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EFFECT OF STRATEGY IMPLEMENTATION AND STRATEGY EVALUATION ON THE FINANCIAL PERFORMANCE OF PROFESSIONAL SERVICE SMES IN KISUMU COUNTY, KENYA

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ABSTRACT

Small and Medium Enterprises (SMEs) remain pivotal to Kenya's economic development through job creation, innovation, and income generation. Despite their importance, professional service SMEs often experience weak financial performance due to poor execution and inadequate monitoring of strategic plans. This study examined the effect of strategy implementation and strategy evaluation on the financial performance of professional service SMEs in Kisumu County, Kenya. Anchored on the Balanced Scorecard Model and the Dynamic Capabilities Theory, the study adopted a descriptive research design targeting 245 professional service SMEs, with a sample of 152 selected through stratified random sampling. Data were collected using structured questionnaires and analysed through descriptive and inferential statistics using SPSS version 28. Reliability was confirmed with a Cronbach's Alpha coefficient of 0.83. Regression results indicated that both strategy implementation ($\beta = 0.229$, $p < 0.01$) and strategy evaluation ($\beta = 0.263$, $p < 0.001$) had positive and statistically significant effects on financial performance, jointly explaining 72.4% of the variation in performance ($R^2 = 0.724$). The study concludes that consistent implementation and continuous evaluation of strategies enhance profitability, liquidity, and growth. It recommends that SMEs institutionalize structured implementation frameworks with clear performance indicators and feedback mechanisms to ensure strategic alignment and long-term sustainability.

Keywords: *Strategy Implementation, Strategy Evaluation, Financial Performance, Balanced Scorecard, SMEs, Kisumu County*

INTRODUCTION

Small and Medium Enterprises (SMEs) are globally recognized as vital engines of economic development, innovation, and employment creation. They account for more than 90% of all businesses worldwide and contribute up to 50% of global GDP (World Bank, 2023). In developing economies such as Kenya, SMEs are central to industrialization and poverty reduction efforts. According to the Kenya National Bureau of Statistics (2023), the sector contributes approximately 33% of the country's Gross Domestic Product (GDP) and employs over 80% of the working population. Despite this

significance, many SMEs continue to experience inconsistent financial growth, limited access to capital, and managerial inefficiencies that hinder their sustainability. These challenges are particularly acute among professional service SMEs such as accounting firms, legal practices, consultancy, and engineering enterprises whose operations depend on efficient resource utilization and strategic management.

In Kisumu County, SMEs play a crucial role in promoting local economic growth, yet their financial performance remains fragile. Empirical reports reveal that a majority of these firms struggle with cash flow management, profitability, and scalability due to the absence of structured strategic management practices (Ochieng & Were, 2022). Many SMEs formulate business strategies but fail to execute them effectively or monitor their outcomes systematically. The result is a disconnect between strategic plans and actual financial performance, leading to unsustainable operations and premature business failure. Strengthening strategic management practices specifically through effective implementation and continuous evaluation has therefore become a priority for enhancing SME financial outcomes and competitiveness.

Strategy implementation is the process of translating strategic plans into actionable programs and activities that drive performance outcomes. It involves aligning resources, people, and processes to achieve organizational objectives (Hrebiniak, 2013). Successful implementation ensures that strategic plans move beyond paper and into operational reality through effective communication, resource allocation, leadership commitment, and performance monitoring. However, in most SMEs, weak leadership structures, inadequate coordination, and limited financial control mechanisms hinder effective execution of strategies (Koech & Muturi, 2023). When implementation is poorly executed, even the most robust strategic plans fail to yield the intended results. For SMEs in professional services where client satisfaction, efficiency, and expertise are core performance determinants flawless execution is critical for achieving and sustaining financial growth.

Strategy evaluation, on the other hand, represents the feedback and learning phase of the strategic management process. It entails assessing the effectiveness of implemented strategies against organizational objectives through continuous monitoring, variance analysis, and corrective action (Kaplan & Norton, 2022). Evaluation helps organizations determine whether strategic initiatives contribute to financial stability, profitability, and competitive advantage. For SMEs, especially in dynamic markets like Kisumu County, evaluation provides the flexibility to adapt to environmental changes and make data-driven decisions. Nonetheless, many SMEs lack formal evaluation systems and rely on informal judgment, which limits their ability to detect underperformance early enough (Nkosi et al., 2021). This study therefore examines the combined effect of strategy implementation and strategy evaluation on financial performance, emphasizing that

effective execution and continuous assessment form the foundation of sustainable growth for professional service SMEs in Kenya.

STATEMENT OF THE PROBLEM

Despite the acknowledged importance of strategic management to organizational success, many Small and Medium Enterprises (SMEs) in Kenya continue to experience poor financial performance and high failure rates. According to the Kenya National Bureau of Statistics (2023), over 60% of SMEs close within their first three years of operation, largely due to ineffective strategy execution and weak performance monitoring frameworks. Professional service SMEs in Kisumu County, such as accounting, legal, and consultancy firms, are particularly vulnerable to these challenges because their operations depend heavily on efficiency, customer satisfaction, and adaptability. Although most SMEs prepare strategic plans, few possess the institutional capacity, managerial competence, or financial systems required for effective strategy implementation and evaluation. As a result, many strategies remain theoretical rather than operational, leading to resource wastage, inefficiency, and inconsistent profitability. These deficiencies underscore the need for evidence-based insights into how structured implementation and evaluation mechanisms influence financial performance in the SME sector.

Empirical studies conducted in Kenya and beyond reveal several critical gaps. Contextually, most existing studies on strategic management have concentrated on large corporations and public institutions (e.g., Koech & Muturi, 2023; Mwangi & Wambui, 2022), with limited focus on professional service SMEs, whose organizational structures and resource constraints differ significantly. Conceptually, prior research has often examined strategy implementation or evaluation independently, overlooking their combined and interactive effects on financial performance (Kaplan & Norton, 2022; Nkosi et al., 2021). Methodologically, several studies have used qualitative or case-based designs, providing limited generalizability of findings. Consequently, there remains an empirical and methodological gap in understanding how these two strategic practices jointly affect financial outcomes among SMEs operating in dynamic service environments. This study therefore seeks to fill these gaps by investigating the effect of strategy implementation and strategy evaluation on the financial performance of professional service SMEs in Kisumu County, Kenya, providing a more comprehensive and context-specific analysis.

OBJECTIVES

General Objective

The general objective of this study was to examine the effect of strategy implementation and strategy evaluation on the financial performance of professional service SMEs in Kisumu County, Kenya.

Specific Objectives

The study was guided by the following specific objectives:

- a) To determine the effect of strategy implementation on the financial performance of professional service SMEs in Kisumu County, Kenya.
- b) To evaluate the effect of strategy evaluation on the financial performance of professional service SMEs in Kisumu County, Kenya.
- c) To assess the combined effect of strategy implementation and strategy evaluation on the financial performance of professional service SMEs in Kisumu County, Kenya.

SIGNIFICANCE OF THE STUDY

This study holds significant theoretical importance as it contributes to the growing body of literature on strategic management and financial performance within the SME context. By focusing on the dual dimensions of strategy implementation and strategy evaluation, the study extends the application of the Balanced Scorecard Model and the Dynamic Capabilities Theory to professional service enterprises in developing economies. Previous studies have largely analysed these constructs independently; however, this study integrates them, offering a holistic understanding of how execution and feedback mechanisms jointly influence financial outcomes. The findings thus provide a theoretical foundation for future scholars to explore strategic management models that combine process and performance perspectives in SMEs.

From an empirical standpoint, the study bridges key knowledge gaps identified in prior research. Earlier studies in Kenya have primarily concentrated on large manufacturing firms, banks, and public sector organizations (Mwangi & Wambui, 2022; Koech & Muturi, 2023), leaving limited evidence on professional service SMEs. By employing a descriptive research design and quantitative analysis, this study generates data-driven insights that enrich empirical understanding of how SMEs can translate strategic plans into tangible financial results. The inclusion of both implementation and evaluation variables also advances methodological rigor by examining their simultaneous effects, rather than treating them as isolated processes.

The study further carries practical and managerial significance for SME owners, managers, and practitioners. It provides actionable insights into how firms can enhance profitability and sustainability by strengthening their implementation and evaluation frameworks. Managers can use the findings to develop clearer operational procedures, establish measurable performance indicators, and create feedback systems that support adaptive decision-making. The study also emphasizes the importance of leadership involvement, employee engagement, and technological integration in ensuring effective strategy execution. Ultimately, it offers a roadmap for SMEs to transform strategic intent into measurable financial success.

Lastly, the study bears policy relevance for government agencies, trade associations, and development partners involved in SME development. Policymakers can use the findings to design capacity-building programs, training modules, and policy interventions that enhance managerial capabilities in strategic management. Institutions such as the Kenya Institute of Business Training (KIBT), the Micro and Small Enterprise Authority (MSEA), and county governments can leverage the evidence to promote structured implementation and monitoring systems among SMEs. Strengthening these practices at policy and institutional levels will contribute to the overall competitiveness, sustainability, and financial resilience of Kenya's SME sector.

SCOPE OF THE STUDY

This study focused on professional service Small and Medium Enterprises (SMEs) operating within Kisumu County, Kenya, including firms in the accounting, legal, consultancy, engineering, and architectural sectors. Conceptually, the study was delimited to two independent variables strategy implementation and strategy evaluation and one dependent variable, financial performance. Strategy implementation was examined in terms of resource allocation, leadership involvement, communication efficiency, and operational alignment, while strategy evaluation was analysed through monitoring mechanisms, variance analysis, corrective action, and feedback systems. The dependent variable, financial performance, was assessed using indicators such as profitability, liquidity, and revenue growth. The study covered a period between March and August 2025, during which data were collected and analysed to determine how effective strategic implementation and evaluation practices influence the financial outcomes of professional service SMEs in Kisumu County.

LITERATURE REVIEW

This chapter presents a review of existing literature related to strategy implementation, strategy evaluation, and financial performance. The review is organized into two major sections: the theoretical review and the empirical review. The theoretical review discusses relevant theories that form the foundation of the study, explaining how they relate to the study variables. The empirical review, on the other hand, examines prior research findings on the effects of strategy implementation and strategy evaluation on financial performance, identifying existing knowledge gaps that justify this study. The chapter concludes with a conceptual framework that illustrates the relationships among the key variables under investigation.

Theoretical Literature Review

The foundation of this study rests on two major theories: the Balanced Scorecard Model by Kaplan and Norton (1992) and the Dynamic Capabilities Theory by Teece, Pisano, and Shuen (1997). The Balanced Scorecard Model provides a comprehensive framework for measuring organizational performance by integrating both financial and non-financial indicators. Traditionally, firms relied solely on financial metrics such as profitability and return on investment to assess performance. Kaplan and Norton argued that such an

approach was narrow and failed to capture the key drivers of long-term success. The Balanced Scorecard introduced four perspectives – financial, customer, internal business processes, and learning and growth – which collectively enable firms to translate strategy into measurable performance outcomes. By establishing cause-and-effect relationships between activities and results, the model enables managers to align short-term actions with long-term strategic goals, thereby improving accountability and decision-making.

Over time, the Balanced Scorecard evolved from a mere measurement tool into a strategic management system that supports planning, implementation, and evaluation. It emphasizes the continuous feedback loop where strategy execution is tracked, performance gaps are identified, and corrective measures are applied to enhance outcomes. This feedback mechanism is particularly critical for Small and Medium Enterprises (SMEs), which often operate under constrained resources and dynamic market environments. The Balanced Scorecard helps SMEs identify the drivers of performance across different operational dimensions, ensuring that implementation is both focused and adaptable. Studies by Hoque (2018) and Niven (2019) affirm that SMEs that adopt Balanced Scorecard frameworks demonstrate better alignment between strategy and performance, as well as improved efficiency and profitability. The model thus underpins this study by linking strategy implementation and strategy evaluation to measurable financial performance.

The Dynamic Capabilities Theory (DCT) complements the Balanced Scorecard by explaining how firms sustain competitiveness in rapidly changing environments through the ability to reconfigure internal resources and processes. Proposed by Teece, Pisano, and Shuen (1997), the theory extends the Resource-Based View by emphasizing that success is not merely determined by possessing valuable resources but by an organization's capacity to integrate, build, and adapt those resources in response to market shifts. Teece (2007) refined the theory into three key processes: sensing opportunities, seizing them through effective resource deployment, and transforming organizational operations to maintain long-term adaptability. Eisenhardt and Martin (2000) later highlighted that these dynamic capabilities are embedded in learning routines, innovation, and evaluation mechanisms that enable firms to adjust to uncertainty. This continuous adaptation fosters innovation and resilience, qualities that are crucial for professional service SMEs navigating fluctuating client demands and competitive pressures.

Integrating the Balanced Scorecard Model and Dynamic Capabilities Theory provides a robust framework for understanding how strategy implementation and strategy evaluation jointly affect financial performance. While the Balanced Scorecard focuses on measuring performance alignment across organizational dimensions, the Dynamic Capabilities Theory highlights the need for continuous adaptation and learning from the evaluation process. Strategy implementation corresponds to the “seizing” capability in

DCT, where resources are deployed to achieve goals, while strategy evaluation reflects the “sensing” and “transforming” capabilities that guide corrective action and strategic renewal. Together, these theories establish that financial success among SMEs is achieved not only through executing plans effectively but also through systematically evaluating outcomes and reconfiguring processes for continuous improvement. For professional service SMEs in Kisumu County, this theoretical integration suggests that sustainable financial performance depends on the ability to align execution with feedback-driven adaptability.

Empirical Literature Review

Hrebiniak (2013) conducted a study titled *Obstacles to Effective Strategy Implementation in Organizations*, which examined how implementation challenges affect organizational performance among large manufacturing firms in the United States. The study variables included leadership commitment, communication, and resource alignment. Using a descriptive research design and a sample of 120 firms, data were collected through structured questionnaires and analysed using regression models. The findings revealed that ineffective communication, inadequate resources, and poor coordination were the main barriers to successful implementation, resulting in suboptimal performance outcomes. The study highlighted that even well-formulated strategies fail without strong execution mechanisms. However, its focus on large corporations in developed economies limits its applicability to SMEs in developing countries, creating a contextual gap that the present study addresses by focusing on professional service SMEs in Kenya.

Koech and Muturi (2023) investigated *Strategy Implementation and Financial Performance of Commercial Banks in Kenya*, examining how leadership involvement, resource allocation, and employee participation influence profitability. The study targeted 43 commercial banks and adopted a descriptive correlational research design with both primary and secondary data collection methods. Data analysis was conducted using multiple regression and correlation analysis. Findings revealed a positive and statistically significant relationship between implementation practices and financial performance, with leadership and communication emerging as key predictors of success. The study concluded that aligning operational activities with strategic objectives enhances financial outcomes. Nonetheless, the research was limited to the banking sector, which is highly regulated and structurally different from SMEs, creating a contextual and sectoral gap that this study bridges by analysing professional service SMEs.

Mwangi and Wambui (2022) carried out a study on *Strategic Management Practices and Performance of Small and Medium Enterprises in Nairobi County, Kenya*. The study sought to establish how strategic planning, implementation, and control influence sales growth and profitability. Using a cross-sectional survey of 150 SMEs, data were gathered through questionnaires and analysed using descriptive and inferential statistics. Results showed that effective strategy implementation significantly improved sales and profit

margins. The researchers emphasized that clear communication of strategic goals and continuous monitoring of implementation progress are essential for achieving positive results. Despite these insights, the study focused broadly on all SMEs without distinguishing between service-based and manufacturing enterprises, leaving a conceptual gap on how professional service SMEs specifically implement strategies to enhance financial performance.

Kaplan and Norton (2022) examined The Balanced Scorecard and Strategic Performance in Service Organizations, focusing on how evaluation systems affect profitability and efficiency among U.S.-based service firms. The study employed a longitudinal design covering five years and analysed data from 200 organizations using structural equation modelling. Findings showed that firms that consistently evaluated strategic performance through scorecards achieved higher profitability, customer retention, and process efficiency. The study demonstrated that feedback-driven evaluation fosters continuous improvement. However, being conducted in developed economies, its findings may not fully represent the realities of SMEs in developing contexts, presenting a contextual and evidence-based gap that the current study fills by focusing on professional service SMEs in Kisumu County.

Nkosi, Moyo, and Ndlovu (2021) carried out a study titled Monitoring and Evaluation as Predictors of Financial Performance in Small and Medium Enterprises in South Africa. The study explored how monitoring frequency, feedback systems, and corrective actions influence profitability and liquidity. Using a descriptive quantitative design, data were collected from 180 SMEs and analysed using regression analysis. Results indicated that firms conducting regular evaluations experienced improved cost efficiency and decision-making accuracy. The study emphasized that evaluation serves as an early warning system for financial decline. However, the research was limited to South Africa, a country with different institutional and market dynamics, thereby creating a contextual gap that the present study addresses by examining Kenyan SMEs.

Ochieng and Were (2022) examined Financial Forecasting and Strategic Evaluation Practices among SMEs in Nairobi County, Kenya, focusing on how evaluation frequency, variance analysis, and feedback mechanisms affect revenue growth and profitability. The study used a descriptive research design with a sample of 120 SMEs drawn from different service sectors. Data were collected through questionnaires and analysed using SPSS software. Findings revealed that firms engaging in monthly evaluations and variance analyses recorded a 20% higher growth in revenues compared to those that did not. The study concluded that structured evaluation enhances accountability and decision-making. However, the study did not examine the combined effect of implementation and evaluation, creating a conceptual gap that the current study addresses by analysing both variables simultaneously within the same model.

Collectively, these studies confirm that both strategy implementation and strategy evaluation are critical determinants of financial performance. However, most prior research has examined these constructs independently, focused on large or manufacturing firms, and used contexts outside professional service SMEs. This study therefore contributes to existing literature by integrating both strategy implementation and strategy evaluation within the same analytical framework and applying it to the underexplored context of professional service SMEs in Kisumu County, Kenya. By doing so, it addresses contextual, conceptual, and methodological gaps and provides new empirical insights into the drivers of financial performance among small and medium enterprises.

METHODOLOGY

This study adopted a descriptive research design to examine the effect of strategy implementation and strategy evaluation on the financial performance of professional service SMEs in Kisumu County, Kenya. The design was appropriate because it allowed for the collection of quantitative data describing existing relationships among variables without manipulating the research environment. The target population comprised 245 registered professional service SMEs drawn from consultancy, accounting, legal, architectural, and engineering sectors within Kisumu County. Using Yamane's (1967) formula, a sample size of 152 SMEs was determined and selected through stratified random sampling to ensure representation across all service categories. The study relied on primary data, collected using structured questionnaires containing both closed and Likert-scale questions. The instruments were pre-tested for reliability through a pilot study, and Cronbach's Alpha coefficient of 0.83 confirmed internal consistency. Validity was established through expert review by academic supervisors and industry professionals to ensure that the questionnaire items adequately represented the study constructs.

Data were analysed using the Statistical Package for Social Sciences (SPSS) version 28, employing both descriptive and inferential statistics. Descriptive statistics such as means, frequencies, and standard deviations were used to summarize respondent opinions, while inferential statistics specifically multiple linear regression analysis were used to test the effect of strategy implementation and strategy evaluation on financial performance. The level of significance was set at 0.05. The regression model used for analysis was expressed as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon \text{Where:}$$

Y = Financial Performance

X₁ = Strategy Implementation

X₂ = Strategy Evaluation

β₀ = Constant (intercept)

β₁, β₂ = Regression coefficients

ε = Error term

This model was used to determine the nature and strength of the relationship between the two independent variables (strategy implementation and strategy evaluation) and the dependent variable (financial performance). The results were presented using tables and interpreted in relation to the study objectives.

FINDINGS AND DISCUSSION

This section presents, analyses, and interprets the findings of the study, which sought to determine the effect of strategy implementation and strategy evaluation on the financial performance of professional service SMEs in Kisumu County, Kenya. Descriptive statistics were used to summarize respondents' opinions on each variable, while regression analysis quantified the effect of both variables on financial performance. The results are discussed in relation to the study objectives, theories, and prior empirical studies.

Descriptive Analysis

Table 1: Descriptive Findings on Strategy Implementation

Statement	Mean	Std. Dev	Interpretation
Strategy implementation enhances operational efficiency and profitability.	4.22	0.81	Agree
Employees clearly understand their roles in executing the organization's strategy.	4.14	0.79	Agree
Adequate resources are allocated to support implementation of strategic plans.	4.16	0.82	Agree
Leadership involvement improves the effectiveness of strategy execution.	4.19	0.77	Agree
Coordination and communication enhance implementation success.	4.11	0.84	Agree
Overall Mean	4.16	0.81	Agree

The results in Table 1 show that professional service SMEs in Kisumu County have generally adopted effective strategy implementation practices, with an overall mean of 4.16 and a standard deviation of 0.81. Respondents strongly agreed that strategy implementation enhances operational efficiency and profitability (Mean = 4.22), underscoring its role as a key driver of organizational success. Leadership involvement and resource allocation were also rated highly (Means = 4.19 and 4.16, respectively), suggesting that senior management support and adequate resourcing are critical for execution success. These findings are consistent with Hrebiniak (2013), who emphasized that clear communication, leadership engagement, and resource alignment determine the success of strategic initiatives. Similarly, Koech and Muturi (2023) found that active participation of management and employees in implementation improves profitability in

Kenyan organizations. The results thus affirm that professional service SMEs that foster teamwork, leadership commitment, and resource adequacy are more likely to achieve positive financial outcomes.

Table 2: Descriptive Findings on Strategy Evaluation

Statement	Mean	Std. Dev	Interpretation
Regular evaluation helps track the progress of implemented strategies.	4.21	0.79	Agree
Corrective actions are applied promptly based on evaluation feedback.	4.15	0.81	Agree
Evaluation results inform future decision-making.	4.18	0.83	Agree
Performance monitoring ensures accountability and efficiency.	4.14	0.8	Agree
Variance analysis identifies deviations from strategic targets.	4.1	0.84	Agree
Overall Mean	4.16	0.81	Agree

The findings in Table 2 indicate that strategy evaluation is widely practiced among professional service SMEs, with an overall mean score of 4.16. The majority of respondents agreed that regular evaluation helps track strategic progress (Mean = 4.21), and that evaluation results guide future decision-making (Mean = 4.18). These findings demonstrate that continuous monitoring and feedback loops are essential for maintaining strategic alignment and improving performance. The results align with Kaplan and Norton (2022), who asserted that periodic evaluation through systems such as the Balanced Scorecard enhances accountability and learning within organizations. Similarly, Nkosi, Moyo, and Ndlovu (2021) found that SMEs engaging in regular performance evaluation experience improved decision-making and profitability. The current findings confirm that evaluation enables professional service SMEs to make informed strategic adjustments, identify inefficiencies, and foster a culture of continuous improvement, which ultimately contributes to financial success.

Regression Analysis

Table 3: Regression Analysis Results

Model	Unstandardized B	Std. Error	Beta	t	Sig.
Constant	0.528	0.184	–	2.87	0.005
Strategy Implementation (X ₁)	0.229	0.083	0.398	3.24	0.001
Strategy Evaluation (X ₂)	0.263	0.078	0.417	4.87	0.000
R	0.851				
R ²	0.724				
Adjusted R ²	0.717				
F (2,149)	70.162				0.000

The regression model presented in Table 3 demonstrates a strong and statistically significant relationship between strategy implementation, strategy evaluation, and financial performance among professional service SMEs in Kisumu County. The model yielded an F-statistic of 70.162 ($p < 0.001$), signifying that the overall model was robust and that the independent variables jointly predicted financial performance effectively. The R-value of 0.851 indicates a strong positive correlation between the variables, while the coefficient of determination ($R^2 = 0.724$) reveals that 72.4% of the variation in financial performance can be explained by strategy implementation and strategy evaluation. This suggests that the ability of SMEs to execute and evaluate their strategies contributes substantially to their profitability, liquidity, and long-term financial growth, leaving only 27.6% of the variation to be accounted for by other factors such as market competition, macroeconomic conditions, and leadership styles.

Individually, both predictors were statistically significant and positively influenced financial performance. Strategy implementation ($\beta = 0.229$, $p = 0.001$) indicates that efficient execution of strategic plans through leadership commitment, employee participation, and proper resource allocation leads to measurable financial improvement. Similarly, strategy evaluation ($\beta = 0.263$, $p < 0.001$) emerged as a stronger predictor, signifying that organizations that consistently monitor, assess, and refine their strategies achieve superior financial results. The higher coefficient for evaluation implies that while effective execution drives performance, continuous assessment ensures sustainability and adaptability. These findings align with Kaplan and Norton (2022), who argued that performance tracking through balanced metrics ensures strategic alignment and accountability, and with Teece et al. (1997), who emphasized that adaptive capability and learning enhance competitiveness in dynamic markets.

The positive and significant results also corroborate prior empirical research. Koech and Muturi (2023) established that leadership-driven implementation significantly improves profitability in Kenyan financial institutions, while Nkosi, Moyo, and Ndlovu (2021)

found that frequent evaluation and feedback mechanisms positively influence efficiency and liquidity among SMEs in South Africa. The findings further support Ochieng and Were (2022), who reported that regular evaluation and corrective action improved revenue growth among Nairobi-based SMEs. Taken together, the results of this study provide strong empirical support for the argument that both implementation and evaluation are mutually reinforcing processes that determine the financial health of SMEs. Firms that effectively translate plans into action and continuously assess progress are better positioned to make data-driven decisions, optimize resources, and achieve sustainable performance.

From a theoretical standpoint, the results validate the Balanced Scorecard Model, which posits that integrating financial and non-financial performance metrics enhances strategic control and organizational learning. They also affirm the Dynamic Capabilities Theory, which views the ability to reconfigure resources and adapt to change as a key determinant of sustained competitiveness. Strategy implementation corresponds to the “seizing” capability in DCT, where resources are mobilized to capture opportunities, while evaluation embodies the “sensing” and “transforming” capabilities that promote organizational renewal. Therefore, the findings emphasize that financial performance in professional service SMEs is a product of both operational excellence (through implementation) and strategic adaptability (through evaluation), reinforcing the central thesis that execution and feedback must coexist for organizations to thrive.

CONCLUSION

The study set out to examine the effect of strategy implementation and strategy evaluation on the financial performance of professional service SMEs in Kisumu County, Kenya. Based on the findings, it is concluded that both strategy implementation and evaluation significantly enhance financial performance by improving operational efficiency, profitability, and decision-making. The regression analysis showed that 72.4% of the variance in financial performance could be explained by the two variables, highlighting their combined importance in achieving sustainable growth. Firms that translate strategic plans into well-coordinated actions supported by proper resource allocation, leadership commitment, and employee engagement achieve measurable financial improvements. Equally, firms that continuously monitor their strategies, evaluate progress, and implement corrective measures sustain superior performance and resilience against market fluctuations.

The findings provide strong theoretical validation for both the Balanced Scorecard Model and the Dynamic Capabilities Theory. The Balanced Scorecard emphasizes the integration of financial and non-financial indicators to ensure strategic alignment and performance measurement, while the Dynamic Capabilities Theory underscores the need for adaptability, learning, and renewal in response to changing environmental conditions. Together, these frameworks explain why SMEs that implement strategies

effectively and evaluate them consistently are more likely to achieve financial success. Implementation corresponds to operational excellence, whereas evaluation ensures adaptability and learning a dual capability necessary for sustained competitiveness. The study therefore, concludes that financial performance among professional service SMEs is not merely a product of planning but a dynamic outcome of well-executed and continuously evaluated strategic processes.

Beyond confirming theoretical relationships, this study also contributes empirically by addressing contextual and conceptual gaps in prior literature. Earlier studies tended to focus on large organizations or analysed strategy implementation and evaluation independently. By examining both variables simultaneously within the context of professional service SMEs, this study provides an integrated perspective on how execution and feedback mechanisms interact to drive financial results. The findings highlight that sustainable performance in SMEs depends on developing institutionalized systems that support disciplined execution and continuous strategic learning a hallmark of adaptive and competitive organizations in evolving business environments.

RECOMMENDATIONS

Drawing from the study's findings, several practical and policy recommendations are proposed to strengthen strategic management practices and improve the financial performance of professional service SMEs in Kisumu County and similar contexts. First, it is recommended that SME managers institutionalize structured strategy implementation frameworks that promote leadership involvement, teamwork, and accountability. Implementation should be guided by clear operational plans that define roles, responsibilities, timelines, and performance targets. To enhance execution discipline, managers should adopt digital tools such as performance dashboards, project management software, and business intelligence systems to monitor progress and ensure transparency. Resource allocation should also be prioritized to avoid implementation delays and inefficiencies. Furthermore, leadership should cultivate a culture of communication and motivation that encourages employees to take ownership of strategy execution, fostering alignment between daily activities and organizational objectives.

Secondly, the study recommends that professional service SMEs embed formal strategy evaluation systems within their organizational structures to facilitate continuous learning and adaptation. Evaluation should be integrated into regular management cycles using frameworks such as the Balanced Scorecard and Key Performance Indicators (KPIs) to monitor financial and operational outcomes. SMEs should conduct quarterly and annual reviews to measure progress against strategic goals and use the findings to refine their strategies. Managers should also invest in capacity building to strengthen analytical skills in data interpretation, variance analysis, and decision-making. From a policy perspective, government agencies such as the Micro and Small Enterprise Authority (MSEA) and county governments should design training programs and incentives to promote

structured evaluation and performance monitoring among SMEs. Providing technical assistance, tax rebates, and innovation grants to firms that demonstrate effective implementation and evaluation practices can enhance competitiveness and stimulate sustainable economic growth.

Overall, the study recommends that professional service SMEs move beyond short-term operational planning and adopt a holistic strategic management approach that integrates execution excellence with continuous evaluation. By doing so, these enterprises can enhance financial discipline, operational agility, and long-term resilience in an increasingly volatile business environment. Future research may extend these findings by examining moderating variables such as technological capability, leadership style, and organizational culture, or by applying longitudinal designs to assess how strategy implementation and evaluation influence financial performance over time.

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