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EFFECT OF PRESCRIPTIVE STRATEGIC MODE ON COMPETITIVE ADVANTAGE OF SMEs IN HOMA BAY TOWN, KENYA

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SMEs in Homa Bay Town, Kenya, face significant challenges, with over 60% failing within the first five years due to low survival rates and stagnation. Limited research has examined how prescriptive strategic practices influence competitiveness in county-level contexts. Therefore, this study examined the influence of the prescriptive strategic mode on the competitive advantage of SMEs in Homa Bay Town, Kenya. An explanatory cross-sectional design targeted 105 SME owners and managers via a census. Data were collected using a structured questionnaire validated through a pilot study (Cronbach's Alpha = 0.765 ≥ 0.7). Mean, standard deviation, and simple linear regression analyses were employed. The results revealed that the model was statistically significant (F = 150.279, p = .000 < 0.05). Consequently, the prescriptive strategic mode had a positive and significant influence on competitive advantage (Beta = .713, p < .05), explaining 59.3% of the variance (R^2 = .593). All four dimensions—formalization of planning (M = 3.89), stakeholder engagement (M = 3.90), organizational learning (M = 4.06), and environmental scanning (M = 4.15)—were highly practiced, with environmental scanning emerging as the most critical practice. The study concludes that the prescriptive strategic mode provides essential strategic anchoring through structured planning and environmental scanning, resulting in enhanced competitive advantage. SMEs should formalize planning routines, institutionalize environmental scanning, and strengthen stakeholder engagement. Furthermore, local agencies should facilitate strategic planning training, while financial institutions should support structured business planning.

KEYWORDS: *Prescriptive Strategic Mode, Competitive Advantage, SMEs, Strategic Planning, Environmental Scanning*

INTRODUCTION

Small and Medium Enterprises (SMEs) play an important role in economic development through employment creation, innovation, income generation, and the provision of goods and services. Their contribution is particularly vital in developing economies, where SMEs provide livelihoods and support local economic activity. In Kenya, SMEs constitute a significant component of the economy and contribute substantially to employment and economic development (Ndolo, 2021). The sector is especially important because it provides essential goods and services to consumers while creating opportunities for entrepreneurship and employment. However, the ability of SMEs to survive, grow, and sustain their market position is influenced by the strategic approaches through which owners and managers plan, allocate resources, and respond to competitive pressures.

At the global level, strategic planning has been identified as an essential mechanism through which SMEs establish business direction and improve organizational sustainability. In the United States, SMEs use strategic planning to develop structured business models, establish clear goals, and allocate resources effectively, thereby supporting sustainability and profitability (Tula et al., 2024). The importance of strategic planning is particularly evident in competitive environments where businesses must make deliberate choices concerning market positioning, resource utilization, and organizational priorities. A structured strategic process provides SMEs with a reliable basis for coordinating activities and responding systematically to competitive pressures.

Evidence from Europe indicates that SMEs employ formal strategic processes as part of their efforts to manage organizational activities and respond to changing market conditions (Sjögren & Yusuf, 2023). Similarly, research in the United Kingdom demonstrates the importance of managerial decision-making processes in addressing uncertainty and organizational challenges (Shepherd et al., 2024). Although these studies provide broader evidence on strategic decision-making, they underscore the necessity of examining specific strategic-management practices within distinct organizational and environmental contexts. The present study therefore concentrates specifically on the prescriptive strategic mode and its contribution to competitive advantage.

In Africa, SMEs operate within business environments characterized by intense competition, resource constraints, changing consumer preferences, and institutional uncertainty. These conditions increase the importance of systematic strategic management because enterprises must make deliberate choices regarding resource allocation, market positioning, and organizational development. Evidence from Nigeria indicates that weaknesses in strategic management can constrain SME market positioning and financial stability (Johnson-Hart, 2023). Similarly, research in Ghana and South Africa demonstrates the importance of strategic management in enabling SMEs to respond to changing economic and competitive environments (Anim et al., 2024; Matindike et al., 2024). However, the effectiveness of specific strategic practices may vary according to sector and location, creating a need for empirical investigation within specific SME contexts.

The Kenyan SME sector provides an important context for examining the role of prescriptive strategic management. SMEs contribute significantly to employment, entrepreneurship, and economic development, with the wholesale and retail sector constituting a major area of small-business activity (Ndolo, 2021). Nevertheless, Kenyan SMEs operate under conditions that include intense competition, financial constraints, technological changes, and market uncertainty. Such conditions require firms to establish clear strategic priorities and make effective use of limited resources. Mwangi (2024) observed that SMEs in major Kenyan urban centres adopt prescriptive strategic approaches, although challenges in implementation and market unpredictability can affect their effectiveness. This suggests that the mere existence of formal strategic practices does not guarantee competitive outcomes, necessitating an empirical examination of the relationship between the prescriptive strategic mode and competitive advantage.

Kenyan evidence further indicates that strategic management is an essential consideration among small enterprises. Charles, Ojera, and David (2015), in their study of small enterprises in Kisumu County, examined strategic-management practices and demonstrated that small enterprises engage in deliberate strategic processes as part of managing their businesses. Their findings provide evidence that strategic management is relevant within the Kenyan small-enterprise environment. However, that study was not specifically focused on the influence of the prescriptive strategic mode on competitive advantage among SMEs in Homa Bay Town, leaving a contextual gap regarding how structured strategic practices translate into competitive outcomes within the sector.

Homa Bay County provides an ideal setting for examining this relationship because SMEs constitute a significant component of local economic activity, including trade, agribusiness, fishing, and service activities. SMEs in Homa Bay Town, Kenya operate within a competitive environment where businesses must respond to customer requirements, competitor activities, supplier conditions, pricing pressures, and broader environmental changes. Despite their economic importance, SMEs in the area experience challenges associated with survival, growth, and competitiveness (Bonareri, 2024). Such challenges increase the importance of deliberate strategic planning and systematic management of business activities.

The prescriptive strategic mode is particularly relevant to SMEs because its emphasis on structured planning provides a basis for establishing strategic priorities and aligning organizational resources. In this study, the prescriptive strategic mode is examined through four dimensions: formalization of planning, stakeholder engagement, organizational learning, and environmental scanning. Formalization of planning provides a systematic basis for setting objectives and determining courses of action. Stakeholder engagement facilitates consideration of the interests and information provided by customers, employees, suppliers, and other relevant actors. Organizational learning enables SMEs to utilize knowledge and experience to improve strategic decisions, while environmental scanning allows firms to systematically identify changes in markets, competitors, customers, and the broader business environment. Collectively, these practices strengthen the ability of SMEs to establish and sustain competitive positions.

Competitive advantage represents the ability of an enterprise to create and sustain a favourable position relative to competitors through factors such as differentiation, operational effectiveness, customer value, and market positioning. For SMEs, competitive advantage is reflected in their ability to attract and retain customers, differentiate their products and services, respond effectively to market requirements, and maintain sustainable business performance. Consequently, examining whether structured strategic practices contribute to competitive advantage is crucial for understanding the strategic mechanisms supporting the sustainability of SMEs.

Despite the recognized importance of strategic planning and strategic management among SMEs, limited empirical evidence has specifically established the influence of the prescriptive strategic mode on competitive advantage among SMEs in Homa Bay Town, Kenya. Previous studies have examined strategic management, strategic planning, and SME performance in different geographical and organizational contexts (Charles et al., 2015; Tula et al., 2024). However, findings from other locations and sectors cannot automatically be generalized to SMEs in Homa Bay Town because firms operate under different competitive, institutional, and market conditions. Moreover, limited attention has been given to the combined role of formalized planning, stakeholder engagement, organizational learning, and environmental scanning as dimensions of the prescriptive strategic mode in explaining competitive advantage.

This study therefore focused specifically on the influence of the prescriptive strategic mode on the competitive advantage of SMEs in Homa Bay Town, Kenya. By examining formalization of planning, stakeholder engagement, organizational learning, and environmental scanning, the study sought to establish whether structured strategic practices contribute significantly to the competitive position of SMEs. The study tested the following null hypothesis:

- H01: Prescriptive strategic mode has no significant influence on the competitive advantage of SMEs in Homa Bay Town, Kenya.

LITERATURE REVIEW

Theoretical Literature Review

The theoretical framework for this study is anchored in Strategic Choice Theory, developed by Child (1972). The theory explains that organizational outcomes are largely determined by strategic decisions made by managers rather than being dictated solely by environmental forces. It emphasizes managerial discretion, strategic decision-making, and organizational autonomy, arguing that managers possess the ability to shape organizational performance through deliberate strategic choices. Recent studies continue to demonstrate that managerial strategic decisions remain central in determining organizational competitiveness, particularly among SMEs operating in dynamic business environments (Nugroho et al., 2022; Luo, 2024).

Strategic Choice Theory provides the theoretical foundation for the prescriptive strategic mode, where strategy formulation follows systematic planning, analysis, and deliberate implementation. Through deliberate choices, SMEs create and sustain competitive advantage. However, the theory has faced criticism from Luo (2024), who observed that Strategic Choice Theory tends to overestimate managerial control while underestimating the influence of rapidly changing market conditions, technological disruption, and competitive forces—particularly for SMEs with limited strategic resources. Consequently, strategic decisions alone may not fully explain competitive advantage without considering environmental influences. Strategic Choice Theory supports the prescriptive strategic mode by explaining that competitive advantage results from deliberate strategic planning and rational managerial decision-making.

Empirical Review

Empirical literature provides evidence-based insights into the relationship between prescriptive strategic practices and organizational competitiveness. In Croatia, Božac et al. (2017) examined the application of the prescriptive approach to business strategy and rational decision-making among large hotel enterprises. Their quantitative survey findings revealed a strong positive relationship between rational decision-making and the successful implementation of prescriptive strategic approaches, concluding that systematic strategic planning enhances organizational decision-making. However, that study focused on large hotel enterprises rather than SMEs and examined prescriptive business strategy without explicitly assessing competitive advantage, creating contextual and conceptual gaps addressed by the current study.

Popescu (2015) examined prescriptive models for selecting managerial intervention approaches in organizational conflict resolution within educational institutions in Romania using a qualitative research approach. The findings indicated that structured decision-making models enabled managers to diagnose conflicts effectively and select appropriate intervention strategies, concluding that systematic managerial decision models improve organizational effectiveness. However, that study was undertaken within educational institutions and focused on conflict management rather than strategic management and competitive advantage, justifying the present investigation among SMEs in Homa Bay Town, Kenya.

In Iraq, Monib et al. (2021) conducted a qualitative comparative study of prescriptive, descriptive, and integrative schools of strategic management. They concluded that no single strategic management school sufficiently addresses all organizational challenges and recommended that managers adopt complementary strategic approaches. However, their study was purely theoretical and did not empirically examine the influence of the prescriptive strategic mode on competitive advantage within SMEs.

In Ghana, Coffie and Blankson (2016) investigated the applicability of strategic management theories among large local firms and multinational corporations using a qualitative multiple-case study design. Their findings showed that organizations relying on formal planning, strategic positioning, branding, and service quality were more likely to achieve sustainable competitiveness. Nevertheless, that study examined broad strategic management theories rather than the prescriptive strategic mode specifically, focused on large organizations rather than SMEs, and did not empirically measure competitive advantage. The current study addresses these conceptual, contextual, and methodological gaps.

RESEARCH METHODOLOGY

This study adopted a descriptive and explanatory cross-sectional research design to examine the influence of strategic management modes on the competitive advantage of SMEs in Homa Bay Town, Kenya. The study focused on registered and licensed SMEs operating within the urban areas of Homa Bay Town, specifically those employing 10 or more staff members. The target population comprised 105 SME owners and general managers operating within Homa Bay Town. A census sampling design was adopted given the relatively small and manageable target population.

Data were collected using a structured questionnaire designed to capture information aligned with the study objectives. A pilot study was conducted by administering 10 questionnaires (approximately 10% of the target population) to respondents in Oyugis town, a neighbouring area with characteristics similar to Homa Bay Town. Face validity was established through expert review, whereby subject-matter experts and the supervisor examined the questionnaire to confirm that items adequately measured the intended constructs and were clear in language, relevance, and content. The reliability of the research instrument was assessed using Cronbach's alpha; the pilot study yielded a Cronbach's alpha coefficient of 0.765, exceeding the recommended threshold of 0.70 and indicating acceptable internal consistency.

Collected data were cleaned, coded, and entered into the Statistical Package for the Social Sciences (SPSS), Version 28, for analysis. Descriptive statistics, including means and standard deviations, were computed to summarize the study variables. Simple linear regression analysis was subsequently employed to examine the influence of the prescriptive strategic management mode on the competitive advantage of SMEs in Homa Bay Town, Kenya. The study strictly adhered to established ethical standards to protect participants' rights, confidentiality, and welfare, ensuring the integrity of the research process.

RESULTS AND DISCUSSION

Descriptive Statistics for Prescriptive Strategic Mode

The prescriptive strategic mode is grounded in deliberate, formalized planning processes, where strategies are formulated rationally and implemented systematically. Table 1 presents the descriptive statistics for the prescriptive strategic mode based on respondents' opinions using a 5-point Likert scale (5 = Strongly Agree, 1 = Strongly Disagree).

Table 1: Descriptive Statistics for Prescriptive Strategic Mode

Statement	SA (5)	A (4)	N (3)	D (2)	SD (1)	Mean	Std. Dev.
Formalization of planning is crucial to our business	34 (32.4%)	42 (40.0%)	15 (14.3%)	11 (10.5%)	3 (2.9%)	3.89	1.07
We regularly engage with stakeholders for decision-making	37 (35.2%)	35 (33.3%)	21 (20.0%)	9 (8.6%)	3 (2.9%)	3.90	1.07
Our business values organizational learning	40 (38.1%)	43 (41.0%)	13 (12.4%)	6 (5.7%)	3 (2.9%)	4.06	1.00
We perform regular environmental scanning	38 (36.2%)	48 (45.7%)	16 (15.2%)	0 (0.0%)	3 (2.9%)	4.15	0.78
Aggregate Prescriptive Strategic Mode						**3.997**	**0.80898**

According to Table 1, formalization of planning was highly practiced among SMEs in Homa Bay Town (M = 3.89, SD = 1.07), although the standard deviation suggests variation in adoption levels due to business size, managerial capacity, and resource availability. These findings agree with Božac et al. (2017) and Coffie and Blankson (2016), confirming that structured planning enhances competitiveness. Regular stakeholder engagement recorded a high mean score (M = 3.90, SD = 1.07), aligning with Popescu (2015) and Monib et al. (2021) regarding the value of collaborative decision-making. Organizational learning (M = 4.06, SD = 1.00) and environmental scanning (M = 4.15, SD = 0.78) scored highest, indicating that continuous monitoring of market dynamics and systematic knowledge acquisition are critical drivers of enterprise resilience.

Descriptive Statistics for Competitive Advantage

Competitive advantage represents the value-creating strategies allowing a firm to outperform its rivals. Table 2 presents descriptive statistics for competitive advantage across market performance, financial performance, product/service differentiation, and operational efficiency.

Table 2: Descriptive Statistics for Competitive Advantage

Statement	SA (5)	A (4)	N (3)	D (2)	SD (1)	Mean	Std. Dev.
Market performance vs competitors	41 (39.0%)	38 (36.2%)	19 (18.1%)	7 (6.7%)	0 (0.0%)	4.08	0.92
Financial performance vs competitors	40 (38.1%)	43 (41.0%)	15 (14.3%)	7 (6.7%)	0 (0.0%)	4.10	0.89
Product/service differentiation	30 (28.6%)	45 (42.9%)	19 (18.1%)	11 (10.5%)	0 (0.0%)	3.90	0.94
Operational efficiency	38 (36.2%)	53 (50.5%)	9 (8.6%)	2 (1.9%)	3 (2.9%)	4.15	0.87
Aggregate Competitive Advantage						**4.0571**	**0.74860**

As shown in Table 2, market performance (M = 4.08, SD = 0.92) and financial performance (M = 4.10, SD = 0.89) reflect strong perceived competitive standing. Product/service differentiation recorded the lowest mean (M = 3.90, SD = 0.94), reflecting the reality that SMEs sourcing standard fast-moving consumer goods (FMCGs) from common wholesalers' face challenges achieving true product uniqueness. Conversely, operational efficiency emerged as the strongest driver of competitive advantage (M = 4.15, SD = 0.87), indicating that SMEs primarily outcompete rivals through lean, cost-effective operations, waste minimization, and working capital optimization.

Simple Linear Regression Model Analysis

Simple linear regression analysis was conducted to test the individual predictive influence of the prescriptive strategic mode on competitive advantage at a 5% significance level.

Table 3: Model Summary for Prescriptive Strategic Mode

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.770[a]	.593	.589	.47970
a. Predictors: (Constant), Prescriptive Strategic Mode				

Predictors: (Constant), Prescriptive Strategic Mode; Source:

Table 3 indicates a strong predictive relationship (R = .770). The coefficient of determination (R^2 = .593) establishes that the prescriptive strategic mode accounts for 59.3% of the variance in competitive advantage among SMEs in Homa Bay Town, Kenya.

Table 4: ANOVA for Prescriptive Strategic Mode

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.581	1	34.581	150.279	.000[b]
	Residual	23.701	103	.230		
	Total	58.282	104			
a. Dependent Variable: Competitive Advantage						
b. Predictors: (Constant), Prescriptive Strategic Mode						

Dependent Variable: Competitive Advantage; Predictors: (Constant), Prescriptive Strategic Mode;

The ANOVA results in Table 4 confirm that the regression model is statistically significant (F = 150.279, p = .000 < 0.05).

Table 5: Coefficients of Prescriptive Strategic Mode

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.208	.237		5.093	.000
	Prescriptive Strategic Mode	.713	.058	.770	12.259	.000
a. Dependent Variable: Competitive Advantage						

Dependent Variable: Competitive Advantage

The regression coefficients in Table 5 indicate that the prescriptive strategic mode is a positive and statistically significant predictor of competitive advantage (B = .713, t = 12.259, p < .05). Consequently, the null hypothesis (H01), which stated that the prescriptive strategic mode has no significant influence on competitive advantage, is rejected. A one-unit improvement in the prescriptive strategic mode is associated with a 0.713-unit increase in competitive advantage. These findings align with Božac et al. (2017) and Popescu (2015), confirming that systematic planning and structured decision-making provide SMEs with a clear strategic direction to navigate market challenges and exploit business opportunities.

CONCLUSIONS AND RECOMMENDATIONS

Summary of Findings

The empirical results established that the Prescriptive Strategic Mode exerts a powerful, statistically significant positive influence on the competitive advantage of SMEs in Homa Bay Town, Kenya (R = .770, R^2 = .593, F = 150.279, p < .001, B = .713). Descriptive analyses confirmed high engagement across all four sub-dimensions, with environmental scanning (M = 4.15) and organizational learning (M = 4.06) acting as primary operational pillars.

Conclusions

The study concludes that the prescriptive strategic mode is a critical anchor for achieving competitive advantage among SMEs in Homa Bay Town. Although actual formalization practices vary across businesses, the deliberate elements of structured planning, environmental scanning, and organizational learning provide the essential strategic direction and operational focus required for enterprises to survive and outperform competitors in a volatile market environment.

Recommendations

Based on these conclusions, SMEs in Homa Bay Town should formalize their planning processes, even at a basic level, moving away from purely informal survival tactics toward structured routines for environmental scanning and stakeholder engagement. Furthermore, local business associations and county government agencies should facilitate training programs focused on practical, affordable strategic planning tailored for micro and small enterprises to assist them in transitioning to structured business models.

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