective strategy communication fosters organizational alignment and employee engagement, its influence on financial performance metrics such as return on investment (ROI) and market share was not statistically significant. Their findings imply that while necessary, strategy communication alone may not guarantee tangible improvements in firm performance metrics.

The finding indicates that effective strategy communication has helped MFIs to ensure that all employees and other key stakeholders are aligned with the firm's objectives, fostering a collaborative environment that has driven improvements in performance. The findings underscore the critical role of clear and effective communication, supported by technological tools, in facilitating strategic alignment and operational success within MFIs. Thus, these findings suggest that microfinance institutions in Machakos County can achieve better performance outcomes by focusing on clear and effective communication of their strategies.

4.7.3 Organizational Structure and Firm Performance

The study's third objective examined the impact of organizational structure on the performance of microfinance institutions in Machakos County. Firstly, the study findings showed a general agreement (mean = 4.31, Std. = 0.467) that clear decision-making procedures are established within their institutions, indicating robust organizational stability and efficiency. However, there is moderate agreement (mean = 3.34, Std. = 0.479) that decision-making is integrated into strategy implementation, suggesting room for improvement in aligning these processes. Moreover, while there is a perceived high level of coordination in strategy implementation (mean = 3.81, Std. = 0.687), variability in responses indicates differing opinions on its effectiveness. Similarly, although operational procedures related to strategy are recognized (mean = 3.64, Std. = 0.742), there is potential for clearer enforcement given the variability in understanding across departments. Critically, there is a significant perception gap regarding the presence of a dedicated leadership team focused on strategy (mean = 2.67, Std. = 0.685), highlighting a potential barrier to effective strategy execution. Further, a regression coefficient of -0.343 showed that organizational structure has a negative statistically significant impact on performance of MFIs in Machakos County.

Muthoni and Muturi (2021) in Kenya found that organizational structure significantly influences firm performance negatively. Their research, focusing on various industries across Kenya, revealed that rigid organizational structures limit adaptability and responsiveness, thereby hindering innovation and efficiency. This study emphasizes that organizations with overly bureaucratic structures struggle to navigate dynamic market conditions and face challenges in decision-making processes, ultimately leading to lower performance outcomes. Kamau and Ngugi (2023) suggested a different perspective. Conducted among Kenyan firms, their research found that while organizational structure influences firm performance, the effect is not uniformly negative. Instead, they argued that a well-designed and balanced organizational structure can enhance operational efficiency and resource allocation, thereby positively impacting firm performance. Recent work by Martínez and Sánchez (2022) in Spanish SMEs highlights that the alignment of decision-making processes with strategic goals is crucial for effective strategy execution. Their findings emphasize that a misalignment can hinder strategy implementation, a concern reflected in the variability in responses in the current study.

The findings indicate that MFIs have overly rigid organizational structures which can hinder flexibility and innovation, creating bureaucratic obstacles that impede efficient decision-making and responsiveness to market changes, thereby negatively affecting performance. This study suggests that rigid structures always lead to negative outcomes and suggests that strategic alignment between structure and organizational goals is crucial for achieving performance improvements. These findings underscore the importance of enhancing decision-making integration, coordination, and strategic leadership within microfinance institutions to optimize performance outcomes.

4.7.4 Organizational Culture and Firm Performance

The study's fourth objective examined the effect of organizational culture on performance of microfinance institutions in Machakos County. The findings revealed insightful regarding various facets of organizational culture and their impact on strategy implementation. Respondents generally perceive their organizations to have defined values (mean = 2.88, Std. = 0.651), integrated into strategy (mean = 2.81, Std. = 0.687), and responsive customer service (mean = 3.03, Std. = 0.700), albeit with varying degrees of consensus. Innovation in strategy implementation (mean = 3.29, Std. = 0.918) and stakeholder engagement (mean = 2.74, Std. = 0.715) show moderate agreement, suggesting areas for potential enhancement. Notably, collaboration across the firm for strategy implementation (mean = 4.17, Std. = 0.752) is strongly perceived, indicating widespread recognition of its importance despite some variability in its practice. The regression coefficient of 0.330 showed that 0.330 organizational culture has a positive statistically significant on performance of MFIs in Machakos County.

A study conducted by Ogbonna and Harris (2019) explored the relationship between organizational culture and firm performance among various industries in Ghana. Their findings indicated a strong positive correlation between a supportive organizational culture and enhanced firm performance. They observed that organizations with a culture that values employee well-being, fosters innovation, and promotes teamwork tend to achieve higher levels of productivity and employee satisfaction, ultimately leading to improved overall firm performance. Muturi and Ng'ang'a (2020) in Kenya found mixed results regarding the impact of organizational culture on firm performance. While they acknowledged some positive effects similar to those found by Ogbonna and Harris (2019) in Ghana, they also highlighted cases where organizational cultures that were overly rigid or inconsistent with employee values actually hindered firm performance. Their findings suggested that the relationship between organizational culture and firm performance is nuanced and context-dependent, with certain cultural aspects potentially acting as barriers to productivity and employee engagement (Muturi & Ng'ang'a, 2020). López and López (2022) examined how organizational culture affects the performance of financial institutions, including microfinance entities in Latin America. Their findings suggested that a collaborative culture, where values such as trust and mutual support are prevalent, positively influenced institutional performance. They noted that institutions with a collaborative culture were more effective in strategy implementation and achieving operational goals.

These findings indicated that organizational culture in most MFIs is not well developed thus its low contribution on how strategies are implemented. The study findings indicates that a supportive and positive organizational culture can boost employee morale, increase job satisfaction, and foster a sense of loyalty and commitment, leading to higher productivity, better teamwork, and ultimately, enhanced firm performance. Thus, enhancing the organization culture, particularly through clearer value alignment, robust strategy integration, enhanced stakeholder engagement, and strengthened collaborative efforts, can significantly bolster the performance and resilience of microfinance institutions in Machakos County.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter documented the summary of the findings, the conclusions and recommendations made based on the study outcomes.

5.2 Summary

The study aimed to investigate how strategy implementation factors and the performance of microfinance institutions in Machakos County, Kenya. It found that organizational culture, resource allocation, strategy communication, and organizational structure impact the performance of these institutions. The study drew on theories such as the resource-based view theory, managerialism theory, contingency theory and theory of organizational excellence. It employed a explanatory research design and gathered primary data through questionnaire administration. The analysis included descriptive statistics and inferential statistics, with findings presented through tables and figures.

5.2.1 Resource Allocation and Firm Performance

The study's first objective was to examine the influence of resource allocation on performance of microfinance institutions in Machakos County, Kenya. The study found that resource allocation with an average mean of 4.06 and an average standard deviation of 0.669 has a substantial positive impact on firm performance. The impact of resource allocation on performance was further confirmed using the regression model by a positive coefficient of ($\beta = 0.382$, p value = 0.000). Therefore, the study found that both the descriptive statistics and the regression analysis showed resource allocation has a positive and statistically significant effect on firm performance.

5.2.2 Strategy Communication and Firm Performance

The study's second objective was to investigate the impact of strategy communication on performance of microfinance institutions in Machakos County, Kenya. With an average mean of 3.82 and average standard deviation of 0.683, the study found that strategy communication significantly enhances firm performance. Further, with a positive coefficient ($\beta = 0.247$, p value = 0.000), the findings show that strategy communication has a positive and statistically significant effect on firm performance.

5.2.3 Organizational Structure and Firm Performance

The study's third objective was to investigate the impact of organizational structure on performance of microfinance institutions in Machakos County, Kenya. The study findings show that organizational structure has relatively low average mean of 3.55 and an average standard deviation of 0.612. Further, organizational structure has a negative regression coefficient ($\beta = -0.343$, p value = 0.000) signifying a negative impact on performance.

5.2.4 Organizational Culture and Firm Performance

The study's fourth objective was to examine the impact of organizational culture on performance of microfinance institutions in Machakos County, Kenya. The findings show that organizational culture has an average mean of 3.15 and an average standard deviation of 0.737. Also, the regression analysis shows positive and significant impact ($\beta = 0.330$, p value = 0.000) on performance. Thus, both the descriptive and regression analysis showed a relatively low impact of organizational culture on performance.

5.3 Conclusions

Based on the findings of this study, the following conclusions were made. Firstly, the study unequivocally concluded that the manner in which resources are allocated significantly affects the performance of microfinance institutions in Machakos County. The positive and statistically significant relationship identified through regression and correlation analyses underscores the importance of efficient resource allocation strategies in enhancing firm performance within this sector. Effective allocation not only boosts operational efficiency but also supports strategic growth initiatives, thereby contributing to overall organizational success.

Secondly, strategy communication emerged as a critical determinant of firm performance among microfinance institutions in Machakos County. The study confirms that clear and effective communication of organizational strategies positively impacts performance. This finding highlights the role of transparency and alignment in ensuring that strategic goals are understood and pursued collectively throughout the institution. Such communication practices foster cohesion, empower staff, and enable more coordinated efforts towards achieving sustainable performance outcomes.

Thirdly, organizational structure was found to exert a significant influence on the performance of microfinance institutions in Machakos County, albeit with a negative correlation. The study reveals that while certain structural elements may enhance operational efficiency, an overly rigid or bureaucratic structure can impede adaptability and responsiveness to market dynamics. This underscores the importance of balancing organizational structure to align with strategic objectives and operational requirements, thereby optimizing performance outcomes in a competitive environment.

Lastly, organizational culture emerged as a powerful driver of firm performance within microfinance institutions in Machakos County. The positive and statistically significant relationship identified underscores the role of a supportive and cohesive organizational culture in fostering employee engagement, innovation, and client satisfaction.

Cultivating a culture that values integrity, teamwork, and customer-centricity not only enhances operational effectiveness but also contributes to sustainable growth and competitive advantage in the microfinance sector.

5.4 Recommendations of the Study

5.4.1 Policy Recommendations

The study's findings indicate that resource allocation has a relatively high impact on performance of MFIs in Machakos County. Given the significant impact of resource allocation on firm performance, it was concluded that effective allocation boosts operational efficiency and supports strategic growth initiatives, thereby contributing to overall organizational success. Thus, based on the first study objective, the study recommended that policymakers and microfinance institutions (MFIs) should prioritize developing clear guidelines and frameworks for efficient resource allocation. This may involve periodic assessments of resource requirements against strategic goals, promoting transparency in budgeting processes, and ensuring that resources are allocated based on the identified needs and potential returns. Practical steps could include implementing robust financial management systems, training staff on resource optimization techniques, and leveraging technology for better resource tracking and utilization.

The findings showed that clear and effective communication of their strategies in microfinance institutions in Machakos County can achieve better performance outcomes. Based on the second study objective, this study recommended that MFIs should establish strategically and structured communication channels that ensure strategic goals are effectively communicated across all levels of the organization. This could include regular town hall meetings, clear dissemination of strategic plans, and performance metrics linked to strategic objectives. Policymakers could support this by promoting guidelines on effective internal communication practices within MFIs and incentivizing transparent reporting on strategic alignment and goal achievement.

Based on the findings on the third objective, to mitigate the negative impact of rigid structures, the study recommends that MFIs should consider adopting more flexible organizational structures that align with their contextual, operational and strategic needs. This might involve periodic reviews of organizational design, decentralizing decision-making where appropriate, and fostering cross-functional collaboration. Policymakers could facilitate this by offering frameworks that encourage adaptive organizational structures tailored to the dynamic needs of microfinance operations, potentially through regulatory flexibility in organizational governance.

The findings showed a low positive correlation between organizational culture and performance. Based on the forth research objective, the study recommended that MFIs should actively cultivate a supportive and inclusive culture that promotes values such as integrity, teamwork, and client-centricity. Practical steps could include leadership training in fostering a positive work environment, promoting diversity and inclusion initiatives, and celebrating achievements that reflect the institution's core values. Policymakers can play a role by advocating for ethical guidelines in MFI operations and promoting best practices in organizational culture development through industry-wide seminars and guidelines.

5.4.2 Practical Recommendations

Microfinance institutions should actively cultivate values such as integrity, teamwork, and customer-centricity across all levels of the organization. This can be achieved through leadership by example, recognizing and rewarding behaviors that align with desired cultural norms, and integrating cultural considerations into performance management systems. Promoting a culture of continuous improvement and innovation can further enhance employee engagement, client satisfaction, and overall organizational performance.

Continuous monitoring and evaluation are essential for refining strategies and adapting practices in response to changing circumstances. Microfinance institutions should establish performance metrics aligned with strategic objectives and regularly assess their progress. This includes conducting internal audits, soliciting client feedback, and benchmarking against industry standards to identify areas for improvement. By fostering a culture of learning and adaptation, institutions can sustain performance excellence and navigate challenges effectively in the competitive microfinance landscape of Machakos County and beyond.

5.5 Suggestions for Further Studies

Future research could investigate how factors such as regulatory changes, economic conditions, and market competition influence organizational strategies and performance outcomes. Also, the study was carried out in Machakos County, Kenya and its results are not generalizable. Thus, the same study can be carried out in other regions to determine whether similar results can be found for generalization.

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APPENDICES

Appendix I: Letter of Introduction

Dear Sir/Madam

I hope this letter finds you well. My name is Alex Kimani, and I am a student at Machakos University. I am writing to request you to participate in a research study **"Strategy implementation and Performance of Microfinance Institutions in Machakos County, Kenya"**.

Your participation in this study involves completing a questionnaire that will take approximately fifteen minutes of your time. The questionnaire is designed to gather information about your perceptions and experiences related to strategy implementation and the performance of Microfinance Institutions in Machakos County. Please be assured that all information provided will be treated with the utmost confidentiality. Your responses will be aggregated and anonymized to ensure that individual responses cannot be identified.

Your participation is voluntary and if you have any questions or concerns about the study, please feel free to contact me. I sincerely appreciate your time and consideration in participating in this important research study. Your contribution is instrumental in enhancing our understanding of the dynamics of Microfinance Institutions in Machakos County.

Yours Faithfully,

Alex Kimani

Appendix II: Questionnaire

Introduction

This questionnaire consists of various questions aimed at collecting data for the purpose of the study. The study is aimed at investigating how strategy implementation influences performance of MFIs in Machakos County. In order to make this study valuable, kindly provide your feedback on questions below with openness and honest. Thank you.

PART A: Respondent Demographic Information

Instructions

Kindly answer the questions below to the best of your understanding. Write your response in the space provided (put a tick where appropriate).

PART A: DEMOGRAPHIC INFORMATION

1. What is your gender?

(i) Female ( )

(ii) Male ( )

2. For how many years have you worked in the organization?

(i) 1 - 2Years ( )

(ii) 3 – 4 Years ( )

(iii) 5 – 6 Years ( )

(iv) 6 Years – and above ( )

3. In which management level does your position belong?

(i) Top management ( )

(ii) Middle level ( )

(iii) Supervisory level ( )

Section B: Resource Allocation

This section seeks information on resource allocation characteristics**.**

4. Please, indicate the extent to which the following elements of resource allocation are present in your MFI (on a scale of between 1 and 5, where 1, 2, 3, 4 and 5 represents Not at all, Small extent, Moderate extent, Large extent, and Very large extent respectively).

S/No	**Element of Resource Allocation**	**1**	**2**	**3**	**4**	**5**
a)	There is a clear way of allocating resources in your organization					
b)	Commitment and allocation of adequate resources for strategy implementation					
c)	Commitment and allocation of relevant resources for strategy implementation					
d)	Necessary human capital to enable strategy implementation					
e)	Financial resources to support strategy implementation					
f)	Technological resources to support strategy implementation					

5. Please, indicate the extent to which the following elements of resource allocation influences performance of your organization (on a scale of between 1 and 5, where 1, 2, 3, 4 and 5 represents Not at all, Small extent, Moderate extent, Large extent, and Very large extent respectively).

S/No	Element of Resource Allocation	1	2	3	4	5
a)	There is a clear way of allocating resources in your organization					
b)	Commitment & allocation of adequate resources for strategy implementation					
c)	Commitment & allocation of relevant resources for strategy implementation					
d)	Necessary human capital to enable strategy implementation					
e)	Financial resources to support strategy implementation					
f)	Technological resources to support strategy implementation					

6. Please, indicate the extent to which resource allocation influences the performance of your organization on the following indicators (on a scale of between 1 and 5, where 1, 2, 3, 4 and 5 represents Not at all, small extent, moderate extent, large extent, and very large extent respectively).

S/No	Performance Indicator	1	2	3	4	5
a)	Customer retention					
b)	Market penetration					
c)	Average Outstanding Loan Size					
d)	Average Loan Disbursed					
e)	Improvement of Debt recovery					

Section C: Strategy Communication

7. Please, indicate the extent to which the following elements of strategy communication are present in your MFI (on a scale of between 1 and 5, where 1, 2, 3, 4 and 5 represents Not at all, Small extent, Moderate extent, Large extent, and Very large extent respectively).

S/No	**Element of Strategy Communication**	**1**	**2**	**3**	**4**	**5**
a)	There are known channels of communication in your organization					
b)	The channels of communication in your organization are working					
c)	Communication technologies are used in strategy implementation					
d)	There is clarity of communication on strategy implementation					
e)	Feedback on strategy implementation is valued					

8. Please, indicate the extent to which the following elements of strategy communication influence performance of your organization (on a scale of between 1 and 5, where 1, 2, 3, 4 and 5 represents Not at all, Small extent, Moderate extent, Large extent, and Very large extent respectively).

S/No	Element of Strategy Communication	1	2	3	4	5
a)	There are known channels of communication in your organization					
b)	The channels of communication in your organization are working					
c)	Communication technologies are used in strategy implementation					
d)	There is clarity of communication on strategy implementation					
e)	Feedback on strategy implementation is valued					

9. Please, indicate the extent to which strategy communication influences the performance of your organization on the following indicators (on a scale of between 1 and 5, where 1, 2, 3, 4 and 5 represents Not at all, small extent, moderate extent, large extent, and very large extent respectively).

S/No	Performance Indicator	1	2	3	4	5
a)	Customer retention					
b)	Market penetration					
c)	Average Outstanding Loan Size					
d)	Average Loan Disbursed					
e)	Improvement of Debt recovery					

Section D: Organizational Structure

10. Please, indicate the extent to which the following elements of organizational structure are present in your MFI (on a scale of between 1 and 5, where 1, 2, 3, 4 and 5 represents Not at all, Small extent, Moderate extent, Large extent, and Very large extent respectively).

S/No	**Element of Organizational Structure**	**1**	**2**	**3**	**4**	**5**
a)	There are known decision-making procedures in your organization					
b)	Decision making in the organization is part of strategy implementation					
c)	There is coordination in strategy implementation					
d)	There are operational procedures on strategy implementation					
e)	There is a leadership team concerned with strategy implementation					

11. Please, indicate the extent to which the following elements of organizational structure influence performance of your organization (on a scale of between 1 and 5, where 1, 2, 3, 4 and 5 represents Not at all, Small extent, Moderate extent, Large extent, and Very large extent respectively).

S/No	Element of Organizational Structure	1	2	3	4	5
a)	There are known decision-making procedures in your organization					
b)	Decision making in the organization is part of strategy implementation					
c)	There is coordination in strategy implementation					
d)	There are operational procedures on strategy implementation					
e)	There is a leadership team concerned with strategy implementation					

12. Please, indicate the extent to which organizational structure influences the performance of your organization on the following indicators (on a scale of between 1 and 5, where 1, 2, 3, 4 and 5 represents Not at all, small extent, moderate extent, large extent, and very large extent respectively).

S/No	Performance Indicator	1	2	3	4	5
a)	Customer retention					
b)	Market penetration					
c)	Average Outstanding Loan Size					
d)	Average Loan Disbursed					
e)	Improvement of loan recovery					

Section E: Organizational Culture

13. Please, indicate the extent to which the following elements of organizational culture are present in your MFI (on a scale of between 1 and 5, where 1, 2, 3, 4 and 5 represents Not at all, Small extent, Moderate extent, Large extent, and Very large extent respectively).

S/No	Element of Organizational Culture	1	2	3	4	5
a)	There are defined values in your organization					
b)	The values in the organization are part of strategy implementation					
c)	There are work ethics related to strategy implementation					
d)	There is innovative ways for strategy implementation					
e)	There is stakeholder engagement in strategy implementation					
f)	There is collaboration across the firm to ensure strategy implementation					

14. Please, indicate the extent to which the following elements of organizational culture influence performance of your organization (on a scale of between 1 and 5, where 1, 2, 3, 4 and 5 represents Not at all, Small extent, Moderate extent, Large extent, and Very large extent respectively).

S/No	Element of Organizational Culture	1	2	3	4	5
a)	There are defined values in your organization					
b)	The values in the organization are part of strategy implementation					
c)	There is responsive customer service that relates to strategy implementation					
d)	There is innovative ways for strategy implementation					
e)	There is stakeholder engagement in strategy implementation					
f)	There is collaboration across the firm to ensure strategy implementation					

15. Please, indicate the extent to which organizational culture influences the performance of your organization on the following indicators (on a scale of between 1 and 5, where 1, 2, 3, 4 and 5 represents Not at all, small extent, moderate extent, large extent, and very large extent respectively).

S/No	Performance Indicator	1	2	3	4	5
a)	Customer retention					
b)	Market penetration					
c)	Average Outstanding Loan Size					
d)	Average Loan Disbursed					
e)	Improvement of Debt recovery					

Section F: Firm Performance

16. Please, indicate the extent to which the performance of your organization on the following indicators has improved due to strategy implementation (on a scale of between 1 and 5, where 1, 2, 3, 4 and 5 represents Not at all, small extent, moderate extent, large extent, and very large extent respectively).

Characteristic	**1**	**2**	**3**	**4**	**5**
Customer retention					
Market penetration					
Average Outstanding Loan Size					
Average Loan Disbursed					
Improvement of Debt recovery					
Customer retention					

Thank you for Cooperation

Appendix III: List of Microfinance Institutions in Machakos County

1. Century Microfinance Bank
2. Choice Microfinance Bank
3. ECLOF Kenya
4. Faulu Microfinance Bank
5. Juhudi Kilimo
6. Kenya Women Finance Trust
7. Hand in Hand Eastern Africa
8. KWFT Microfinance Bank
9. Maisha Microfinance Bank
10. Momentum Credit
11. Musoni Microfinance Limited
12. Mwananchi Credit
13. Platinum Credit Limited
14. Premier Credit
15. Rafiki Microfinance Bank
16. Remu Microfinance Bank
17. SMEP Microfinance Bank
18. U&I Microfinance Bank
19. Uwezo Microfinance Bank
20. VisionFund Kenya Ltd
21. BIMAS

Appendix IV: Letter from Institution

MACHAKOS UNIVERSITY
OFFICE OF THE DEAN GRADUATE SCHOOL

Telephone:254-(0)735247939, (0)723805929
Email: graduateschool@mksu.ac.ke
Website: www.machakosuniversity.ac.ke

P.O Box 136-90100
Machakos
KENYA

REF. MksU/ASA/GS/3/3

23rd February, 2024

The Director,
National Commission for Science, Technology and Innovation,
P.O Box 30623,
NAIROBI.

Dear Sir,

RE: ALEX KIMANI MITHIORI (D53/6905/2020)

The above named is a Masters' student in the second year of study and has cleared coursework. The University has cleared him to conduct a research entitled: **"Strategy implementation Factors and Performance of Microfinance Institutions in Machakos County, Kenya."**

Kindly assist him with a Research Permit in order to undertake the research.

Thank you.

DEAN OF GRADUATE SCHOOL
P.O. Box 136 - 90100, MACHAKOS
23 FEB 2024
MACHAKOS UNIVERSITY

PROF. KIMITI RICHARD PETER, PhD
DEAN GRADUATE SCHOOL

KRP/gm

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Appendix V: Nacosti Letter

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