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Strategic performance measurement systems (SPMS) play a critical role of stimulating learning and triggering change in behavior. Effective performance measurement systems must be designed to reflect dynamism around and within the firm. It's expected to have adequate flexibility to accommodate demands for contingency and changes. Medium sized firms are major players in economic development. Nonetheless, in Kenya more than 90% fail to transition to large firms as expected. Inadequate flexibility in SPMS employed by these firms has been cited as a potential weak link. This descriptive research examined the effect of SPMS flexibility on sustainable performance of medium sized service firms in Kenya. The study was guided by dynamic capabilities theory. Target population comprised of 3,060 registered medium sized service firms in Kenya as at 2016 (KNBS, 2016). A sample size of 323 was determined using Krejcie & Morgan (1970) sampling table. The study achieved 46% response rate. Standardized questionnaire was used to collect primary data from chief executive officers. Data analysis involved measures of central tendency and inferential statistics. Findings were presented in charts and tables. The study indicated that SPMS employed by most medium sized service firms in Kenya lack adequate flexibility. Two thirds of the firms do not regularly review performance and effectiveness of their SPMS. Hence, the systems are not flexible enough to quickly capture and respond to changes. The study also established that flexibility of SPMS is a statistically significant positive predictor of sustainable performance by rejecting the null hypotheses of no effect at alpha level of 0.05. The study recommends regular review of SPMS. The study contributes to knowledge by providing empirical evidence on the effect of flexibility of SPMS on sustainable performance. It shows that flexible SPMS is a key strategic tool for achieving strategic organizational agility to emerging challenges and opportunities.

Key Words

Flexibility, Strategic Performance Measurement System, Sustainable Performance, Medium sized Firms

Primary author: GOR, Kenneth (Jomo Kenyatta University of Agriculture and Technology)

Co-authors: Dr NJERU, Agnes (Jomo Kenyatta University of Agriculture and Technology); Dr MUORIA, Esther (Jomo Kenyatta University of Agriculture and Technology)

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