OPERATIONAL AND FINANCIAL CAPABILITIES AND PERFORMANCE OF SELECTED MANUFACTURING SMALL AND MEDIUM ENTERPRISES IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

Major manufacturers in Kenya have suffered from recession and decreasing income over the previous five years as a result of the unstable business climate. It is projected that in East Africa, large industrial enterprises have lost seventy percent of their market share, mainly due to high operating costs. Therefore, the study explored the effect of strategic operational and financial capabilities on the performance of selected small and medium in size manufacturing companies in Kenya's Nairobi County. It was anchored on the innovation capacity maturity model, the resource-based theory and the dynamic efficiency theories. A descriptive and explanatory study design was used. The target population was selected manufacturing companies in the Nairobi city County. Utilizing a semi-structured questionnaire, primary data was gathered. A target population of two thousand one hundred and seventy-one (2,171) managers of key departments in twelve (12) manufacturing sub-sectors was utilized. Three hundred and thirty-eight (338) managers were drawn from the population to make up the sample size following the stratified sampling procedure. To ensure that errors from the questionnaire are identified and addressed, a pilot study involving thirty-seven (34) respondents that is, 10% of the sample size was undertaken. This was to make certain that the instrument was valid and reliable. More so, Construct and content validity tests were used to evaluate the validity, and Cronbach's alpha value, which has a 0.7 correlation coefficient, was utilized to evaluate reliability. The quantitative data was examined using descriptive statistics, which were then displayed in tables and figures. Furthermore, the research employed inferential statistics, specifically multiple regression assessment examined the independent factors effect on the explained factor. All ethical standards were duly observed. Findings displayed that operations capabilities positively predicted SME performance in an insignificant way; and financial capabilities significantly had a positive affect on SME performance. Based on this outcome, the survey suggests that the managers in SMEs should prioritize understanding and meeting customer needs effectively.

***Key Words**: Operational, Financial Capabilities, Performance*

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BACKGROUND

The global manufacturing sector has experienced a turbulent decade, as major developing economies catapulted into the ranks of the most productive nations, demand slumped due to a sharp economic downturn, and growing economies surged. Advanced economies are losing manufacturing jobs at an alarming rate. However, industrialization is still very important to the emerging and developed world. It still offers a route away from subsistence farming to higher incomes and former principles of living. Subsequently, It continued to be a major driver of innovation and competitiveness, making a substantial contribution to productivity, export growth, R&D, and increase in exports (McKinsey, 2012). Measuring performance is critical for this reason because performance is an essential aspect of administrative growth. Enterprises in business, like companies that manufacture goods, banks, and privately held companies, regardless of size, need to attain the best performance to compete with other businesses in the global market. As a result, Enhancing performance is one of the main objectives in today's business environment (Mohamad and Said, 2010).

Industrialization has been identified as the main driver of growth in Sub-Saharan Africa. Manufacturing accounts for 13% of GDP and a quarter of exports in sub-Saharan Africa (Dinh and Clark, 2012). The bulk of manufacturing activities in sub-Saharan Africa lies within the operations of SMEs. SMEs stimulate the economic progress of the economies of Africa by creating job opportunities (World Trade Organization, 2022). Africa's manufacturing sector faces both internal and external obstacles that limit company growth and vary by country, sector, and company size. These comprise, among others, lower labor costs and efficiency, financial accessibility, electricity and the business environment, but Africa's manufacturing sector possesses a conditional edge in terms of increased sales and productivity (Kering et al., 2020). Moreover, dependence on imported industrial supplies indicates the necessity of bolstering value chains to establish connections in the economy both upstream and downstream (KAM, 2018).

One of the major goals of Kenya is to achieve the set target envisioned in Vision 2030. Notably, the manufacturing sector stands as a key factor in achieving this goal as it provides the materials used in the development of related projects. It also makes an important contribution to economic growth and satisfies the human resource needs of individuals (GOK, 2015). Every year, the manufacturing sector contributes about 12% to Kenya's GDP (KIPPRA, 2015). It provides its services to the local and regional markets. To improve business relationships and increase income, it is important to ensure and maintain high-quality standards while minimizing costs. An initiative has been established by the government called the Master Plan for Industrial Development of Kenya (MAPSKID) to ensure that the manufacturing sectors perform on par with that of other global competitors (GOK, 2015). The scheme is expected to help Kenyan manufacturing firms improve their performance and global competitiveness by reducing the challenges of counterfeiting, defective products entering the market and high input costs (Kamau, 2016).

Strategic capabilities are attained through fostering an inclusive organizational culture that works in tandem with the company's operational policies, organogram, expatriate policies, and routine procedures (Maalu & Dosho, 2016). A company must be able to differentiate between its material, operational, and innovative skills in order to maximize results while minimizing resource waste, which hurts a company's performance.

Performance

Performance is a measurable service to a process in any organization (Norman & Paul, 2012). The company's performance is mainly inventory, productivity, cost quality, risk reduction, timely delivery and a short cycle of production. According to Birech, Karoney, and Alang'o (2018), performance processes are classified into two categories: benchmarks for individual performance and certain metrics. Performance against timetable and utilization, maintenance levels, uptime performance, inventory performance, and productivity metrics are all examples of distinct performance measures. Conversely, the particular performance includes profit earned less than one dollar or any normal size, hours-based safety measurement worked without incident, and time of use measured in budget vs actual cost and quality cost. Organizational performance is quantifiable through non-monetary measures such as the fulfillment of customers (Mbai, Kinyua & Muhoho, 2018) or financial metrics such as company performance and profitability properties (Muthoni & Kinyua, 2020). Effectiveness, efficiency, customer retention, new processes, employee satisfaction, customer satisfaction, utilization efficiency, market share and profitability are also measured (Mirugi & Kinyua, 2018; Gabow & Kinyua, 2020). This investigation measures performance in terms of customer satisfaction, financial success, employee retention and percentage of the market.

Operational capabilities are defined as the company's ability to carry out useful pursuits with consciously selected collections of materials (Protogerou *et al*. 2011). Effective operational capabilities are required to achieve and maintain competitive advantages. Operational capabilities are proposed to provide resources and operational practices with unity, integration, and direction by providing both explicit and tacit elements for dealing with emanating issues (Saunila, Ukko & Rantala, 2020). It was measured by utilizing reconfiguration, customization and quality products.

Financial capabilities connect to the capacity of a company to "finance" its chosen strategy. Financial capabilities aid in the funding of enterprise strategies as well as the expansion of the firm's operations (Fonseka, Tian & Li, 2014; (Maithya, 2016). Financial capabilities should be used in priority investments that can improve firm performance to get the best return. According to Gruber, Heinemann, and Hungeling (2010) in the United States, One of an organization's strategic resources is its financial capacity. According to Furrer, Sudharshan, and Alexandre (2008), Organizational performance is impacted by financial capability. According to Perramon, Rocafort, and Llach (2016), the lack of sufficient financial resources is one of the biggest problems organizations face. According to Njagi (2018), institutions that make investments and keep up enough strategic resources, comprising financial capabilities, outperform those that do not (Anyango & Shadrack, 2021). It was assessed by the availability of funds, sources of funds and adequacy of finance in the study.

Manufacturing Small and Medium Enterprises

Small and medium in size enterprise (SME) manufacturing firms contribute to national prosperity through economic growth, innovation, and creativity, and they demonstrate their impact through job creation and income generation. Manufacturing has been recognized as a catalyst for economic expansion due to the higher income elasticity of demand for industrial goods than for non-industrial goods (Mkala, Wanjua & Kyalo, 2018). Manufacturing SMEs make a noteworthy contribution to the generation of new employment. The casual sector continues to provide the majority of other occupations, according to the current 2016 Economic Survey (Kenya) annual newspaper, making the economy's casual sector essential. In 2015, 713,600 new employment are thought to have been produced via the underground economy, making up 84.8% of all new jobs created (KNBS, 2016).

Kenya's Vision 2030 Strategy aims to transform the country into that of a new industrialized-middle-

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income nation with having high standard of living by 2030. One of the key sectors identified to be key to supporting the growth strategy and which was to help address the country's high unemployment rates and poverty levels is manufacturing. The industry's goal is to develop a "vibrant, diverse, and competitive industry for manufacturing" (Kenya Vision 2030). Kenya Association of Manufacturers (KAM) is Kenya's trade association for value-added industries. By representing its members' views and concerns to the appropriate authorities, it serves as an important link for cooperation, dialogue, and understanding with the government (KAM Website, 2022).

Though Kenya is still an appealing destination for industrial investment, other nations are strongly attracting that kind of investment. For instance, one respondent mentioned that in 2015 they worked with a customer to set up a manufacturing facility in Kenya or Ethiopia. The customer chose Ethiopia since Kenya was highly bureaucratic hence, difficult to obtain accurate information about the requirements for building a production facility in the country. In terms of procedures and ethics, Ethiopia is easier (Odingo, 2016). Notwithstanding the industry's capacity to revolutionize the economy, its share of the GDP has been decreasing over time: from 11.8% in 2011 to 9.2% in 2016, from 9.3% in 2016 to 7.2% in 2021 (Kenya National Bureau of Statistics, 2022). In contrast to an annual expectation of 10%, in comparison, the sector grew by 7.2% in 2011 but only by 3.5% in 2016. This increase falls short of the 10% yearly growth that Vision 2030 (GOK, 2017) anticipates.

Statement of the Problem

The manufacturing sector plays a vital role in the expansion of an economy because it creates jobs, generates foreign exchange, and increases trade and business, so its achievements are critical as well. To ensure stability, manufacturing companies' profitability, operational efficacy and efficiency as well as flexibility should all increase (Okwemba, 2019). Manufacturing SMEs provide 14% of Kenya's Gross Domestic Product (GDP), train and employ 30% of the labor force, and are key drivers of economic expansion and development. Global, regional, and local activities have all been significantly impacted by the COVID-19 outbreak (NSE, 2018). As the COVID-19 pandemic's effects spread through economies, SMEs in the manufacturing sectors were forced to shoulder heavy burdens. Issues with the enterprises' operations and management impeded their growth and competitiveness (NSE, 2018). As a result of the challenges SMEs faced, GDP and total export production fell from 10.29% in 2015 to 9.9% in 2017 (UNIDO, 2018). Exports of manufactured goods decreased from 48.6% to 41.6% of all exports over the same period. The National Government of Kenya's Big Four development program counts Among its four primary foundations, manufacturing and according to a Kenya Bureau of Statistics (2019) study, the manufacturing sector saw growth of just 4.2 percent in 2019 and Considering that the Kenya Vision 2030 calls for manufacturing to increase at a pace of 10% yearly, an average growth rate of 3.9% is quite low (Muigua, 2019). The challenges persisted because of the inability of firms to leverage on strategic capabilities which is crucial for boosting performance. Deviations from the primary focus of the business can have a significant influence on a business's overall competitiveness in the economic environment in which it operates. Strategic capabilities are important for a business to build on and expand on its core objectives (Taka, 2021).

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General Objective

The study examined the influence of Strategic operational and financial capabilities on the Performance of Selected Manufacturing Small and Medium Enterprises in Nairobi City County, Kenya.

Significance of the Study

The investigation's findings would be helpful to the management of selected manufacturing small and medium sectors. The study would be beneficial for governing bodies of the trade and business sectors in order to realize Kenya's 2030 vision since the study's findings would provide enough insight into how applications of strategic capabilities would affect performance. The research is significant for policy makers as well since it informs and advances their comprehension of the relationship between performance and the application of strategic capabilities. And also to scholars and researchers who want to conduct additional research on the performance of manufacturing SMEs. It could be employed as a resource for a literature review.

Scope of the Study

This investigation aimed to explore how affect the Operational capabilities and Financial capabilities on performance of Nairobi, Kenya's manufacturing SMEs. The investigation employed a descriptive and explanatory research method of approach and is going to concentrate on managers from functional departments of six selected sectors of Nairobi, Kenya's small and medium in size manufacturing enterprises from June 2022- June 2023 as the target population. A sample size of 108 managers is going to serve as respondents for the study through a multistage sampling technique. Multiple regression analysis was utilized for the study analysis.

LITERATURE REVIEW

Theoretical Review

Resource-Based View Theory; Penrose (1959) and Wernerfelt (1984) introduced the resource-based view theory. The theory states that an organization's distinct identity and long-term competitive advantage are determined by how its resources, particularly its human resources, are managed. A resource can be anything and can add to a company's profit in a number of ways. According to the resource-based view (RBV) (Barney, 1991), the capacity of an organization to maintain a competitive edge is derived from its special, priceless, uncommon, and non-replaceable assets. In addition, proponents of the RBV within strategic HRM contend that it aids in our comprehension of the circumstances in which human resources may turn rare, valuable, unique to an organization, or challenging to replicate. Stated differently, critical strategic resources (Winter, 1987; Barney & Wright, 1998). As a result, the RBV acknowledges that the HR department and employees as crucial strategic partners in creating and preserving a sustainable competitive advantage. A resource that possesses the following four qualities is necessary for a firm to obtain a competitive edge: Imperfectly imitable, Non-substitutional, Rare (within a company's present and prospective competitors), Valuable (in that it eliminates risks or takes advantage of opportunities), and Non-substitutional (no alternatives to this resource that are both strategically similar and not extremely uncommon or poorly imitable) A resource or capability that satisfies all four criteria might give a business a stable competitive edge.

Dynamic Capability Theory

Teece and Pisano (1994) founded the Dynamic capabilities theory. Considering the theory, the capacity of a business to respond to and adjust to rapidly changing business environments is

reflected in its dynamic capabilities, which include its capacity to combine, expand, and reorganize both interior and exterior resources and competencies. Senior managers of profitable businesses must devise ways to adjust to sudden, drastic changes while still meeting minimal requirements for competitive survival (Teece *et al*., 1997).Dynamic capabilities (DC) theory emerged as an adjunct to, in addition to a response to, the resource-based view's (RBV) inability to explain the process of creating and recreating capacities and resources to deal with environmental dynamics. Dynamic capabilities theory goes beyond the proposition that a firm's long-term competitive edge is founded on its procurement of resources that are rare, precious, unique, and non-replaceable (VRIN). Using dynamic capabilities, organizations can quickly mobilize, gather, and realign their resources and capabilities in response to rapidly changing environments. This results in dynamic capabilities procedures that provide a company the ability to reengineer its strategic assets in order to gain a sustained competitive edge. Organizational capabilities are intrinsic evolutionary processes that help Organizational managers successfully carry out organizational goals by facilitating problem-solving, improving decision-making processes, and stimulating creativity. However, Roper (1997) advised that To achieve the right performance levels, a company must actively interact with and satisfy the demands of its industry market; merely possessing organizational capabilities within a firm is insufficient. The theory supports innovative capabilities which require that a firm adopts a dynamic and flexible approach when dealing with its operations. Manufacturing companies benefit a lot if they adopt a dynamic and flexible outlook as it enables them to withstand and even thrive in an ever-changing business environment. The capacity of firms to be able to thrive in a competitive and dynamic environment enables them to increase profitability and enhance general performance.

Empirical Review

Operations Capabilities and Performance

The way that managerial and operational competence interact to promote organizational innovation in small and medium in size enterprises was examined by Ali, Zwetsloot, and Nada (2019). Questionnaires are used to gather empirical data, and they are given to 210 SMEs. The findings show robust and noteworthy connections among organizational innovation, operational capability, and management capability, with the empirical results supporting the majority of the hypotheses. The results hold significance as they could aid SMEs in acquiring a thorough comprehension of the correlation between operational and managerial competency and how they affect organizational innovation. The investigation tested hypotheses using partial least square structural equation modeling, this investigation was answering research questions using a multiple linear regression model.

Saunila, Ukko, and Rantala (2020) investigate the relationships between Innovation performance, productivity, and operational capabilities. This investigation, which used data from 203 small and medium in size companies, found both time and human resource management skills influence overall productivity, but only human skills have an impact on labor productivity. The ability to manage time and people has an impact on innovation performance. The investigation focused mainly on Performance in terms of innovation and operational capabilities while

this study looked at strategic capabilities (innovation, operations, material and financial capabilities) on performance or manufacturing SMEs.

Andria, Hartini, Rahmi, and Rusmanah (2020) studied how supply chain management techniques moderated the influence of operational capabilities on pharmaceutical companies' financial performance in Indonesia. Survey questionnaires were the research tool employed in this investigation, which used a quantitative research design. According to this investigation, the financial performance of Indonesian pharmaceutical companies is favorably and noteworthy correlated with their operational competencies. The investigation concluded that managers of pharmaceutical companies in Indonesia follow certain guidelines about the importance of methods for managing the supply chain and operational skills. The investigation was conducted on the financial performance of Indonesian pharmaceutical companies in 2020. The current investigation was centered on the general performance of manufacturing SMEs in Kenya for the year 2023.

Ong'esa (2020) investigated the impact of operational capacity on Nairobi City County's performance in Kenya's Air Kenya Express Limited. Cross-sectional research and explanatory designs were used as research designs. Employees of Air Kenya Express Limited, specifically both those headquartered at Wilson Airport in Nairobi, the company's headquarters, and those stationed in other parts of Kenya, were the target population. This study's respondents were chosen using stratified proportionate sampling. Customer service, marketing, administration, reservation, engineering, in-flight crew, operations and finance departments were covered. Semi-structured questionnaires distributed via drop and pick were used to collect primary data, to complement the primary data, secondary data was gathered. According to the study, the performance of the airline was significantly influenced by operational capabilities. For the study, an explanatory research design was used. This investigation used a descriptive research design.

Financial Capabilities and Performance

Nigerian researchers Abdulrahman and Bamiduro in 2018 investigated the correlation between organizational effectiveness and financial resource allocation in legal and Islamic studies colleges. Purposive sampling was used to pick eight of the twelve Northern regions of the country that are home to legal and Islamic colleges. The research employed a descriptive research design. Furthermore, 450 of the institutions' 535 employees were selected with the use of random sampling. Recurrent expenditure, revenue from internal sources, and capital expenditure all have an impact on organizational effectiveness. The study used capital expenditure, recurrent expenditure and revenue as measurements for financial resources, this study used availability of funds, source of fund and adequacy of finance as measurement for financial capabilities.

Njagi (2018) explored the impact of financial viability on the performance of public health organizations in Embu Province. This study used a cross-sectional investigation design with 560 respondents from five public health facilities in Embu Province, including 550 staff members and 10 outpatients. Measures related to financial capacity include easy access to capital, sufficient or insufficient capital, timely purchase of financial resources, efficient allocation of

capital and cooperation. Research shows that financial viability favorably affects public health organizations' performance. The target audience is the staff and outpatients of Embu district's public hospitals, and the target audience of this study is Nairobi's small and medium-sized manufacturing businesses.

Imbambi, Mande, Ng'ong'a, and Awiti (2020) evaluated the impact of financial capacity on Western Kenyan sugar businesses' competitive advantage. Seventy-seven senior and intermediate-level managers from six sugar firms made up the target group. There were 64 responders in the sample. A questionnaire was employed in the primary data collecting. To analyze the data, both inferential and descriptive statistics were applied. The findings indicated that Western Kenyan sugar companies have a competitive edge unaffected by financial competence. The study concluded that having financial resources does not automatically provide a company with a competitive edge; rather, it depends on how such resources are used strategically. Western Kenyan sugar businesses' served as the study's base. Nairobi, Kenya's small and medium-sized manufacturing businesses serve as this study's base.

Kisweli (2021) studied how financial resources affect the performance of depositors at SACCO in Kenya. The investigation design is descriptive and illustrative, and the research model is practical. The finance and human resources department, IT manager and chief accountant were among the main participants in 84 archival bags selected from five counties in Kenya. Purposive and stratified random sampling was employed to select 184 managers out of the investigation target population. To collect the primary data, For the study, a semi-structured questionnaire was employed, while data mining tools were used to collect the secondary data. Inferential and descriptive statistics are used to analyze quantitative data. Multiple regression and univariate analysis were used to analyze inferential data. Research shows that financial resources have a favourable and noteworthy impact on the performance of SACCO deposit takers in Kenya. The investigation was conducted on the company SACCO, and this investigation was carried out on small and medium in size production companies.

Financial capacity's effect on client relationship administration in Kenyan private hospitals was studied by Muthigah, Kiragu, and Sang (2022). The investigation employed a survey design that is descriptive. It concentrated on 161 Kenyan private hospitals that the NHIF approved as the investigation's unit of analysis. After that, 644 Respondents were selected by a straightforward random sample technique. The researcher employed a five-point Likert scale in a standardized questionnaire to gather the data. Both descriptive and inferential analysis was done. The results show that financial capabilities and customer relationship management had a substantial and favorable association. The study established that the variation in customer relationship management in private hospitals might be explained by one's ability to pay. The aforesaid investigation was majorly on the basis of Kenyan private hospitals' performance. Therefore, the recent investigation was based on Nairobi, Kenya's small and medium manufacturing businesses.

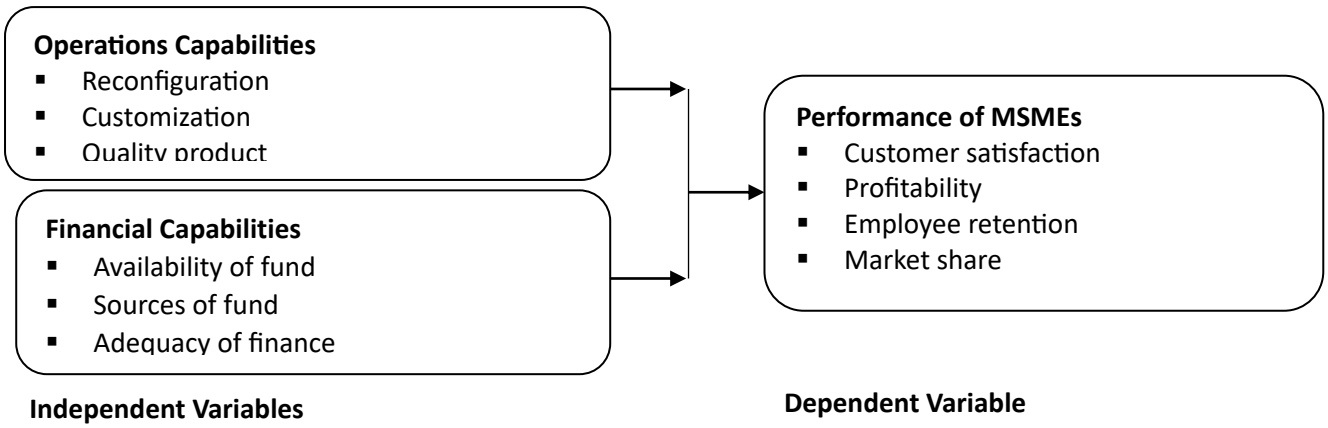

Figure 1: Conceptual Framework
Source: Author (2024)

METHODOLOGY

Research Design: The design of a research project can be thought of as an outline or strategy that guides the study process through gathering and analyzing data to achieve the research goal. As a result, it must be adaptable, error-free, cost-effective, and appropriate for the research project (Kothari, 2011). This study employed both a descriptive and an explanatory design. Descriptive research, on the other hand, depicts the specifics of a situation, social context, or connection. While explanatory research seeks causes for phenomena, descriptive research seeks to characterize characteristics of a demographic or phenomenon. It is looking for sources and explanations (Kothari, 2004).

Target Population: The study's target audience was managers of manufacturing SMEs spread over 12 activities located in Nairobi County, Kenya. Food and Drinks, Textiles, Clothing, Leather and Associated Products, Wood and Wood Products, Furniture, Paper Products, Printing, Publishing, and Reproduction are some of these activities. Others are Chemical and chemical products, Rubber and Plastic Products and Non-metallic Mineral Products, Basic Metals and Fabricated metal products, Electrical Equipment, Machinery and Motor Vehicle, and other manufacturing. A total of 2,171 managers involved in prioritizing strategies relating to innovation, operations, inventory and finances served as the target population of the selected manufacturing SMEs in the Nairobi district, Kenya

Sampling Technique and Sample Size The study, employed a stratified sampling based on industry-defined proportions (12 primary subsectors in manufacturing businesses) was used to calculate the sample size, which was then decided by simple random sampling.

Data Collection Instrument: A primary data source was utilized for this study to gather information; a semi-structured questionnaire was employed.

Pilot study Eleven percent (11%) of the sample size was employed. They were drawn from each of the 12 manufacturing subdivisions to ensure correct representation. The validity and reliability of the researcher's study instruments, which include questionnaires, were evaluated.

Validity of instruments: To confirm its validity, the questionnaire was conducted through a construct and content validity test.

Reliability of Research Instrument The reliability statistics of Cronbach's alpha were employed to evaluate the consistency of the research instrument across all measurement levels and the summation of all measurements. A rating of 0.7 indicates adequate dependability, while great internal consistency is revealed by a coefficient of 0.8 or above (Mugenda & Mugenda, 2013).

Data Analysis and Presentation To evaluate the collected data, inferential and descriptive statistics were utilized. Version 21.0 of the Statistical Package for Social Science (SPSS) was used to examine the data that was gathered and tested through standard variance. Multiple regression analysis was conducted to determine whether a combination of independent factors is associated with the prediction of a particular dependent coefficient (Cooper & Schindler, 2015).

RESULTS

Response Rate

Drawing upon the wealth of information in Table 1 the researchers harnessed both the responses and non-responses to gauge the survey participants' response rate. By scrutinizing the number of received responses in relation to the overall number of individuals contacted, the researchers successfully derived the proportion of individuals who actively participated and provided their valuable input.

Table 1: Response Rate

Rates	Frequency	Percent
Response	261	77.3%
Non-Response	77	22.7%
Total	338	100

Source: Field Survey (2024)

The survey revealed that while not all participants' responses were captured, the obtained responses were considered satisfactory. It was observed that a portion of the survey participants, specifically 22.7%, opted not to provide their input, while the remaining 77.3% actively participated. This indicates a partial non-response from the participants. Nonetheless, according to the perspective of Goodman and Pedersen (2022), this limitation does not undermine the suitability and adequacy of the survey findings, warranting further research into the responses.

Reliability Analysis

The assessment of the research concept was achieved by employing Cronbach's Alpha scores. This statistical measure ranges from 0 to 1.00, acting as a coefficient for the test. In Table 4.2, the outcomes of the reliability examination are presented, highlighting coefficients that surpass the 0.7 threshold.

Table 2: Reliability Analysis

	Cronbach's Alpha
Performance	.845
Innovation Capabilities	.827
Operations Capabilities	.815
Material Capabilities	.846
Financial Capabilities	.862

Source: Study Data (2022)

The essential components of strategic capabilities, encompassing innovation, operations, materials, and financial capabilities, along with performance, exhibited Alpha coefficients of 0.846, 0.827, 0.815, 0.846, and 0.862, as highlighted in Table 4.2. Consequently, the factors utilized in the study showcased reliability values surpassing the 0.7 threshold, indicating the trustworthiness of the research construct in data collection (Rousson, Gasser & Seifer, 2012).

Descriptive Analysis

To validate the precision of the researcher's data analysis, a comprehensive collection of personal information from the respondents was conducted. This process aimed to gather key details such as gender, age, educational background, and work experience of the managers overseeing Nairobi County's SMEs in Kenya. By acquiring this vital information, the researchers aimed to ensure that the evaluation of the data provided by the respondents was built upon accurate and dependable sources.

Gender of the Respondents

Within the survey, data was gathered regarding the gender of the participants to ascertain the ratio between males and females. The insights regarding the gender distribution of the respondents are visually depicted in Figure 1, offering a graphical representation of the outcomes pertaining to the participants' gender.

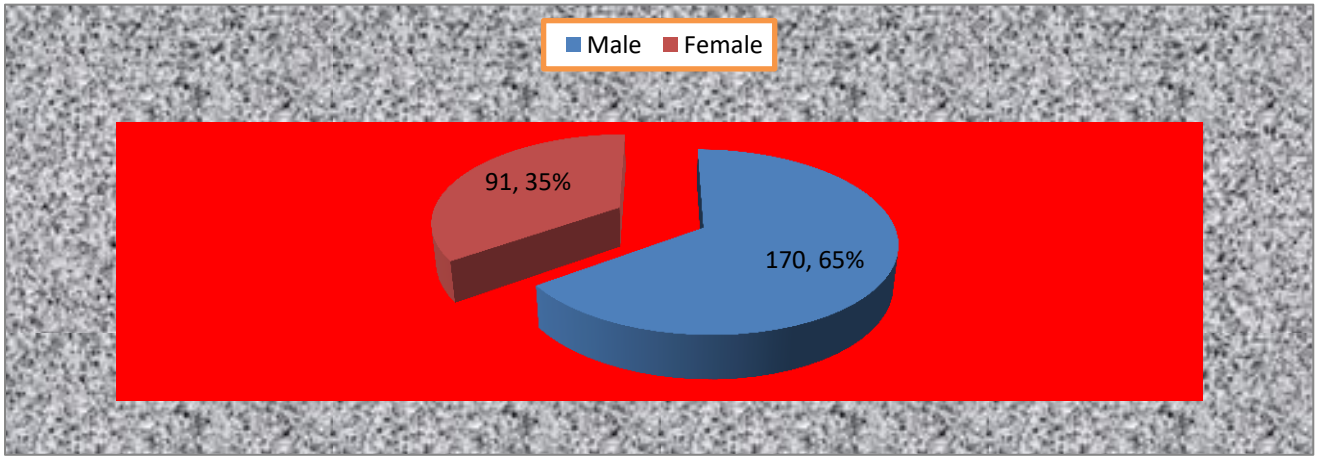

Figure 1: Gender Distribution of the Respondents

Source: Field Survey (2024)

The analysis of the respondents' gender distribution, as illustrated in Figure 4.1, unveiled the inclusion of both male and female households in the sample. Among the participants, there were 170 male respondents, constituting 65% of the sample, while 91 female respondents accounted for 35%. The study highlighted the presence of both male and female managers in SMEs; however, the survey predominantly attracted male respondents. This dominance of male participation could be attributed to the demanding nature of SME activities, which may present challenges for female individuals to fully dedicate their time, thereby granting an advantage to their male counterparts. Furthermore, it is plausible that female respondents had additional domestic responsibilities, which might have constrained their involvement in the study's exploration of SMEs' innovative activities.

Age of the Managers

The survey delved into the age profiles of SME managers in Nairobi County, unraveling the nexus concerning their age, strategic capabilities, and performance. The purpose of this data collection process was to gain a deeper perceptive of the age demographics of the participants. The collected information was subsequently analyzed and the outputs are visually depicted in Figure 4.2. This figure offers a graphical representation that showcases the outcomes pertaining to the distribution of respondents across different age groups.

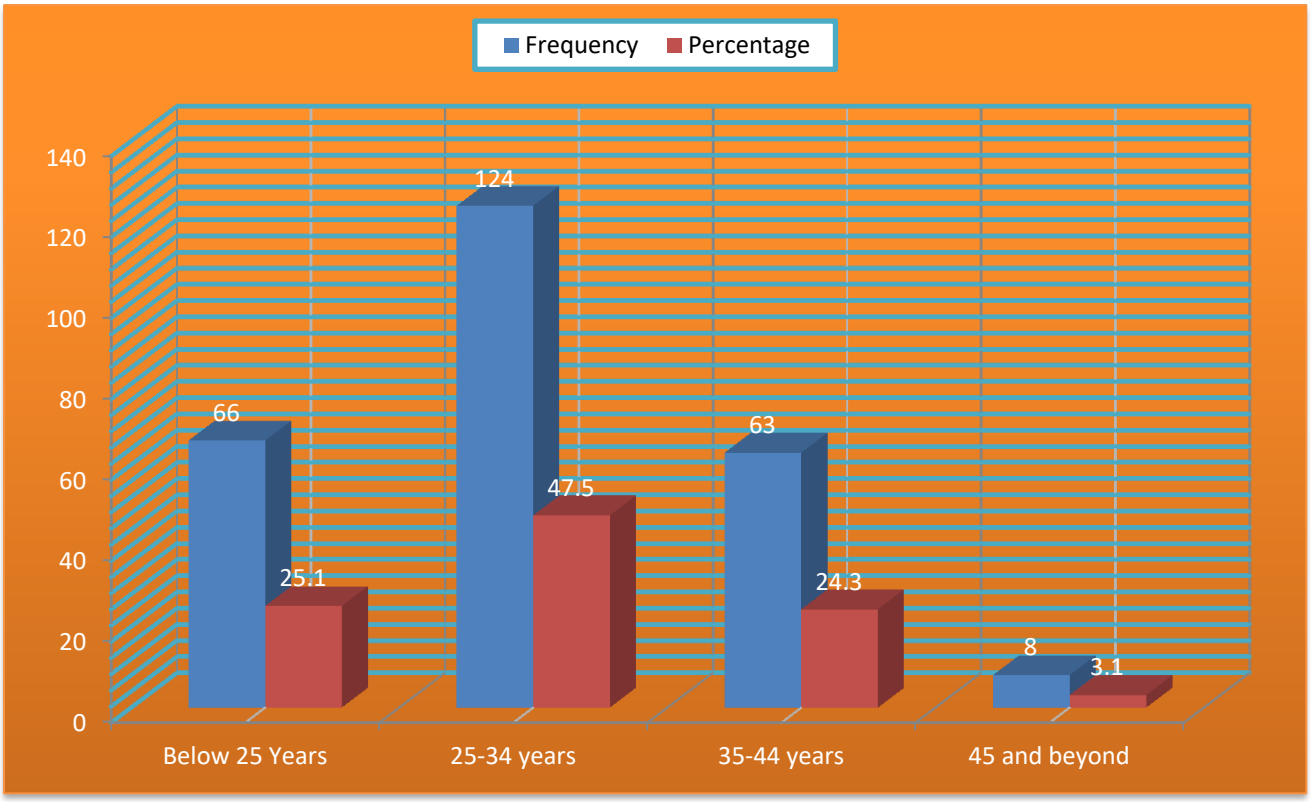

Figure 2: Age Distribution of the Managers
Source: Field Survey (2024)

The study yielded valuable insights regarding the distribution of respondents across different age groups. The findings revealed that 66 managers, constituting 25.1% of the sample,

were below 25 years. The chunk of the managers, comprising 47.5% (124) of the respondents, fell 25 to 34 years. Furthermore, 63 participants, accounting for 24.3% of the managers, were aged between 35 and 44 years. Moreover, it was observed that 8 managers, representing 3.1% of the sample, were aged 45 years and beyond. These findings highlight the significant presence of managers within the age group of 25 to 34 years, which is considered to be within the active working age range. Their involvement in the study suggests their potential influence on the activities of Nairobi County's SMEs in Kenya.

Educational Qualification

Education assumes a pivotal role in the creation of knowledge, which, in turn, acts as a catalyst for fostering creativity and innovation. The managers of SMEs strategically harness acquired knowledge to effectively compete with their counterparts in the market. The investigation dedicated a significant portion to exploring the educational backgrounds of the managers, and the resulting findings are visually depicted in Figure 3.

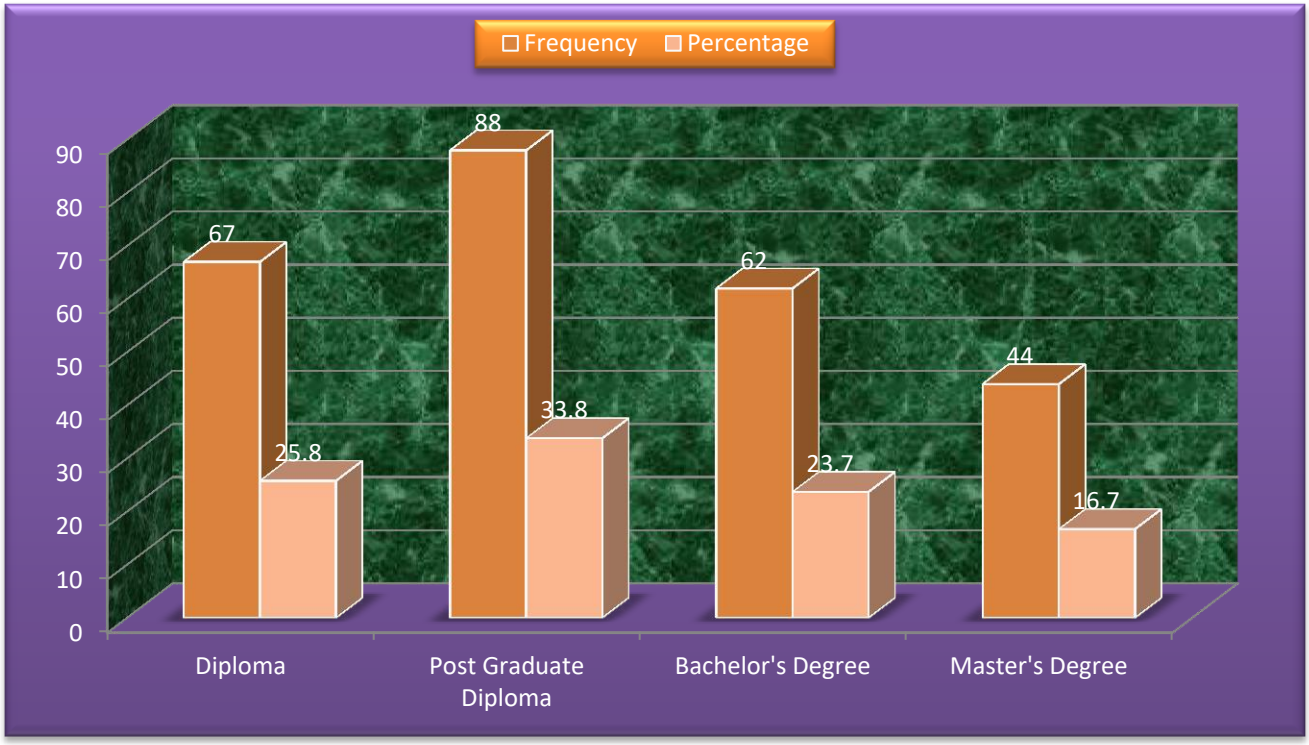

Figure 3: Educational Qualification of the Managers
Source: Field Survey (2024)

The visual representation of the respondents' educational qualifications is depicted in Figure 4.3. The findings indicate that 67 managers, comprising 25.8% of the sample, held diploma certifications, while 88 managers (33.8%) possessed post-graduate diploma certifications. The survey also revealed that 62 managers (23.7%) had bachelor's degree certificates, and 44 managers (16.7%) held master's degree qualifications. These outcomes underscore the prevalence of diploma certifications among the managers, suggesting that a significant.

proportion of the surveyed managers possessed some form of certification. This

provides a foundation for exploring the strategic capabilities and performance of Nairobi County SMEs in Kenya, in relation to their educational backgrounds.

Work Experience

The investigation delved into the managers work experience to explore the in-depth role of strategic capabilities in enhancing the performance of Nairobi County SMEs in Kenya. The findings regarding the years of SME experience among the participants are visually depicted in the captivating Figure 4.

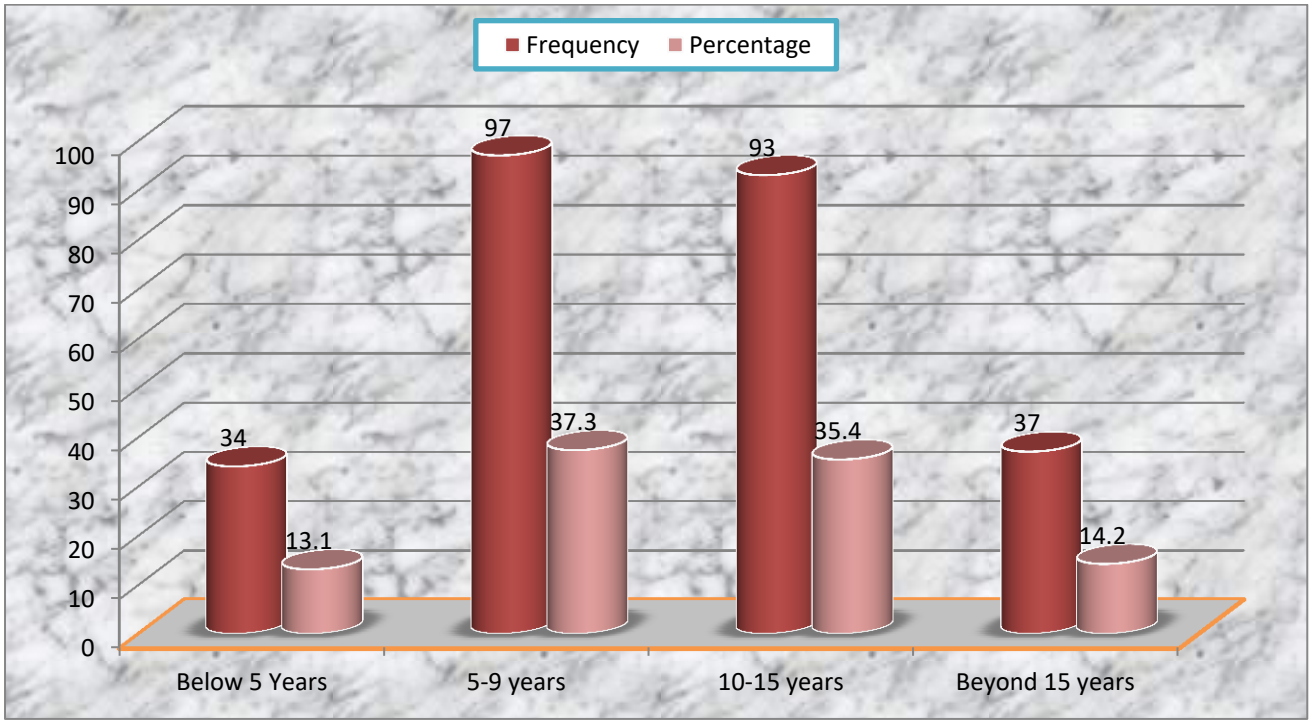

Figure 4: Work Experience of the Managers

Source: Field Survey (2024)

The investigation sought to determine the experience of the managers in the operation of SMEs. The outputs unveiled that a significant majority of the managers, comprising 97 individuals (37.3%), have working experience between 5 and 9 years. Additionally, 93 of the managers (35.4%) have working experience between 10 and 15 years. Interestingly, a smaller group of 34 managers (13.1%) have working experience lower than 5 years while 37 of the managers constituting 14.2% have beyond 15 years' experience in the operations of SMEs. These results underscore the dominance of SMEs' managers with 5 to 9 years of working experience, indicating their level of familiarity and knowledge regarding strategic capabilities and performance of Nairobi County SMEs in Kenya.

Operational Capabilities

Operational capabilities refer to the abilities and resources a business possesses to effectively carry out its day-to-day operations and deliver its products or services. These capabilities can significantly impact the SMEs performance in several ways which the researcher investigated with the outcome documented

Table 3: Operational Capabilities Descriptive Outcomes

	n=261						
Items	SD %	D %	N %	A %	SA %	Mean	Std. Dev.
The industry offers quality services as a strategy to improve operations	0	0	3.7	61.3	35	4.321	0.583
The operations of the industry are one of the major strategies in the market	3.7	4.9	4.9	55.2	31.3	4.159	0.915
Reconfiguration has improved the operations of the firm	0.6	0	3.1	52.8	43.6	4.836	0.161
The operations are responsive to emergencies	0	1.8	10.4	64.4	23.3	4.902	0.366
The industry is able to reconfigure its operations when necessary	3.7	1.8	26.4	18.4	49.7	3.971	0.984
The customer responsiveness used by the industry ensures that are satisfied	2.5	0	15.3	22.1	60.1	4.108	0.869
The strategic operation practiced by the industry has improved the quality of the product	1.2	0	6.1	27.6	65.0	4.910	0.953
Operational capabilities determine the performance of the industry	3.1	0.6	14.1	30.1	52.1	4.709	0.875
	Av. Mean = 4.489; St. Dev. = 0.713						

Source: Field Survey (2024)

Regarding operational capabilities, 3.7% of the managers remained neutral regarding the claim that the industry employs quality services as a strategy to enhance operations. In contrast, 61.3% agreed strongly and 35% agreed with the assertion. The managers' agreement was underscored by a mean score average of 4.321 and a 0.583 standard value deviation. In terms of the industry's operations being a major strategy in the market, 3.7% of the managers strongly disagreed, 4.9% disagreed, and 4.9% remained neutral. On the other hand, 55.2% agreed strongly and 31.3% agreed with the proclamation. The affirmation of this claim was noted with a mean score of 4.159 and a deviation of 0.915 standard. The study revealed that 0.6% of the managers strongly disagreed and only 3.1% were indifferent, while 52.8% and 43.6% of the managers disagreed strongly and disagreed with the statement that reconfiguration has improved the firm's operations. The outcome aligned with Geels (2018) who concluded that reconfiguration initiatives led to significant improvements in operational efficiency, cost reduction, and overall performance. Similarly, Florescu and Barabas (2022) highlighted numerous case studies where firms successfully implemented reconfiguration strategies, resulting in enhanced productivity, optimized resource allocation, and streamlined processes.

This agreement was confirmed by the value of 4.836 score mean and a deviation of 0.161 from the standard value. Furthermore, regarding the statement that the operations are responsive to emergencies, 1.8% of the managers strongly disagreed, 10.4% were undecided, while 64.4% and 23.3% strongly agreed and agreed. The responses aligned with an average score mean of 4.902 and a standard of 0.366 deviation.

When it comes to the claim that the industry is able to reconfigure its operations when necessary, 3.7% and 1.8% strongly disagreed and disagreed, respectively, while 26.4% of the managers remained neutral. However, 18.4% and 49.7% of the managers agreed and agreed strongly with the statement. The responses were affirmed by a value of 3.971 mean and a deviation of 0.984 standard. Additionally, 2.5% of the interviewees strongly disagreed that customer responsiveness used by the industry ensures customer satisfaction, while 15.3% remained neutral. In contrast, 22.1% and 60.1% agreed and agreed strongly, with the aforementioned statement. The results also confirmed the respondents' agreement with the claim that customer responsiveness employed by the industry ensures customer satisfaction, as proven by the mean value of 4.108 and a deviation of 0.869 standard. The output is consistent with Johnson et al. (2017) who revealed that companies that prioritized quick response times, effective communication, and proactive customer engagement experienced higher levels of customer satisfaction compared to those with slower response rates or inadequate customer service. Additionally, Anyango (2017) uncovered that organizations that implemented customer-centric responsiveness strategies witnessed a significant increase in customer satisfaction scores, leading to improved customer loyalty and positive word-of-mouth recommendations.

The respondents expressed agreement with the claim that the industry's strategic operations have led to an improvement in product quality, as actualized by the mean value of 4.910 and standard of 0.953 deviation. Out of the participants, 1.2% strongly disagreed with the statement, while 6.1% remained neutral. On the other hand, 27.6% and 65% responded with agreement and strong agreement, respectively, regarding the assertion that strategic operations have enhanced product quality. Similarly, the respondents agreed with the claim that operational capabilities play a determining role in the industry's performance, as confirmed by the mean value of 4.709 and standard of 0.875 deviation. Notably, 3.1% of the respondents disagreed strongly with this claim, while 0.6% disagreed and 14.1% remained neutral. The distribution of responses uncovered that 30.1% and 52.1% agreed and agreed strongly, respectively, highlighting the significance of operational capabilities in the Nairobi County's SMEs performance in Kenya. The composite mean of 4.489 and standard of 0.713 deviation further emphasized the influential role of operational capabilities in driving performance. The output aligned with Andria, Hartini, Rahmi, and Rusmanah (2020) who concluded that that managers of pharmaceutical companies in Indonesia follow certain guidelines about the importance of methods for managing the supply chain and operational skills. Saunila, Ukko, and Rantala (2020) unveiled that operational qualities are essential to achieving productivity.

Financial Capabilities

Financial capabilities refer to the financial resources, strategies, and management practices that a SMEs possesses to support its operations and drive performance. These capabilities play a crucial role in determining the success and sustainability of SMEs. The output of the investigation is illustrated in Table below.

Table 5: Financial Capabilities Descriptive Outcomes

	n=261						
Items	SD %	D %	N %	A %	SA %	Mean	Std. Dev.
Funds are always available for utilization at all time	7.4	18.4	18.4	23.9	31.9	3.732	0.717
The industry has diverse sources of funds so as to keep the industry moving	5.5	12.3	20.9	27.6	33.7	3.977	0.708
The industry receives funding in the form of grants	8.6	17.2	19.6	30.7	23.9	3.711	0.210
Donations are given to the industry in order to build strategic partnerships for the application of its skills	9.2	16.6	17.2	25.2	31.9	3.745	0.921
The industry as adequate funds to purchase quality product	9.2	12.9	22.7	29.4	25.8	3.975	0.727
The industry has adequate financial capabilities to run its activities	12.3	14.1	15.3	28.8	29.4	3.969	0.611
Financial capabilities determine the performance of the industry	3.1	11.7	22.1	30.7	30.7	3.723	1.320
	Av. Mean = 3.947; St. Dev. = 0.827						

Source: Field Survey (2024)

Regarding financial capabilities, the distributed responses indicated that 7.4% and 18.4% of the respondents strongly disagreed that funds are always available for utilization at all times, while 18.4% remained neutral. However, a significant proportion of 23.9% and 31.9% of the managers agreed and agreed strongly with the claim of the constant availability of funds. This agreement is avowed by a value of 3.732 mean and a standard of 0.717 deviation. Furthermore, the interviewees expressed agreement that the industry possesses diverse sources of funding to sustain its operations. This agreement is affirmed by a value of 3.977 mean and a deviation of 0.708 standard. The outcome of unveiled aligned with Brealey, Myers and Allen (2020) who realized that firms utilized a combination of funding options to support their operations.

The distributed responses showed that 5.5% and 12.3% of the interviewees disagreed strongly and disagreed, with the statement. Additionally, 20.9% of the managers remained neutral. However, a significant proportion of 27.6% and 33.7% of the respondents were in agreement and strong agreement, respectively, with the assertion of diverse funding sources to keep the industry moving. On the other hand, the managers expressed disagreement with the claim that the industry take grants form of funding. This disagreement is held up owing to 3.711 value of the score mean and a deviation of 0.210 standard. Specifically, 8.6% of the respondents strongly disagreed, 17.2% disagreed, and 19.6% remained neutral regarding this claim. However, 30.7% and 23.9% of the respondents were in agreement and strong agreement, respectively, with the

statement that the industry accept grants form of funding. The product is consistent with De Massis et al (2018) who disclosed that industry players that successfully accessed funding from multiple sources, enabling them to invest in research and development, expand their operations, and remain competitive.

Donations are given to the industry in order to build strategic partnerships for the application of its skills was agreed by the respondents majority as affirmed by the mean value of 3.745 and 0.921 standard value deviation. The responses shown in the survey noted that 9.2% of the respondents disagreed strongly with the claim, and 16.6% disagreed as neutrality was gulp by 17.2% of the respondents. This led to the responses of 25.2% agreeing to the statement by the respondents and 31.9% strongly agreeing to the statement. Confirming the agreement to the statement that the industry is adequately funded to purchase quality products as revealed by the mean of 3.975 and 0.727 standard deviations which the responses were distributed across 9.2% strongly disagreed with the managers, 12.9% of managers disagreed, 22.7% of the managers being neutral, while 29.4% and 25.8% agreed and strongly agreed to the claim that the industry as adequate fund to purchase quality product. 12.3% of the managers strongly disagreed with the claim that the industry has adequate financial capabilities to run its activities, 14.1% of the managers disagreed with the assertion while neutrality was maintained by 15.3% of the managers as 28.8% and 29.4% responded with agreed and strongly agreed as confirmed by the score average of 3.969 and 0.611 deviation on standard. The uncovered product agrees with Das (2019) that a majority of them exhibited strong financial indicators, such as healthy profit margins, sustainable cash flows, and robust liquidity positions.

The statement regarding financial capabilities determining the performance of the industry had a disagreement and strong disagreement by 3.1% and 11.7% of the managers as 22.1% were undecided. The agreement and strong agreement to the claim that financial capabilities determine the performance of the industry was conceived by 30.7% and 30.7% of the managers. The composite mean of 3.833 and 0.745 standard deviations confirmed that financial capabilities significantly determine the Kenya's SMEs in Nairobi County's performance. The alignment of the outcome is with Njagi (2018) who uncovered that financial viability favorably affects public health organizations' performance.

Performance

The aspect of the small and medium enterprise performance was investigated to determine how well the SMEs have performed in the survey area as it pertains to the strategic capabilities of the managers in Nairobi County, Kenya. With regard to this, the products of the survey are recorded in Table 6.

Table 6: Performance Descriptive Outcomes

	n = 261						
Items	SD %	D %	N %	A %	SA %	Mean	Std. Dev.
Profits have increased due to capabilities	0	3.9	24.5	47.1	24.5	3.921	.804
Business results have improved due to strategic capabilities	0	6.9	22.5	51.0	19.6	3.833	.821
Service quality has appreciated over time	0	1.0	18.6	68.6	11.8	3.911	.581
The industry has been able to satisfy customers due to improved capabilities	0	1.0	11.8	55.9	31.4	4.176	.666
Smooth and improved internal work process by the employee has been generated due to strategic capabilities	0	1.0	2.9	71.6	24.5	4.196	.527
	Av. Mean = 4.007; St. Dev. = 0.679						

Source: Field Survey (2024)

Regarding the SMEs in Nairobi County performance, none of the managers strongly disagreed with the statement that profits have increased due to capabilities which was supported by 3.9% of the managers who disagreed with the assertion as 24.5% of the managers were neutral. Contrarily, 47.1% of the managers and 24.5% aligned with agreement and strongly agreed options. The outcome was validated by mean and standard deviation of 3.921 and 0.804. As business results have improved due to strategic capabilities, only 6.9% of the managers disagreed with the assertion as neutrality was affirmed by 22.5% of the managers. Furthermore, the outcome demonstrated that 51% and 19.6% of the managers go with the options of agreed and disagreed which the statement was validated by 3.833 and 0.821 mean and standard deviations. 1% of the managers disagreed that service quality has appreciated overtime and 18.6% of the managers were neutral. Going by the aforementioned statement, 68.6% and 11.8% of the managers agreed and agreed strongly with the assertion that service quality has appreciated overtime. The outcome was validated by the mean score of 3.911 and 0.581 deviations from the standard values. The industry has been able to satisfy customers due to improved capabilities was only disagreed by 1% of the managers while 11.8% remained indifferent to the claim. 55.9% and 31.4% of the managers go with the options of agreement and strongly agree to the fact that the industry has been able to satisfy customers due to improved capabilities as confirmed by the mean and standard deviations of 4.176 and 0.666. The product is supported by Seetharaman and Rajkumar (2013) who observed that industry's enhanced capabilities, such as improved product quality, superior service delivery, and streamlined processes, have contributed to increased customer satisfaction ratings.

Additionally, a smooth and improved internal work process by the employee has been generated due to strategic capabilities as disagreed by 1% of the managers with neutrality upheld by 2.9% of the managers. The score mean of 4.196 and deviations of 0.527 standard further affirmed the distributed responses of the managers who showed agreement and strongly agreement with the fact that a smooth and improved internal work

process by the employee has been generated due to strategic capabilities. Therefore, performance is a key indicator of how well the SMEs fared in the study area as demonstrated by a mean value of 4.007 and 0.679 deviations from standard values. The disclosed outcome is supported by Beck, Demirgüç-Kunt and Levine (2008) who noted that that SMEs with robust performance indicators, such as revenue growth, profitability, productivity, and market share, were more likely to achieve sustainable growth and outperform their competitors.

Regression Analysis

Regression examination was deployed to examine the magnitudinal effect of the individual factors of strategic capabilities on SMEs' performance. This is to determine which of these factors are significant in affecting the performance of SMEs in Kenya's Nairobi County. In view of this, the model summary outcome is documented in Table 7 detailing the R, R-square, and the R-square Adjusted values.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square
1	.664[a]	.572	.528

Source: Field Survey (2023)

The analysis of the data revealed a strong correlation, with an R-value of 0.664, between strategic capabilities and the SMEs performance. The coefficient of determination indicated that strategic capabilities, including innovative, operational, material, and financial capabilities, account for 57.2% of the variation in SME performance when any of these explanatory variables change by a percentage. In other words, a 1% change in any of these variables would explain 57.2% of the resulting variation in SME performance.

However, there was a portion of 42.8% of changes in SME performance that could not be explained by the included explanatory variables, as indicated by the R-square. This suggests that there may be other factors influencing SME performance that were not captured in the model, as evidenced by the presence of the error term. Despite this, the model still demonstrated a relatively high degree of explanatory power. Due to the model summary of the regression as indicated in Table 8, an analysis of variance outcome was recorded in Table 8 to uncover the significance of the model as a whole.

Table 8: Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.217	2	1.054	8.500	.000[b]
	Residual	31.191	257	.121		
	Total	35.408	261			

Source: Field Survey (2023)

The products presented in Table above obtained showcased the collective explanatory factors significance in predicting the dependent variable. A 0.000 p-value, accompanied by an F value of 8.500, was observed. These outcomes expressed Nairobi County's SMEs performance is significantly influenced and predicted by strategic capabilities, encompassing operational, and financial capabilities, as suggested by the survey's outcomes. Consequently, the results provide support for the combined importance of these explanatory factors in elucidating the performance of SMEs. The marginal effect of independent variables (innovative, operational, material and financial capabilities) on the explained factor (performance of the SMEs) was estimated using regression analysis. Table below summarizes the regression outputs.

Table 9: Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.068	.114		.602	.549
	Operations Capabilities	.024	.117	.025	.207	.837
	Financial Capabilities	.680	.114	.670	5.965	.000

Source: Field Survey (2024)

Following the regression equation in chapter three, the estimated equation is restated as:

$P = \beta_0 + 0.068 - 0.024\ OC_2 + 0.680FC_3 + \varepsilon$

Whereby; P = Performance, OC_2= Operations Capabilities, and FC_4= Financial Capabilities

The presented outcome in Table 4.10, illustrating the impact of each explanatory factor on the Nairobi County, Kenya SMEs performance. To quantify these effects, standardized beta values were employed, indicating the degree to that each explanatory component influences the explained factor. Upon examining the probability value of 0.549, it was determined that the coefficient of the constant, which is 0.068, holds no statistical significance. This suggests that even in the absence of the strategic capabilities components, the performance of SMEs would still exhibit a positive trend. Regarding innovative capabilities, the results indicate a negative effect (β = -0.031) that is insignificant (p-value = 0.674) on SME performance. This implies that if the percentage of innovative capabilities were to increase, the performance of SMEs would decline by 0.031 percent. However, this decline is not statistically significant, meaning it may have unsubstantial impact on the SMEs overall performance. The outcome aligned with Rajapathirana and Hui (2018) who discloed that innovative capabilities did not significantly influence their overall performance. Abbas and Sağsan (2019) uncovered that general innovation and organizational performance does not play a significant role in organizational capabilities.

The SMEs performance is influenced by their operations capabilities, exhibiting a positively (β = 0.024) effect, although insignificantly (p-value = 0.837). It is expected that a rise in operations capabilities would bring about a corresponding

improvement in SME performance. Specifically, a fractional rise in operations capabilities would cause 0.024 percent surge in SME performance. However, this effect is not statistically significant, indicating that the impact on overall performance may be limited. The outcome disagree with Yi, Oh and Amenuvor (2023) who uncovered a significant impact of dynamic capabilities on operational capabilities. Boulianne (2007) and Francalanci & Morabito (2008) unfolded that a company's IT expertise, leadership commitment to IS, and a well-defined IT strategy all play a direct role in ensuring the IS aligns with the company's goals. This aligns with the well-established principle that strong operational capabilities, including having sophisticated IT systems that are well-integrated with business strategy, are a major driver of success for small and mid-sized enterprises (SMEs). The output of the survey aligned with Beck and Demirgüç-Kunt (2006) who unveiled that SMEs with robust financial capabilities, including access to external financing, effective cash flow management, and financial risk mitigation strategies, were more likely to achieve higher levels of performance, such as sales growth, market share, and survival rates. Foss and Caspar (2003) uraveled that that firms with strong financial capabilities, such as the ability to invest in research and development, acquire technological assets, and attract top talent, were more likely to generate innovative products and achieve superior innovation performance.

Hypotheses Testing and Discussion of Findings

The operations capabilities effect on SMEs' performance in Nairobi County was investigated. The outcome tied to this objective displayed a positively and insignificant effect of operations capabilities on SMEs' performance. The outcome corroborates the null hypothesis that operation capabilities have non-significant SMEs performance effect thus leading to the non-rejection of the null claim. The outcome could be accredited to the fact that many SMEs in Kenya operate in the informal sector, which often means they have limited formal structures, processes, and systems in place. This informality hinders the development and implementation of robust operations capabilities. The lack of formalization may result in ad-hoc decision-making, inefficient processes, and a lack of scalability, leading to an insignificant impact on performance. The output corroborates Andria, Hartini, Rahmi, and Rusmanah (2020) who established that the financial performance of Indonesian pharmaceutical companies is favorably and noteworthy correlated with their operational competencies. Saunila, Ukko, and Rantala (2020) uncovered that operational capabilities positively affect total productivity. Ong'esa (2020) noted that the performance of the airline was significantly influenced by operational capabilities. Nevertheless, the findings presented a contrasting view to the research conducted by Yi, Oh, and Amenuvor (2023), as they discovered a notable influence of dynamic capabilities on operational capabilities. Boulianne (2007) and Francalanci & Morabito (2008) unraveled that certain factors such as a company's IT expertise, leadership commitment to information systems (IS), and a clearly defined IT strategy all play a direct role in ensuring that the IS aligns with the company's objectives. These findings align with the well-established principle that robust operational capabilities, including the presence of advanced IT systems that are seamlessly integrated with the business strategy, serve as a significant driver of success for small and mid-sized enterprises (SMEs).

The financial capabilities effect on the SMEs' performance was sought after which the outcome revealed a significantly positive effect on the SMEs' performance in the study area. The outcome followed from the hypothesis guiding the survey that financial capabilities insignificantly affect SME's performance in the study area. The outcome proved that the assertion of null was abandoned thus noting that financial capabilities significantly affect SMEs performance. The outcome aligned with Abdulrahman and Bamiduro (2018) that recurrent expenditure, revenue from internal sources, and capital expenditure all have an impact on organizational effectiveness. Njagi (2018) uncovered that financial viability favorably affects public health organizations' performance. Kisweli (2021) showed that resources that are financially inclined have a favourable and noteworthy impact on Kenya's SACCO deposit takers performance. Muthigah, Kiragu, and Sang (2022) found that financial capabilities and customer relationship management had a substantial and favorable association. The survey outputs were in accordance with the findings presented by Beck and Demirgüç-Kunt (2006), who revealed that small and medium-sized enterprises (SMEs) equipped with robust financial capabilities, including access to external funding, effective cash flow management, and strategies to mitigate financial risks, were more likely to attain higher levels of performance. This encompassed aspects such as sales growth, market share, and survival rates. In a similar vein, Foss and Caspar (2003) unraveled that companies with strong financial capabilities, enabling them to invest in research and development, acquire technological assets, and attract top talent, were more likely to generate innovative products and achieve remarkable success in terms of innovation performance.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

The survey examined operations capabilities impact on Kenyan SMEs in Nairobi County's performance. The hypothesis put forward was that operations capabilities have no significant effect on SME performance. Utilizing regression analysis, the results indicated that operations capabilities positively predicted SME performance in an insignificant manner. This suggests that the performance of SMEs tends to increase when operations capabilities are utilized, although the observed increase was not statistically significant. The investigation delved into financial capabilities effect on Nairobi County's SMEs' performance. The hypothesis proposed that financial capabilities insignificantly affects SME performance. However, the results obtained through regression analysis demonstrated that financial capabilities significantly yet, positively affected SMEs' performance. This indicates that financial capabilities have the potential to augment the SMEs' performance, suggesting that improved financial resources and strategies can add to the general SMEs' success and growth

The conclusion drawn highlighted the significant and positive impact of operational and financial capabilities on performance of SMEs' in Nairobi County's performance. The outputs indicated that operational capabilities exhibited a high level of predictability in relation to SME performance. As a result, financial capabilities employed by SMEs yielded the desired benefits, contributing significantly to their overall performance and success.

Operations capabilities had an insignificant effect on Nairobi County's SMEs' performance. To this end,

the managers of these SMEs should instead of solely relying on operations capabilities, SMEs should prioritize understanding and meeting customer needs effectively. The outcome of the study regarding financial capabilities showed significantly positive effect on the SMEs' performance in Nairobi County, Kenya. Going by the result of the survey, the managers should create a comprehensive financial management approach that comprises budgeting, management of cash flow, financial forecasting, and risk assessment.

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