

**EFFECTS OF AN ORGANIZATIONAL STRUCTURE ON PERFORMANCE OF SMALL AND MEDIUM MANUFACTURING ENTERPRISES IN KENYA**

**Esther Wanja Nyoike**

Jomo Kenyatta University of Agriculture and Technology

**Dr.Patrick Ngugi (PhD)**

Jomo Kenyatta University of Agriculture and Technology

**Professor Willy Muturi**

Jomo Kenyatta University of Agriculture and Technology

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## ABSTRACT

In the global economy of the 21<sup>st</sup> century, competition is complex, challenging and fraught with competitive opportunities and threats. Product innovation is increasingly becoming the main focus for entrepreneurs especially those in the manufacturing sector. Without effective organizational structure, the capability of a firm to achieve or sustain a competitive advantage is greatly constrained. Most SMMEs in Kenya post poor performance and majority of them do not celebrate their third birthday. Research on product innovation and its dimensions may lead to improved performance especially for the manufacturing sector that is supposed to account for 20% of the GDP by the year 2030, as visualized in the Kenya vision2030. This study examines the influence of organizational Structure (being one of the dimensions of product innovation) on the performance of Small and Medium Manufacturing Enterprises (SMMEs) in Kenya. The objective of the study was to determine how organizational structure influence firm performance. Entrepreneurial orientation moderated the relationship between product innovation and firm performance. A representative sample of 254 managers or entrepreneur owner managers was selected from manufacturing firms registered under Kenya Association of Manufacturers using stratified random sampling. A self-administered, semi-structured questionnaire was used to collect the data. The questionnaire was pre-tested to ensure its validity and reliability. Data was analyzed using an appropriate model developed as a function of both the dependent and the independent variables, to measure their relationship. Data was analyzed and descriptive statistics presented, from which inferences were made as well as the conclusion and recommendation. This study would benefit the industry, SMMEs owner managers, researchers

and the government. The study found that organizational structure was a significant predictor of firm performance.

**Key Words:** Organizational structure, Firm performance

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