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# INFLUENCE OF STRATEGIC DIRECTION ON THE PERFORMANCE OF FINTECH FIRMS IN NAIROBI CITY COUNTY, KENYA

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**Abstract:**

This study investigated the influence of strategic direction on the performance of financial technology (FINTECH) firms in Nairobi City County, Kenya. The research was grounded in strategic leadership theory and employed a predictive research design. The target population consisted of 154 senior and middle-level managers from 22 FINTECH firms, with a sample size of 111 respondents determined using the Taro Yamane formula. Data was collected using structured questionnaires, achieving a response rate of 82.88%. Descriptive statistics revealed that firms excel in adapting strategic direction to changing circumstances (M = 4.80, SD = 0.399) and establishing clear strategic direction (M = 4.43, SD = 0.731), but face challenges in setting clear and measurable goals (M = 1.18, SD = 0.390). In the inferential analysis, multiple linear regression revealed that strategic direction has a statistically significant positive influence on FINTECH firm performance ($\beta = 0.890$, $t = 11.797$, $p < .05$). The coefficient of determination ($R^2 = 0.685$) indicated that 68.5% of the variance in organizational performance could be explained by the strategic factors studied. The study concludes that effective strategic direction is fundamental to FINTECH firm success in Kenya's dynamic financial technology sector, validating the theoretical frameworks that emphasize strategic leadership's role in organizational performance. The research recommends that FINTECH firms implement comprehensive

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strategic management frameworks that balance structured goal-setting processes with adaptive capabilities, while regulatory bodies develop supportive policies that encourage strategic innovation while maintaining industry stability. This research contributes to both the theoretical understanding of strategic management in the FINTECH sector and provides practical insights for industry leaders navigating complex market conditions.

**Keywords:** strategic direction, FINTECH, organizational performance, strategic leadership theory

## 1. Background of the Study

Financial technology (FINTECH) organizations are entities that operate at the intersection of finance and technology, offering innovative solutions that use technology to enhance financial services (Bartolacci *et al*., 2022). The FINTECH sector is a rapidly growing industry that is changing the way people and businesses manage their finances. FINTECH firms include payment processors, mobile banking services, investment platforms, and cryptocurrency exchanges, among others. These organizations often use technology to disrupt traditional financial institutions by providing faster, more accessible, and more convenient financial services to customers (Suharti & Ardiansyah, 2020). FINTECH firms have become increasingly important within the global economy as they offer new, innovative ways for individuals and businesses to manage their finances. The growth of FINTECH companies has been driven by several factors (Baftijari & Nakov, 2021). Firstly, FINTECH companies can provide financial services to people who previously lacked access to traditional banking systems. By offering innovative, cost-effective solutions, FINTECH companies are driving financial inclusion and promoting economic growth. Secondly, FINTECH firms can provide cost-effective solutions to traditional financial services, making it easier and cheaper for individuals and businesses to manage their finances (Guang-Wen & Siddik, 2022). This has helped to level the playing field for small businesses and individuals who previously lacked access to sophisticated financial services.

In Kenya, the growth of FINTECH companies has been particularly pronounced in emerging markets, where traditional banking infrastructure is often lacking (Misati *et al*., 2020). In countries like Kenya, where mobile banking has become the norm, FINTECH companies are offering innovative solutions that are transforming the financial landscape. For example, the mobile money transfer service M-PESA has revolutionized the way people in Kenya transfer money, pay bills, and purchase goods and services. M-PESA, which is run by Safaricom, has over 20 million active users in Kenya and has become an essential part of the country's financial ecosystem (Mochama, 2021). The success of M-PESA has spurred the growth of other FINTECH companies in Kenya and across Africa as entrepreneurs look to capitalize on the growing demand for innovative financial solutions (Gitonga *et al*., 2021).

Nairobi is home to a wide range of businesses across sectors such as finance, technology, manufacturing, retail, hospitality, and services. These businesses, ranging from large corporations to small and medium-sized enterprises, contribute to the city's economic growth and provide employment opportunities for its residents. The adoption of FINTECH solutions has revolutionized business operations in Nairobi, offering a multitude of benefits to enterprises (Gitonga *et al*., 2021). One key advantage is enhanced access to financial services. FINTECH platforms and mobile banking solutions have made it easier for businesses in Nairobi to access banking services, manage transactions, and facilitate digital payments. This convenience has streamlined financial operations, improved cash flow management, and accelerated business transactions.

FINTECH has also transformed the lending landscape for Nairobi businesses. Digital lending platforms have emerged, providing quick and efficient access to credit. These platforms leverage technology to assess creditworthiness, simplifying the loan application process and expediting loan disbursements (Mochama, 2021). This has enabled businesses in Nairobi to secure capital for growth, investment, and working capital needs. Furthermore, FINTECH has driven the growth of e-commerce and online marketplaces in Nairobi. Businesses can establish a strong online presence, expand their customer base, and reach consumers beyond their physical locations. This has opened up new market opportunities, increased sales revenue, and facilitated seamless transactions for businesses in Nairobi.

## 2. Statement of the Problem

The FINTECH sector in Kenya is experiencing rapid growth, yet firms face significant strategic challenges. A primary concern is the intense competitive landscape, particularly the market dominance of established players. The mobile money sector, exemplified by Safaricom's M-PESA, demonstrates significant market power. Industry analysis reveals that 91% of mobile loan users have utilized M-PESA-affiliated products, compared to only 38% for other providers. This market concentration is further quantified by a Herfindahl-Hirschman Index (HHI) of 1,946 for digital credit products, indicating a moderately concentrated market structure. The strategic implications of this concentration are profound for new entrants and smaller FINTECH firms attempting to gain market share. In terms of product offerings, the average loan size among digital lenders ranges from Ksh 4,034 to Ksh 9,815, with a mean Effective Annual Percentage Rate (APR) of 280.5% and a median of 96.5%. These figures suggest a high-risk, high-return market strategy. However, the sustainability of this model is questionable, given that 77% of mobile loan users reported defaulting on a loan at least once, indicating significant credit risk in the sector (Competition Authority of Kenya, 2021).

The regulatory environment presents another strategic challenge. The Central Bank of Kenya has implemented new regulatory frameworks, including the Digital Credit Providers Regulations 2022 and the Data Protection (General) Regulations, 2021. While these regulations aim to protect consumers, they pose significant strategic

implications for FINTECH firms, particularly smaller entities. These new rules may necessitate substantial changes to business models and operational strategies, potentially impacting the viability of some firms in the sector. The strategic response to these regulatory changes will be crucial for the survival and success of FINTECH companies (Central Bank of Kenya, 2021).

Furthermore, FINTECH firms must contend with external environmental factors that affect their market penetration and service delivery. Limited access to technology, particularly in rural areas, creates a digital divide that excludes a significant portion of the potential market. This technological barrier is compounded by low financial literacy among certain demographics, which hinders the adoption and effective utilization of FINTECH products. These challenges are more pronounced in rural areas and among lower-income populations, potentially exacerbating existing financial inequalities. From a strategic perspective, addressing these barriers is crucial for market expansion and long-term growth (KIPPRA, 2023).

While previous research by Ntwiga (2020), Kiilu (2018), and Kipsang (2020) has explored various aspects of the FINTECH sector in Kenya, there remains a significant gap in understanding the role of strategic leadership in addressing these industry-wide challenges. This study aims to bridge this gap by examining the influence of key strategic management practices on the organizational performance of FINTECH firms in Nairobi City County, Kenya. Specifically, the research will investigate how strategic direction impacts performance in this dynamic and challenging environment. This analysis will contribute to both the theoretical understanding of strategic management in the FINTECH sector and provide practical insights for industry leaders navigating these complex market conditions.

## 3. Research Objectives

- To determine the influence of Strategic Direction on the performance of FINTECH firms in Nairobi City County, Kenya

### 3.1 Research Hypotheses

**$H_{01}$:** There is no statistically significant influence of strategic direction on the performance of FINTECH firms in Nairobi City County, Kenya.

## 4. Theoretical Framework

The theoretical framework can be described as the underlying structure that supports the theories of a research study. In this chapter, four theoretical perspectives were discussed in relation to strategic leadership and its impact on corporate sustainability practices. The theories that were utilized include Strategic Leadership Theory, Agency Theory, Resource Based Theory, and Organizational Culture Theory. Each of these theories provides a unique perspective and understanding of how strategic leaders can effectively

influence sustainability practices within an organization. Through the lens of these theoretical frameworks, this chapter explored the role of strategic leadership in driving sustainable practices and the factors that influence the effectiveness of such leadership.

Strategic leadership theory, developed by Michael Hitt in 2017, provides a framework for understanding how strategic management practices impact organizational performance (Hitt *et al*., 2017). The theory comprises several components of strategic management, including strategic direction, balanced controls, organizational culture, and firm's resources. Strategic direction is a key component of the theory and refers to the vision and mission of the organization. It involves setting a clear direction for the organization, identifying its goals, and formulating strategies to achieve these goals. The strategic direction provides the organization with a roadmap to guide its actions and decision-making processes.

Balanced controls, another component of the theory, refers to the management of resources and processes to ensure that they align with the strategic direction (Kabetu & Iravo, 2018). This includes monitoring and controlling operations, managing risks, and ensuring compliance with regulations and policies. Balanced controls help ensure that the organization is on track towards achieving its strategic objectives (Ombese, 2020). Organizational culture is also a crucial component of the theory. Organizational culture refers to the shared values, beliefs, and norms that shape the behaviour of individuals within the organization (Jahandoost *et al*., 2021). Organizational culture encourages collaboration, innovation, and a commitment to the strategic direction, which leads to better organizational performance.

The firm's resources are the final component of the theory. This involves the allocation and management of resources, including financial, human, and technological resources, to achieve the strategic objectives of the organization(Chepkurgat, 2019). firm's resource ensures that the organization has the necessary resources to execute its strategies. Despite its strengths, strategic leadership theory has been criticized for its lack of empirical support. Critics argue that the theory is too broad and lacks specificity, making it difficult to apply in practice (Mutole, 2019). Additionally, some argue that the theory ignores external factors such as industry trends and competition, which can have a significant impact on organizational performance.

However, despite these criticisms, strategic leadership theory has significant applicability to various organizations, including FINTECH firms operating in Nairobi City County, Kenya. The theory provides a comprehensive framework for understanding how strategic management practices impact organizational performance. Specifically, the theory can be applied to the study's objectives in the following ways: Firstly, the theory can be used to understand how strategic direction influences the performance of FINTECH firms in Nairobi City County, Kenya. By providing a roadmap for the organization, a clear strategic direction can help ensure that the organization is focused on achieving its objectives and is better equipped to navigate the challenges posed by the dynamic Environment. Secondly, the theory can be applied to examine the effect of balanced controls on the performance of FINTECH firms in Nairobi City County, Kenya.

Management of resources and processes can help ensure that the organization is aligned with its strategic direction, which can improve organizational performance. Thirdly, the theory can be used to establish the relationship between organizational culture and the performance of FINTECH firms in Nairobi City County, Kenya. A positive organizational culture that encourages collaboration, innovation, and a commitment to the strategic direction can lead to better organizational performance.

Lastly, the theory can be applied to determine the effect of the firm's resources on the performance of FINTECH firms in Nairobi City County, Kenya. Management of financial, human, and technological resources can help ensure that the organization has the necessary resources to achieve its strategic objectives, which can improve organizational performance. In conclusion, the strategic leadership theory by Michael Hitt provides a comprehensive framework for understanding how strategic management practices impact organizational performance. The theory's components, including strategic direction, balanced controls, organizational culture, and firm's resources, can be applied to study the effect of strategic leadership practices on the organizational performance of FINTECH firms operating in Nairobi City County, Kenya.

## 5. Empirical Literature

The focus of the study by Koros and Ragui (2020) was the connection between the strategic direction and organizational performance of the Kenya National Highways Authority (KeNHA). This descriptive study focused on 11 KeNHA offices, including 10 regional offices and the headquarters office. In this study, the units of observation were departmental supervisors and assistant managers. To collect data for this study, standard questionnaires were distributed to managers and assistant managers. The study employed quantitative data analysis approaches, including descriptive and inferential statistics, with the assistance of Statistical Package for the Social Sciences (SPSS version 26) statistical software. A moderate relationship between KeNHA's strategic orientation and organizational performance, with a mean of 2.89 and a standard deviation of 0.58 was found. According to respondents, the strategic direction of the company has been established by a defined mission, vision, and objectives, and decisions at all organizational levels are clear, straightforward, and well-informed. In contrast, respondents were vehemently opposed to the notion that the organization's objectives are reviewed and revised as necessary. The study also determined that the organization has a formal and explicit strategic planning process that yields a clear strategic direction, but that not all employees at all grades/positions are involved in strategy formation. Based on these findings, the study concludes that KeNHA's strategic orientation has a minor impact on organizational performance. The report recommends that KeNHA assess and change its goals on a regular basis to ensure that they stay relevant in light of the organization's dynamic environment. To ensure employee buy-in and dedication to the organization's objectives, the organization should include all employees in the strategy development process. The conclusion of the paper is that KeNHA should

continue to develop and implement a strategic planning framework to guide its decision-making and maintain its focus on its mission and vision.

The objective of Ramadhan (2022) was to examine the impact of strategic direction on the performance of Kenyan insurance companies. As part of a census approach, a questionnaire was issued to the business strategic manager of each of Kenya's 55 insurance companies. The gathered quantitative data were analyzed using minimum, maximum, mean, standard deviation, and coefficient of variation. In addition, a simple linear regression was employed to examine the relationship between strategic orientation and the performance of Kenyan insurance firms. The majority of respondents believed that insurance companies' strategic plans articulate their vision and objectives, account for human resource requirements in accordance with their strategic plans, and suggest performance-enhancing techniques. In addition, respondents agreed that, as a result of strategic direction, insurance companies have optimized customer requirements management and sales. However, there was neither agreement nor disagreement over whether strategic direction helped the profit growth of their respective insurance companies. The research revealed an association between strategic leadership direction and 67.47 percent of performance changes in Kenyan insurance companies. The findings confirmed the theory of strategic leadership, which necessitates the providing of strategic direction to optimize the accomplishment of corporate goals and objectives. These data support the assumption that strategic leadership has a positive impact on organizational performance.

Oluoch *et al*. (2021) examined the impact of strategic direction on the financial viability of nongovernmental organizations (NGOs) in Kenya. Using a quantitative research methodology, examine the link between the independent variable, strategic direction, and the dependent variable, financial viability. A descriptive correlational survey method was also applied in order to investigate the link. The study gathered data via survey research, which provides quantitative descriptions through questionnaires. In order to draw broad conclusions, a statistically significant fraction of the population was handed questionnaires. The study focused on all national NGOs in Kenya, as these organizations have a high infant mortality rate, especially during their first decade of operation (NGOs Coordination Board, 2017). This poor survival rate suggests that their ability to continue operations is constrained by sustainability concerns. From the public list of 6,028 active national NGOs in the registry of the NGOs Coordination Board, 413 CEOs/board members were randomly picked. Important, life-or-death decisions, such as the strategic direction of non-governmental organizations, are made at the strategic leadership level. Spearman's correlation analysis was used to investigate the relationship between strategic direction and financial viability. With r (393) = 0.501 and p =.05, the results indicated a statistically significant and positive correlation. In addition, a chi-square test was undertaken to determine if a correlation existed between strategic direction and financial feasibility. 2 (16, N = 393) = 291,651, p = 0.05, revealing a statistically significant relationship between strategic direction and financial sustainability. A one-way ANOVA was also performed to determine if there were

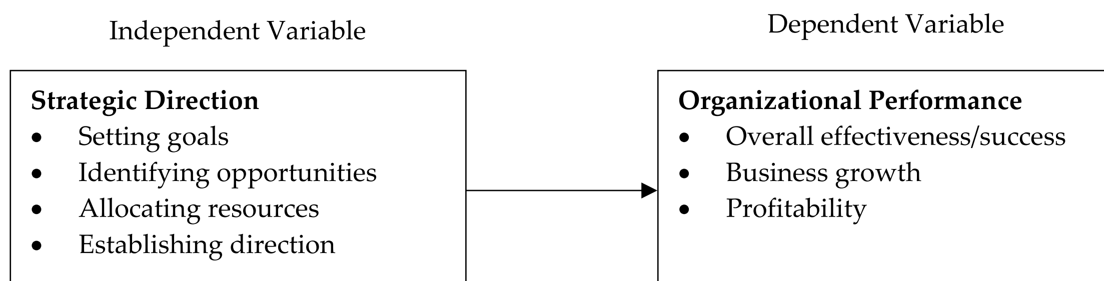
statistically significant differences between the means of strategic direction and the demographic variables of position, gender, age group, highest academic qualification, years served as a member of the strategic leadership team, number of years the organization has been in operation, and sectors it serves. F (4, 388) = 2,907, p.05, and F (4, 388) = 3,034, p.05, revealed statistically significant differences between the means of strategic orientation and demographic characteristics for organizational position and highest academic degree, respectively.

## 6. Conceptual Framework

In research, a conceptual framework serves as a vital theoretical model, helping researchers understand the intricate relationships between various variables and concepts within a study. In the context of this study, the research discussed the conceptual framework for the specific objective centered on the performance of FINTECH firms in the dynamic environment of Nairobi City County, Kenya.

The conceptual framework outlines how these independent variables, strategic direction, is theorized to affect the dependent variable, the performance of FINTECH firms in the dynamic environment of Nairobi City County, Kenya. This framework offers a structured approach to understanding these relationships and serves as a guiding roadmap for the research process, as shown in Figure 1.

**Figure 1:** Conceptual Framework




**Source:** Author (2024).

## 7. Research Methodology

This study employs a predictive research design to investigate the influence of strategic leadership practices on the performance of FINTECH firms operating in the dynamic environment of Nairobi City County, Kenya. The choice of a predictive research design is further justified by the nature of the FINTECH industry and the type of data being collected. The FINTECH sector in Nairobi City County operates in a highly dynamic and rapidly changing environment, making a predictive approach particularly relevant for identifying trends and patterns that may persist into the future.

In this research study, the target population is FINTECH firms in Nairobi City County, Kenya. There are 22 FINTECH firms as per the Central Bank of Kenya (2023), as

shown in Appendix IV. The target population was 154, as shown in Table 1, comprising of 44 senior managers and 110 middle-level managers of the 22 FINTECH firms in Nairobi City County, forming the unit of observation. The use of these two groups as the unit of observation is appropriate since they are the key decision-makers and are responsible for implementing strategies related to strategic direction, balanced controls, organizational culture, and resource management.

**Table 1:** Target Population

| Group | Number of Individuals | Percentage |
|---|---|---|
| Senior Management | 44 | 28.6% |
| Middle Level Management | 110 | 71.4% |
| Total | 154 | 100% |

**Source:** Human Resources Records of FINTECH Firms (2023).

Sampling is necessary in research as it is often impractical or impossible to study an entire population. Hence, a representative sample is used to draw conclusions about the population (Kubitschko & Kaun, 2016). The Taro Yamane (1967) formula was used to determine the appropriate sample size. The formula is $n = N/(1+N(e^2))$, where n is the sample size, N is the population size, and e is the margin of error. In this study, the margin of error was set at 5% ($e = 0.05$). Therefore, the sample size was $n = 154/(1+154(0.05^2)) = 111$ apportioned proportionately, as shown in Table 2.

**Table 2:** Sample Size

| Group | Calculation | Sample Size |
|---|---|---|
| Senior Management | (28.6%)*111 | 32 |
| Middle-Level Management | (71.4%)*111 | 79 |
| Total | 100% | 111 |

This study aims to collect primary data using a structured questionnaire to investigate the factors that affect the performance of FINTECH firms in Nairobi City County, Kenya. In order to achieve the research objectives, the study utilized a structured questionnaire as the primary data collection instrument.

The data analysis process began with descriptive statistics, which involves summarizing the collected data using measures such as frequency distributions, means and standard deviations. The collected data in this study is quantitative and was analysed using the Statistical Packages for Social Sciences (SPSS). Once the responses had been coded into the SPSS software, the next step was using diagnostic statistics. The diagnostic statistics to be used in this study include the heteroscedasticity tests and the multicollinearity and normality of the variables. Heteroscedasticity tests whether the variance of the errors from regression depends on the independent variables' values; hence, their identification and handling are essential in ensuring accurate results. Multicollinearity measures the correlation between the independent variables to avoid redundant variables in the analysis. The normality of the variables was tested using the Kolmogorov-Smirnov and Shapiro-Wilk tests.

After the diagnostic statistics, inferential statistics was employed. The multiple linear regression analysis was used to determine how the independent variables (strategic direction, balanced controls, organizational culture, and management of firm resources) influence the dependent variable (performance of FINTECH firms). The regression model that was utilized is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where;
Y = Performance of FINTECH Firms,
$X_1$ = Strategic Direction,
$X_2$ = Balanced Controls,
$X_3$ = Organizational Culture,
$X_4$ = Firm's Resources,
$\varepsilon$ = Error Term,
$\beta_0$ In the Constant,
$\beta_1$, $\beta_2$, $\beta_3$ and $\beta_4$ represent the coefficients of the variables.

## 8. Ethical Considerations

The ethical considerations of this study encompass the acceptable behaviors that were employed in handling the collected data and interacting with the participants providing the data. These ethical considerations adhere to the guidelines set by organizations such as the National Commission for Science, Technology, and Innovation (NACOSTI) and the Kabarak University Research Ethics Committee (KUREC). One of the ethical considerations involves obtaining informed consent from the participants. A consent statement was provided to the participants, clearly explaining the purpose of the study, the rationale behind data collection, and how the collected data was treated. This ensures that the participants fully know the study's objectives and how their information was utilized. Measures were implemented to safeguard the collected data from unauthorized access, use, or disclosure. The data was securely stored and only accessed by authorized personnel involved in the research project. Additionally, the researchers adhered to the principles of honesty, integrity, and respect throughout the study. They ensured that the participants were treated with dignity and upheld their rights. Any potential conflicts of interest were disclosed, and transparency was maintained in all aspects of the research process.

## 9. Data Analysis, Presentation and Discussion

### 9.1 Introduction

The data analysis process involved descriptive statistics, diagnostic tests, and inferential statistics. Descriptive statistics were used to summarize the collected data, while

diagnostic tests were conducted to ensure the suitability of the data for further analysis. Inferential statistics, particularly multiple linear regression analysis, were employed to examine the relationships between the independent and dependent variables.

### 9.2 Response Rate

The study targeted a sample size of 111 respondents, from FINTECH firms in Nairobi City County, Kenya. 92 were completed and returned, representing an overall response rate of 82.88%. Table 3 presents the response rate by category.

**Table 3:** Response Rate

| Category | Sample Size | Responses Received | Response Rate |
|---|---|---|---|
| Senior Management | 32 | 27 | 84.38% |
| Middle-Level Management | 79 | 65 | 82.28% |
| Total | 111 | 92 | 82.88% |

The response rate for senior management was 84.38%, with 27 out of 32 targeted respondents completing and returning the questionnaires. For middle-level management, the response rate was 82.28%, with 65 out of 79 targeted respondents participating in the study. The overall response rate of 82.88% is considered high and satisfactory for the purposes of this study. The response rate was above 80%, as advocated by Mugenda and Mugenda (2019) advocated.

### 9.3 Descriptive Statistics for Strategic Direction

This section examined the extent to which firms set clear goals, identified opportunities, allocated resources effectively, established a strategic direction, and adapted strategies to changing circumstances, as shown in Table 6.

**Table 4:** Descriptive Statistics for Strategic Direction

| | NE | SE | ME | LE | VLE | Total | |
|---|---|---|---|---|---|---|---|
| | Freq % | Freq % | Freq % | Freq % | Freq % | Mean | Std Dev |
| The firm always sets clear and measurable goals for the organization. | 75 81.5% | 17 18.5% | 0 0.0% | 0 0.0% | 0 0.0% | 1.18 | 0.390 |
| The firm regularly identifies potential opportunities to improve the organization's performance. | 0 0.0% | 6 6.5% | 37 40.2% | 39 42.4% | 10 10.9% | 3.58 | 0.774 |
| The firm always allocates resources effectively to achieve strategic goals. | 0 0.0% | 0 0.0% | 0 0.0% | 55 59.8% | 37 40.2% | 4.40 | 0.493 |
| The firm establishes a clear strategic direction for the organization. | 0 0.0% | 0 0.0% | 13 14.1% | 26 28.3% | 53 57.6% | 4.43 | 0.731 |
| The firm regularly reviews and adapts its strategic direction to changing circumstances. | 0 0.0% | 0 0.0% | 0 0.0% | 18 19.6% | 74 80.4% | 4.80 | 0.399 |
| Overall | | | | | | 3.678 | 0.5574 |

The firm always sets clear and measurable goals for the organization (M = 1.18, SD = 0.390). The mean of 1.18 implies that, on average, respondents indicated the firm sets clear and measurable goals to no extent. The standard deviation of 0.390, being less than 0.5, suggests a high consensus among the respondents on this interpretation. The frequency distribution shows that 81.5% of respondents selected "No Extent," further supporting the conclusion that clear and measurable goal setting is lacking in the surveyed firms. This finding contrasts with the strategic leadership theory by Hitt *et al*. (2017), which emphasizes the importance of setting a clear direction for the organization. It also differs from the findings of Koros and Ragui (2020) and Ramadhan (2022), who concluded that strategic direction positively influences organizational performance.

The firm regularly identifies potential opportunities to improve the organization's performance (M = 3.58, SD = 0.774). The mean of 3.58 indicates that, on average, respondents felt the firm identified potential improvement opportunities to a large extent. The standard deviation of 0.774, falling between 0.5 and 1, suggests a moderate level of consensus among the respondents. The frequency distribution reveals that 42.4% and 40.2% of respondents selected "Large Extent" and "Moderate Extent," respectively, highlighting the firms' efforts in identifying improvement opportunities. This aligns with the findings of Koros and Ragui (2020) and Oluoch *et al*. (2021b), who concluded that strategic direction positively influences organizational performance and financial sustainability, respectively.

The firm always allocates resources effectively to achieve strategic goals (M=4.40, SD=0.493). The mean of 4.40 suggests that, on average, respondents indicated the firm allocates resources effectively to a very large extent. The standard deviation of 0.493, being less than 0.5, indicates a high consensus among the respondents on this interpretation. The frequency distribution shows that 59.8% and 40.2% of respondents chose "Large Extent" and "Very Large Extent," respectively, emphasizing the firms' strong focus on effective resource allocation. This finding is consistent with the resource-based theory (RBT) discussed by Safari and Saleh (2020), which posits that a firm's resources can generate sustainable competitive advantages. It also aligns with the findings of Ongeti and Machuki (2018), who identified a moderate but statistically significant correlation between organizational resources and performance.

The firm establishes a clear strategic direction for the organization (M = 4.43, SD = 0.731). The mean of 4.43 implies that, on average, respondents felt the firm established a clear strategic direction to a very large extent. The standard deviation of 0.731, falling between 0.5 and 1, suggests a moderate level of consensus among the respondents. The frequency distribution reveals that 57.6% and 28.3% of respondents selected "Very Large Extent" and "Large Extent," respectively, highlighting the firms' commitment to establishing a clear strategic direction. This aligns with the findings of Ramadhan (2022), who found that strategic direction positively influences the performance of Kenyan insurance companies. It is also consistent with the strategic leadership theory by Hitt *et al*. (2017), which emphasizes the importance of setting a clear direction for the organization.

The firm regularly reviews and adapts its strategic direction to changing circumstances (M = 4.80, SD = 0.399). The mean of 4.80 suggests that, on average, respondents indicated that the firm reviews and adapts its strategic direction to a very large extent. The standard deviation of 0.399, being less than 0.5, indicates a high consensus among the respondents on this interpretation. The frequency distribution shows that 80.4% of respondents chose "Very Large Extent," emphasizing the firms' proactive approach to adapting their strategic direction. This finding is consistent with the recommendations of Koros and Ragui (2020), who suggested that organizations should regularly assess and change their goals to ensure relevance. It also aligns with the findings of Oluoch *et al*. (2021b) and Ramadhan (2022), who highlighted the importance of strategic direction in enhancing organizational performance and financial sustainability in the face of changing circumstances.

The overall mean for strategic direction is 3.678, indicating that, on average, respondents felt their firms exhibit strategic direction practices to a moderate-to-large extent. This suggests that the surveyed FINTECH firms generally recognize the importance of setting clear goals, identifying improvement opportunities, allocating resources effectively, establishing a clear strategic direction, and adapting to changing circumstances. The overall standard deviation of 0.5574 falls between 0.5 and 1, suggesting a moderate level of consensus among the respondents regarding their perceptions of strategic direction practices in their organizations. While there is some variation in the extent to which different aspects of strategic direction are implemented, the overall results indicate that the surveyed FINTECH firms are generally aware of and engaged in strategic direction practices, which aligns with the findings of previous studies and the strategic leadership theory.

### 9.4 Multiple Linear Regression Analysis

The multiple linear regression analysis was examined using Table 14.

**Table 5:** Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .828[a] | .685 | .671 | .41340 |
| A. Predictors: (Constant), Firm Resources, Strategic Direction, Organizational Culture, Balanced Controls | | | | |

The coefficient of determination, denoted as $R^2$, was examined as a measure of the proportion of the variance in the dependent variable that was predictable from the independent variables in a regression model. In the study context, $R^2$ represented the extent to which firm resources, strategic direction, organizational culture, and balanced controls collectively explained the variability in organizational performance. The $R^2$ value obtained in the regression analysis was 0.685, indicating that approximately 68.5% of the variance in organizational performance could be explained by the combination of firm resources, strategic direction, organizational culture, and balanced controls. This meant that these four predictor variables collectively had a moderate-to-strong explanatory

power in understanding the variations in organizational performance across the sample. Interpreting the R2 value in the study context, it was concluded that a substantial portion of the differences in organizational performance could be attributed to the organizational factors under investigation. Specifically, firm resources, strategic direction, organizational culture, and balanced controls significantly shaped organizational performance outcomes.

Comparing the findings with previous studies, it was observed that similar results were obtained regarding the explanatory power of organizational factors on performance outcomes. For example, Kwendo *et al*. (2018) found that organizational culture significantly influenced strategy implementation in commercial banks. Similarly, Ongeti and Machuki (2018) identified a moderate but significant correlation between organizational resources and the performance of government agencies. These findings aligned with the study's results, indicating a consistent pattern of organizational factors impacting performance across different contexts. Moreover, Karneli's (2022) research on the influence of strategic human resource management (SHRM) on organizational performance in dynamic environments echoed the findings regarding the importance of strategic direction and organizational culture. Both studies underscored the significance of aligning organizational strategies with environmental dynamics to enhance performance outcomes.

**Table 6:** Analysis of Variance (ANOVA)

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 32.370 | 4 | 8.093 | 47.354 | .000[b] |
| | Residual | 14.868 | 87 | .171 | | |
| | Total | 47.238 | 91 | | | |
| A. Dependent Variable: Performance | | | | | | |
| B. Predictors: (Constant), Firm Resources, Strategic Direction, Organizational Culture, Balanced Controls | | | | | | |

The purpose of the above ANOVA was to assess the overall significance of the regression model, which aimed to understand the relationship between firm resources, strategic direction, organizational culture, balanced controls, and organizational performance. The results of the ANOVA revealed a statistically significant relationship, $F = 47.354$, $p < .001$, indicating that the combined effect of firm resources, strategic direction, organizational culture, and balanced controls significantly explained the variance in organizational performance. The decision rule at a 5% level of significance is to reject the null hypothesis if the p-value is less than .05. In this case, since the p-value is less than .05 ($p < .001$), the null hypothesis is rejected. Therefore, based on the significance level of .05, it can be concluded that there is a statistically significant relationship between the combination of firm resources, strategic direction, organizational culture, balanced controls, and organizational performance.

**Table 7:** Coefficients

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.304 | .884 | | 1.475 | .144 |
| | Strategic direction | .890 | .075 | .779 | 11.797 | .000 |
| a. Dependent Variable: Performance | | | | | | |

Hypothesis 1 (H01): There is no statistically significant influence of strategic direction on the performance of FINTECH firms in Nairobi City County, Kenya.

The regression analysis revealed that strategic direction has a statistically significant influence on the performance of FINTECH firms ($t = 11.797$, $p < .05$). The unstandardized coefficient for strategic direction is 0.890, indicating that a one-unit increase in strategic direction leads to a 0.890-unit increase in performance, all else being equal. This finding suggests that FINTECH firms should prioritize establishing a clear strategic direction to enhance their performance. The result aligns with the findings of Koros and Ragui (2020) and Ramadan (2022), who also found a positive relationship between strategic direction and organizational performance in different sectors in Kenya.

## 10. Conclusion

Strategic direction emerges as a fundamental cornerstone for FINTECH firm success in Nairobi City County's dynamic financial technology sector. The study validates the theoretical frameworks that emphasize strategic leadership's role in organizational performance, particularly in rapidly evolving industries like FINTECH. The research demonstrates that while technological innovation drives the FINTECH sector, the quality of strategic direction ultimately determines organizational success. This understanding provides a crucial foundation for FINTECH firms seeking to establish sustainable competitive advantages in Kenya's growing digital financial services landscape.

## 11. Recommendation

Based on the findings, FINTECH firms should prioritize implementing structured goal-setting frameworks incorporating SMART criteria, supported by comprehensive monitoring and evaluation systems for tracking strategic implementation. Regulatory bodies should develop flexible frameworks that support innovation while maintaining sector stability while establishing industry-wide standards for strategic planning. Future research should focus on longitudinal studies to assess long-term impacts, comparative analyses between different types of financial institutions, and the development of more sophisticated measurement tools for strategic direction assessment, all aimed at strengthening both theoretical understanding and practical application of strategic management in Kenya's FINTECH sector.

**Conflict of Interest Statement**
The authors declare no conflicts of interest.

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