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Influence of Relational Capability on the Performance of Small and Medium-Sized Manufacturing Enterprises in Nairobi City County, Kenya

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Abstract

Small and medium-sized manufacturing enterprises (SMEs) play a pivotal role in driving economic growth and fulfilling developmental goals. This study aims to investigate the impact of relational capability on the performance of small manufacturing enterprises within Nairobi City County. Additionally, it explores the moderating role of environmental dynamism on the relationship between technological entrepreneurship and the performance of SMEs in this region of Kenya. The target population for this research comprised 425 SMEs registered with the Kenya Association of Manufacturers in Nairobi City County as of December 31, 2022. A sample size of 135 SMEs was determined using the Nasiurma (2000) model, with a focus on business owners and managers. To ensure representative sampling, the study utilized a proportionate stratified random sampling technique. A pilot study was conducted to evaluate the research instrument's reliability and validity; internal consistency was measured using Cronbach's coefficient alpha, and expert consultations enhanced the questionnaire's content and face validity. Data analysis and interpretation were carried out using the Statistical Package for Social Sciences (SPSS) version 26. The analysis included multiple linear regression to assess the relationship between independent and dependent variables, alongside an F-test to evaluate the overall significance of the research model and its components. The findings indicated a significant relationship between relational capability (X_4) and the performance of SMEs, supported by regression model results ($F(1, 118) = 84.885$, p-value = 0.000), which confirmed that relational capability is a valid predictor within the model. Consequently, this study concludes that relational capability substantially influences the performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya.In light of these findings, the research recommends that the Micro and Small Enterprises Authority, as the regulatory body for SMEs, develop a legal and regulatory framework that recognizes and supports these enterprises. This framework should facilitate easier licensing, supervision, and the adoption of standardized processes and procedures drawn from sector-wide guidelines. Furthermore, preferential treatment should be afforded to SMEs to promote their growth and enable their transition to more established manufacturing entities, a mandate that aligns with the objectives of the Kenya Association of Manufacturers. Lastly, it is recommended that SMEs prioritize the establishment of robust customer relationships through effective customer relationship management to ensure long-term business.

Keywords: *Small and medium-sized manufacturing, enterprises, Relational Capability, Performance*

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1. Introduction

Technological entrepreneurship is conditioned largely by endogenous factors in enterprises, including primarily the qualifications and expertise of employees and their ability to implement innovative solutions into business practice (Obialor, 2023). A significant impact on the development of technological entrepreneurship is also made by the business ecosystem covering a wide spectrum of cooperation with business environment institutions and by external factors that influence the formation of technology firms (Wang, 2021).

According to Suchek *et al.* (2022), the concept of technological entrepreneurship incorporates four main sets of activities relating to creating new technologies and identifying existing technologies, the recognition and matching of opportunities arising from the application of these technologies to emerging market needs, technology development, and application; then lastly business creation. It focuses mainly on small technology firms and external factors that influence their formation. It also addresses the consequences of technology-based business and engineering entrepreneurship and the interdependence between small-firm initiatives and the external infrastructure that contributes to science and technology advances, which describes the systems that support the foundation of new technology firms, the establishment of a new technology venture and different types of technical entrepreneurs (Emami *et al.*2022).

Enterprise capacity to coordinate, manage, and communicate with other enterprises reflects relational capabilities. The literature further explains that these relational aspects are internal capabilities of interest to enterprises. Relational capabilities promote the capacity for configuration, customer communication, and enterprise process control (Liu, 2021). Network linkages with high relational embeddedness improve access to and transmission of fine-grained information as well as, more crucially, inferred information and know-how between enterprises inside the network (Wang *et al.* 2020). Enterprises tend to communicate more frequently and intensely when they are close to one another. This closeness enhances their willingness to share information and improves their ability to assimilate and utilize new knowledge and insights quickly. The development of relational competencies, which involves a carefully designed mix of management and governance systems, leads to a relational advantage. This advantage allows two or more parties to collaboratively create value and learning processes while utilizing shared resources and capabilities to accomplish their shared process objectives (Ansell & Torfing, 2021). This study surveys the influence of relational capability on the performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya.

1.1 Problem Statement

Small enterprises are the engines for innovations and economic growth and they represent 33.8% of the country's output, making them Kenya's economic engine (Onyango *et al.* 2023). Small firms have been crucial in introducing novel concepts, goods, and services to the market while generating employment opportunities for people with specialized knowledge. The disruption of Technology has seen tremendous improvement in Products created through entrepreneurial ventures. Innovation and entrepreneurship therefore are two interrelated concepts that effectively address job creation and economic growth when used strategically (Shkabatur *et al.*, 2022).

Although the manufacturing sector has enormous potential to transform the economy, it has only seen modest growth over the years, with its GDP contribution declining from 9.3% in 2016 to 7.2% in 2022 (Kariuki, 2023). The manufacturing sector's overall output is expected to reach $8.88 billion in 2023, a 9.89% increase from 2021, and $8.08 billion in 2021, a 5.59% increase from 2020. This growth pales compared to the 10% yearly growth rate that Vision 2030 anticipates. As of the end of 2022, 46.3% of small enterprises closed down, according to a Micro Small and Medium Enterprises (MSMEs) study, raising questions about the sector's sustainability (Akoth & Mutabazi, 2023).

Giraldi *et al.* (2023) reviewed how relational capability influenced the success of business partnerships and used a case study to evaluate the influence of relational capabilities on the progress of an alliance between start-ups and small and medium-scale enterprises. A case study was used to evaluate the influence of relational capability on the progress of an alliance between a start-up and a small and medium-scale enterprise. The evaluation was performed using a questionnaire. The study found evidence that poor relational capabilities lead to confusion, a sense of exclusion, and a lack of collaboration amongst members and the results confirmed that improving relational capabilities and aligning the allies' capabilities positively affected the alliance's performance. However, it is not clear how relational capability influences the performance of small and medium-sized manufacturing enterprises**.** Hence the knowledge gap that this study seeks to address.

1.2 Study Objectives

i. To determine the influence of relational capability on the performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya

ii. To establish the moderating effect of environmental dynamism on the relationship between relational capability and performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya.

1.3 Research Hypotheses

i. H_{01}: Relational Capability has no significant influence on the performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya.

ii. H_{02}: The moderating effect of environmental dynamism has no significant moderating influence on technological entrepreneurship and the performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya.

2. Literature Review

2.1 Theoretical Review

Contingency theory was founded by Fiedler (1964) and proposes that performance is dependent on how well its internal resources, organizational design, and operational methods mesh with the environment in which it functions, and political, economic, social, and technological aspects are all part of the external environment (Rani *et al.,* 2021). The concept of fit in contingency theory denotes how well an enterprise's traits match those of the environment in which it operates, and it is a key notion in contingency theory. While a bad match can result in inefficiency and even failure, a good fit can increase an enterprise's chances of success (Aubry & Lavoie, 2018). The understanding that there is no one-size-fits-all strategy for enterprise design and administration is a major component of contingency theory.

Different enterprises may require different structures, resources, and strategies depending on the specific environmental conditions in which they operate. A company working in a more dynamic, uncertain environment could require a structure that is more adaptable and flexible, whereas one operating in a highly regulated industry might need a more rigid, hierarchical structure to adhere to regulations. The significance of constant monitoring and adaptation to keep the enterprise's structure, resources, and strategies in line with shifting environmental conditions is also acknowledged by contingency theory and this necessitates a readiness to adapt organizational design to changing conditions and to maintain a good fit with the environment (Errida & Lotfi, 2021).

The key tenet of the theory is the assumption of equifinality, which states that there are numerous paths to performance and that the best one to choose depends on the circumstances surrounding the particular firm in question (Bley, 2021), suggesting that a one-size-fits-all approach to strategy may run into various headwinds. A firm may perform better with a more organic structure having a flatter hierarchy and less formal control; when a firm's technological environment is characterized by rapid change or turbulence, a more mechanistic structure with a formal, top-down, and centralized structure may be better hence entrepreneurship research continues to draw the use of contingency theory in day-to-day application.

Kobrin (2022) noted that compared to new enterprises dealing with simpler client environments, enterprises dealing with complicated customer environments should avoid high levels of formalization. Similar postulation shows that chief executive officers with an entrepreneurial mindset help their companies to succeed more in low-capital and dynamic circumstances. To effectively address the types of customer-driven complexity, start-up businesses should align with the proper structural compositions of the firm, and enterprises with low customer complexities benefit from high formalization whereas those with high customer complexities benefit more from low formalization (Karplus *et al.*, 2021).

Additionally, a wide range of factors that have been used and integrated in various ways have been employed using this theoretical lens and even though contingency theory has been widely applied and has proven to be quite effective, its extensive range of applications to entrepreneurship research has not had a clear cumulative understanding. The field of entrepreneurship is widely regarded as fragmented and literature goes so far as to indicate that the field of entrepreneurship is one in which researchers pick and choose variables for analysis without attention to their theoretical relevance, leading to confusion about the causal chain that connects these variables and as a result, models can occasionally seem to be a random assortment of variables that may have been selected mainly for data accessibility (Gross, 2018).

An enterprise's level of entrepreneurship which is influenced by the external environment contributes to high performance and when structure and context match, enterprise performance results and that is what denotes contingency fit (Shahzad *et al.*, 2020). Examining how well entrepreneurial activity fits with contextual aspects including the environment, strategy, and industry life cycle helps in explaining the impact of the entrepreneurial activities. The external environment also affects the relationship between the level of entrepreneurship in an enterprise and performance hence this theory explains relational capability, environmental dynamism, and performance as variables in this study.

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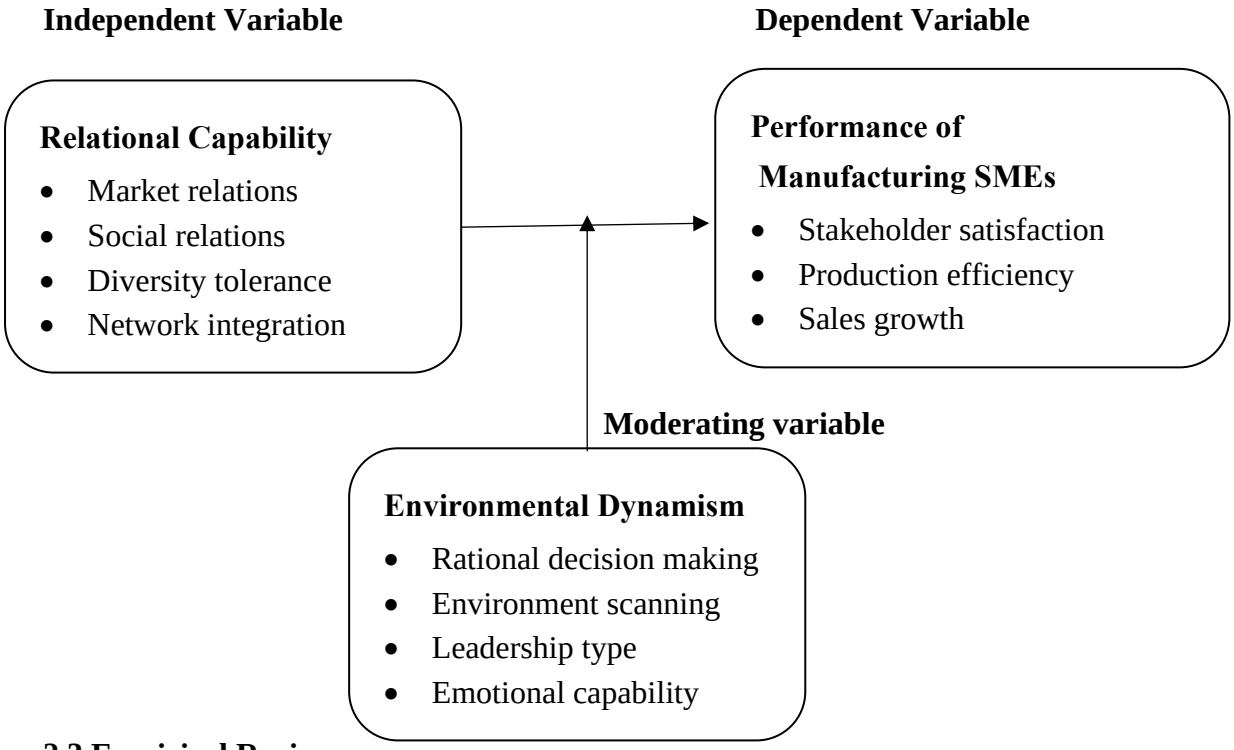
2.2 Conceptual Framework



2.3 Empirical Review

From the perspective of an enterprise's internal capabilities, relational capabilities are seen as a valuable asset and the accelerated access to information, the encouragement of innovation, and the creation of competitive advantage are all directly tied to relational competencies (Arora & Siddiqui, 2022). Business interactions and an effort to build informational and relational capital by incorporating outside information are also included in relational capabilities. Relationship skills are often linked to an enterprise's capacity for collaboration and the growth of its reputation among its affiliates. These programs primarily focus on actions that improve the enterprise's ties and relationships with its employees, customers, and other stakeholders (Mubushar *et al.*, 2021).

Relational capabilities are skills that are formed in inter-firm connections and promote the development of inter-organizational teams, integrated operational procedures, and the facilitation of information sharing (Ceesay, 2022). To obtain a competitive advantage, relationship skills focus on an enterprise's capacity to engage with partners, manage business communications, speed up information access, and foster creativity inside the network. Literature demonstrates the importance of establishing and maintaining trustworthy relationships with clients, partners, and distributors. Networks and strategic partners can be leveraged to develop resources both inside and outside of the business, and enterprises with strong relational skills can more quickly access information and data about relationships through the members of their network. The effectiveness of relational capability is dependent on market dynamism, most particularly when competition intensifies, the impact of customer linking capability declines, whereas the impact of strategic partnering capability on dynamic capability becomes stronger (Singh *et al.,* 2022). The levels of competition intensity and regulatory restrictions, an outcome of the type of economy, had negative intervening effects, with varying intensities across economies. Mishra and Dorson (2022) proposed that a multi-national service company needed to develop dynamic customer-oriented relational capabilities,

constituting dynamic service customization, dynamic customer integration, and dynamic timeliness of service delivery capabilities, to gain competitive advantage and performance in its internationalization efforts. (Giraldi *et al.*, 2023) aver, that poor relational capabilities lead to confusion, a sense of exclusion, and a lack of collaboration among members, and the results confirmed that improving relational capabilities and aligning the allies' capabilities positively affected the alliance's performance.

3. Methodology

This study adopted a cross-sectional survey research design. Research design is a broad strategy for organizing data collection and analysis to accomplish the study's objectives through empirical evidence methodically and cost-effectively (Sachin & Rajesh, 2022). This served as a guide for data gathering, assessment, and analysis to achieve the stated goals (Hoerl & Snee, 2020). The prevalence of phenomenon and conditions were determined on technological entrepreneurship by involving a cross-section of the population of the study. Questionnaires were used to collect data and analyze and conclusions were derived.

The target population of this study comprised 425 small and medium-sized manufacturing enterprises listed as members of the Kenya Association of Manufacturers based in Nairobi City County. This included; Building, Mining and Construction, Chemicals and Allied, Energy, Electrical and Electronics, Agriculture and Fresh Produce, Food and Beverages, Leather and Footwear, Metal and Allied, Automotive, Paper and Board, Pharmaceutical and Medical Equipment, Plastics and Rubber, Textiles and Apparel and Timber. The accessible population was made up of owners of the enterprises. Where the owner of the enterprise was not available a suitable manager was availed.

The researcher employed both quantitative and qualitative methods to gather data. The data were analyzed using version 26 of the Statistical Package for Social Sciences (SPSS). Inferential statistics, including factor analysis and correlation analysis, were used to assess the relationships and directions of influence between predictor and criterion variables. For the qualitative data, content analysis was performed by categorizing the data and then analyzing these categories through both conceptual and relational analyses. Conceptual analysis aimed to identify the presence and frequency of concepts, themes, or characters within the data, while relational analysis explored the interrelationships among these concepts in the text. Correlation analysis was used to examine the relationship between variables and regression analysis was employed to assess their impact further.

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4. Results and Discussion

4.1 Descriptive Statistics

Table 1: Relational Capability

Statement	SD (%)	D (%)	ND (%)	A (%)	SA (%)	Mean	Std. Dev.
Our firm strives to establish close business ties with customers.	0	.8	40	43.3	15.8	3.74	.728
Our customers usually provide feedback on their product quality expectations.	0	0	23.3	45	31.7	4.08	.740
Our firm always endeavors to create long-lasting relationships with customers.	0	0	28.3	41.7	30	4.02	.767
Our firm continuously strives to build a mutual benefit-based relationship with customers.	0	3.3	27.5	45.8	23.3	3.89	.797
Our firm maintains external visibility for better liaisons with stakeholders.	0	0	28.3	48.3	23.3	3.95	.720
Our firm pursues better governance and alignment of incentives.	0	0	29.2	51.7	19.2	3.90	.691
Our firm promotes trust and interdependence among stakeholders.	0	.8	33	47.5	18.6	3.83	.726
Alliances with technology, intermediaries are harnessed by our firm.	0	0.3	38	40	21.6	3.82	.752

n = 120 *Mean = (Strongly Disagree = 1 – 1.8; Disagree = 1.9 – 2.6; Neither Agree nor Disagree = 2.7 – 3.4; Agree = 3.5 - 4.2; Strongly Agree = 4.3 – 5.0)

Respondents provided views on various statements relating to relational capability and the findings obtained are presented in Table 1

The results presented in Table 1 showed that the standard deviation for each of the statements was less than two (< 2) indicating that the responses generally converged towards the mean score. The responses showed strong convergence in opinion on the item about customers providing feedback on product quality expectations where 76.7% of the respondents agreed with the statement, with 23.3% of the respondents neither agreeing nor disagreeing with the statement (M=4.08, SD=.740). Responses also converged on firms always striving to create long-lasting relationships with customers whereby 71.7% of the respondents agreed with the statement while 28.3% of the respondents were ambivalent (M=4.02, SD=.767).

Further convergence in opinion was about firms maintaining external visibility for better liaisons with stakeholders and 71.6% of the respondents agreed with the statement while 28.3% of the respondents (M=3.95, SD=.720). On the statement about firms pursuing better governance and alignment of incentives, 70.9% of the respondents agreed but 29.2% of the respondents were indifferent (M = 3.90, SD = .691). Additionally, on the statement about firms continuously striving to build a mutual benefit-based relationship with customers, 69.1% of the respondents agreed with the statement while 27.5% were undecided 3.3% of the respondents disagreed with the statement (M =3.89, SD = .797).

The least convergence in opinion was recorded on the item about firms striving to establish close business ties with customers whereby only 59.1% of respondents agreed with the statement and a whopping 40% of the respondents neither agreed nor disagreed with the

statement indicating indecisiveness about the obtaining dynamics on the subject and a paltry 0.8% out rightly disagreed with the statement. On which other enterprises' internal capabilities promoted performance, 36% of respondents indicated that firms' resource endowments contributed to a great extent especially available equipment, facilities, and raw materials. 23% noted the financial capacity of firms since it enabled procurement of working materials. 20% indicated that technological abilities contributed to the performance of firms and lastly, 20% noted that better intra-organizational management was key.

The least convergence in opinion was recorded on the item about firms striving to establish close business ties with customers whereby only 59.1% of respondents agreed with the statement and a whopping 40% of the respondents neither agreed nor disagreed with the statement indicating indecisiveness about the obtaining dynamics on the subject and a paltry 0.8% out rightly disagreed with the statement. On which other enterprises' internal capabilities promoted performance, 36% of respondents indicated that firms' resource endowments contributed to a great extent especially available equipment, facilities and raw materials. 23% noted the financial capacity of firms since it enabled procurement of working materials. 20% indicated that technological abilities contributed to performance of firms and lastly, 20% noted that better intra-organizational management was key.

The findings concur with Farida (2021) who reviewed network capability, relational capability and manufacturing SME performance and the results indicated that relational capability improved product innovation and business performance. This study's results support Buhasho *et al.,* (2021) who reviewed the moderating effect of organizational capability on business intelligence capability and performance among publicly listed firms and revealed that organizational capability had a positive and significant moderating impact. The findings also concur with Ilmudeen *et al.,* (2021) who revealed that information technology-enabled dynamic capability dimensions had a positive and significant relationship with firm innovative capability types, which in turn had a significant relationship with performance except process innovation.

The findings concur with Singh *et al.* (2023) who reviewed relational capabilities and performance by examining the moderation-mediation effect of organization structures and dynamic capability and findings suggested that firms with strong relationships with their customers and strategic partners had better access to knowledge resources, which positively influenced their dynamic capability and enterprise performance. Further, it found that centralized or formalized organization structures decreased the effectiveness of firms' relational capabilities. Lastly, the study uncovered that the association between firm performance and relational capabilities was mediated by dynamic capability. The subject study similarly agrees with Giraldi *et al.* (2023) who reviewed how relational capability influenced the success of business partnerships and found evidence that poor relational capabilities lead to confusion, a sense of exclusion, and a lack of collaboration among members, while confirming that increased relational capabilities and aligning the allies' capabilities positively affected the alliance's performance.

This study's findings contrasted with Singh *et al.* (2022) who explored the effect of relational capability on dynamic capability and the role of competitive intensity and environmental uncertainty and found that customer linking capability and strategic partnering capability were important drivers of dynamic capability. However, the effectiveness of relational capability was dependent on the market dynamism with marketing linking capability affected to a great extent inferring that relational capabilities did not influence organizational performance.

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Table 2: Environmental Dynamism

Statement	SD (%)	D (%)	ND (%)	A (%)	SA (%)	Mean	Std. Dev.
In our firm, we match up with changes in the technological space.	0	0	39.1	46.7	14.2	3.75	.689
Our firm seeks to align with actions that happen in the marketplace.	0	0	25	47.5	27.5	4.03	.727
Our firm always responds to changes in customer demands.	0	0	16.7	58.3	25	4.08	.643
Our firm keeps monitoring changes in market trends and innovations.	0	.8	30.8	45	23.3	3.91	.756
Decision-making in our firm varies based on the obtaining dynamics.	0	0	27.5	43.3	29.2	4.02	.756
Our firm ensures that changes in customer preferences are attended to.	0	6.7	34.2	40	19.2	3.72	.852
Our firm usually aligns production to changes in the materials supply chain.	0	0	41.7	42.5	15.8	3.74	.716
Technological complexity contributes to our firm's innovativeness.	0	0	30.8	40.8	28.4	3.98	.772

n = 120 *Mean = (Strongly Disagree = 1 – 1.8; Disagree = 1.9 – 2.6; Neither Agree nor Disagree = 2.7 – 3.4; Agree = 3.5 - 4.2; Strongly Agree = 4.3 – 5.0)

From the findings in Table 2, the standard deviation for all statements was below two (< 2) indicating that respondents' answers converged towards the mean. The responses converged more about firms always responding to changes in customer demands with a whopping 83.3% of the respondents acceding to the statement and only 16.7% of the respondents neither agreeing nor disagreeing with the statement (M=4.08, SD=.643). Additionally, strong convergence was on firms seeking to align their actions to happenings in the marketplace whereby 75% of the respondents agreed with the statement while 25% neither agreed nor disagreed with the statement (M=4.03, SD=.727). Moreover, strong convergence in opinion was on the statement about decision-making in firms varying based on the obtaining dynamics and 72.5% of the respondents agreed with the statement while 27.5% of the respondents remained ambivalent (M=4.02, SD=.756).

The statement on technological complexity contributing to firms' innovativeness had 69.2% of the respondents in the affirmative, while the remaining 30.8% neither agreed nor disagreed with the statement. Additionally, 68.3% of the respondents agreed with the statement that firms kept monitoring changes in market trends and innovations while 30.8% of the respondents neither agreed nor disagreed while a paltry 0.8% of the respondents disagreed with the statement (M = 3.91, SD = .756). On the statement about firms matching up with changes in the technological space, 60.9% agreed with the statement while a marked 39.1% neither agreed nor disagreed (M = 3.75, SD = .689).

The item that returned the lowest convergence in opinion was one about firms ensuring that changes in customer preferences were attended to and 59.2% of the respondents were in agreement with the statement while 34.2% neither agreed nor disagreed but 6.7% disagreed with the statement (M = 3.72, SD = .852). An open-ended question was posed on how market turbulence affected firms' performance and 58% of the responses coalesced around statutory regulations being on the forefront of impacting their general execution of mandate, with 10% citing wanton introduction of levies and overreach in supervision which inhibited free business

environment. 23% noted that technological advancements impacted firms' day-to-day operations and a sizable number of small and medium enterprises did not have the requisite money transfer technologies.

Feng *et al.* (2022) studied the impact of knowledge management capabilities on innovation performance from a dynamic capabilities' perspective with the moderating role of environmental dynamism. Study results showed that information systems capabilities were positively associated with supply chain collaboration. Both supplier collaboration and customer collaboration were positively related to quality performance and supplier collaboration had a positive effect on customer collaboration. Environmental dynamism significantly moderated the relationship between customer collaboration and quality performance. This study concurs with Suder and Okręglicka (2023) who examined the moderating effect of environmental dynamism and hostility on entrepreneurial orientation and performance relationship and noted a partial positive moderating effect of environmental dynamism on enterprise performance.

The findings concur with Chaudhuri *et al.* (2023) who studied green supply chain technology and organizational performance with the moderating role of environmental dynamism and product-service innovation capability and found that environmental dynamism and product-service innovation capability had moderating impacts on adopting green supply chain technology and enterprise performance. The findings were also in line with Mutisya and K'Obonyo (2023) who found that there was a joint effect of enterprise ambidexterity, design, and environmental dynamism on the performance of large manufacturing firms in Kenya and was higher and statistically significant.

The findings contrast with Ahmed *et al.* (2022) who reviewed digital platform capability and organizational agility of emerging market manufacturing SMEs with the mediating role of intellectual capital and the moderating role of environmental dynamism and found that environmental dynamism had a negative moderating role on digital platform capability and intellectual capital. Additionally, the subject study's findings contrast with Chirchir (2022) who reviewed supply chain integration, competitive advantage, environmental dynamism, and performance of large-scale manufacturing firms in Kenya and found that environmental dynamism had an overall significant and negative moderating effect on the link connecting supply chain integration to overall firm performance.

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Table 3: Performance of small and medium size manufacturing enterprises

Statement	SD (%)	D (%)	ND (%)	A (%)	SA (%)	Mean	Std. Devn.
Our firm always strives to realize customer satisfaction.	0	0	36.7	40	23.3	3.87	.766
Our firm usually works towards attaining customer retention.	1.7	16.7	40	27.5	14.2	3.36	.977
In our firm, we continuously adopt steps to garner production efficiency.	5.0	14.2	35	30	15.8	3.37	1.070
Our firm has put in place mechanics to ensure effectiveness of all staff in their roles.	0	8.3	40.8	43.3	7.5	3.50	.756
Our firm encourages staff members to improve productivity in their roles.	0	1.7	35.8	46.7	15.8	3.77	.730
High-quality goods are always offered to the marketplace by our firm.	0	0	48.3	42.5	9.2	3.61	.652
Our firm works continuously to grow sales volumes.	0	.8	36.7	45.8	16.7	3.78	.724
Our firm continually sets profitability targets.	0	.8	49.2	40.8	9.2	3.58	.668

n = 120 *Mean = (Strongly Disagree = 1 – 1.8; Disagree = 1.9 – 2.6; Neither Agree nor Disagree =2.7 – 3.4; Agree = 3.5 - 4.2; Strongly Agree = 4.3 – 5.0)

Results in Table 3 indicate that the standard deviation values for each of the statements under review returned values less than two (< 2) which meant that the responses did not significantly deviate from the mean. The findings showed that respondents' opinions converged more on the item about firms always striving to realize customer satisfaction with 63.3% of the respondents agreeing with the statement and 36.7% of the respondents neither agreeing nor disagreeing with the statement (M = 3.87, SD = .766). There was also strong convergence in opinion on the item about firms working continuously to grow their sales volumes with 62.5% of the respondents agreeing with the statement and 36.7% disagreeing with the statement while 0.8% disagreed (M = 3.78, SD = .724).

Further, strong convergence was realized on the item about firms encouraging staff members to improve productivity in their roles and 62.5% of the respondents agreed with the statement, while 35.8% of the respondents neither agreed nor disagreed with the statement and 1.7% of the respondents disagreed with the statement (M = 3.77, SD = .730). This study also found that 51.7% of the respondents indicated that high-quality goods were always offered to the marketplace by firms and a whole 48.3% of the respondents neither agreed nor disagreed with the statement (M = 3.61, SD = .652). On the statement about firms continually setting profitability targets, 50% of the respondents agreed with the statement while 49.2% of the respondents were ambivalent and 0.8% of the respondents disagreed with the statement (M = 3.58, SD = .668).

This study's findings that show widespread divergence in opinion include firms usually working towards attaining customer retention (M=3.36, SD=.977); and similar divergence was reported on the item about firms continuously adopting steps to garner good market share (M=3.37, SD=1.070). These findings are in contrast with Alam (2022) who reviewed supply

chain management practices and enterprise performance in the manufacturing industry, and found that strategic supplier partnership, knowledge management capability, and customer relationships significantly influence enterprise performance. These elements are shared in this study hence the reported pronounced divergence in opinions contrasts the conventional findings.

The findings are in conjunction with those of Kamal *et al.* (2023) who examined the effects of innovation capability on radical and incremental innovations and business performance relationships and found that innovation capability fully mediated the relationship between radical innovation and business performance and also found that firms with a low innovation capability had a strong effect on incremental innovation and business performance relationships. The subject study also concurs with Tsou and Chen (2023) who examined how digital technology usage benefits firm performance, focusing on digital transformation strategy and organizational innovation as mediators, and found that digital technology usage had positive influences on digital transformation strategy and innovation, which in turn influenced firm performance.

The findings agree with Oyerinde *et al.* (2023) who reviewed technological innovation and small and medium enterprises' sales growth and the study revealed that all the measurements of technological innovation measurement namely marketing innovation, entrepreneur innovativeness, and business environment have a positive significant relationship with small and medium enterprises sales growth. Jiang and Vannasathid (2023) reviewed technological innovation capability impacts on financial performance and growth performance and the results of the study showed that resource allocation capability, manufacturing capability, marketing capability, enterprise capability, and strategic planning capability positively impacted the financial performance of small and medium enterprises and the findings correspond to the subject study's findings.

Mukherjee *et al.* (2024) examined achieving enterprise performance by integrating the industrial Internet of Things in small and medium enterprises with a developing country's perspective where the findings suggested that adopting the industrial Internet of things in small and medium enterprises increased enterprise performance.

4.2 Regression Analysis

Regression Analysis of the Influence of Relation Capability on performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya.

The literature that was reviewed in this study as well as the theoretical reasoning associated with relational capability and the performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya. The performance was measured by stakeholder satisfaction, profitability, sales growth, and quality products. While relational capability was measured by market relations and social relations, diversity tolerance, and network integration. The following hypothesis was formulated and tested.

H01: There is no significant influence of relation capability on the performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya.

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Table 4: Model Summary of the influence of Relation Capability on the performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.646[a]	.417	.409	.34379

a. Predictors: (Constant), Relational Capability

The model summary in Table 4 indicated that the model has a good fit, with an R-square value of 0.417, meaning that 41.7% of the variance in the performance of small and medium-sized manufacturing enterprises can be explained by the relational capability while the other dimensions explain the remaining proportion.

Table 5 ANOVA of the influence of relation capability on the performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.942	1	5.942	84.885	.000[b]
	Residual	8.308	118	.070		
	Total	14.250	119			

a. Dependent Variable: Performance

b. Predictors: (Constant), Relational Capability

In Table 5 the ANOVA was used to show the overall model significance. Since the p-value is less than 0.05, it indicates a significant relationship between relational capability on performance of small and medium-sized manufacturing ($F = 84.885$ and p-value <0.05).

Regression Coefficients of the Influence Relation Capability on Performance of Small and Medium-sized manufacturing enterprises in Nairobi City County, Kenya. The following regression model was fitted $Y = 2.95 + 0.267\,X$ (X is Relational capability).

The survey findings showed that relational capability positively influenced the performance of small and medium-sized manufacturing enterprises ($\beta_4 = .267$, $t = 3.178$, p-value = 0.000). The findings from regression analysis indicated that relational capability significantly influenced the performance of small and medium-sized manufacturing enterprises. The model indicated a .267-unit improvement in the performance index of small and medium-sized manufacturing enterprises. Pearson's product-moment correlation coefficient for relational capability and performance of small and medium-sized manufacturing enterprises ($r = .646$, p-value = 0.000) was significant at 0.05 level of significance.

The coefficient results showed that the constant had a coefficient of 2.95 suggesting that if relational capability was held constant at zero, the performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya would be at 2.95 units. In addition, results showed that the relational capability coefficient was 0.267 indicating that a unit increase in relational capability would result in a 0.267-unit improvement in the performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya. It was also noted that the P-value was 0.000 which is less than the set 0.05 significance level indicating that

relational capability was significant. Based on these results, the study rejected the null hypothesis and concluded that relational capability has a positive significant influence on the performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya.

Moreover, the study findings have a strong effect on relational capability. The study found that customers of small and medium-sized enterprises usually provided feedback on their product quality expectations, which gave the enterprises an upper hand in managing the quality aspects of their manufacturing businesses. The study avers that small and medium-sized manufacturing enterprises always endeavored to create long-lasting relationships with customers to sustain their businesses because of impeccable relationship management with customers. The study also established that small and medium-sized enterprises maintained external visibility for better liaisons with stakeholders and being visible promoted their brand standing and helped in widespread publicity. Additionally, this study found that small and medium-sized manufacturing enterprises pursued better governance and alignment of incentives for them to have better internal systems that are accountable, transparent, and have integrity.

The current study's findings agree with Nyamrunda and Freeman (2021) who reviewed strategic agility, dynamic relational capability, and trust among small and medium enterprises in transitional economies, and the model showed that relational dimensions including communication, social bonds, and knowledge, influenced by meta-capabilities made of strategic sensitivity, resource fluidity and leadership unity, embedded in micro-foundational activities build trust in small business cross-border buyer-seller relationships to support dynamic relational capability and enhance strategic agility in transitional economies.

The findings concur with Singh *et al.* (2023) who reviewed relational capabilities and performance by examining the moderation-mediation effect of organization structures and dynamic capability and findings suggested that firms with strong relationships with their customers and strategic partners had better access to knowledge resources, which positively influenced their dynamic capability and enterprise performance.

The findings concur with Farida (2021) who reviewed network capability, relational capability, and manufacturing SME performance and the results indicated that relational capability improved product innovation and business performance. The findings also concur with Ilmudeen *et al.* (2021) who revealed that information technology-enabled dynamic capability dimensions had a positive and significant relationship with firm innovative capability types, which in turn had a significant relationship with enterprise performance except for process innovation.

5. Conclusion

The study highlights a significant relationship between relational capability and the performance of small and medium-sized manufacturing enterprises in Nairobi City County, Kenya. The findings indicate that relational capability is vital for the growth of these enterprises, as firms that foster strong relationships with their stakeholders, customers, and employees tend to create a positive working environment, leading to better financial performance. These insights are valuable for entrepreneurs, managers, policymakers, and other stakeholders in the sector. Interestingly, the results also suggest that no matter an individual's talent, discipline, or values, lacking high emotional capacity could hinder achieving goals. Furthermore, the decision-making process is primarily based on reason and facts, rather than relying solely on intuition or gut feelings.

6. Recommendations

The text does have an academic tone, as it discusses recommendations for small and medium-sized enterprises (SMEs) based on research findings. It emphasizes the importance of customer relationships, collaboration with technology intermediaries, and stakeholder trust. Additionally, it points out the moderate correlation between relational capability and performance, suggesting an area for further study. Environmental scanning is also highlighted as a crucial step before decision-making.

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