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Influence of Rare Resources on Performance of SMEs in Nairobi County

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Abstract

The objective of the study was to examine the influence of rare resources on performance of SMEs in Nairobi County. This study used a cross-sectional survey design. The target population for this study comprised of 121, 680 SMEs. The research used stratified random sampling technique. The sample size of this study was 399 SMEs. A structured questionnaire was used to collect data.

Findings showed that there is a positive significant correlation between rare resource and SMEs performance (r=.378; p<.01). The linear regression analysis showed that rare resources account for 14.3per cent of SMEs performance. The regression coefficient demonstrated that one-unit increase in rare resources improved SMEs performance by 0.381 units (β = 0.381). The t-statistics results showed that t = 6.96, p<0.05, which was enough evidence to reject the null hypothesis and conclude that rare resources have a statistically significant influence on SMEs Performance.

This study concluded that rare resources have a statistically significant influence on SMEs Performance in Nairobi County. The study demonstrated, that quick response in making strategic decisions enables SMEs to respond to environmental changes or exploit temporary changes. It was also evident that quality product contributes to superior operational performance among SMEs. Developing high-quality and durable products helps SMEs establish a competitive edge. Further, compliance with quality standards is vital to improving enterprise performance.

Key Words: *Organizational Resources, VRIO, Rare Resources, SMEs Performance*

Introduction

SMEs operate in a complex, competitive environments and demand creativity and innovativeness to sustain their performance (Zimon, 2018). Their survival is vital for the growth and sustainability of many economies. However, the survival rate of SMEs is on the decline due to poor performance as result of the intense competition from large organizations. According to Mwaniki, and Ondiek (2018) SMEs perform poorly as they struggle to stay operation with three out of five SMEs closing shop within 12 months of their operation while 80per cent of SMEs that sustain their operation past one-year fail survive beyond 5 years. SMEs have an opportunity to attain positive performance by utilizing the resources within their organization. Their extensive resources and quality talent provide the SMEs with a source for their performance (Kiyabo & Isaga, 2019).

Resources and capabilities in SMEs are only advantageous when the SMEs have the potential to execute the right strategies and processes. SMEs must analyze their business environments and understand the resources available to operate efficiently and effectively and achieve a sustained performance (Bisschoff *et al*., 2019). Scholars and experts in the industry have suggested various frameworks to analyze their external and internal environments. The valuable, rare, imitable resources and organization (VRIO) model provides a theoretical framework to guide an organization to analyze business resources and determine its ability to perform positively in the market (Ferreira & Ferreira, 2022). Barney and Hesterly (2010) stated that organizations with resources that meet the VRIO requirements have the potential to help it attain high performance level. This study examine the influence of rare resource identified in the VRIO framework on performance of SMEs.

Resources are considered rare if only a few firms can acquire them. Having rare and valuable resources gives an organization a temporary competitive advantage. When a valuable resource is accessible to many players in the industry, each player exploits it to their advantage, but none of them can achieve a competitive advantage. In such cases, exploitation of rare and valuable resources leads to competitive parity. Valuable resources and capabilities are essential to staying in the market (Fisher *et al*., 2020). Hence, organizations that find themselves in competitive parity should not overlook valuable resources despite being common.

Performance is the ability of a business or entrepreneur to utilize available resources to achieve desired competitiveness, productivity, and profitability (Bisschoff *et al*., 2019). According to Chumhong *et al*. (2020), performance relates to the activities associated with business strategies and processes that lead to achieving business goals. Ramirez and Lim (2021) stated that SME performance could be perceived based on its changing ability, demonstrating the enterprise's preparedness for the future. In general, performance in SMEs is viewed from a customer need perspective where elements such as efficiency, effectiveness, economics, and change moderate the degree of performance. SME performance has a value-creating connection since the primary objective of any business is creating value for its stakeholders. This value can only be created through the efficient and effective utilization of available resources to achieve performance and profitability (Zimon, 2018). This study considers SMEs' performance under the sustainable Balance Score Card (BSC) aspects, which are learning and growth, business operations, and sustainability. The balanced scorecard aims at 'balancing' financial and non-financial, short-term and long-term, as well as qualitative and quantitative success measures (Malagueno *et al*., 2018).

Statement of the Problem

The main performance drivers of SMEs are the resources within the enterprise. According to the RBV theory, SMEs need to establish resources which are valuable, rare, inimitable, and non-substitutable in order to attain a sustainable performance (Elbanna & Abdel-Maksoud, 2020). However, SMEs in Kenya continue to perform poorly. They perform poorly as they struggle to stay operation with 3 out of 5 SMEs closing shop within 12 months of their operation while 80per cent of SMEs that sustained their operation past 1 year do not survive beyond 5 years (Mwaniki, & Ondiek, 2018). SMEs operating in Kenya face lot of challenges in accessing resources and as a result of their limited capital, are not able to invest more in resources and therefore find it difficult to perform optimally (Omondi & Jagongo, 2018). Barney and Hesterly (2010) stated that organizations with resources that meet the VRIO requirements have the potential to help it attain high performance level. Accordingly, this study examine the influence of rare resource identified in the VRIO framework on performance of SMEs.

The study tested the hypothesis:

> H_0: Rare resources have no statistically significant influence on SMEs Performance in Nairobi County.

Theoretical Framework

Resource-Based View of the Firm Theory

The resource-based theory is credited to the work of Penrose and Wernefelt, complements the traditional Porter's competitive advantage model and focuses on the utilization of a business's unique resources to achieve desired performance (Safari & Saleh, 2020). The theory's central premise is that SMEs' key strengths are underpinned by their resources such as core competencies and shared vision because they provided a competitive advantage in the market. Pearce and Robinson (2011) define the Resource-Based Theory (RBT) as a method of analysing and identifying a firm's strategic advantages based on examining its distinct combination of assets, skills, capabilities, and intangibles as an organization. This theory is concerned with internal firm characteristics and their influence o firm performance. It views the firm as a bundle of resources which are combined to create organizational capabilities which it can use to earn above average profitability (Grant, 2016). Resources and capabilities that organizations possess include organizational, human, technological, and financial. In evaluating the potential of organizational resource in enhancing organizational performance, a set of four variables are identified and how they affect organizational performance as outlined in the VRIO model. The resource-based view (RBV) as a basis for organizational performance lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Grunig, Grunig & Dozier, 2018).

VRIO Model

The VRIO model framework was conceived in 1991 by Dr. Jay Barney and is used to evaluate an organization's competitive advantage based on value, rarity, inimitability, and organization (Fisher et al., 2020). It is utilized to analyze a firm's internal capabilities and resources to determine whether they can become a source of competitive advantage. This study is anchored on the VRIO framework. VRIO framework is vital as it enables firms to understand their performance to elevate it. The model is effective, simple, and comprehensive in its review and offers crucial insights essential to enhancing organizational performance (Vargas-Hernández & Garcia, 2018). Barney and Hesterly (2010) stated that organizations with resources that meet

the VRIO requirements have the potential to help it attain high performance level. According to Ferreira and Ferreira (2022) the valuable, rare, imitable resources and organization (VRIO) model provides a theoretical framework to guide an organization to analyze business resources and determine its ability to perform positively in the market (Ferreira & Ferreira, 2022).

Empirical Review

Empirical explorations of the relationship between speed -within and between firms- and performance have been mixed. Since Eisenhardt's (1989) seminal work, decision-making speed has been a significant area of study (Baum & Wally, 2003; Kownatzki *et al*., 2017; Souitaris & Maestro, 2017), with current research suggesting a positive relationship between decision speed and firm performance (Baum & Wally, 2003; Eisenhardt, 1989). Firms embodying this type of speed can make fast strategic decisions to respond to environmental changes (Baum & Wally, 2003) or exploit temporary advantages (D'Aveni *et al*., 2017). In terms of the speed of action between firms, research in the competitive dynamics literature finds that response speed positively influences firm performance (Smith et al., 2017). If a firm respond quickly to its rivals' actions, it can impede the success of its rival's actions or prevent the erection of barriers that are difficult to overcome (Smith *et al*., 2017). Relatedly, organizations that increase their speed of product introductions can gain returns from their investments more quickly and can rapidly launch additional new products to meet customer needs (Jones, 2015). Thus, speed in new introductions enhances firm performance (Hendricks & Singhal, 2008; Jones, 2015).

Hendricks and Singhal (2008) in their study titled the effect of production delays on operating performance found that product delays have a significant effect on profitability. The study sought to evaluate how speed affected performance in organizations. The researcher adopted a quantitative research design using a set of 450 public traded companies for data collection which was analyzed using cross-sectional regression. Delays negatively affect the return on assets in small organizations. Product introduction delays resulted in 2.70per cent to3.40per cent decline in return on assets (ROA). However, the study focuses only on the effects of delays on operating performance and not the overall performance of SMEs. Besides, not all SMEs are in the manufacturing sector which implies that the findings cannot be generalized for all SMEs as some are not manufacturers.

Kor (2020) evaluated the effect of short-term turnaround strategies on the survival of public listed SMEs in North America. The study sought to establish whether corporate turnaround results in higher success levels for SMEs with declining performance. Data was collected from a sample of 521 publicly listed SMEs from Osiris Database. Hypothesis tests were conducted to assess the effect of turnaround strategies. The study's findings showed that employing turnaround strategies maximized the probability of success for SMEs encountering declining performance. The findings show that declining performance among listed SMEs can be improved by adopting the appropriate turnaround strategies.

Reger (2017) studied the impact of turnaround strategies on the financial performance of SME manufacturing companies. The study sought to establish whether the turnaround strategies employed significantly impacted the financial performance of SME processing plastics during the 2007-2009 financial crisis. A cross-sectional mixed method design utilizing qualitative and quantitative data was selected. Original online surveys were conducted to collect survey data from 52 small and medium-sized plastic processing companies. The study findings showed that efficiency strategies positively influence a firm's financial performance. However, financing is a significant challenge when implementing turnaround strategies.

Hajjat and Hajjat (2014) studied the effect of product quality on business performance in Arab countries. The study sought to examine the impact of product dimensions on organizational performance in specific Arab companies. Factors assessed included the extrinsic, intrinsic

values, and product dimensions. Data were collected using questionnaires from 198 managers leading various companies. Structural equation modeling was applied to evaluate the collected

data and provide evidence to support the hypothesis concerning the link between product quality dimensions and organizational performance. The study results showed that extrinsic

values of products affected the external performance more than internal, while intrinsic value has a higher impact on internal performance than external ones. The study highlights the important product dimensions crucial to improving the organization's performance.

Chili and Matsiliza (2022) evaluated the impact of quality standards on business performance in SMEs in South Africa. According to the researchers, most organizations have identified quality compliance as essential to support the performance of small businesses. Organizations have faced criticism for failing to comply with quality standards, including diesel fuel product specifications. The collected data was then analyzed, and the results were presented. Study results indicated a significant positive relationship between adopting quality standards and business excellence. Applying quality standards in production is linked with improved business performance. Hence, non-compliant products that do not meet quality standards contribute to the challenges and barriers hindering SMME businesses' growth. Compliance with quality standards is vital to improving their performance.

In the study on the effect of pricing strategy on the performance of SMEs in Kenya, Kawira (2021) opines that an effective pricing strategy is the most cost-effective and innovative marketing approach that SMEs can utilize to increase their performance. This study used a descriptive survey design to evaluate a sample of 368 SMEs in Tharaka Nithi county. Questionnaires were employed for data collection, and the collected data was analyzed using inferential and descriptive statistics. The study findings showed that pricing strategy accounted for 39.3per cent of the variation of SME performance in Kenya. The Pearson product-moment correlation results showed that an effective pricing strategy significantly positively affects SMEs' performance in Kenya. Hence, pricing strategy is positively correlated to the performance of SMEs. Effective pricing results in enhanced organizational performance by establishing and sustaining a competitive advantage over co-players in the market.

Abidemi *et al*. (2020) evaluated the impact of product and pricing strategy on selected SMEs in Kaduna state Nigeria. The study sought to determine the effect of product and pricing strategy on the performance of SMEs. Researchers selected a sample of 75 managers and owners to evaluate from small and medium-sized enterprises in Kaduna state. Questionnaires were utilized as the method of data collection to measure SME performance. Partial least squares structural equation modeling PLS-SEM was employed for data analysis. The study results showed that service product and service price have a significant positive relationship with the performance of small and medium-sized enterprises. Hence, developing high-quality and durable products is crucial to grant SME producers a competitive edge over rivals in the market. These findings corroborate De Toni et al. (2017) conclusion that a value-based pricing strategy is positively related to organizational performance concerning profitability. The price policy is vital in supporting market competitiveness and corporate profitability.

Conceptual Framework

The study conceptualized that rare resources and capability enables SMEs attain better performance. Rare resources and capabilities are examined in terms of Speed/Turnaround, Product Quality, Pricing, and Selection. SMEs performance is examined under learning and growth, business operations, and sustainability. Figure 1 illustrates the study's conceptual framework.

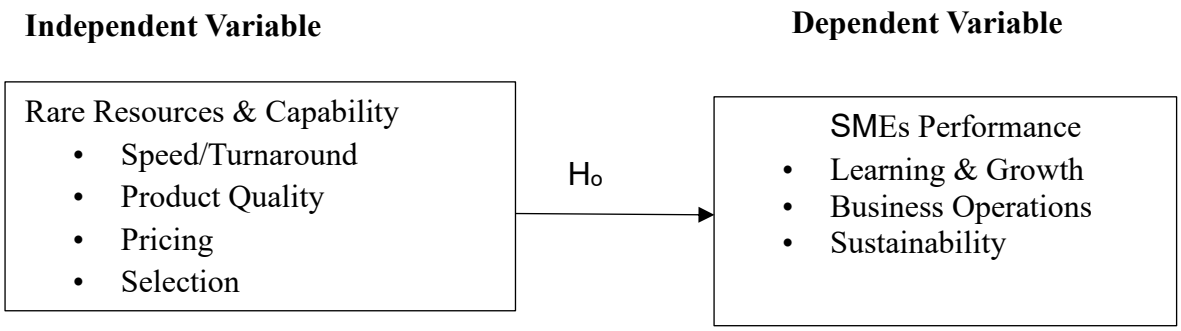

Figure 1: Conceptual Framework

Methodology

This study used a cross-sectional survey design. The target population for the study comprised of 121, 680 SMEs in Kenya. The research used stratified random sampling technique. The sample size of the study was 399 SMEs. A structured questionnaire was used to collect data. This study used quantitative methods of data analysis including, descriptive and inferential analysis. Descriptive analysis included, frequencies, means, and standard deviation. Inferential analysis included correlational and regression analysis.

Study Results and Discussion

Demographic Characteristics

Findings in Table 1 show that 53.7per cent of the respondents were men and 46.3per cent were women. Results showed that 31per cent of the respondents were 30-39 years old, 30.7per cent were between 40-49 years, 16.3per cent were 50 years and above, 12.7per cent were between 25-29 years and 9.3per cent were between 18-25 years. Results showed that almost half of the respondents, 48.3per cent had a bachelor's degree. In addition, almost a third of the respondents, 31.3per cent had diploma and 19per cent had a master's degree while 1.3per cent had a doctorate degree. Findings showed that slightly more than half of the respondents' 52per cent operated their business in the wholesale and retail trade industry. Additionally, 41per cent of the respondents operated their SMEs in the service provider industry and 7per cent were operating in the manufacturing industry. Results showed that more than half, 56.3per cent of the respondents' enterprises had been operation for around 1-9 years. In addition, 32per cent of respondents' enterprises had been operation for around 10-19 years, 8per cent for 20-29 years, and 3.7per cent for 30 years and above. Findings revealed that more than half of the respondents, 60per cent reported that their enterprise had undertaken strategic plan process, while 40per cent were reported that their enterprise had not undertaken strategic plan process. Among the enterprises that had undertaken the strategic plan process, the CEO (91.3per cent) were the leading person in the planning process. However, few of the enterprises where the strategic learning process was led by, head of department (3.3per cent), supervisor (2.0per cent), subordinate (1.7per cent), and consultant (1.7per cent).

Rare Resource

Results showed that respondents agreed they employ turnaround strategies to maximize the probability of success for countering declining performance, as shown with a mean of 4.08 and a standard deviation of 0.59. Results also showed that respondents agreed that their strategies

were efficient, as demonstrated with a mean of 4.08 and a standard deviation of 0.65. In addition, respondetns agreed that they were quick in making strategic decisions to respond to environmental changes, as revealed with a mean of 4.05 and a standard deviation of 0.64. These results are shown in Table 1.

Table 1
Rare Resource

	Mean	Std. Deviation
We are quick in introducing new product to the market that meet customer needs.	3.96	0.70
We are quick in making strategic decisions to respond to environmental changes.	4.05	0.64
We are quick in making strategic decisions to exploit temporary advantages.	3.98	0.63
We respond quickly to our competitors' actions to prevent the erection of barriers that are difficult to overcome.	4.05	0.63
We employ turnaround strategies to maximize the probability of success for countering declining performance.	4.08	0.59
Our strategies are efficient.	4.08	0.65
Our quality product contributes to our superior operational performance.	4.04	0.61
We apply quality standards in our production.	4.16	0.59
Extrinsic values of products affect the external business performance.	4.06	0.64
Intrinsic value of products affects internal business performance.	4.04	0.68
Compliance with quality standards is vital to improving enterprise performance.	4.19	0.57
Non-compliant products that do not meet quality standards hinders businesses' growth.	4.20	0.60
We have an effective pricing strategy that is cost-effective and innovative.	4.10	0.56
Our pricing strategy has helped establish and sustain a competitive advantage.	4.11	0.58
Poor pricing results in low levels of financial performance.	4.18	0.57
Developing high-quality and durable products helps an enterprise establish a competitive edge.	4.19	0.56
Our pricing strategy is value-based and positively relates to our business profitability.	4.20	0.56
We have a price policy that supports our market competitiveness and profitability.	4.16	0.62
Selection affects the performance of small and medium-sized enterprises.	4.08	0.63
We attract and retain excellent talent in our enterprise.	4.02	0.66
We select competitive staff who have enable the enterprise to achieve its goals and compete favourably.	4.10	0.61

SMEs Performance

SMEs performance was examined under three constructs including, learning and growth, business processes, and sustainability. In terms of learning and growth respondents agreed that there was an improvement in their skills (Mean=4.36 SD=0.63), know-how capabilities (Mean=4.34; SD=0.58), capabilities of data analysis and interpretation (Mean=4.14; SD=0.76). In terms of business processes, it was agreed that the SMEs achieved customer selection

(Mean=4.12; SD=0.59), acquisition (Mean=4.13; SD=0.60), and retention (Mean=4.12; SD=0.65). In terms of sustainability it was agreed that the SMEs created new jobs opportunities (Mean=4.18; SD=0.60), fully complied to regulations (Mean=4.21; SD=0.61), had fewer number of violations (Mean=4.10; SD=0.63), perform well health wise (Mean=4.05; SD=0.65). These results are illustrated in Table 2.

Table 2
SMEs Performance

SMEs Performance	Mean	Std. Deviation
Learning and Growth		
My skills have improved.	4.36	0.63
My know-how capabilities have improved.	4.34	0.58
I have access to various information.	4.28	0.58
There is availability of various information.	4.26	0.55
I have improved my capabilities of data analysis and interpretation.	4.14	0.76
There is increased communication by sharing of knowledge.	4.24	0.53
There is increased awareness of shared vision, objectives, and value.	4.18	0.58
Business Processes		
There is improved efficiency in operational process.	4.20	0.59
There is improved quality of operational process.	4.20	0.60
There is enhanced delivery dependability of operational process.	4.15	0.57
My enterprise has facilitated target customer selection.	4.12	0.59
My enterprise has customer acquisition.	4.13	0.60
My enterprise has customer retention.	4.12	0.65
We identify the opportunities to develop new products or services.	4.09	0.62
We develop new products or services more effectively.	4.04	0.63
We reduce the cycle time of new product development.	3.95	0.76
We have extended product portfolio through collaboration.	4.05	0.69
We have increased effective production of new products.	4.04	0.68
Sustainability		
My enterprises have created new jobs opportunities	4.18	0.60
We have had fewer number of violations	4.10	0.63
We perform well health wise	4.05	0.65
We have fully complied to regulations	4.21	0.61
We gave sustainability audit and communication	4.06	0.75
A high number of our products are recycled	3.72	0.99
A high number of our products decompose	3.68	1.01

Correlations between Rare Resource and SMEs Performance

The correlational analysis was used evaluate the relationship between rare resource and SMEs performance. Results in Table 3, showed that there is a positive significant correlation between rare resource and SMEs performance ($r=.378$; $p<.01$).

Table 3
Correlations between Valuable Resource and SMEs Performance

		SMEs Performance	Rare Resource
SMEs Performance	Pearson Correlation	1	.378**
	Sig. (2-tailed)		0
Rare Resource	Pearson Correlation	.378**	1
	Sig. (2-tailed)	0	

** Correlation is significant at the 0.01 level (2-tailed).

Regression on Rare Resource and SMEs Performance

Linear regression analysis was to determine the influence of rare resources on SMEs performance. Table 4 illustrates the model summary, which shows that $R^2 = .143$. This means that rare resources account for 14.3per cent of SMEs performance in Nairobi County. The other extent of SMEs performance is accounted for by other factors outside this model.

Table 4
Model Summary between Rare Resource and SMEs Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.378a	0.143	0.14	0.36435

a Predictors: (Constant), Rare Resource

b Dependent Variable: SMEs Performance

The regression ANOVA evaluated the significance of the model in predicting SMEs Performance. Results in Table 5 revealed that the model was significant in predicting SMEs Performance (F (1,291) = 48.448, p<.05).

Table 5
ANOVA between Valuable Resource and SMEs Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.432	1	6.432	48.448	.000b
	Residual	38.631	291	0.133		
	Total	45.062	292			

a Dependent Variable: SMEs Performance

b Predictors: (Constant), Rare Resource

The regression coefficients showed that rare resources had a statisitcally signficant influence on SMEs performance ($t = 6.96$, $p<0.05$). According to findings one unit increase in rare resources improved SMEs performance by 0.381 units ($\beta = 0.381$).

The t-test was used to test the study hypothesis, that was stated as:

> H_0: Rare resources have no statistically significant influence on SMEs Performance in Nairobi County.

The t-statistics results showed that $t = 6.96$, $p<0.05$. Therefore, there was enough evidence to reject the null hypothesis and conclude that rare resources have a statistically significant influence on SMEs Performance in Nairobi County.

Table 6
Coefficients between Rare Resource and SMEs Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.558	0.224		11.406	0
	Rare Resource	0.381	0.055	0.378	6.96	0

a Dependent Variable: SMEs Performance

Discussion

Results on the influence of rare resources on SMEs performance revealed that there is a positive significant correlation between rare resource and SMEs performance (r=.378; p<.01). The linear regression analysis showed that rare resources account for 14.3per cent of SMEs performance in Nairobi County. The regression coefficient demonstrated that one-unit increase in rare resources improved SMEs performance by 0.381 units (β = 0.381). The t-statistics

results showed that t = 6.96, p<0.05, which was enough evidence to reject the null hypothesis and conclude that rare resources have a statistically significant influence on SMEs Performance. Findings here correspond to the result of Ningrum and Kurniawati (2023) that revealed that rare resource have a significant influence on organizational performance (t-statistic=2.803; p<0.05). Contrary to results here Moscare-Balanquit (2021) found evidence that rare resources had a negative statistically insignificant effect on performance of micro enterprises (r= −0.003, p = 0.844). Moscare-Balanquit (2021) concluded that rare resource used by micro enterprises would not outrightly improve the performance of micro enterprises.

The study results demonstrated, that SMEs are quick in making strategic decisions to respond to environmental changes or exploit temporary changes. In line with these findings, firms embodying this type of speed can make fast strategic decisions to respond to environmental changes (Baum & Wally, 2003) or exploit temporary advantages (D'Aveni *et al.*, 2017). SMEs respond quickly to competitors' actions to prevent the erection of barriers that are difficult to overcome. In terms of the speed of action between firms, research in the competitive dynamics literature finds that response speed positively influences firm performance (Smith *et al.*, 2017). If a firm respond quickly to its rivals' actions, it can impede the success of its rival's actions or prevent the erection of barriers that are difficult to overcome (Smith *et al.*, 2017).

Results showed that SMEs are quick in introducing new products to the market that met customer needs. Relatedly, organizations that increase their speed of product introductions can gain returns from their investments more quickly and can rapidly launch additional new products to meet customer needs (Jones, 2015). Thus, speed in new introductions enhances firm performance (Hendricks & Singhal, 2008; Jones, 2015). According to results SMEs employ turnaround strategies to maximize the probability of success in countering declining performance. In a similar view, Kor (2020) observed that employing turnaround strategies maximized the probability of success for SMEs encountering declining performance.

Further findings showed that quality product contributes to superior operational performance. Parallel to these findings, Timo and Djawahir (2019) observed that quality product contributed to superior operational performance, implying that an organization's productivity and financial success was the final measure of product quality management. According to the study findings, SMEs apply quality standards in their production. In correspondence to these findings, Chili and Matsiliza (2022) noted that applying quality standards in production was linked with improved business performance. Further, it was shown that extrinsic and intrinsic values of products affected external and internal business performance respectively. In a similar view, Hajjat and Hajjat (2014) found that extrinsic values of products affected external performance

more than internal, while intrinsic value has a higher impact on internal performance than external ones.

The results showed that compliance with quality standards was vital to improving enterprise performance. In line with these findings, Chili and Matsiliza (2022) found that compliance with quality standards was vital to improving their performance. On the contrary, non-compliant products that do not meet quality standards hinder businesses' growth. These findings correspond to the Chili and Matsiliza (2022) study which revealed that non-compliant products that did not meet quality standards contribute to the challenges and barriers hindering SMME businesses' growth.

Results demonstrated that SMEs have effective pricing strategy that was cost-effective and innovative. Parallel to these findings, Kawira (2021) opines that an effective pricing strategy is the most cost-effective and innovative marketing approach that SMEs can utilize to increase their performance. Results showed that pricing strategy helps establish and sustain a competitive advantage. In correspondence to these findings, Kawira (2021) observed that

effective pricing resulted in enhanced organizational performance by establishing and sustaining a competitive advantage over co-players in the market. Further, it was shown that poor pricing results in low levels of financial performance. In a similar perspective, Nafuna *et al*. (2019) found that poor pricing resulted in low levels of financial performance. On the contrary, organizations with appropriate pricing strategies experience high levels of financial performance.

Further, it was evident that developing high-quality and durable products helps an enterprise establish a competitive edge. In association with these findings, Abidemi *et al*. (2020) found that service product and service price have a significant positive relationship with the performance of small and medium-sized enterprises. Hence, developing high-quality and durable products is crucial to grant SME producers a competitive edge over rivals in the market. Based on the study findings, SMEs pricing strategy was value-based and positively related to their business profitability. These findings corroborate to findings by De Toni *et al*. (2017), which revealed that a value-based pricing strategy was positively related to organizational performance concerning profitability. According to the study findings, SMEs had a price policy that supported their market competitiveness and profitability. In a similar view, De Toni *et al*. (2017) observed that the price policy was vital in supporting market competitiveness and corporate profitability.

Conclusion and Recommendations

This study concluded that rare resources have a statistically significant influence on SMEs Performance in Nairobi County. The study demonstrated, that quick response in making strategic decisions enables SMEs to respond to environmental changes or exploit temporary changes. It was also evident that quality product contributes to superior operational performance among SMEs. Developing high-quality and durable products helps SMEs establish a competitive edge. Further, compliance with quality standards is vital to improving enterprise performance.

This study recommends that the government should regulate quality standards to promote fair competition. Additionally, SMEs entrepreneurs and managers should have a pricing strategy in place to enable them attain superior performance. Also, to obtain the full benefits of the pricing strategy, the study recommends that pricing decisions should be made in cognizant of other firm-wide factors that influence the expected outcomes in return.

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