

**HOW FIRM LEVEL FACTORS AND EXTERNAL ENVIRONMENT  
DYNAMICS AFFECT STRATEGIC PLANNING AND  
PERFORMANCE OF MANUFACTURING FIRMS IN KENYA**

**MBURUNG'A, PETER AMBURUKA**

**A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF  
DOCTOR OF PHILOSOPHY IN BUSINESS ADMINISTRATION,  
SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

**OCTOBER, 2019**

## **DECLARATION**

This thesis is my original work and has not been presented for a degree in any other university. All the studies reviewed are appropriately cited and referenced.

Signed..... Date.....

**MBURUNG'A PETER AMBURUKA**

**D80/93904/2014**

The thesis has been submitted for examination with our approval as university supervisors.

Signed..... Date.....

**PROF. Z. B. AWINO**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**SCHOOL OF BUSINESS**

**UNIVERSITY OF NAIROBI.**

Signed..... Date.....

**DR. KENNEDY OGOLLAH**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**SCHOOL OF BUSINESS**

**UNIVERSITY OF NAIROBI.**

Signed..... Date.....

**PROF. G. P. POKHARIYAL**

**DEPARTMENT OF APPLIED AND INDUSTRIAL MATHEMATICS**

**SCHOOL OF MATHEMATICS**

**UNIVERSITY OF NAIROBI.**

## **DEDICATION**

This thesis is dedicated to my wife Harriet and my two sons, Enrique Murithi and Elmer Mutethia. You have been a big source of inspiration since I started this long journey and also my principal motivation to keep on striving higher for excellence. Symbiotically, this PhD thesis will motivate you to strive higher and higher and surpass this level in your fields when your time comes.

## ACKNOWLEDGEMENTS

It takes God's favor to reach this academic ladder level called PhD. Thank you my dear Lord for literally walking me through this challenging journey. Even when it was extremely difficult you made it possible. As I started this academic journey, like Moses in the bible, I told the Lord that if His presence does not go with me, He should not send me from here. He has walked with me till end. He is a faithful God. I shall forever glorify your name.

The success of my PhD programme has been supported by many individuals and it is the high time to name them here and congratulate them for a work well done. First, to my doctoral thesis supervisors led by the lead supervisor Prof. Zachary B. Awino, Dr. Kennedy Ogollah, Dr. John Yabs and Prof. Ganesh Pokhariyal, for your excellence insights, guidance, corrections and many hours of consultations that gave me the direction to complete the thesis. I appreciate your scholarly excellent input and effort in enabling me come up with a globally accepted quality work. No mortal can be able to reward you, mine is just to appreciate what you have done unto me, but our God who is omnipresent is aware of what you did and He will reward you abundantly.

Let me give my appreciations to all my doctoral programme lecturers, School of Business; Prof. Evans Aosa, Prof. Nzomo, Prof. Kibera, Prof. Gituro Wainaina, Prof. Martin Ogutu, Prof. K'Obonyo, Prof. Justus Munyoki, Prof. Njihia, Dr. X. N. Iraki, Dr. Machuki, Dr. Musyoka, Dr. Winnie Njeru, Dr. Peterson Magutu, Dr. Kariuki, Dr. Kagwe and Dr. Iraya. You taught me, you guided me, you critiqued me, you tested me and the output is truly an academically refined scholar. To transform somebody to a scholar is not easy, that is why I will forever be indebted to you all.

To my able department Chairman Prof Justus Munyoki and his office team, that is Lydia and colleagues for your swift response and help in many administrative issues is a plus and may God reward you abundantly. Equally, the office of the Vice-Chancellor, Principal, Dean and Associate Dean, you are great and may God reward you abundantly. PhD coordination office that is Jane, Mbaabu and colleagues you really helped me in various issues needed coordination, guidance, follow-ups, quick thesis proposal corrections and I congratulate you and ask God to reward you abundantly.

Library is one of the most important tool in a higher academic institution. Jomo Kenyatta Memorial Library in Main Campus and MwaiKibaki Library in Lower Kabete Campus, School of Business have done its part of providing necessary information through books, internet, current journals, e-books, past thesis, and many more. Let me appreciate the library work to Regina, Sitienei and team who assisted me in many ways of accessing the information. The library management is equally appreciated and may God bless you.

Let me also extend my appreciation message to my doctoral programme classmates and colleagues, Ben Okondo, Obonyo, Alex Mate, George Nzorani, Frank Momanyi, David Sereti, Consolata, Lydia, Kirimi, Paul Mukoba, Afungo, Geoffrey Nyamao, Gov. Moses Akaranga, Gichuru, Njoroge, Kirubi, Patrighah, Wairua, Wamalwa, Gaitho, Rhoda, Namubi, Anne Kabui, Joan and many more. I appreciate your contributions during various group discussions, class and library assistance at various stages of this programme and updates. To Mutisya, Eunice and Murithi, for data analysis, thesis typing, editing, printing and photocopying. I sincerely thank you for these services.

In the corporate world, let me appreciate the following corporate magnates; Mr. Samuel Kwame Ntim-Adu, CEO Yedent-Agro-Group of Companies in Ghana(special appreciation); Dr, Dimeji Lawuyi, CEO Salco Ltd in Abuja, Nigeria; Godfrey Mukasa, CEO Instant Millers, Kampala Uganda; Dr. Cissy Kityo, Kampala Uganda; Carlos Amengual, MD BASF East Africa and Diana Wairimu, Account Manager, Nutrition, BASF East Africa; Michael Martin, Director Sales and Marketing in charge of Africa, Europe and Middle East, Insta-Pro International, USA; Karl Arnold, Vice President, Marketing and Sales, Insta-Pro International, USA; Kinoti Kaburu, Regional Sales Manager in charge of East Africa, Insta-Pro International, USA; Gov. Dr. Mohamed Kuti and Faith Mugambi of Bulto Supplies; Allison Stuart, former CEO, Insta-Products EPZKenya; Aduda and Wambua, directors of Pack Ingredients (EA) Ltd; Jackson Kidavasi, manager SGS; Dr. Wangombe, director Peak Animal Feeds Ltd; Kaburu, MD Prosoya (K) Ltd; Mr. Anju, Operation director, Kenblest Bakery Ltd and many others whom I interacted with in-course of my PhD programme and encouraged me to complete it and the consultancies they gave to me in their respective food processing firms. The consultancy proceeds helped me to pay my PhD programme fees and other expenses coming with it.

The CEOs, senior managers and their representatives in all the manufacturing firms in Kenya I visited for data collection and responded may God reward you and may your firms improve in performance. Research is critical to any firm performance improvement. By allowing me access your information you truly shown how professional you are and how you understand your industry. My recommendations will go a long way in mitigating your managerial skills. Thank you and God bless you.

To my friend Javan Mwiti Nguthuri and other friends, this is a special appreciation to you for constant encouragement and trying to show me it can be done. To the community, for peaceful coexistence, moral support and love. To my business colleagues likes of Edward Ibaya who is also my brother in-law, Joseph Kobia, John, Paul, Jacob, my brother Davidson, Chati, Rayan, Madina, Sundus, Gerati, Nduku, Jack, Ochieng, Maasai, Mutuku, Nyako, Kavata and many more for encouraging me and creating good working relationships which helped me in many ways.

My loving family, you are just great and I miss word to describe you. To my wife Harriet, you are just wonderful to play the role of a mother and father in my absence despite your busy professional work schedule. Your support, love, encouragement and advice have taken me this far. To my two sons, Enrique Murithi and Elmer Mutethia, for enduring my time of absence and always calling to express how you miss me especially when am out of the country. My sons I appreciate your hard work in school and for appreciating that school is healthy for your life. Just keep working hard the rest is automatic since we have God who is sufficient. To my in-laws and extended family, your support and prayers are highly appreciated.

To my brothers Mwenda, late Mwilaria, Baithili; Sisters Margaret, Monica and their families, being your last born, you mentored me in the world of academia as we were growing up since the journey for this PhD started long time ago. Special thanks to my sister Monica and wife Harriet for your financial support towards this PhD. Currently, let me appreciate your support, encouragement, appreciation and believing in me. I am sure this PhD will motivate my sons, nephews, nieces, grandchildren and other members of our community.

To my family rock, splendid matriarch, my mother Rebecca Muthuri Amburuka and my late father (RIP) Julius Amburuka for believing in educating both boy-child and girl-child equally from early '60s. On my behalf and behalf of other siblings let me express our sincere appreciation for your informed decision. It has borne fruits and it is time for us to reciprocate to you and community. The work for making use of PhD has now started. Having said that, may our God bless us and take care of us as we strive to do what makes Him happy.



## **COPYRIGHT**

All rights reserved. No part of this thesis may be reproduced in any form, or by any means stored in a database or retrieval system without prior written permission of the author or the University of Nairobi, except in the case of brief quotations or references universally acceptable for purposes of reviews, articles or research papers.

For information, contact Peter Mburung'a Amburuka at the following address:

P.O. Box 60215-00200 Nairobi, Kenya

Telephone: +254722891807

E-mail: [amburuka@yahoo.co.uk](mailto:amburuka@yahoo.co.uk)

# TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>DEDICATION</b> .....	<b>iii</b>
<b>ACKNOWLEDGEMENTS</b> .....	<b>iv</b>
<b>COPYRIGHT</b> .....	<b>ix</b>
<b>LIST OF TABLES</b> .....	<b>xiv</b>
<b>LIST OF FIGURES</b> .....	<b>xvi</b>
<b>ABBREVIATIONS AND ACRONYMS</b> .....	<b>xvii</b>
<b>ABSTRACT</b> .....	<b>xix</b>
<b>CHAPTER ONE:INTRODUCTION</b> .....	<b>1</b>
1.1 Background of the Study .....	1
1.1.1 Strategic Planning .....	4
1.1.2 Firm-level Factors .....	6
1.1.3 External Environment Dynamics .....	7
1.1.4 Firm Performance.....	9
1.1.5 Manufacturing Firms in Kenya .....	11
1.2 Research Problem .....	13
1.3 Research Objectives.....	17
1.4 Value of the Study .....	17
<b>CHAPTER TWO:LITERATURE REVIEW</b> .....	<b>19</b>
2.1 Introduction.....	19
2.2 Theoretical Foundation .....	21
2.2.1 Contingency Theory.....	22
2.2.2 Resource Based View .....	24
2.2.3 Industrial Organization Theory .....	25
2.3 Strategic Planning in Organizations.....	26
2.4 Strategic Planning and Firm Performance .....	28
2.5 Strategic Planning, Firm-Level Factors and Firm Performance .....	29
2.6 Strategic Planning, External Environment Dynamics and Firm Performance .....	32

2.7 Strategic Planning, Firm-Level Factors, External Environment Dynamics and Firm Performance .....	34
2.8 Research and Knowledge Gaps .....	36
2.9 Conceptual Framework .....	42
2.10 Research Hypotheses .....	46
<b>CHAPTER THREE:RESEARCH METHODOLOGY .....</b>	<b>47</b>
3.1 Introduction.....	47
3.2 Research Philosophy.....	48
3.3 Research Design.....	49
3.4 Population of the Study.....	51
3.5 Sampling Design and Sample Size .....	52
3.6 Sampling Frame .....	53
3.7 Data Collection .....	54
3.8 Reliability Tests .....	55
3.9 Validity Tests .....	56
3.10 Operationalization of Research Variables .....	57
3.11 Data Analysis .....	60
3.12 Assumptions for Interacting Effect of Moderating Variable .....	62
<b>CHAPTER FOUR:PRELIMINARY RESEARCH FINDINGS .....</b>	<b>67</b>
4.1 Introduction.....	67
4.2 Study Response Rate.....	68
4.3 Reliability Tests .....	70
4.4 Validity Tests .....	71
4.5 Diagnostic Tests.....	72
4.5.1 Tests of Linearity .....	72
4.5.2 Tests of Normality.....	74
4.5.3 Tests of Multicollinearity .....	76
4.5.4 Tests of Heteroscedasticity.....	77
4.6 Factor Analysis .....	78
4.7 Respondents' Demographic Profiles.....	86

4.8 Firms' Demographic Profiles.....	87
4.9 Strategic Planning .....	93
4.9.1 Specification of Objectives .....	94
4.9.2 Generation of Strategies .....	97
4.9.3 Documentation of Strategic Planning .....	101
4.9.4 Time-Spent on Strategic Planning.....	106
4.9.5 Communication of Strategic Planning .....	109
4.10 Firm-Level Factors.....	113
4.10.1 Firm Structure .....	114
4.10.2 Firm Resources and Capabilities.....	118
4.11 External Environment Dynamics .....	127
4.11.1 Political Environment.....	127
4.11.2 Economic Environment.....	130
4.11.3 Socio-Cultural Environment .....	133
4.11.4 Technological Environment .....	136
4.12 Firm Performance Measurements .....	141
4.12.1 Financial Performance Indicators.....	141
4.12.2 Non-Financial Performance Indicators .....	145
<b>CHAPTER FIVE:HYPOTHESES TEST RESULTS.....</b>	<b>150</b>
5.1 Introduction.....	150
5.2 Strategic Planning and Firm Performance .....	151
5.3 Strategic Planning, Firm-Level Factors and Firm Performance .....	155
5.4 Strategic Planning, External Environment Dynamics and Firm Performance .....	161
5.5 Strategic Planning, Firm-Level Factors, External Environment Dynamics and Firm Performance .....	168
<b>CHAPTER SIX:DISCUSSION OF FINDINGS .....</b>	<b>172</b>
6.1 Introduction.....	172
6.2 Strategic Planning and Firm Performance .....	173
6.3 Strategic planning, Firm-Level Factors and Firm Performance .....	175
6.4 Strategic Planning, External Environment Dynamics and Firm Performance .....	183

6.5 Strategic Planning, Firm-Level Factors, External Environment Dynamics and Firm Performance .....	185
<b>CHAPTER SEVEN:SUMMARY, CONCLUSION AND RECOMMENDATIONS..</b>	<b>186</b>
7.1 Introduction.....	188
7.2 Summary .....	189
7.2.1 Strategic Planning and Firm Performance .....	192
7.2.2 Strategic Planning, Firm-Level Factors and Firm Performance .....	195
7.2.3 Strategic Planning, External Environment Dynamics and Firm Performance.....	197
7.2.4 Strategic Planning, Firm-Level Factors, External Environment Dynamics and Firm Performance .....	199
7.3 Conclusion .....	200
7.4 Implications of the Study .....	202
7.4.1 Implications on Theory .....	203
7.4.2 Implications on Policy.....	204
7.4.3 Implications on Managerial Practice.....	206
7.4.4 Implications for Methodology.....	207
7.5 Limitations of the Study.....	209
7.6 Suggestions for Further Research .....	210
7.7 Contribution to Knowledge.....	211
<b>REFERENCES.....</b>	<b>213</b>
<b>APPENDICES .....</b>	<b>239</b>
<b>Appendix I:</b> University Letter of Introduction .....	239
<b>Appendix II:</b> Personal Letter of Introduction .....	240
<b>Appendix III:</b> Research Questionnaire.....	241
<b>Appendix IV:</b> Sampling Strata .....	249
<b>Appendix V:</b> Manufacturing Firms in Kenya .....	250
<b>Appendix VI:</b> Anti- Plagiarism Test.....	263

## LIST OF TABLES

<b>Table 2.1:</b> Research and Knowledge Gaps .....	37
<b>Table 3.1:</b> Operationalization of Key Study Variables .....	58
<b>Table 3.2:</b> Hypotheses and Corresponding Analytical Statistical Models.....	63
<b>Table 3.3:</b> Hypothesis Testing and Interpretations of Results .....	65
<b>Table 4.1:</b> Response Rate by Manufacturing Firms in Kenya .....	69
<b>Table 4.2:</b> Results for Test of Reliability .....	70
<b>Table 4.3:</b> Variance Inflation Factor for Firm Performance .....	76
<b>Table 4.4:</b> Correlation Matrix of Study's Variables .....	79
<b>Table 4.5:</b> Kaiser-Meyer-Olkin and Bartlett's Test.....	80
<b>Table 4.6:</b> Total Variance Explained .....	81
<b>Table 4.7:</b> Rotated Component Matrix .....	84
<b>Table 4.8:</b> Ownership Structure .....	87
<b>Table 4.9:</b> Scope of Operation .....	88
<b>Table 4.10:</b> Firm Size (Number of Full Time Employees) .....	90
<b>Table 4.11a:</b> Firm Product Market (Locally Sold Volume %) .....	92
<b>Table 4.11b:</b> Firm Product Market (Exported Volume %).....	93
<b>Table 4.12:</b> Specification of Objectives .....	95
<b>Table 4.13:</b> Generation of Strategies.....	98
<b>Table 4.14:</b> Documentation of Strategic Planning.....	102
<b>Table 4.15:</b> Time-Spent on Strategic Planning .....	106
<b>Table 4.16:</b> Communication of Strategic Planning .....	110
<b>Table 4.17:</b> Firm Structure .....	114
<b>Table 4.18:</b> Firm Resources and Capabilities .....	118

<b>Table 4.19:</b> Political Environment .....	128
<b>Table 4.20:</b> Economic Environment .....	131
<b>Table 4.21:</b> Socio-Cultural Environment.....	134
<b>Table 4.22:</b> Technological Environment.....	137
<b>Table 4.23:</b> Financial Performance Indicators .....	142
<b>Table 4.24:</b> Non-Financial Performance Indicators.....	146
<b>Table 5.1:</b> Independent Influence of Strategic Planning on Firm Performance.....	152
<b>Table 5.2:</b> The Combined Influence of Strategic Planning on Firm Performance .....	154
<b>Table 5.3:</b> Independent Influence of Firm-Level Factors on Strategic Planning and Firm Performance Relationship.....	156
<b>Table 5.4:</b> The Combined Influence of Firm-Level Factors on Strategic Planning and Firm Performance Relationship .....	158
<b>Table 5.5:</b> Moderating Influence of Firm-Level Factors on Strategic Planning and Firm Performance Relationship.....	160
<b>Table 5.6:</b> Independent Influence of External Environment Dynamics on Strategic Planning and Firm Performance Relationship .....	162
<b>Table 5.7:</b> Combined Influence of External Environment Dynamics on Strategic Planning and Firm Performance Relationship .....	164
<b>Table 5.8:</b> Moderating Influence of External Environment Dynamics on Strategic Planning and Firm Performance Relationship .....	166
<b>Table 5.9:</b> The Joint Effect of Strategic Planning, Firm-Level Factors and External Environment Dynamics on Performance .....	169
<b>Table 5.10:</b> Summary of Test of Hypotheses.....	170

## LIST OF FIGURES

<b>Figure 2.1:</b> Conceptual Model .....	43
<b>Figure 4.1:</b> Scatter Plot for Firm Performance .....	73
<b>Figure 4.2:</b> Histogram for Firm Performance .....	74
<b>Figure 4.3:</b> P-P Plot for Firm Performance .....	75
<b>Figure 4.4:</b> Eigen values Scree Plot .....	83
<b>Figure 5.1:</b> Influence of Interaction Term of Strategic Planning and Firm-Level Factors on Firm Performance.....	159
<b>Figure 5.2:</b> Influence of Interaction Term of Strategic Planning and External Environment Dynamics on Firm Performance .....	165



## **ABBREVIATIONS AND ACRONYMS**

<b>CA:</b>	Competitive Advantage
<b>CEO:</b>	Chief Executive Officer
<b>CI:</b>	Confidence Interval
<b>CV:</b>	Coefficient of Variation
<b>DF:</b>	Degree of Freedom
<b>EED:</b>	External Environment Dynamics
<b>ERSEWC:</b>	Economic Recovery Strategy for Employment and Wealth Creation
<b>FA:</b>	Factor Analysis
<b>GDP:</b>	Gross Domestic Product
<b>IO:</b>	Industrial Organization
<b>KAM:</b>	Kenya Association of Manufacturers
<b>KNBS:</b>	Kenya National Bureau of Statistics
<b>KWh:</b>	Kilowatts hour
<b>LISREL:</b>	Linear Structural Relations
<b>MDGs:</b>	Millennium Development Goals
<b>MW:</b>	Megawatts
<b>PCA:</b>	Principal Component Analysis
<b>PEST:</b>	Political, Economical, Social, Technological
<b>PESTEL:</b>	Political, Economical, Social, Technological, Ecological, Legal
<b>P-P:</b>	Probability-Probability Plots
<b>PPP:</b>	Public, Private, Partnership
<b>RBV:</b>	Resource Based View

<b>ROA:</b>	Return on Asset
<b>ROS:</b>	Return on Sales
<b>SCA:</b>	Sustainable Competitive Advantage
<b>SE:</b>	Standard Error
<b>SEZs:</b>	Special Economic Zones
<b>Sig. :</b>	Significance
<b>SP:</b>	Strategic Planning
<b>SPP:</b>	Strategic Planning Process
<b>SPSS:</b>	Statistical Package for Social Sciences
<b>Tol. :</b>	Tolerance
<b>UNCTSD:</b>	United Nations Commodity Trade Statistics Database
<b>UNIDO:</b>	United Nations Industrial Development Organization
<b>US\$:</b>	United States Dollar
<b>USA:</b>	United States of America
<b>VIF:</b>	Variance Inflation Factor
<b>VRIN:</b>	Valuable, Rare, Imperfectly imitable, Non-substitutable
<b>WEFGC:</b>	World Economic Forum Global Competitiveness
<b>ZMDC:</b>	Zimbabwe Mining Development Corporation

## ABSTRACT

The past empirical studies on strategic planning and firm performance have produced contradictory findings, which mean the findings are still inconclusive. Some researchers have argued that strategic planning influences performance positively while others contend that the influence was negative. Scholars have posited that the central tenet in strategic management is that a match between environmental conditions and firm resources and capabilities are critical to performance, and that a strategist's job is to find or create this match. Hence, there was need for further studies to fix this empirical conundrum. This study investigated the influence of firm-level factors and external environment dynamics on the relationship between strategic planning and firm performance. These variables were contextualized in the manufacturing firms in Kenya. The broad objective of this study was to determine the influence of firm-level factors and external environment dynamics on the relationship between strategic planning and performance of manufacturing firms in Kenya. Out of this objective, four specific objectives were formulated with corresponding four hypotheses which were stated and tested at 95 percent confidence level. Through a cross-sectional descriptive survey, data were obtained using a structured questionnaire from 72 manufacturing firms representing 52.17 percent response rate. Data obtained were analyzed using both descriptive and inferential statistics. Hypotheses were tested using both simple and multiple regression analysis as well as interacting terms for moderating influences. Statistical Package for Social Sciences (SPSS) was used to analyze the data. The findings established that strategic planning had a strong positive relationship with performance of manufacturing firms in Kenya and the influence was statistically significant. However, there were mixed results as regards the independent influence of various strategic planning indicators on performance. The study found that firm-level factors had a significant moderating influence on the relationship between strategic planning and firm performance. The independent influences of the firm-level indicators used were all significant. However, external environment dynamics did not have significant moderating influence on the relationship. But there were mixed results as regards the independent influence of various external environment dynamics indicators on firm performance. Firm Performance was measured using financial and non-financial performance indicators. The study found that the joint effect of the three variables were greater than the sum of the individual effects of the same variables. The study had implications on theory, policy, managerial practice and methodology. On theory, the study supported resource-based view, contingency and industrial organization theories. On policy, the government should come up with good policies and laws which are favorable for manufacturing firms to thrive and expand in operations. For managerial practice, the managers of the manufacturing firms in Kenya need to synchronize the strategic planning, firm-level factors and external environment dynamics for superior performance. Managers should scan the environment frequently so that they can be at abreast of the happenings in the external environment for swift interventions. On methodology, regression analysis made it easy to test hypotheses and was very clear on how they related to manufacturing firms in Kenya. Among the study limitations is that some of the targeted respondents mainly CEOs and senior managers complained of time constraints and delegated this to their representatives. Although they asked their representatives to contact them for any clarification in areas they needed their help, this could not be confirmed. Also, there was possibility of common method bias since the data collection targeted one respondent per firm. For further research, different variables to be used as moderating and intervening as well as joint influence to be analyzed to see whether different results can be arrived at. Firm sizes and manufacturing sectors can be used as contexts to see whether results will differ.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Strategic planning (SP) and organizational performance linkage have presented an extreme dilemma for strategic management researchers. Powell (1992) asserts that the empirical studies conducted on this relationship have produced many findings which are contradicting, and their weak theoretical underpinnings as well as their negligible practical importance have been criticized. This infers that the findings are still inconclusive and there is a need for more research on this relationship. Aldehayyat and Twaissi (2011) as well as Suklev and Debarliev (2012) concurred that some research have established that SP and performance have a relationship. Other scholars indicated that SP and performance have no relationship (Yusuf & Saffu, 2005; Falshaw, Glaister & Tatoglu, 2006; Ghobadian, O'Regan, Thomas & Liu, 2008; and Gică & Negrusa, 2011).

Regarding SP and performance linkage, planning adherents like Steiner (1979), and Thompson and Strickland (1987) asserts that formal SP delivers benefits that eventually create economic worth- enhances internal communications and interaction, accelerates new ideas, generates information, enhances motivation and commitment, has symbolic value to stakeholders and guarantees an exhaustive contemplation of all realistic options. Concerning firm-level factors and performance linkage, Muthuiya (2004) pointed out that at organizational level, firms should develop enough capacity, relevant staffs' competence and both internal and external enabling environment as a requirement for strategy implementation process.

As concerns external environment and firm performance linkage, the organization-environment fit formation and decision-making enhancement are facilitated by an impartial assessment of external and internal environment (Porter, 1980; Greenley, 1986; Miller & Cardinal, 1994; Hax & Majluf, 1996; Grant, 1998). Finally, for strategic planning and the external environment linkage, Arasa (2008) argues that a firm is feasibly able to be compatible with its external environment via SP.

Firm-level factors are anchored in resource-based view (RBV) theory (Wenerfelt, 1984; Rumelt, 1991; Barney, 1991; Peteraf, 1993) and contingency theory (Meindl, et al, 1985; Carpenter & Golden, 1997). The firm's internal competences in strategy making to attain a sustainable competitive advantage (SCA) in its operation scope are emphasized by RBV theory (Wenerfelt, 1984; Rumelt, 1991; Barney, 1991; Peteraf, 1993). Presumption for contingency theory is that the organizational dynamics (Carpenter & Golden, 1997) restrict the aptitude of managers to effect company outcome (Meindl et al., 1985).

External environmental dynamics are anchored in contingency theory and industrial organization (IO) theory. The presumption of the contingency theory is that the environmental dynamics (Finkelstein & Boyd, 1998) restrict the aptitude of managers to effect company outcome (Meindl et al., 1985). The IO theory emphasizes on the external factors influence to firm performance especially the industry in which the organization operates (Porter, 1985). These theories are adequately addressing the study variables for this study as the linkages above portrays. Therefore, the theories underpinning the current study are the contingency theory, resource-based view (RBV) theory and industrial organization (IO) theory.

Bearing in mind that implementation of plans is the most critical stage of SP, resources and capabilities are needed to accomplish this stage and this is adequately addressed by RBV theory. The contingency theory addresses the four variables. The contingency theory comes out as the main anchoring theory. The motivation of the study is informed by Bourgeois (1985) who noted that environmental circumstances and organizational competences and resources compatibility is key to performance, the planner's work is to ensure compatibility which is central tenet in strategic management. Empirical studies have produced many contradictory and inconclusive findings. The research done on SP and performance of manufacturing firms in Kenya are scarce since most have been done on insurance and banks. Many studies have been done in developed countries like Britain, USA and Japan. The current study sought to add to the knowledge by establishing the relationship of SP, firm-level factors, external environment dynamics and performance of manufacturing firms in Kenya.

In a global context, due to value addition, wealth is created in the economy by manufacturing sector, as opposed to service sector which is wealth consuming (Friedman, 2006). For example, according to congressional research service report done by Marc Levinson on how the United States manufacturing ranks in international perspective, the United States of America manufacturers spend approximately 11% of value added on research and development (Levinson, 2016). Kenyan manufacturing firms' performance has huge significance because it plays an important role in economic growth. The individual firm performance is largely a function of how it responds to the external environment. The specific firm level factors which each firm manipulates in a bid to achieve its objectives create variations in firm performance.

### **1.1.1 Strategic Planning**

Business enterprises have accepted strategic planning as a way that can lead to a sterling firm performance if utilized properly. Steiner (1979) supports this observation when he argued that the formal SP method gives the framework for formulating and effecting strategies. On how strategic planning contributes to performance, Hodgetts and Kuratko (2000) argued that it creates a better perceptive of important environments, it generates relevant information and it reduces uncertainty. As per Griffin (2006), assigning of resources, priorities and actions necessitated to reach strategic objectives makes up SP.

Boyd (1991) asserts that a wide range of organizations have adopted strategic planning as tool to manage environmental turbulence. In strategic planning measurements, strategic planning process has been modeled differently by different scholars. Boyd and Elliot (1998) designed a four-step model of the planning process to include specification of objectives, generation of strategies, evaluation and monitoring results. Other researchers select other aspects of strategic planning process like vision and mission statements, trend analysis, goal setting and control systems to operationalize strategic planning (Boyd & Elliot, 1998; Backer, 2003).

Glaister et al. (2008), and Harris and Ogbonna (2006) posits that strategic management researchers mostly are concerned with variables such as structures, procedures, environment and performance of the company and examine planning in businesses. Firms have been faced with large upsurges in both uncertainty and rivalry, hence SP has totally turn out to be crucial for all industries. Strategic planning forms a significant path to fruitful business operations.

In making healthier long-term competitive positions and better performance of the company, numerous empirical investigations on the role of SP have attested that it plays an important role as well as being fundamental for greater performance and success (Suklev and Debarliev, 2012). Clear methodical processes of ascertaining the mission, policies, major objectives and strategies that manage the acquisition and allocation of resources to achieve company goals is what is included in formal SP.

Mintzberg and Lampel (1999) pointed out that to win the participation and commitment of key stakeholders affected by the plan, methodical processes are used. Planning formality is the degree to which the planning process is schematized through written methods, timetables and other documents and the extent of resultant documentation emanating from planning procedure (Papke-Shields et al., 2002). Formality of SP was described by Grover and Segar (2005) as the process of planning guided by the presence of written procedures, techniques, structures and policies.

Jocumsen (2004) pointed out that small companies pursue lesser multifaceted procedure (both in terms of steps followed and approaches used) in creating their strategic decisions than that used by larger firms. Strategic planners were found to perform better than non-strategic planners when Welch (1984) related the price/earnings multiple of firms carrying out planning to organizations that did not. Some of strategic planning significant benefits include enhancement of the awareness of challenges emanating from external threats, thorough comprehending internal strengths and weaknesses, aiding businesses escape financial obscurity and understanding competition strategy (Bryson, 2011).



### **1.1.2 Firm-level Factors**

Zou and Stan (1998) define firm-level factors as the firm's internal effects that are controlled by the management and provide the firm with benefits for participating in particular activities with the intention of accomplishing specific goals and objectives. According to Higgins (2005) these factors are structure, style, system and processes, staff, shared values, strategy, resources and strategic performance. A plethora of contingency factors have been examined by researchers in strategic management such as marketing choices (Claycomb et al., 2008), technology (Dowling & McGee, 1994), environmental aspects and organizational structure (Miller, 1988; Duncan, 1972; Leavitt, 1965).

Several factors influencing organizational performance are documented in strategic management research by scholars. These are variables related to firm strategy such as SP and strategic posture (March & Simon, 1958; Pearce et al., 1987), and competitive strategy (Porter, 1985). Others are external environment variables such as structure of the industry (Porter, 1980) and industry type (Hawawini et al., 2003; McGahan & Porter, 1997). Scholars have defined a resource as an input to production process (Helfat & Peteraf, 2003; Grant & Jordan, 2012).

Resources have been postulated to be the primary source of stellar organizational performance. Since resources are internal effects, the firm's management control them to facilitate it envisage and execute strategies that enhance performance (Teece et al., 1997; Helfat & Peteraf, 2003). Grant (1991) and Teece et al. (1997) describe capabilities as the firm's aptitude to blend, develop and reconfigure competences both inside and outside of the firm to focus on unpredictable environments.

Competences which are qualities that organizations necessitate to enable them compete in ever changing environment, are driven from the bundle of resources that a firm possesses. According to Grant (1991), competitive advantage (CA) can be gained from the resources and capabilities the firm owns. Firms seeking to gain CA should possess strategic and rare resources as compared to competitors. In addition, they should defend these resources against inimitability in order to achieve SCA. However, CA cannot be gained from the resources alone. A firm's CA emanates from the unique procedures created by the company's resource endowment and growth direction(s) it has espoused or inherited (Teece et al., 1997).

Organizational structure is sets of relations between the roles of an organization (Fararo, 1997). Review of literature indicates conflicting results in some studies. For instance, a Germain et al. (2008) finding was that structure had a positive influence on the performance. Another study by Zheng et al. (2010) reported structure to have negative influence on company performance which was based on effectiveness. The research conducted by Efendioglu and Karabulut (2010) on firm-level factors and performance did not give any significant relationship between the two variables.

### **1.1.3 External Environment Dynamics**

Business environment is composed of external and internal environments. Duncan (1972) asserts that the environmental components inside the boundaries of an organization constitutes internal environment; environmental components existing outside the boundaries of the organization constitutes external environment. External environment refers to phenomena that is not controlled by firm's management and is composed of remote and task environments (Olsen et al., 1998; Bourgeois, 1980; Dill, 1958).

Political, economic, socio-cultural, technological and ecological factors make up the remote environment (Olsen et al., 1998; Thompson, 1967; Dill, 1958); while suppliers, customers, regulators and competitors make up the task environment. Since most of the external environment is not controlled by a firm or industry, the remote environment affects the task environment.

Asch and Salaman (2002) pointed out that organizations nowadays are confronted with unpredictable and dynamic business environment where fast altering competitive tactics and technology have an impact on overall firm performance. Hence, stellar performance necessitates strategic fit with the environment. While defining the environment, Duncan (1972) asserts that the social and physical factors that constitute the environment are considered by the individuals in the organization when making decision. Boyne and Meier (2009) argue that if changes in the environmental components existing outside an organization are predictable, the impact on firm performance was likely to be small; however, if future is unpredictable based on historical experience and present knowledge, the unfavorable results on performance may be sizeable.

They posited that the further unpredictable the alteration, the more the unfavorable outcomes on company performance. Managers should be in the vanguard in scanning the external environment for information in order to be in-charge and not be caught unprepared. Organizational performance is extremely linked to the vigorous growth nature of environment-organization fit (Wiersema & Bantel, 1993; Romanelli & Tushman, 1988; Machuki & Aosa, 2011). As the environment change therefore, organization's survival entirely depends on devising appropriate responses to unforeseen discontinuities.

A firm's employees can notice the environment as presenting a threat or providing an opportunity (Huber, 1984). However, an active company will even discover that opportunities originate from the most unstable environment rather than threat if they adopt adaptable coping strategies and a positive stand towards uncertainty.

#### **1.1.4 Firm Performance**

Performance of a company is obtained by assessing the actual results of a company against its planned targets. Various scholars have described firm performance with the same concept. Performance concern efficiency and effectiveness of the organization (Machuki & Aosa, 2011). Daft (1991) define it as the firm's aptitude in meeting planned targets by utilizing inputs efficiently and effectively. Efficiency is the worthiness of one unit of output, defining the outputs generated by a program or activity in association to inputs employed to generate them. The unique competences that an organization obtains to guarantee success describe its effectiveness.

Firm performance is the most important variable in strategic management studies (Combs, Crook & Shook, 2005), hence special focus on performance distinguishes strategic management from other disciplines. Venkatraman and Ramanujam (1986) argue that firm performance remains an often-occurring topic of enormous interest to both practicing managers and academia. The essence of strategic management studies is to elucidate how managers can make superior performance through better understanding about determinants of company performance. Production capacity, market, shareholder value and financial are four basic performances investigated in manufacturing businesses.

If market-based measures are combined by financial measures they effectively capture the performance outcomes of different strategic types as opposed to being used autonomously (Dess & Davis, 1984; Hambrick, 1983; Schendel & Patton, 1978). Laitinen (2002) argued that financial evaluation alone is not sufficient for making decisions in modern firms hence need to incorporate non-financial measures when assessing performance. This point is reinforced by Reijonen and Raija-Komppula (2007) who asserted that time, flexibility, quality of manufacturing and entrepreneurial gratification which constitutes non-financial measures are essential in knowing company's performance which can be turned into numbers and evaluated numerically.

Performance has been considered as dependent variable in most of the firm performance studies and researchers seek to pinpoint variables that explain performance variation (March & Sutton, 1997). They argue that traditionally, performance was assessed using only financial indicators. They noted that due to the division between management and ownership, shareholders could monitor performance by management via the application of return on investment assessment. This represents financial measures. Though, financial indicators of performance give insufficient and sometimes imprecise perspective of firm's status. This has necessitated researchers to include non-financial performance measures.

According to Awino (2011), a firm's performance cannot be influenced effectively by a single variable. This is why strategic management research continues to seek the best combination of variables that can influence performance. Strategic management scholars have argued that firm-level factors influence organizational performance. Firm resources and capabilities, and firm structure were conceptualized to be of essence in this study.

For instance, Zott (2003) indicated that performance of the company -is affected by its aptitude to combine, develop as well as reconfigure capabilities. For the same point, Soh (2003) suggests that organizations with better well-organized networking strategy will obtain additional competitive information about its competitors. He argued that this information advantage in turn results to greater new product performance and enhanced general company performance.

This study analyzed financial performance of the firm in terms of return on asset (ROA). The ROA came from secondary data. Non-financial performance was analyzed in terms of product/service quality, new product introduction, operational efficiency, customer satisfaction, employee well-being and development. This was a primary data.

### **1.1.5 Manufacturing Firms in Kenya**

Procedures of transforming resources, mechanisms or functions into end products that adhere to specifications or consumer expectations describe manufacturing as per business dictionary. Generally, manufacturing utilizes machineries operated by workers with separation of work in a big scale manufacture. The value of the final products emanating from transformation process is increased which results to increased price. The year 2016 global manufacturing competitiveness index by Deloitte point out that the global perspective of manufacturing firms is that the top ranked countries like China enjoy core competencies like current technologies and competences, highly trained staff and diversity within manufacturing sector. They have also provided good physical infrastructure, excellent healthcare, proper legal and regulatory systems and established supplier network as drivers for competitiveness. These enable them to have high performance in their activities.

Tybout (2000) noted that the manufacturing sector has advantages in that it is a source of employment, an active avenue of transformation and faster development, and producer of numerous optimistic spillover effects. Additionally, due to value addition in factory-made products, both domestic and export market prices are increased. The contribution of manufacturing sector to Kenya's gross domestic product (GDP) is ten per cent, hence is contemplated as an instrumental avenue for economic growth and development. Kenya vision 2030 has a provision for manufacturing sector which is expected to help in transforming the country into middle-income country by year 2030.

Main objective is for the sector to contribute twenty per cent of GDP by 2030, nearly twice today's level. According to Kenya National Bureau of Statistics (KNBS) (2015), realizing the aims will need some outstanding constraints on manufacturing activity to be addressed. Constraints to be addressed are resources exorbitant prices, decrease in some doing investment portfolio, transportation substructure, raised price of credit and imports stiff competition. To hasten development in the sector, the government has invested in infrastructural projects and energy supply from inexpensive sources like wind and geothermal. It has also enticed investors via special economic zones (SEZs) programme which permits less tax and fewer regulatory hurdles which will result to higher manufactured output.

In numerous developing markets in Africa, high labor and energy input prices are a challenge. Manufacturing sector face upheavals and challenges occasioned by external environment alterations. Activities for instance globalization, free trade agreements, political decisions, social cultural changes, cheap imports and exchange rates have direct bearing on performance of these firms (KAM, 2013).

The general characteristics of the manufacturing sector is that it is heavily dependent on imported raw materials particularly in plastic and rubber, chemicals, textiles sectors. It has low value addition, thereby making Kenyan products uncompetitive in the international market especially agro-based industries (KIRDI, 1997). It is also dependent on regional market especially the East African Community and Africa for exports. The manufacturing firms' performance would be expected to be influenced by strategic planning and moderated by firm level factors and external environment dynamics due to local and global competition.

## **1.2 Research Problem**

Improvement of firm's performance has been the main concern in strategic management. The performance effects of SP have been core of investigation for scholars over the past four decades. The SP and performance direct relationship has not conclusively shown how it results to performance to most of researchers. Some have concluded that strategic planning contributes to performance (Glaister et al., 2006; Suklev & Debarliev, 2012). Other researchers have purported that there is no relationship found (Falshaw et al., 2006) and still others have reported a strong negative relationship (Dincer et al., 2006).

These past research findings show clearly that there is no conclusion on the results for this area of study hence need for further studies. The degree to which organizations participates in SP, whether formal or informal, depends on particular firm-level factors. Formal SP techniques and their effect on organizational performance ought to be deemed in relation to firm variables (Bracker & Pearson, 1986; Bahae, 1992). This study's finding was in congruence with Glaister et al. (2008), and Suklev and Debarliev (2012) since it found SP and performance relationship was strong.



The effect of numerous contexts on SP-organizational performance link should be taken into account. Past studies that have assessed SP and organizational performance relationship have mostly focused on industrialized countries' firms. Contextual differences result in fundamental differences in organizations' strategic behaviors. While most of the studies have been undertaken in firms operating in different contexts such as China, Japan, USA and Europe, the results and conclusions may not apply to firms operating in Kenyan context because of its unique manifestations.

Researches done on SP and performance of Kenyan manufacturing firms are scarce since most have been done in banks, insurance, state corporations and Nairobi securities exchange. In addition, Greenley (1994) pointed out that SP and performance in empirical research has been neglected. This study will apply empirical methodology in analyzing the data. This study extended existing knowledge on firm performance effects of strategic planning by varying the research context to the Kenyan business environment.

Due to this, conceptual, contextual and methodological gaps exist which this study addressed respectively per study cited. The study's main objective was to add new empirical proof on SP and performance relationship by analyzing the moderating influence of firm level factors and external environmental dynamics. Chavunduka, Chimunhu and Sifile (2015) reported a positive relationship in a study they examined strategic planning intensity and performance among mining firms. Study was conducted in Zimbabwe Mining Development Corporation in Zimbabwe. The case study approach was adopted whereas this study adopted cross-sectional design. It is problematic for a case study technique to attain a generalizing inference because of its reliance on a single case examination hence its main weakness (Tellis, 1997).

A study conducted in the insurance industry in Kenya by Arasa and K'Obonyo (2012) investigated the SP and performance relationship concentrating on SP steps. After computing the collected data, results emanating from correlation analysis indicated SP and performance had a strong relationship. Their study used correlation analysis whereas this study used simple and multiple regression analysis.

Correlation analysis main weakness is that it tests the inter-reliance amid two variables whereas regression analysis provides an arithmetical formula to ascertain outcome variable value versus value of predictor variable(s). Six-point Likert type scale was used in their study whereas this study used 5-point Likert type scale. Even-numbered Likert scale is employed to generate an ipsative (forced choice) measure where indifferent option is not available hence its main weakness.

Alaka et al. (2011) conducted a study in insurance sector in Nigeria with 80 respondents and concluded SP and profitability had positive relationship. Data was analyzed through bivariate correlation using SPSS. The main weakness of bivariate correlation is that it lets the researcher analyze association amid two variables so as to test uncomplicated hypotheses of association and causality. Aldehayyat, Al-Khattab and Anchor (2011) study concluded that the use of SP tools and methods in relation to size were more but less in relation age and ownership. The study was carried out in Hotels in Jordan. The study used chi-square test to test the sample whereas this study used regression analysis test. The chi-square test weakness is that it does not give much information about the strength of the relationship or its substantive significance in the population.

Glaister et al. (2008) conducted a research in 135 Turkish large manufacturing firms and their results supported the study's hypothesis; strategic planning and firm performance has a relationship. Study used linear structural relations (LISREL) causal modeling to investigate moderating effects of a set of contingency factors. This study used multiple regression analysis with an interaction term. When using LISREL software program, because of outliers in data especially in small samples, the bad fit problem may easily result.

A research carried out by Falshaw, Glaister and Tatoglu (2006) in United Kingdom with a data collected from 113 companies established SP and performance had no relationship. Multivariate analysis was used to analyze the data. This study used multiple regression analysis with an interaction term. Multivariate analysis is prone to high standard errors especially when sample is small.

Grinyer and Norburn (1975) carried out a study in 21 companies with 91 respondents in the rank of executives in United Kingdom and a structured in-depth interview was used for data collection. Results indicated that common perception of objectives, clarity of role perception, and formality of planning, have no relationship with financial performance. For data collection, structured questionnaire was used in this study. The weaknesses of structured in-depth interviews are that it is prone to bias, time-intensive and not generalizable. On global perspective, Levinson (2016) indicated that manufacturing firms in United States of America, China, South Korea, Taiwan, India and Japan lobby for their governments to pass laws and policies which will mitigate their operation environment to their advantage.

He asserted that, the firms from these countries invest more money on research and development (R&D), innovations, skilled manpower, proper supply chain, good infrastructure, sales and marketing, and current technology. This study was an attempt to answer the question, what is the influence of firm-level factors and external environment dynamics on the relationship between strategic planning and performance of manufacturing firms in Kenya?

### **1.3 Research Objectives**

The study's broad objective was to determine the influence of firm-level factors and external environment dynamics on the relationship between strategic planning and performance of manufacturing firms in Kenya. Specific objectives were:

- i. To determine the relationship between strategic planning and performance of manufacturing firms in Kenya.
- ii. To establish the influence of firm-level factors on the relationship between strategic planning and performance of manufacturing firms in Kenya.
- iii. To establish the influence of external environment dynamics on the relationship between strategic planning and performance of manufacturing firms in Kenya.
- iv. To determine joint effect of strategic planning, firm-level factors and external environment dynamics on performance of manufacturing firms in Kenya.

### **1.4 Value of the Study**

The study's results added to the policy tools existing that would guide stellar performance of manufacturing firms in Kenya. To drive Kenya vision 2030 agenda on manufacturing, the findings of this study complemented available data in guiding towards effectively linking performance of manufacturing firms to SP.

The moderating variables and performance measurement tools which were used in this study can be adapted by the policy makers. The study findings made several contributions to theories which informed it. Thus, contingency theory, RBV theory and IO theory benefited from findings. The findings helped in validating the linkages for these theories and the study variables as well as enhanced strengthening of existing theories by testing theoretical propositions.

Managerial practice of manufacturing firms in Kenya also benefited from the study's results. Results established empirically variables which lead to sustained competitive advantage. The research institutions, institutions of higher learning and researchers benefited in that the results added to a body of knowledge that is limited. The study findings have also shown that the methodology used is crucial in getting the right results.

The chapter covered the thesis background, study variables brief discussion and the context. Research concepts were firm-level factors and external environment dynamics. The other concepts are strategic planning and performance. The research context was Kenyan manufacturing firms which was equally described. The chapter provided the explanation of the research problem from the known issues before delving in conceptual, contextual and methodological gaps. The study's broad objective which was to determine the firm-level factors' and external environment dynamics' influence on SP and performance relationship of Kenyan manufacturing firms was also presented. Specific objectives drawn from the main objective are then summarized. The chapter finally explained the value of the study. The next chapter covered a comprehensive literature review.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

In this chapter, theoretical as well as empirical literature was reviewed to create understanding of SP and manufacturing firms' performance relationship. The study's theoretic foundation and relationship of study variables (SP, firm-level factors, external environment dynamics and performance) are equally discussed. The conceptual framework the study used to address the knowledge gaps is presented. Hypotheses that guided the study are outlined.

Strategic planning is defined by Sherman et al. (2006) as a procedure that any company involves in to significantly scan its environment both internally and externally; formulate a strategy grounded on making excellent match amid environment opportunities and firm's resources; create satisfactory approaches by minimizing company's weaknesses and outside threats mitigation; pinpoint suitable plans for strategy execution; finally, create evaluation approaches to be utilized by the company on long term to monitor strategic planning tenets' outcomes.

Tapinos et al. (2005) posit that SP comprises of planning procedures undertaken in organizations to create strategies that might influence performance. As per Griffin (2006), SP includes resources endowment, priorities and movements necessitated to attain planned outcomes. Firm level factors comprise aspects internal to the firm which management can manipulate in a bid to achieve its objectives (Zou & Stan, 1998). Firm level factors are critical and crucial when it comes to SP implementation stage.

Sababu (2007) defines SP implementation as a procedure on which functional policies and strategies are executed through goal development, financial plan, structures, action plans, programmes, procedures, motivation, culture, leadership, communication, working climate, allocations of resources and enforcement. Researchers in strategic management have conceptualized environment as an important variable in understanding firm conduct and performance (Hofer and Schendel, 1978).

Environment is described as powers acting on the firm outside the management limit (Shrader et al., 1984). Other scholars like Greenley and Foxall (1997) explained that some SP features are linked to performance while theory forecast stipulates that their relationship will be influenced by external environment (Drazin & Ven de Ven, 1985; Ginsberg & Venkatraman, 1985; Hansen & Wernerfelt, 1989; Boyd et al., 1993). An establishment is linked to specific dimensions affecting it like suppliers, regulators and labor market in the operating environment (Machuki & Aosa, 2011).

The business environment comprises of operating (micro), remote (macro) and industry environments. Operating environment is the greatest overall layer. Extensive environmental dynamics which influence almost all organizations to a greater extent are found in remote layer. These dynamics are categorized using PESTEL framework. Johnson et al. (2002) asserts that these dynamics are not independent of each other, therefore they impact on the competitive environment when they alter. The success or failure of a company's strategies might be affected by remote environment. Firms need to acclimatize to remote environment dynamics in an efficient way since they cannot control them, in order to achieve a competitive advantage (Johnson et al., 2008).

Numerous researches have been conducted focusing on financial performance and others non-financial performance. Financial performance is generally indicated by profits and losses accrued over a certain time frame by an establishment. The firm's performance indicator options are return on sales, return on investments, return on assets, sales growth and overall performance. March and Sutton (1997) argues that organizational businesses are compared in terms of market share, profits, productivity, sales, debt ratios and stock prices among others. Some practices in manufacturing such as total quality management as well as just in time are linked to non-financial performance measures (Chenhall, 1997). Scholars have suggested that target settings, and reward and incentives be associated with non-financial performance (Otley, 2001).

## **2.2 Theoretical Foundation**

The business concepts that have been traditionally focused by strategic management are those which affect firm performance. To explain performance of a firm in their empirical research, scholars have usually based their studies on theoretical directions. Grant and Osanloo (2014) pointed out that theoretical framework contributes to a universal perspective or lens from which to back one's thinking about the problem and analysis of data. It assist researchers in establishing and contextualizing formal theories into their research as a guide (Ravitch & Carl, 2016). Imenda (2014) argue that research without the theoretical structure is in need of authentic direction to the examination of apt literature and scholarly discourse of the results from the research. Pfeffer and Salancik (1978) link firm performance and continued existence to the ability of businesses to acquire as well as maintain resources.



An establishment which own and control resources influence its aptitude to implement strategic plans in unpredictable environment can be a requisite for sustainable superior performance. Theories underpinning this research provide an inclusive explanation for this study variables' concept, which are SP, firm-level factors, external environment dynamics and their influence on manufacturing firms' performance. These theories are adequately addressing the study variables for this study as the linkages portrays. This approach borrows from Andersen's (1997) argument that a theoretical framework can be based on more than one theory.

Contingency theory linked SP, firm-level factors, external environment dynamics and performance. This theory advocates for adaptation by management to exert some influence on the organizational outcomes since it presumes the ability is limited by environmental and organizational factors. RBV theory linked SP, firm-level factors and performance. This theory is about ownership and use of possessions for better performance. Industrial organization theory linked SP, external environment dynamics and performance. The emphasis by this theory is on the role of external environment, especially the industry, which the firm belongs to, in determining its performance.

### **2.2.1 Contingency Theory**

Contingency theory supposes that organizational factors (Carpenter & Golden, 1997) and external environmental factors (Finkelstein & Boyd, 1998) restrict the capability of managers to effect organizational result (Meindl et al., 1985). Thomas and Ramaswamy (1996) argue that management can exert some influence on the organizational results by selecting the ways of adaptation since there are several options.

The contingency theory acknowledges the influence of internal environment factors, apart from external factors. Therefore, in support of RBV as internal variables would influence the organization performance. The theory main emphasis is that outcomes in business are dependent on other factors whether internal or external. According to Zsolt (2012) contingency theory may be intra- and extra-organizational.

Dobak (2006) asserts that contingency theory presupposes that under dissimilar conditions, diverse solutions may prove effective. Baranyi (2001) supports this assumption by arguing that it can be considered as one of the principal insights of the theory, because instead of spreading and promoting widely generally applicable organization management standards, theory attempts to prove different conditions necessitate dissimilar structures of organization. Organization has to understand the environment it is operating in (Daft, 2000). This is relevant because contingency theory argues that outcomes are subject to certain variables.

An organization has to ensure that they understand what can work most efficiently to the organization (Donaldson, 1996). The effectiveness of the response the organization has adapted will depend on response and environmental requirements match (Lee & Miller, 1996; Hambrick, 1983). Astley and Van de Ven (1983) laments that, pertinent information is needed on environmental alterations and an evaluation of effects of substitute responses. Hence this theory addressed the four variables and came out as the main anchoring theory.

### **2.2.2 Resource Based View**

Grant and Jordan (2015) assert that the fundamental suggestion of RBV is firms are different in regard to strategic resources they have and control. This theory stresses on an organizational internal capability in strategy formulation to attain a sustainable competitive advantage in the markets and industries it operates (Wenerfelt, 1984; Barney, 1991; Peteraf, 1993). Research studies on RBV theory has concentrated on knowledge (Spender, 1996), dynamic capabilities (Teece, Pisano & Shuen, 1997) and intangible assets, such as information (Sampler, 1998).

In order for an organizational resource to be a source of a SCA, Barney (1991) contends that it must be valuable, rare, imperfectly imitable and non-substitutable (VRIN), in addition to uniqueness and immobility. Newbert (2007) asserts that a firm's SCA leads to improved results. Developing on the studies of earlier scholars, Grant (2001) pointed out that few resources are productive and necessitate for capabilities so that a task can be performed by a bundle of resources. He argues that strategic resources are needed to enable organizations achieve sustainable competitive advantage.

Companies that have capacity and capability to appeal to sophisticated skills and expertise from their managers tend to out-do others as per RBV theory (Wenerfelt, 1984; Barney, 1991; Peteraf, 1993). Managers are therefore critical in generating high performance of organizations. Proponents of the RBV theory (La, Patterson & Styles, 2005; Smith, 2008; Okpara, 2009) argue that such possessions can be physical assets (plants and equipment), intangible assets (intellectual property and brand), or capabilities such as an efficient and effective production process. Hence through CA, the firm performance would be determined.

The overall company performance and its CA are explained by its abilities' uniqueness (Andersen & Nielsen, 2009). Bhatt and Grover (2005), and Bharadwaj, Bharadwaj and Bendoly (2007) propose that presence of other complementary resources on the organizational resource can increase its value as it is hard for rivals to replicate the entire effect. They posit that total values of individual complementary resources are less than their joint value. Therefore, RBV theory addressed the firm-level factors which are key on driving SP to enhance performance. This theory is about ownership and use of possessions for improved performance.

### **2.2.3 Industrial Organization Theory**

Industrial organization theory emphasis on the role of external environment, especially the industry that the firm belongs, in determining its performance (Porter, 1985). According to Spanos et al. (2004) and Porter (1985), the industries' structure characteristics were the key causes of performance. Industry was considered as the basic unit of analysis by industrial organization economics while to an increasing extent strategic management focused on the organization to explain its profitability differentials.

Porter (1985) pointed out that the major motive for the shift was the lack of ability of the IO theory to furnish a rigorous clarification for intra-industry dissimilarities in performance. Structure of the industry was found to be a principal precursor of organizational performance as per original hypothesis in IO theory, although other researches rather found performance to be more linked to strategy than industry structure (Ruefli & Wiggins, 2003; McGahan & Porter, 2002, 1997; Roquebert et al., 1996; Rumelt, 1991).

Bain (1972), Bain (1968) and Mason (1953) described structure of the industry as comparatively steady economic and technical aspects of an industry that bestowed the background on which rivalry occurred. Preferred theoretical framework by the IO theory economists was structure-conduct-performance (SCP) model. This model suggested that the profitability and market structure had an existing relationship.

The postulation of the theory is that company's sterling performance is realized when the fit exists between the environment and organizational strategy in a way that industry structure influences strategy and crafting of organization's decision. The theory notes that there is a causal link between the market structure where strategic decisions and choices adopted by companies (conduct) are operated hence companies' performance. This theory emphasis on the role of external environment, especially the industry which the firm belongs to, in determining its performance, hence linking the three variables.

### **2.3 Strategic Planning in Organizations**

Strategic planning is a defined, recognizable set of activities in an organization of which the techniques vary with different scholars but the substantive issues are the same across the authors (Nickols, 2008). These issues include establishing and confirming the organization's mission and its corporate strategy; goals and objectives as well as actions needed to attain them; resources allocation; articulating and communicating the mission and strategy; monitoring results and measuring progress as well as making adjustments as required; and reassessing mission, strategy, plans, strategic goals and objectives at all levels and possibly revising any or all of them.

Techniques involved will include strategic review and audit; stakeholders' analysis; assessing strength, weakness, opportunity, threats; identification of distinctive competencies; environmental scanning; and financial and operational audits. Steiner (2010) observes strategic planning as comprising of the setting of organizational goals, developing policies and strategies towards achieving these goals and the establishment of an in-depth plan aimed at detailing the implementation process. Marksberry (2012) opined that as emphasis on prioritization and a focus on long term objectives, resources are allocated to ensure an alignment with organization's vision.

According to Kraus et al. (2006), strategic planning provides direction and ensures focus is maintained on the mission and vision of the organization. This in turn enables the organization to identify problem areas in advance, anticipate challenges and provide for an approach to deal with any unforeseen eventualities. Gica and Balint (2012) observe that the use of tools and techniques assist in increasing the effectiveness and efficiency of planning resulting in superior firm performance. Top management must allocate sufficient resources and invest in modern tools and equipment to assist in the implementation of the strategic plan.

Elbanna (2010) added that employees provided with the requisite tools and equipment are highly motivated and work relentlessly enhancing productivity in their work. Duckworth and Moore (2010) opine that the management of the firm is critical to the success or failure of the company as custodian of the organization's resources. Senior management influences the organizational direction by taking into consideration stakeholder interests and making prudent investment decisions through engaging in activities that propel the organization towards achieving its strategic goals and objectives.

## **2.4 Strategic Planning and Firm Performance**

An organization becomes more focused via strategic planning, that is, it becomes more systematic in terms of its development which leads to a larger percentage of its efforts aimed to the realization for its ascertained objectives at the strategizing stage. According to Kotter (1996), relocation and transfiguring the firm can be done via SP. Thompson et al. (2007) presupposes that one can craft good strategy by creating strong market position and efficient organization enough to produce fruitful performance inspite of unpredictable occurrences, internal complexities as well as formidable competition.

Thompson and Strickland (1987), and Steiner (1979) argue that formal SP presents advantages that finally create economic value. They say that these advantages include compelling the firm to assess its environment, stimulation of new concepts, generation of information, enhancing motivation and commitment, ensuring a thorough contemplation of all viable choices, enhancing communications and contact within the organization, and having figurative value to stakeholders.

In their research findings, Pearce et al. (1987) and Armstrong (1982) reported that formality degree of planning correlated positively with higher financial performance. Also the presence of SP positively influences firm performance irrespective of firm size and capital intensity. Barney (2002) asserts that in the study and practice of strategy, firm performance is core. He explains that firms that gain only competitive parity are surpassed by firms that gain a CA. Other scholars indicates that SP improves the firm performance by reducing the uncertainties of firms' operations and by enhancing communication, coordination and control activities in the firms.

Drawing from descriptive literature, SP can take place in organizations by existence of formal strategic plans or merely by utilization of its tools and techniques (Reid, 1989; Elbanna, 2008). Strategy making process is a recurring organizational phenomena which leads to a systematic technique of investigation where recurring assesses can be taken of the same variable and variance analyzed (Raman, 2009). The process has been modeled differently by different scholars which is crucial to fruitful research. Boyd and Elliot (1998) points out that in strategy making process, initial stage in creating an archetype is to stipulate basic framework from where SP assesses are operationalized.

They designed a planning process model with four steps which included objectives specification, strategies generation, strategies evaluation and results monitoring. Other scholars select other aspects of strategic planning like vision and mission statements, trend investigation, goal setting as well as control systems to operationalize SP (Boyd & Elliot, 1998; Backer, 2003). Other studies measure SP in terms of the skills and abilities versus elements within the process such as Venkatraman and Ramanujan (1987) who operationalized SP using skills such as innovativeness, adaptability and motivation.

## **2.5 Strategic Planning, Firm-Level Factors and Firm Performance**

Effective strategy implementation calls for an appropriate match between the strategy and internal organizational variables, key among them the administrative systems, resources and organizational competencies. In addition, Lynch (2000) and Pettigrew (1988) pointed out other effective strategy implementation drivers which include considerations for the most appropriate firm structure that should aid implementation of strategy and who will be responsible for strategy implementation.



Johnson and Scholes (2002) asserted that the necessity to adapt the techniques used to manage the firm is a consideration to implementation strategy effectiveness. They added that implementation may also consider the necessity for re-educating staff on management of change. Pearce and Robinson (1997) indicated that the main tasks to be accomplished and necessary changes in the resource combination of the firm are critical for effectiveness of strategy implementation.

They also posited that the obligation of each company's department as well as information systems to be provided to observe advancement and planning of resources are key for strategy implementation effectiveness. Other scholars assert that strategic implementation challenge is to generate sequence of tight matches between strategy and the firm's structure, competencies and capabilities; between policy and strategy; between reward structure and strategy; between corporate culture and strategy; between allocation of budget and strategy; and between in-house support procedures and strategy (Thompson & Strickland, 2003).

In addition, Muthuiya (2004) emphasized that the influence of the achievement of the organizations desired outcomes will depend on how they will implement the strategies. He added that whether these organizations are for profit or non-profit, the process necessitates them to have definite systems, methods and procedures to enable them efficiently and effectively implement their strategies. In addition, capabilities of the relevant staff, organizational capacity and both internal and external enabling environment are crucial for the process success.

He concluded that the above aspects primarily touch on the resources, staffs' skills, systems and structure. Others are firm policies, performance and reward systems, leadership and culture. Thomson and Strickland (2003) argue that effective strategy implementation calls for an appropriate match between the strategy and internal organizational variables. Structure denotes the way employees are organized, responsibilities are coordinated and power is dispensed in a company.

Miller (1987) posits that the firm's information processing capability will depend on structure adopted which will have an impact on the context and type of human relationships which is substantial. Burns and Stalker (1961) pointed out that the design choices by the firms produce two different firm structures which are mechanistic or organic. Firms with structures which are mechanistic are more effective in certain or stable environments where it is not necessary to have prompt firm responses, while firms with structures which are organic are more effective in uncertain environments (Burns & Stalker, 1961; Lawrence & Lorsch, 1967).

Resources were defined by Grant (1991) as the properties a company possesses, which are transferable as well as externally available. Gruber et al. (2010) asserts that contribution of resources depends on the capability of the human resources to devise sound strategies and the firm to allocate resources to each section of strategic planning which is factored by the dynamic capability. Wenerfelt (1984) gave examples of resources as knowledge, skilled personnel, trade contacts, brand names, technology and procedures which are efficient. Capabilities are the efficiency with which a firm achieves outputs (objectives) by employing a given set of inputs (resources) (Dutta et al., 2005).

According to Grant and Jordan (2015), capabilities are firm's ability to organize and control diverse resources, commonly in groups, thus making use of a firm's systems to persuade an anticipated goal. Therefore, resources and capabilities make it possible for firms to achieve their goals through a multifaceted production process. Ethiraj et al. (2005) agreed with this illustration and posited that capabilities are the organization's capacity to use resources.

## **2.6 Strategic Planning, External Environment Dynamics and Firm Performance**

Eriksen (2008) points out that organizations are reducing uncertainties about environmental factors that influence firm-environment alignment by processing information via the SP. Superior decisions are made which will enhance company performance. In SP, the step for generating of strategies involve scanning of the environment and analysis which enables the firm to be linked to its environment and assures the firm-environment alignment.

By analysing their environments, firms are able to uncover business freedoms and turbulences, technological growth, market dynamics, customer expectations and the internal capacities of the firm. Strategy selection is based on this. Lawless and Finch (1989) supported Hrebiniak and Joyce environment typology and concluded that successful strategy for single industry firm is contingent to the environment. Scholars argue that the formation of the firm-environment fit and enhanced decision-making are facilitated by an impartial investigation of external and internal environment (Grant, 1998; Hax & Majluf, 1996; Miller & Cardinal, 1994; Greenley, 1986; and Porter, 1980).

For their contribution, Koka and Prescott (2008) posits that each kind of alliance network, performance benefits depend on strategy and environmental shift, and are thus contingent on time. They pointed out that alliance networks that were more enterprising following an environmental shift occurrence in the steel industry had better performance while the more famous suffered performance decline. They noted that both types of alliance networks had a relationship with performance which was negative when the change was radical, suggesting that the alliance networks within the industry may not have the essential information required for rapid and effective strategic responses.

Boyd (1991) notes that environmental turbulence is being managed by a wide range of firms that have embraced and implemented SP. This is explained by the fact that formal SP is a specific and continuing firm process with numerous sections, such as establishing objectives, and generation and evaluation of strategies. In addition, an operative SP system will relate long-range strategic objectives along with operational and mid-range plans.

Planners gather data, predict, model and conceptualize substitutive future plans. Presumably, these undertakings should allow firms to surpass their counterparts which did not engage in planning. According to Capon et al. (1994), performance increases as the level of planning process classiness increases. To them, performance of financial planners should be less than strategic planners since the latter aim on being accustomed to the environment, and the strategic issues' formal thinking and prioritizing resource sharing. Superior detection of opportunities and threats, and suitable firm action are attained. They hypothesized that non-planners are outperformed by planners.

## **2.7 Strategic Planning, Firm-Level Factors, External Environment Dynamics and Firm Performance**

In all sectors of economy, SP tend to be crucial due to uncertainties and competition in the environment. Environment scanning is key for proper understanding of SP steps to be adopted. Resources and capabilities will be a driving force for environment scanning and the ultimate SP success. Stewart (2002) carried out a research in one hundred (100) small establishments in Atlanta Metropolitan Statistical Area (MSA) and found that those establishments which apply formal planning methods were extra successful than those establishments did not apply the techniques.

Al-Majali and Sunna'a (2013) explained that in the world of today as a consequence of the quick technological growth, inaugural of the market, speedy changes and intense competition, firms and institutions have to be managed with significant management style. Competency is needed to surpass current veracity and the environment surrounding companies which are depicted by nonstop alterations so as to attain objectives and missions for whom it was made. In creating better long-term competitive positions and company performance, numerous empirical studies have proved that SP plays significant role hence it is a necessity for sterling performance (Suklev & Debarliev, 2012).

Davenport (1998) put it clear that the necessity for organizational alteration to the environment via strategy necessitates that firms comprehend what occurs around them: circumstances for suppliers, requirements by customers, regulations by the government and accomplishment of the competitors amongst potentially pertinent factors. Information gathered from the environment is a resource used for the company success.

Comprehending that environmental scanning facilitates the firm to learn about opportunities of which it can cash-in on, and about the events or problems that may intimidate its performance, this allows the organization to define strategies aligned with environmental conditions. PEST assessment is extensively used amongst organizations and focuses on the external factors. It is deemed effective in long-term strategic planning and works from a macroeconomic point of view. These factors enable companies to get a profounder knowing of the trends.

Firm-level factors are the internal aspects of a company which include firm resources and capabilities, and firm structure. Qingmin et al. (2012) results indicated company structure affected performance both directly and indirectly in a study done in Austria and China. According to Oyewobi et al. (2013) company structure had no direct impact on financial and non-financial performance when they researched on impact of organizational structure and strategies on construction firms.

Robbin and Decenzo (2005) argued that company structure functions in the attainment of company's targets and achievement of planned objectives and direction. Grant (1991) and Teece et al. (1997) describes capabilities as the organization's aptitude to develop, combine, and reconfigure inside and outside competences to attend to quickly altering environments. They define competences as qualities that firms require to enable them compete in unpredictable environment which they get from the bundle of resources that a firm owns.

## **2.8 Research and Knowledge Gaps**

The past empirical studies have given contradictory results on direct relationships between SP and performance investigations. Hence, the studies have attracted criticisms and have been inconclusive. However, there are still unanswered issues which constitute conceptual, contextual and methodological knowledge gaps. Conceptual gaps include those regarding how the variables have conceptually related in previous studies.

Contextual gaps include those in studies done on manufacturing sector in Kenya and other countries. Methodological gaps are those unearthed on previous studies designs, choices of population, sampling, analysis, and interpretation of results. To highlight research gaps that this study sought to address, some empirical studies' summary is provided in Table 2.1.

**Table 2.1: Research and Knowledge Gaps**

<b>Empirical Study</b>	<b>Study Focus</b>	<b>Used Methodology</b>	<b>Findings</b>	<b>Existed Gaps</b>	<b>Proposed Study Focus</b>
Chavunduka, Chimunhu and Sifile (2015), Zimbabwe	The objective for the research was to examine SP intensity and performance relationship in mining firms. The research design used was a case study, using Zimbabwe Mining Development Corporation (ZMDC) as the context.	Study used quantitative data collection using questionnaires and key informant interview guide. After collecting data, it was analyzed using SPSS. It used 5 point Likert-type scale point. Stratified sampling was applied on managerial, employees and directors of ZMDC and probability sampling methods were used to select key informant interview participants.	The study findings indicated a variety of factors affecting the organization's SP. The SP intensity variables and performance had a positive relationship with performance.	Research used a case study approach and did not compare different firms. The study did not consider major factors influencing the relationship like firm-level and external environment dynamics.	This study involved different firms hence cross-sectional survey design was used. Factors influencing the relationship were used as moderators, that is, firm-level and external environment dynamics.
Arasa and K'Obonyo (2012), Kenya.	The research examined the SP and performance relationship considering steps used in SP. The aspect and scope to which each step of the SP	Quantitative analysis and survey design was used. Interviews were conducted across targeted firms. Research used questionnaires to gather Primary and secondary data. Likert-type scale was used. Reliability was measured using	The findings from the correlation analysis indicated the two variables had a strong relationship.	The research considered SP steps and performance and did not address firm-level factors and external environment dynamics as study moderators.	This study sought to use the firm-level factors (firm structure, and firm resources and capabilities) and external environment dynamics (PEST factors)



**Table 2.1: Research and Knowledge Gaps Continued ...**

	is carried out could have implications on the anticipated SP findings.	Cronbach's Alpha.			to moderate the relationship.
Suklev and Debarliev (2012), Republic of Macedonia.	To examine the SP and firm effectiveness relationship with the investigation of a wider list of SP aspects and dissimilar avenues as well as magnitudes in Republic of Macedonia and in different emerging and developing countries.	Questionnaires were used to collect data. Out of 212 questionnaires which represented 60% of all distributed, 113 were processed. Two regression models were performed. Five Point Likert-type scale was used and factor analysis was done to all items to achieve unidimensionality. Reliability was analyzed via Cronbach's Alpha.	They concluded that SP generally can contribute to firm effectiveness.	Organizational effectiveness was used to assess performance. Moderating variables used on the relationship were management participation, SP techniques, barriers to SP implementation, employee participation and manager perception of SP effectiveness. Their study did not consider external environment dynamics or firm-level factors (firm resources and capabilities, and firm structure), these can influence the relationship of the two variables.	The study sought to analyze organizational performance in terms of ROA. It used firm-level factors and external environment dynamics as moderators.

**Table 2.1: Research and Knowledge Gaps Continued ...**

<p>Alaka et al. (2011), Nigeria.</p>	<p>The research examined effect of SP on performance of insurance companies in Nigeria.</p>	<p>Survey method was used. Analysis was by descriptive techniques. Out of 100 structured questionnaires sent to heads of departments and top management executives, 80 were filled and returned. Primary as well as secondary data were used. Data was analyzed through bivariate correlation using SPSS at 95% confidence interval.</p>	<p>The results indicated a positive effect of SP on profitability.</p>	<p>Profitability was used to define the organizational performance. The constructs used as moderators of SP and profitability level were service delivery, environmental scanning and customer patronage.</p>	<p>The study sought to present the firm performance quantitatively. It will also include firm-level factors and external environment dynamics as moderating variables.</p>
<p>Aldehayyat, Al-Khattab and Anchor (2011), Jordan.</p>	<p>These scholars' study sought to comprehend the usage of SP tools and techniques by Jordan's hotels and the type of its relationship with managers' opinions of the SP.</p>	<p>Self-administered questionnaires were posted to the general manager of each hotel in two cities of Aqaba and Petra for data collection. Out of 60 sent, 40 filled usable questionnaires were returned. Data collected were tested by Chi-square while Likert-type scale was used. Reliability measure was done via Cronbach's Alpha.</p>	<p>From the results, the researchers concluded that SP tools and techniques usage had more relationship on hotel size and less on age and ownership.</p>	<p>The study used firm characteristics (firm age, firm ownership, firm size). It failed to include external environment dynamics and they also affect strategy making process.</p>	<p>The study sought to use firm-level factors (firm structure, and firm resources and capabilities) and external environment dynamics (PEST) as moderating variables.</p>

**Table 2.1: Research and Knowledge Gaps Continued...**

<p>Glaister et al. (2008), Turkey</p>	<p>The focus of this research was to determine the type of the relationship between SP and organizational performance from organizations in Turkey.</p>	<p>The research was conducted in manufacturing firms and used 135 usable questionnaires. Used Cronbach's alpha to determine reliability. A set of contingency factors were investigated using LISREL causal modeling for their moderating influence. Confirmatory factor analysis was used for unidimensionality.</p>	<p>The study concluded that formal SP and organizational performance had a positive and strong relationship. Also from the findings, the environmental turbulence moderating roles, structure of the firm and firm size were proved.</p>	<p>The study used size of firm, environmental turbulence and structure as moderators on the relationship.</p>	<p>This study had external environment dynamics (PEST) and additional firm-level factors (firm resources and capabilities) as moderators.</p>
<p>Awino (2007), Kenya.</p>	<p>The research examined the selected strategy variables and organizational performance joint effects of large private manufacturing companies of the supply chains in Kenya.</p>	<p>Using stratified sampling techniques, a survey was conducted in 52 large private manufacturing companies. Questionnaires were used to collect data. Model was tested at 95% confidence interval level and data analyzed via regression.</p>	<p>The study found that the effects of the selected independent variables (core capabilities, core competence, strategy, strategy implementation) on performance of the firm was weaker compared to their joint effects.</p>	<p>The study considered selected variables which did not include external environment dynamics yet they influence firm strategy.</p>	<p>This study was on strategic planning and firm performance with firm-level factors and external environment dynamics moderating the relationship.</p>

**Table 2.1: Research and Knowledge Gaps Continued**

<p>Falshaw, Glaister and Tatoglu (2006), United Kingdom.</p>	<p>The focus of this study was to determine formal SP and financial performance relationship in a context outside United States considering important contingent constructs identified by previous scholars of industry, environmental turbulence, and organizational size.</p>	<p>Questionnaires were posted to 500 firms for primary data collection with 23 percent response rate. Multivariate regression was used to analyze data. Cronbach’s alpha tested reliability. Likert-type scale was used.</p>	<p>The research was carried out on 113 organizations. The results indicated formal SP and subjective organizational performance had no relationship.</p>	<p>This study considered SP and performance with size, turbulence and industry factors as moderators.</p>	<p>This study introduced the firm-level factors (firm structure, and resources and capabilities) and external environment dynamics (PEST) to give moderating effects on the relationship.</p>
--	---	--	--	---	---

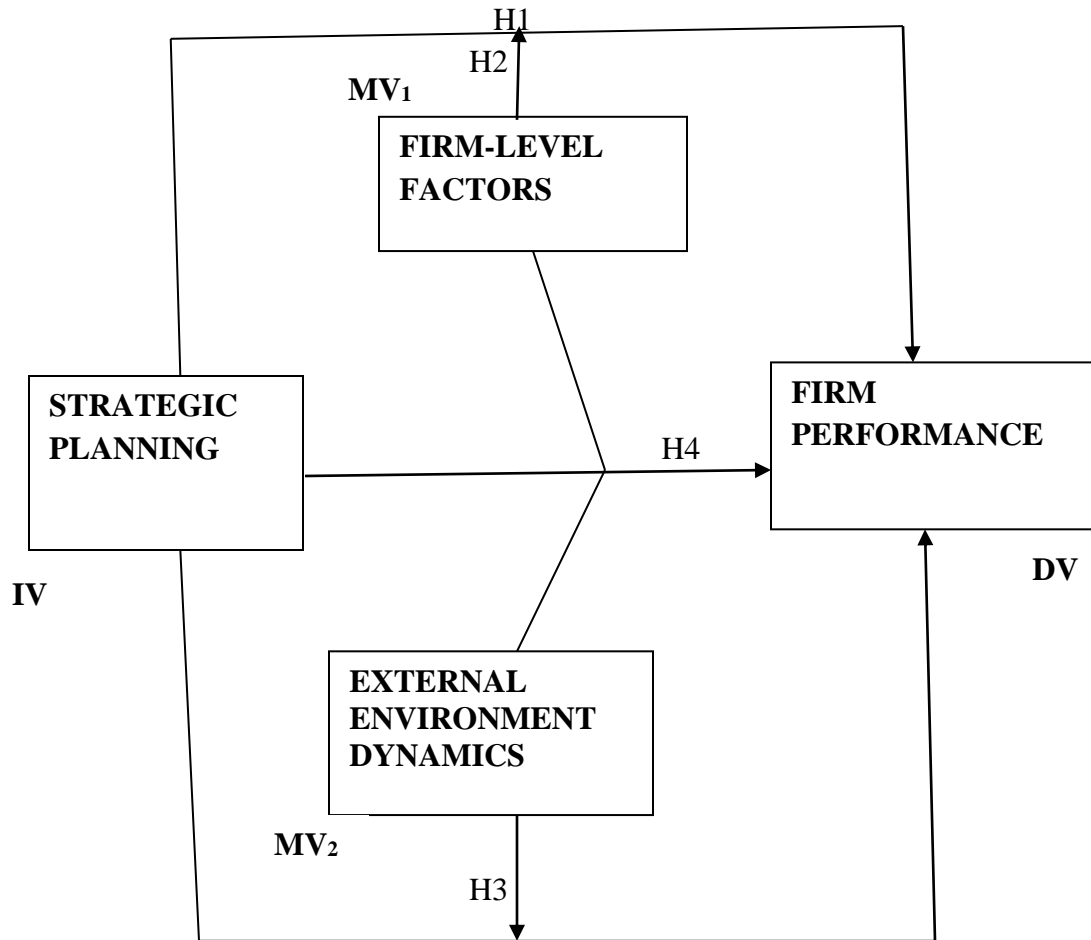
**Source:** Researcher (2018)

The study's literature review established that the concepts have been used in various other studies but variables have been studied in isolation. This study takes note of this fact and has hypothesized the direct and moderating relationships. The study investigated the joint effect of the variables on firm performance. The literature review has shown various past studies have been done in different contexts and has used different methodologies which this study sought to address.

## **2.9 Conceptual Framework**

The conceptual model represented by Figure 2.1 schematically presents the researcher's reasoning as far as the understanding of the relationships of SP and performance are concerned. The model adopted presupposes that SP and performance relationship is moderated by firm level factors and external environment dynamics. The SP was conceptualized to have an independent empirical role influencing performance. The operational indicators included specifications of objectives, generation of strategies, documentation, time-spent, communication and process existing. Performance was conceptualized to be a dependent variable and indicators used for its measurement were financial and non-financial performance.

Firm-level factors were conceptualized to have a moderation role, and indicators used for its measurement were firm resources and capabilities, and firm structure. External environment dynamics was conceptualized to have moderation role and indicators used for its measurement were PEST. Kaufman et al. (2003) defines SP as a process for crafting and outlining a better future in quantifiable terms and choosing the best ways to realize the desired outcomes. They add that it stipulates the companies' vision, mission and objectives and then assigns resources to realize its objectives.



**KEY:**

**IV-** Independent Variable; **DV-** Dependent Variable;

**MV<sub>1</sub>-** Moderating Variable One; **MV<sub>2</sub>-** Moderating Variable Two

**Figure 2.1 Conceptual Model**

**Source:** Researcher (2018)

According to Mohamed et al. (2010), SP stresses on evaluation of outside and inside environment of a firm so as to realize its objectives. Strategic management research aims to determine the bases of the stellar performance. Therefore, the study hypothesized that SP and performance of Kenyan manufacturing firms have no relationship (H1).

Past studies which have empirically investigated the SP and performance direct relationships have given mixed results which have attracted criticisms from various scholars. Glaister et al. (2008) asserts that they have been criticized for little consideration on determining contextual or organizational influences. With this in mind, the study conceptualized that firm-level factors and external environment dynamics have no moderating influence on SP and performance relationship. The firm-level factors indicators used in the current study were firm resources and capabilities, and firm structure. The concept here is that the resources a firm owns and controls cannot be a determinant of superior performance.

Firm resources have been defined by scholars as assets, capabilities, knowledge and processes (Barney, 1991; Marino, 1996). They argue that resources facilitate the firm to envision and implement strategic decisions. Grant and Jordan (2012) noted that the basic objective of analyzing a resource is to understand their potential for creating CA and not to value a firm's assets. Chandler (1962) and Child (1972) define a firm structure as a formal dimension of framework characterized by impersonal tasks, precise, rule and authority relations. Miller (1987) explained that the nature of human interactions and context is influenced significantly by structure of a firm. He added that the capability of a firm to process information is highly influenced by structure.

Burns and Stalker (1961) posit that the design choice a firm adopts for structure usually produces two different firm structures which are mechanistic or organic structures. Firms practicing mechanistic structures are depicted by formal rules and higher level of standardization to facilitate coordination and control hence influencing the firm's selection of formal SP practices.

For those depicting high level of joint change and tend to encourage flexibility and crafting devolved decision, thus practicing organic structures. The study hypothesized that firm-level factors have no moderating influence on SP and performance relationship of manufacturing firms in Kenya (H2).

The indicators for external environment dynamics used in the current study were political, economic, social and technological. The macro-environment, also called remote environment, comprises of factors that emanate outside and usually regardless of any firms operating environment (Hitt, Ireland & Hoskinson, 2011). Pearce et al. (2012) pointed out that the remote factors comprised of political, economic, social, technological, ecological and legal.

Emphasize by organization theorists is that establishments must match to their environment for them to stay feasible (Ansoff & McDonnell, 1990; Ogollah et al., 2011). They noted that while performance can be impacted directly by environment, to a greater degree it will be affected by the response capabilities to the vicissitudes in outside environment. The study hypothesized that external environment dynamics have no moderating influence on SP and performance relationship of Kenyan manufacturing firms (H3).

Moderation strength for firm level factors and external environment dynamics were established. The study hypothesized that joint effect of SP, firm-level factors and external environment dynamics on performance of Kenyan manufacturing firms will not be different from individual effects of the same variables (H4).



## **2.10 Research Hypotheses**

From the relationships schematized in the conceptual model presented in Figure 2.1, different research hypotheses were formulated for testing. In total there are four (4) hypotheses that were formulated from the literature review on the relationships presented in the model. These are stated as:

**H1:** There is no relationship between strategic planning and performance of manufacturing firms in Kenya.

**H2:** Firm-level factors have no moderating influence on the relationship between strategic planning and performance of manufacturing firms in Kenya.

**H3:** External environment dynamics have no moderating influence on the relationship between strategic planning and performance of manufacturing firms in Kenya.

**H4:** The joint effect of strategic planning, firm-level factors and external environment dynamics on performance of manufacturing firms in Kenya is not different from individual effects of the same variables.

This chapter has provided a detailed literature review; by providing and discussing in detail a theoretical foundation underpinning the study. The theories discussed in detail and linked to study variables are contingency theory, RBV theory and IO theory. The chapter also discussed the main study variables pair-wise before summarizing the research and knowledge gaps in Table 2.1. A conceptual framework demonstrating the relationship among the variables for this study was schematized along arguments in literature and hypotheses stated. The next chapter presented the research methods employed in the study.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The chapter discussed the methods that were adopted in conducting research. Research methodology is described as researcher's logical understanding of the usage of methods needed to choose for solving factual problem and what is the reason for such selection. The suitable academic reasoning must always be hinged on deep and basic knowledge of a subject. Different methods are used for different concepts and contexts. Therefore, the concept of this study emanated from the various documented studies which have tried to show that strategic planning results to performance of organizations. These studies have been giving contradictory findings. The researcher thinking was that by varying the internal and external variables of the firm the positive results would be arrived at. The study's context was manufacturing firms in Kenya. This led the researcher to come up with a research problem question that stated- what is the influence of firm-level factors and external environment dynamics on SP and performance relationship of Kenyan manufacturing firms?

The study hypothesized that there is no relationship between SP and performance of manufacturing firms in Kenya; firm-level factors have no moderated influence on SP and performance relationship of manufacturing firms in Kenya; external environment dynamics have no moderated influence on SP and performance relationship of manufacturing firms in Kenya; and joint effect of SP, firm level factors and external environment dynamics on performance of manufacturing firms in Kenya will not be different from individual effects of same variables.

The method which was used in this study was discussed under the research philosophy, the research design and the population of study. Others were data collection methods, operationalization of research variables, reliability and validity of the instruments of measurement, factor analysis, and diagnostic tests and data analysis techniques.

### **3.2 Research Philosophy**

Blaxter et al. (2006) describes a research philosophy as a belief concerning the way in which data about a phenomenon is gathered, evaluated and used. There exist two main research ideas that underpin research in social sciences which are phenomenology and positivism. Phenomenology denotes the way humans make opinion of the world around them. It buildings that know-how is founded on personal experience thus is subjective. Its focal point is on prompt experience, individual knowledge and interpretations (Saunders, Lewis & Thornhill, 2007) and begins from an evidence of living together and compatibility of substitute frameworks (Grandori, 2001).

Phenomenology is a theoretical ideology contending basically that research is theory-reliant. The researcher's theory position steers their fundamental position and ascertains what gets deduced as a study problem, used hypothetical methods, and what comprises proof and observations (Spender, 1996; Mir & Watson, 2000). Positivism is a scientific ideology that tries to find truths of societal phenomena with diminutive esteem for the biased standing of persons. Positivism is objective in nature and believes that the researcher is autonomous from what is being researched.

Positivism originates a numerical view which believes there is an unbiased truth that can be conveyed arithmetically, with descriptive as well as prognostic ability (Neuman, 2006; Furrer, Thomas & Goussevkaia, 2008). According to Hargrove (2004), positivists try to uphold an autonomous and objective view and contend that fact is accurately ascertained through theory and model measures without considering ethnic, cultural, economic and social differences. Babbie (2005) noted that research on a positivist belief is inclined on logical hypothesizing, where a number of suggestions are produced for evaluating, then experiential authentication sought. Travers (2001) posits that substantial data are often needed as a positivist study would favor the use of quantitative methods to analyze massive phenomena.

The study was set out to establish possible relationships that exist among the identified variables as well as ascertain the strength of these relationships. The study thus adopted the positivistic research philosophy. This study involved the testing of hypotheses empirically that were formulated as forecasts of the observed phenomena. A hypothesis testing was carried out with the intention of rejecting or failing to reject the null hypotheses. The approach allowed for the operationalization of the various theoretical ideas as well as generality of the outcomes.

### **3.3 Research Design**

Kerlinger (2007) asserts that the research design in a positivistic research philosophy should provide confidence to the scientific community that the results obtained following the design adopted capture the true situation and have high levels of reliability and validity. The research adopted a cross-sectional survey because it enabled the researcher to acquire the data at one point in time through questionnaires.

The use of a cross-sectional survey also permitted the researcher to study more constructs at one time. The research design aided the researcher to determine the relationship among the independent, dependent and moderating variables which involved testing of hypotheses quantitatively through the population characteristics. Olsen and George (2004) posited that in this design, the whole population or the sample population is chosen, and then data is collected from these entities to assist answer study's questions of interest.

The researcher considered this design suitable because of the study objectives, scope of the topic, research involvement, time frame of data collection, nature of data that were to be gathered and the analytical techniques to be performed (Cooper & Schindler, 2003). By adopting this research design, an opportunity was offered to collect data across different organizations and test the relationship. Through this, researcher was able to draw an expression of inter-relationships between variables, offer generalization to a bigger group of organizations than the ones participated in the research.

In addition, the researcher was able to understand their behavior and the meaning of their behavior in a specific environmental context and provide a temporal appreciation of the observed phenomena and their interconnections. The data which was collected was subjected to statistical manipulations that improved understanding of the relationships among the variables. This was achieved through the use of analytical and predictive models while utilizing simple statistics descriptors, multivariate methods and classical regression. Ogollah (2012) and Irungu (2007) used this design and enabled them test hypotheses and draw plausible conclusions.

### **3.4 Population of the Study**

Cooper and Schindler (2001) describe a population as the entire elements' collection on which a researcher wishes to create some inferences. The population forms a basis where the sample for the study is drawn. All objects or individuals within a specific population usually have a common, binding characteristics or trait. It is for the benefit of population that researches are done.

The population of this study comprised the manufacturing firms in Kenya registered with Kenya Association of Manufacturers (KAM) in all sectors of economy. KAM has categorized these firms into fourteen sectors. These sectors are: mining, construction and building; chemical and allied; electrical, electronics and energy; tobacco, food and beverages; footwear and leather; metal and allied; motor vehicle assemblers and accessories; board and paper; medical equipment and pharmaceutical; rubber and plastics; consultancy and services; apparels and textile; wood, furniture and timber; and fresh produce.

For the purposes of this study, thirteen sectors were considered. This is because the fourteenth one, which is services and consultancy sector, was not in line with this study, since the researcher's main interest was the firms which are adding value to inputs to give outputs after transformation process. Therefore, the population was 502 firms as per KAM. The updated 2016 sectors and their members as per KAM directory which forms the study population are as shown in Appendix IV.

### **3.5 Sampling Design and Sample Size**

A sample is a subset of the population and represents the entire population being studied. It is used to draw inferences about that population. Without having to assess the entire population, this research method is extensively used in the social sciences as a means to collect information about it. This is largely due to time and cost factors. The sample must represent the whole population from which it was drawn as well as have a good size to deserve statistical analysis.

Different sampling designs do exist. The current study applied stratified random sampling method to get the sample size because the population in different manufacturing firms will be considered heterogeneous, implying that a simple random sampling would not be a representative. A stratified sampling is a method in which the researcher divides the whole targeted population into different strata and then selects the final subset proportionally at random from the different strata. This ensured that the researcher had adequate representation from each stratum in the final sample.

The numbers of companies visited per sector are shown in sampling strata (Appendix III) which was proportionately calculated. This proportionate sampling stratum represented the total sample size of 138 firms. Following this sampling method, the study adopted Cochran (1963) formula to calculate sample size. The formula was used by Kate (2006) to calculate the size of sample. Eventual test of a sample size is how perfectly it represents the aspects of the population it purports to symbolize. This formula gave a higher percent representation that yields comparative relationship to the size of the population from which it is drawn.

The formula was:  $n = t^2 \cdot p(1-p) / m^2$ ; Where: n= required sample size; t= confidence level at 95% (standard value of 1.96); p= estimated percentage prevalence of population of interest-10%; m= margin of error at 5% (standard value of 0.05).

Therefore, the sample size (n) for this study can be computed as follows:

$$n = 1.96^2 \cdot .1(1-.1) / .05^2; n = 3.8416 \cdot .09 / .0025; n = 3.457 / .0025; n = 138.30 \sim \mathbf{138}$$

### **3.6 Sampling Frame**

A sample frame can be defined as a demarcation of the target population (Cooper & Schindler, 2003). They assert that the list of elements from which the sample is actually drawn constitutes the sample frame. Ideally, the sampling frame should include all members of the target population but not always possible. For this study, the sampling frame was the list of manufacturing firms in Kenya registered with KAM.

By the time of carrying out this research, KAM had 502 such firms in their database. Stratified random sampling method was applied since the manufacturing firms registered by KAM are listed in sectors. Sample size was calculated using Cochran (1963) formula resulting to 138 firms. The sample firms to be visited were proportionally selected from each sector to ensure randomness.

KAM member firms were the best option since they are under the same association rules and regulations. The researcher thought that such members would be under obligation to practice some professionalism as opposed to those firms afraid of registering which may not be practicing professionalism. In addition, KAM have its own management which oversees the welfare of the member firms are prioritized by lobbying for them.



### **3.7 Data Collection**

The study utilized primary and secondary data. Thus, primary and secondary data were collected because the two sources of data were meant to strengthen each other (Stiles & Taylor, 2001). The data was largely quantitative in nature. Primary data was gathered through a semi-structured questionnaire since it comprises of a mixture of closed and open-ended questions. The questionnaire was divided into five parts. Part I was firm and respondent profile which was designed to collect basic information about target organizations and the respondent. Part II was strategic planning which focused on the specification of objectives, generation of strategies, documentation, time-spent, communication and process existing.

Part III was firm-level factors which focused on the internal organizational characteristics (firm structure, and firm resources and capabilities). Part IV was external environment dynamics which focused on the political, economical, socio-cultural and technological (PEST) factors. Part V was firm performance which focused on financial performance (return on assets) and non-financial performance (product/service quality, new product introduction, operational efficiency, customer satisfaction, and employee well-being and development).

Secondary data was collected through financial statement which was used to calculate ROA to establish financial performance in the period 2011 to 2015. Target respondents were senior managers (Chief executive officer/ Managing director or corporate planning manager or marketing manager or finance and administration manager or human resource manager) or their representatives in targeted organizations, because these are the key knowledge engineers in operationalizing visionary ideals (Holden, 1999).

Newbert (2007) postulates that main informers should be well-informed about issues being researched. They should also be willing to pass the information. To enhance cooperation from the respondents, the researcher presented an introductory letter from the University (appendix 1) to each organization assuring them of confidentiality along with a research summary intent which stipulated objectives of the research. The final questionnaires were delivered to the selected organizations via emails and physical delivery. After the initial contact was made, follow-ups dates were agreed upon with the respondents. Follow-ups were made by telephones, emails and physical visits. For misplaced questionnaires, new ones were re-issued.

### **3.8 Reliability Tests**

Mugenda and Mugenda (2003) described reliability as a measure of the extent to which instruments produce reliable outcomes or data after recurring trials. It establishes if the measure is able to yield same outcomes on other instances or that comparable observation are attained by other observers. To ensure reliability, the data collection instrument was pilot-tested with ten senior managers of organizations not necessarily the targeted ones.

The study used five-point Likert-type scales. Cronbach's alpha test for reliability was used to measure the reliability of scales whereas the internal consistency or average correlation of items within the test was assessed via Cronbach coefficient. When the accurate score is not assessed at all and there is only a mistake element, the alpha is equal to zero. When all items measure only the accurate score and there is no mistake element, the alpha is equal to 1.0. Normally, the alpha coefficient lies between 0 and 1.

This implies that the nearer the coefficient is to 1, the bigger the internal consistency of the items in the scale. Nunnally (1978) as cited in Aosa (1992) pointed out that if the value of this coefficient is too low, either too few items were used or the items had very little in common. Tan and Litschert (1994) also cite Nunnally (1978) who recommended coefficient of 0.7 and above as sufficient to conclude internal consistency. Sekeran (2003) posits that any values between 0.5 and 0.8 are adequate to accept internal consistency. This study adopted Nunnally (1978) value of 0.7 and above as adequate to conclude internal consistency.

### **3.9 Validity Tests**

Validity has been defined by various scholars. For instance, Cooper and Schindler (2006), and Aiken and West (1991) define validity as the aptitude of the study instrument to assess what it is supposed to measure. Ericksson and Kavalainen (2008) posit that validity is a criterion used to demonstrate the degree to which deductions drawn in a study provide a precise description or clarification of what happened.

Bryman and Cramer (2005) assert that validity involves the accurateness and connotation of inferences which are grounded on the study outcomes. The validity of an instrument is good if it contains a representative sample of the universe subject matter. There are several types of validity test that can be conducted on an instrument. In this study, face validity was treated as judgmental through a pilot study. This study ensured construct validity for the questionnaire since it had been developed based on similar prior studies and also the development of a logical conceptual framework based on empirical literature review. For content validity, questionnaire was tested by subjecting it to double check. The questionnaire covering four main areas of the research was thus guaranteed.

Expert judgment was employed to confirm if theoretical dimensions emerge as conceptualized. This was by use of supervisors, lecturers and researchers from University of Nairobi, School of Business, and ten managers not necessarily from the targeted respondents. Ambiguous, double edged and sensitive questions were cleaned, sorted or dropped. This was successfully done by Machuki (2011) and Munyoki (2007). Face validity was assumed whereas the predictive validity aspect was demonstrated by the outcomes of hypothesis testing.

### **3.10 Operationalization of Research Variables**

Operationalization of study variables facilitates the reduction of theoretical beliefs of constructs into observable characteristics that can be measured (Sekaran, 2000) and aid in testing of the correlations among the variables in the hypothetical model. It defines variables into measurable factors. Nachmias and Nachmias (2004) points out that the process defines fuzzy concepts and lets them to be evaluated empirically and quantitatively.

It means unearthing a measurable, quantifiable and justified index study variable; whether independent, moderating or dependent variables. It gives significance to a concept by stipulating undertakings or operations appropriate to measure it. The current study variables were: strategic planning, firm-level factors, external environment dynamics and firm performance. Strategic planning was the independent variable, firm-level factors and external environment dynamics were moderating variables, and performance was the dependent variable. Operationalization of the variables is depicted in Table 3.1.

**Table 3.1: Operationalization of Key Study Variables**

<b>Variable</b>	<b>Operationalization (Operational indicators)</b>	<b>Supporting Literature</b>	<b>Measure (Measurement Scale)</b>	<b>Questionnaire Items</b>
Strategic Planning	Specification of Objectives Generation of Strategies Documentation Time Spent Communication Process Existing	Elbana and Andrews (2016), Gica and Balint (2012), Marksberry (2012), Suklev and Debarliev (2012), Bryson (2011), Glaister et al. (2008), Tapinos et al., (2005), Muthuiya (2004), Thompson and Strickland (2003),	5-point Likert type scale 5-point Likert type scale 5-point Likert type scale 5-point Likert type scale 5-point Likert type scale	13-18
Firm-Level Factors	Firm Structure Firm Resources and Capabilities	Grant and Jordan (2015), Oyewobi et al. (2013), Grant and Jordan (2012), Efendioglu and Karabulut (2010), Gruber et al. (2010), Helfat et al (2009), Dutta, et al., (2005), Ethiraj, et al., (2005), Helfat and Peteraf (2003).	5-point Likert type scale 5-point Likert type scale	19 19
External Environment Dynamics	PEST (Political, Economic, Social, Technological).	Machuki and Aosa (2011), Boyne and Meier (2009), Eriksen (2008), Johnson et al.	5-point Likert type scale	20

**Table 3.1: Operationalization of Key Study Variables Continued ...**

		(2008), Koka and Prescott (2008), Andersen (2004).		
Firm Performance	Financial Performance (Return on assets).  Non-financial Performance (Product/service quality, New product introduction, Operational efficiency, Customer satisfaction, Employee well-being).	Awino (2011), Machuki and Aosa (2011), Drury (2008), Reijonen and Raija-Komppula (2007), McCann (2004), Richard, et al., (2004), Zott (2003).	Direct measure (Ratio)  5-point Likert type scale	21-22  21-22

**Source:** Researcher (2018)

Operationalization of the key study variables presented in Table 3.1 was guided by literature. Operational indicators for strategic planning were specification of objectives, generation of strategies, documentation, time-spent, communication and process existing. Operational indicators for firm-level factors were firm structure, and firm resources and capabilities. External environment dynamics operational indicators were political, economic, social and technological. Lastly, operational indicators for performance were financial performance and non-financial performance. Measurement were done for all using 5-point Likert type scale for all except financial performance which was done by direct measure (Ratio).The operationalization of the study variables was described as portrayed in conceptual model. These study variables were operationalized and measured.

### **3.11 Data Analysis**

Prior to data analysis, the researcher checked the linearity, normality, multicollinearity and heteroscedasticity for linear regression. Linearity of data means that the dependent variable values for every independent variable increment are collinear. Osborne and Waters (2002) assert that the outcome and predictor variables' relationship can only accurately be estimated by multiple linear regressions if naturally such relationships are linear. In this study, linearity was tested using scatter plots.

For normality, Osborne and Waters (2002) propose that analysis of regression assumes that data is normally distributed. Data which is not normally distributed can alter significance tests and relationships and hence statistical inference. This may lead to inaccuracy of results. This study tested for normality using histograms and probability-probability (p-p plots). Field (2009) pointed out that a bell-shaped curve characterizes usually distributed data symmetrically about the centre of all scores. Skewness and kurtosis characterizes data which is not normally distributed. Further, the p-p plot shows data points that lay along the straight regression line an indication that data is normally distributed.

Multicollinearity occurs when a high degree of relationship between predictor variables happens. The correlation coefficient between the variables was examined via the application of Pearson's correlation. Keith (2006) pointed out that correlation' tolerance levels ranges from zero, indicating there is no independence, to one, indicating fully independent. This was done prior to testing of the hypothesis with the objective of ascertaining the degree to which the variables were related.

Therefore, to evade multicollinearity hitch, the variance inflation factor (VIF) values should not be more than 10 and the tolerance values should not be lower than 0.10. Heteroscedasticity happens when the variance of the errors of the outcome variable are not the same throughout the data. Variance of residuals is indicated by the width of scatter plot of residuals as independent variable increases. If the width of the p-p plots of the residuals decreases or increases as explanatory variable increases, then assumption of the constant is not met. In this study, heteroscedasticity was measured using VIF.

Tabachnick and Fidell (2001), and Field (2009) posit that heteroscedasticity occurs when there is variance of the error term. The data from the questionnaire was checked for incompleteness, inconsistencies and mistakes in data collected. The data analysis used descriptive statistics such as mean scores, standard deviation, mode, median, measures of dispersion and frequencies. It was used to acquire a general understanding of the respondents' demographic information. Inferential statistics such as simple regression, multiple regressions and Pearson's Product-Moment Correlation ( $r$ ) were used.

Simple regression and Pearson's Product-Moment Correlation ( $r$ ) was used in evaluating one predictor variable and one outcome variable [Hypothesis H1], whereas multiple regression and Pearson's Product-Moment Correlation ( $r$ ) determined whether a collection of variables jointly forecast a given outcome variable [Hypotheses H2, H3 and H4]. Significance tests were done at 95% confidence interval (CI) level, that is, a significance level of 0.05 which is the cut-off point for testing the hypotheses.



To establish SP and performance relationship along with the moderating variables, the general equation for the regression was:  $P = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$ . Where, P= Firm Performance (Dependent Variable);  $X_1$ = Strategic Planning (Independent Variable);  $X_2$ = Firm-Level Factors (Moderating Variable);  $X_3$ = External Environmental Dynamics (Moderating Variable);  $\beta_0$ =Constant;  $\beta_1, \beta_2, \beta_3$ = Regression Coefficients;  $\varepsilon$  = Error term. Regression models and hypothesis testing was as shown in Tables 3.2.

Factors of firm-level and external environment were determined using factor analysis (FA). Principal components factor method and orthogonal rotation using varimax method are used in the factor analysis procedure. Hair et al. (2006) asserts that a cutoff point of Eigen values of greater than 1 and factor loading greater than 0.50 are the criteria used to identify and interpret the factors.

### **3.12 Assumptions for Interacting Effect of Moderating Variable**

For every collection of the dichotomous moderator variable, there ought to be a predictor and outcome variable linear relationship. The data must not show multicollinearity but requires showing homoscedasticity. High leverage points, highly influential points and significant outliers should not be there. The other assumption is that the errors (residuals) should be approximately normally distributed. The outcome and one predictor variable should be assessed on a continuous scale (ratio or interval), one moderator that is a nominal variable with two groups (dichotomous) and have independence of observations (residuals).

**Table 3.2: Hypotheses and Corresponding Analytical Statistical Models**

Objective	Hypothesis	Analytical model
<p><b>ONE:</b> To Determine the Relationship between SP and Performance of Manufacturing Firms in Kenya.</p>	<p><b>H1:</b> SP and Performance of Manufacturing Firms in Kenya have no Relationship.</p>	<p>Simple Regression Analysis:            Firm Performance = <math>f_1</math> (Strategic Planning)  <math>P_1 = \beta_0 + \beta_1 \times_1 + \varepsilon</math>            Where,  <math>P_1</math>-Firm Performance  <math>\beta_0</math>-Constant  <math>\beta_1</math>-Regression Coefficient  <math>\times_1</math>-Strategic Planning  <math>\varepsilon</math>-Error Term</p>
<p><b>TWO:</b> To Establish the Influence of Firm-Level Factors on the Relationship between SP and Performance of Manufacturing Firms in Kenya.</p>	<p><b>H2:</b> Firm-Level Factors have no Moderating Influence on SP and Performance Relationship of Manufacturing Firms in Kenya.</p>	<p>Moderating Multiple Regression Analysis:            Firm Performance = <math>f_2</math> (Strategic Planning, Firm Level Factors)  <math>P_2 = \beta_0 + \beta_1 \times_1 + \beta_2 \times_2 + \beta_4 \times_1 \times_2 + \varepsilon</math>            Where,  <math>P_2</math>-Firm Performance  <math>\beta_0</math>-Constant  <math>\beta_1, \beta_2, \beta_4</math>-Regression Coefficients  <math>\times_1</math>-Strategic Planning  <math>\times_2</math>-Firm-Level Factors  <math>\times_1 \times_2</math> – The Interaction Term (for the Strategic Planning and Firm-Level Factors)  <math>\varepsilon</math>-Error Term</p>

**Table 3.2: Hypotheses and Corresponding Analytical Statistical Models Continued ....**

<p><b>THREE:</b> To Establish the Influence of External Environment Dynamics on the Relationship between SP and Performance of Manufacturing Firms in Kenya.</p>	<p><b>H3:</b> External Environment Dynamics have no Moderating Influence on SP and Performance Relationship of Manufacturing firms in Kenya.</p>	<p>Moderating Multiple Regression Analysis:            Firm Performance = f3 (Strategic Planning, External Environment Dynamics)  <math>P_3 = \beta_0 + \beta_1 \times_1 + \beta_3 \times_3 + \beta_5 \times_1 \times_3 + \varepsilon</math>            Where,            P<sub>3</sub>-Firm Performance            β<sub>0</sub>-Constant            β<sub>1</sub>, β<sub>3</sub>, β<sub>5</sub> -Regression Coefficients            ×<sub>1</sub>-Strategic Planning            ×<sub>3</sub>-External Environment Dynamics            ×<sub>1</sub>×<sub>3</sub> – The Interaction Term (for the Strategic Planning and External Environment Dynamics)            ε-Error Term</p>
<p><b>FOUR:</b> To Determine Joint Effect of SP, Firm-Level Factors and External Environment Dynamics on Performance of Manufacturing Firms in Kenya.</p>	<p><b>H4:</b> Joint Effect for SP, Firm-Level Factors and External Environment Dynamics on Performance of Manufacturing Firms in Kenya will not be Different from Individual Effects of the Same Variables.</p>	<p>Moderating Multiple Regression Analysis:            Firm Performance = f4 (Strategic Planning, Firm Level Factors, External Environment Dynamics)  <math>P_4 = \beta_0 + \beta_1 \times_1 + \beta_2 \times_2 + \beta_3 \times_3 + \beta_4 \times_1 \times_2 + \beta_5 \times_1 \times_3 + \varepsilon</math>            Where,            P<sub>4</sub>-Firm Performance            β<sub>0</sub>-Constant            β<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub>, β<sub>4</sub>, β<sub>5</sub> -Regression Coefficients            ×<sub>1</sub>-Strategic Planning            ×<sub>2</sub>-Firm-Level Factors            ×<sub>3</sub>-External Environment Dynamics            ×<sub>1</sub>×<sub>2</sub> – The Interaction Term (for the Strategic Planning and Firm-Level Factors)            ×<sub>1</sub>×<sub>3</sub> – The Interaction Term (for the Strategic Planning and External Environment Dynamics)            ε-Error Term</p>

**Source:** Researcher (2018)

The mathematical models presented were used in analyzing the data and test the hypotheses. Since this study was conducted on manufacturing firms from different sectors, adjusted  $R^2$  was used for interpretation. The hypothesis testing and interpretations of results are presented in Table 3.3.

**Table 3.3: Hypothesis Testing and Interpretations of Results**

<b>Objective</b>	<b>Hypothesis</b>	<b>Type of Analysis</b>	<b>Interpretation of Results</b>
<b>ONE:</b> To Determine the Relationship between SP and Performance of Manufacturing Firms in Kenya.	<b>H1:</b> SP and Performance of Manufacturing Firms in Kenya have no Relationship.	Relationship of SP on firm performance indicators using simple regression and Pearson's correlation.	$R^2_{adj}$ - Extent to which variations in firm performance indicators are explained by SP. R- Strength of SP and performance relationship. F- Significance of overall model.
<b>TWO:</b> To Establish the Influence of Firm-Level Factors on the Relationship between SP and Performance of Manufacturing Firms in Kenya.	<b>H2:</b> Firm-Level Factors have no Moderating Influence on SP and Performance Relationship of Manufacturing Firms in Kenya.	Influence of firm-level factors on SP and performance relationship using moderating multiple regression analysis and Pearson's correlation	$R^2_{adj}$ - Extent to which variations on SP and performance relationship is explained by influence of firm level factors. R- Strength of the relationship between firm level factors and the influence on SP and performance relationship. F- Significance of overall model.
<b>THREE:</b> To Establish the Influence of External Environment Dynamics on the Relationship between SP and Performance of Manufacturing Firms in Kenya.	<b>H3:</b> External Environment Dynamics have no Moderating Influence on SP and Performance Relationship of Manufacturing Firms in Kenya.	Influence of external environment dynamics on SP and performance relationship using moderating multiple regressions and Pearson's correlation.	$R^2_{adj}$ - Extent to which variations in SP and performance relationship is explained by influence of external environment dynamics. R- Strength of the relationship between external environment dynamics and the influence on SP and performance relationship. F- Significance of overall

**Table 3.3: Hypothesis Testing and Interpretations of Results Contd.**

<p><b>FOUR:</b> To Determine Joint Effect of SP, Firm-Level Factors and External Environment Dynamics on Performance of Manufacturing Firms in Kenya.</p>	<p><b>H4:</b> Joint effect for SP, Firm-Level Factors and External Environment Dynamics on Performance of Manufacturing Firms in Kenya will not be Different from Individual Effects of the same Variables.</p>	<p>Joint effect for SP, firm level factors and external environment dynamics on firm performance using moderating multiple regression analysis and Pearson's correlation.</p>	<p>R<sup>2</sup>adj- Extent to which variations in firm performance is explained by firm level factors, external environment dynamics and SP jointly. R- Strength of firm level factors, external environment dynamics, SP and performance relationship. F- Significance of overall model.</p>
---	---	---	--

**Source:** Researcher (2018)

The chapter covered the study methodology used. It presented study's philosophy and elaborated on the positivistic approach that the study employed. Further the chapter presented the study design, that is, descriptive cross-sectional survey because data was gathered from a large number of organizations at one point in time. Study population was equally described which was the manufacturing firms in Kenya, as well as sampling design employed which was stratified random sampling.

Data collection used structured questionnaire of which reliability and validity tests were done. Operationalization of research variables was done giving a detailed description of how the concepts disaggregated for measurement. All the variables of the study were operationalized along evidence in literature. Diagnostic tests were carried out and data was analyzed and presented. Tables 3.1, 3.2 and 3.3 are represented. The following chapter presented study's research findings.

## **CHAPTER FOUR**

### **RESEARCH FINDINGS**

#### **4.1 Introduction**

The chapter presented findings on which further analyses was undertaken to test the research hypotheses. It laid focus on various tests of data that were gathered as well as the manifestations of the research variables among the studied companies. The study's broad objective was to determine the influence of firm-level factors and external environment dynamics on the relationship between SP and performance of manufacturing firms in Kenya.

From this overall objective, four detailed objectives were derived. A structured questionnaire operationalized with study variables' indicators were used in data gathering. Descriptive statements on a 5-point Likert-type scale for each study variable were presented to respondents and they were required to point out the extent to which the statements applied in their firms.

Financial and non-financial indicators were used to assess organizational performance. For financial indicator, return on assets data was obtained from firms' financial income statements and balance sheets, which are secondary data. For non-financial indicator, the respondents were presented with descriptive statements on a 5-point Likert-type scale and were required to point out the extent to which the statements applied in their firms. Study response rate and firms' demographics were analyzed using percentages and frequencies and were presented using tables.

Findings of the pretests of reliability and validity on the data that were gathered are presented. Factor analysis, diagnostics tests for linearity, normality, multicollinearity and heteroscedasticity were done to test for statistical errors. Positive results for these pre-tests gave researcher confidence to continue with data analysis.

#### **4.2 Study Response Rate**

The effective filled and returned questionnaire was from 72 firms forming 52.17% response rate, which was considered adequate for analysis. Scholarly discourses have been advanced as to what response rate is acceptable in organizational research. Rogelberg and Stanton (2007) pointed out that clarity as to what response rate should be considered is elusive. In establishing the acceptable response rates, scholars have suggested minimum rates ranging from 30 percent to 80 percent. However, these proposals have been based on line of arguments and they are inconsistency throughout the literature (Baruch and Holtom, 2008).

Baruch and Holtom (2008) conducted a study to examine the response rate for surveys in organizations. They analyzed 1607 studies published from year 2000 to 2005 in seventeen refereed journals. Mean rate of response for data gathered from firms was 35.7 percent while data gathered from individuals was 52.7 percent. Cook et al. (2000) line of reasoning which was based on a meta-analysis was that response representativeness is more significant than response rate in survey research. In this study, all sectors of the manufacturing firms in Kenya were represented thus avoiding any chance of bias. The researcher administered the questionnaires to the targeted firms but some were not willing to participate even after the researcher introduced himself through the letter of introduction from the university department. These firms cited company policy.

Other respondents received the questionnaire but were not committed to return it citing lack of time to fill it. Some of these non-committed ones had asked the researcher to forward the questionnaire up to two to four times citing the misplacement of the previous one. Most of these firms preferred hardcopy more than soft copy. The distribution of participation by the target firms in various sectors are as shown in Table 4.1.

**Table 4.1: Response Rate by Manufacturing Firms in Kenya**

<b>Manufacturing Sectors</b>	<b>Sample</b>	<b>Frequency in Response</b>	<b>Percentage Response</b>
Building, Mining and Construction	5	3	60.0
Chemical and Allied	19	9	47.37
Energy, Electrical and Electronics	9	4	44.44
Food, Beverages and Tobacco	20	12	60.0
Leather and Footwear	2	1	50.0
Metal and Allied	18	9	50.0
Motor Vehicle Assemblers and accessories	7	7	100
Paper and Board	17	10	58.82
Pharmaceutical and Medical Equipment	6	3	50.0
Plastics and Rubber	19	8	42.1
Textile and Apparels	10	1	10.0
Timber, Wood and Furniture	5	4	80.0
Fresh Produce	1	1	100
<b>Total</b>	<b>138</b>	<b>72</b>	<b>52.17</b>

**Source:** Field Data (2018)

Table 4.1 shows the manufacturing sectors which the researcher considered in this study. The sampled column shows the number of targeted firms per sector where the data was to be collected which totaled 138 firms. Frequency in response column shows the actual number of firms which filled the questionnaire and returned which totaled 72 firms. The percentage response column shows the percentage of the firms which participated in the study per sector. All sectors were represented hence avoidance of the bias in the study.



### 4.3 Reliability Tests

The questionnaire items were subjected to reliability tests which were done with the help of Cronbach's Alpha. Internal consistency reliability test was done which was given by the Alpha coefficient which lies between 0 and 1. This type of reliability test refers to the respondent's ability to answer similar questions within a single survey the same. The higher the coefficient, the higher the internal consistency. This study adopted Nunnally (1978) value of 0.7 and above as adequate to conclude internal consistency. The variables in the research instrument, the number of items per variable, Cronbach's Alpha coefficient value of the questionnaire items and decision of the researcher, are as indicated on the Table 4.2.

**Table 4.2: Results for Test of Reliability**

Variables	Number of Items	Cronbach's Alpha	Decision
Strategic Planning	43	0.931	Reliable
Firm-Level Factors	30	0.928	Reliable
External Environment Dynamics	17	0.832	Reliable
Firm Performance	5	0.943	Reliable

**Source:** Field Data (2018)

The results in Table 4.2 indicated a relatively high degree of consistency in the variables. The firm performance returned the highest alpha of 0.943, followed by strategic planning variable with alpha of 0.931, then firm-level factors variable with 0.928 and external environmental factors variable had 0.832. All the four variables had alpha way above the 0.7 recommended by Nunnally (1978). The decision points therefore confirm that the study variables were all reliable.

#### **4.4 Validity Tests**

Cooper and Schindler (2006) assert that validity is the aptitude of the study instrument to measure what is supposed to measure. They said that if the instrument contains a representative sample of the universe subject matter, then the validity is good. Several validity test-types that can be carried out on an instrument do exist. These are construct, content, face and criterion related validity. The study ensured construct validity for the questionnaire since it was developed based on similar prior studies and also the development of a logical conceptual framework based on empirical literature review.

Content validity is the extent to which the instrument provides adequate coverage of the investigative questions guiding the study. Content validity is also known as logical validity and refers to the extent to which a measure represents all facets of a given social construct. Literature review was done by the researcher and identified items that required measuring the concepts and ensuring questions covered all study areas which guaranteed content validity.

Questionnaire was piloted to 10 managers from firms not sampled which facilitated the researcher to ascertain the respondents' ability to respond without problems. The research instrument was further enhanced from expert opinions received during the thesis proposal presentations. Vague and unclear questions were identified and rectified. The researcher used experts to scrutinize and review the instrument for validity as successfully done by Munyoki (2007). Zikmund et al. (2010) asserts that validity is the accurateness of an assessment or degree to which a tally honestly symbolizes a concept.

Construct validity is seen as the most important form amongst the different types of validity that exist. It forms the basis for any other type of validity, and from a scientific point of view, it is seen as the entire validity (Mislevy, 2007). Messick (1989) pointed out that the inferences are hypotheses, and when inferences are validated, it results to hypothesis-testing. Therefore, validity is seen as evaluative judgments that are made on the inferences of assessment results or test scores, that is whether right interpretations are made and actions are taken based on the inferences. The assessed judgments need to be correct and reflective of the truth.

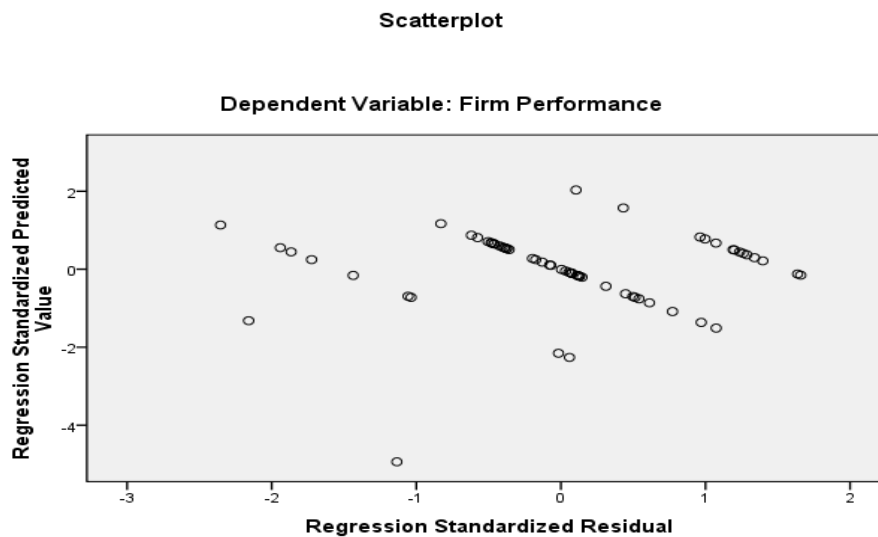
#### **4.5 Diagnostic Tests**

When carrying out statistical *modus operandi* using correlations, regression, t-tests and analysis of variance, they are based on the presupposition that the data follows a normal distribution. These analyses have statistical errors and need to be checked. This study tested for linearity, normality, multicollinearity and heteroscedasticity to test for these statistical errors. This was to determine if the data set was well modeled.

Linearity was tested using scatter plots. It should also be noted that a homoscedastic data is linear. Normality was tested by use of histogram and probability-probability (p-p) plots. Multicollinearity was tested by variance inflation factors and tolerance. Heteroscedasticity was tested by variance inflation factors. The outcomes of these statistical tests are showed in this section.

### 4.5.1 Tests of Linearity

When the dependent variable values for every increase of an independent variable lie in a straight line, it indicates data linearity. If non-linear, the true relationship of the variables is under-estimated by the regression linear analysis results. Since linear regression is sensitive to outliers' effects, it is prudent to check for them. The linearity can best be tested with scatter plots as depicted in Figure 4.1.



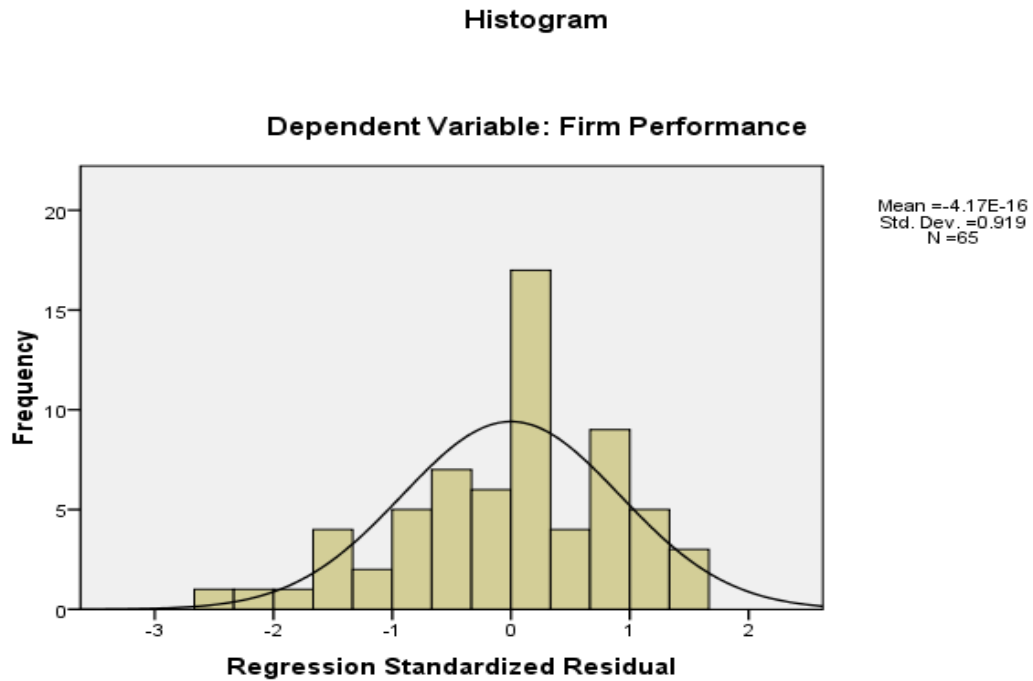
**Figure 4.1: Scatter Plot for Firm Performance**

**Source:** Field Data (2018)

Linearity means that the predictor variables in the regression have a straight-line relationship with the outcome variable. If the residuals are normally distributed and homoscedastic, it shows linearity of data. This is done by plotting residuals against predicted values on a scatter plot. When residuals tend to bunch together at some values, and at other values, spread far apart indicates homoscedasticity. The scatter plot shows firm performance data from manufacturing firms in Kenya which shows general linearity of data. This was an indication of a linear relationship among study variables.

### 4.5.2 Tests of Normality

For regression operation to make proper inferences, the residuals of the regression should follow a normal distribution. The difference between the observed value and predicted value of a dependent variable is the residual. This is depicted in a histogram Figure 4.2.

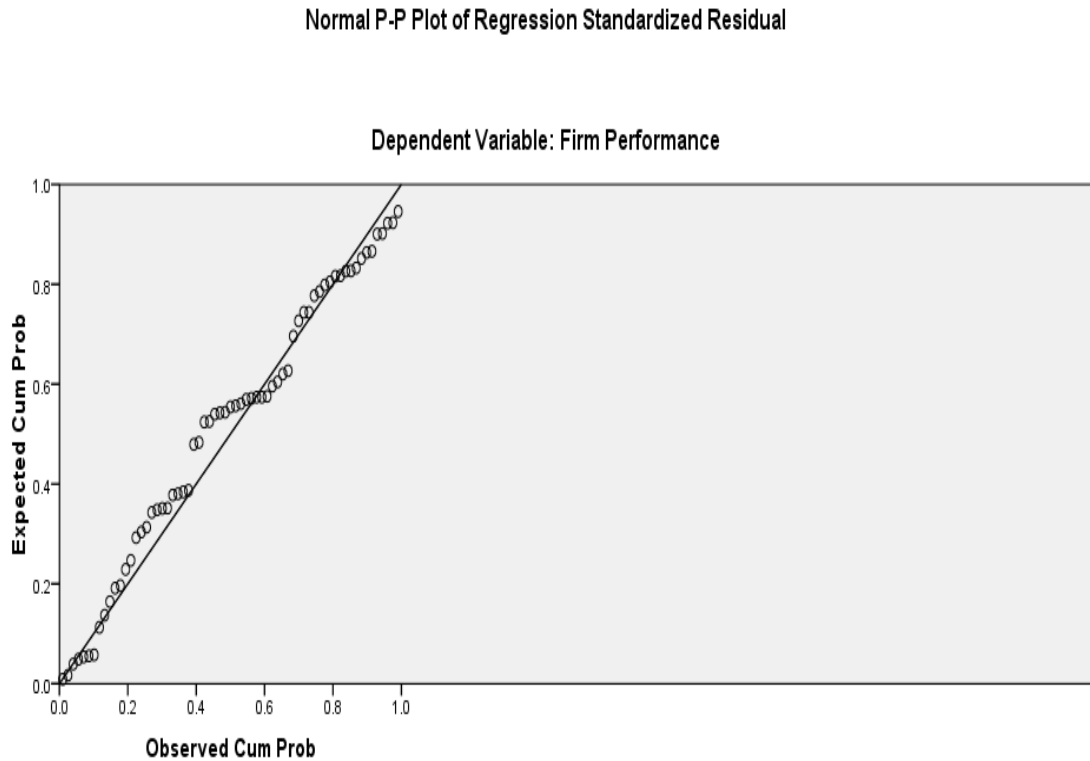


**Figure 4.2: Histogram for Firm Performance**

**Source:** Field Data (2018)

The histogram shows firm performance data from manufacturing firms in Kenya which was bell-shaped indicating a normally distributed data. The standard deviation was 0.919 on a sample of 65 firms indicating normal distribution.

For a normal predicted probability (p-p) plot, residuals are normally distributed if they conform to the diagonal normality line indicated in the plot. The residuals should not be very far from the regression line. Those far are called outliers and need to be removed.



**Figure 4.3: P-P Plot for Firm Performance**

**Source:** Field Data (2018)

Figure 4.3 shows the p-p plot for firm performance data from manufacturing firms in Kenya. It shows data points that lay along the straight regression line an indication that data was normally distributed.

### 4.5.3 Tests of Multicollinearity

Multicollinearity occurs when there is a high degree of correlation between independent variables. Multicollinearity is tested using variance inflation factor (VIF). The VIF measures the factor by which the variance of estimated coefficient is inflated over the case of no correlation among the independent variables. If no two independent variables are correlated, then all the VIF's will be 1. VIF of 5 indicate there is multicollinearity and 10 show serious multicollinearity. The test results are shown in Table 4.3.

**Table 4.3: Variance Inflation Factor for Firm Performance**

Coefficients <sup>a</sup>								
Model	Unstandardized Coefficients		Standardized Coefficients	t-value	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	3.103	.492		6.301	.000		
	Strategic Planning	.166	.092	.213	1.809	.075	.949	1.054
	Firm Level Factors	.164	.089	.215	1.849	.069	.970	1.031
	External Environment Factors	.054	.070	.093	.782	.437	.936	1.069

a. Dependent Variable: Firm Performance

Source: **Field Data (2018)**

The results show the variance inflation factor (VIF) which was used to test for multicollinearity for this study. Tolerance measures the influence of one independent variable on all other independent variables, and is an inverse of VIF. All variables had a VIF of between 1.031 and 1.069 while tolerance values were between 0.936 and 0.970. This was an indicator that there was no multicollinearity among the independent variables.

#### **4.5.4 Tests of Heteroscedasticity**

Heteroscedasticity occurs when the variance of the errors of the dependent variable are not the same across the data. It occurs when the variance of errors differs at different values of the independent variables. Berry and Feldman (1985) and Tabachnick and Fidell (1996) posit that slight heteroscedasticity has little effect on significance tests.

Klein et al. (2016) asserts that one of the standard assumptions underlying a linear model is that the errors are independently identically distributed. They add that if the errors are not independently identically distributed and assumed to have distributions with different variances, the errors are said to be heteroscedastic. They give reasons for heteroscedasticity to be omitted variables, outliers in the data or an incorrectly specified model equation, for example omitted product terms. For residual plots, heteroscedasticity produces a cone shape.

In regression analysis, heteroscedasticity is a systematic change in the spread of the residuals over the range of measured values. Ordinary least squares regression assumption is that residuals are drawn from population that has a constant variance. For this regression assumption to be fulfilled and results be valid, the residuals should have a constant variance. A dataset with a large range between the largest and smallest observed values will result to heteroscedasticity. The explanation in this is that the error variance changes proportionally with a factor, of which this factor might be a variable in the model. For its determination, there is need to assess the residuals specifically by fitted value plots. The pattern is that as the fitted values increases, there is increase of the residuals variance, hence cone shape.



When heteroscedasticity is marked, it can lead to serious distortion of findings and seriously weaken the analysis thus increasing the possibility of a type 1 error. In this study, heteroscedasticity was measured using the VIF. Table 4.3 shows the VIF of the current study variables were between 1.031 and 1.069 an indication that there was no heteroscedasticity. After testing for these assumptions and getting favorable results, the researcher proceeded to carry out further statistical tests.

#### **4.6 Factor Analysis**

Factor analysis (FA) attempts to identify underlying variables, or factors that explain the pattern of correlations within a set of observed variables (Williams et al., 2012). Individual survey questions are often defective measures of the population character of interest and there is often need to purify survey data down into appropriate information about the population.

FA can be an important tool in this, allowing analysts to better measure population latent traits, thus turning survey data into useful information. The correlation matrix Table 4.4 showed that the variables correlated fairly well but not perfectly. The correlation matrix was scanned to check for pattern of relationships.

All the correlation coefficients were less than 0.9 implying that the population data was free of singularity. The existence of clusters of correlation coefficients between constructs, suggested that those constructs were measuring aspects of the same underlying factor. For example, technological had a cluster of correlation with product/service quality, new product introduction, operational efficiency, customer satisfaction, and employee well-being and development.

**Table 4.4: Correlation Matrix of Study's Variables**

Correlation Matrix																		
Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Specification of objectives	1.000																	
Generation of strategies	.526	1.000																
Documentation	.579	.525	1.000															
Time spent	.413	.484	.417	1.000														
Communication	.452	.116	.461	.299	1.000													
Process existing	-.594	-.119	-.541	-.152	-.512	1.000												
Firm structure	.560	.323	.431	.343	.418	-.540	1.000											
Firm resources and capabilities	.513	.553	.456	.519	.264	-.248	.541	1.000										
Political	.145	.157	.114	.199	-.094	-.116	.029	.252	1.000									
Economical	.273	.049	.175	.072	.166	-.240	.132	.129	.358	1.000								
Social	-.173	.077	-.110	.201	-.124	.103	-.074	.086	.159	.195	1.000							
Technological	.375	.235	.461	.288	.317	-.406	.461	.436	.094	.050	.131	1.000						
Return on assets	.007	.030	-.082	.224	.027	.051	.122	.049	.020	-.046	.104	-.101	1.000					
Product/service quality	.217	.297	.341	.262	.078	-.135	.391	.245	.088	.025	.161	.405	.079	1.000				
New product introduction	.211	.352	.344	.266	-.009	-.236	.302	.416	.243	-.013	.232	.386	.132	.616	1.000			
Operational efficiency	.362	.457	.461	.340	.186	-.339	.521	.419	.171	.126	.173	.526	.088	.822	.742	1.000		
Customer satisfaction	.423	.473	.494	.401	.243	-.256	.441	.397	.090	.114	.091	.469	.044	.642	.548	.719	1.000	
Employee wellbeing and development	.515	.501	.480	.215	.346	-.438	.506	.619	.123	.200	.110	.434	-.143	.451	.460	.640	.519	1.000

**Source:** Field Data (2018)

It is fundamental to evaluate the suitability of the population data for FA in line with other researchers (Williams, Brown & Onsman, 2012). This study employed the Kaiser-Meyer-Olkin (KMO) test and Bartlett's test of sphericity to assess data for appropriateness for factor analysis.

**Table 4.5: Kaiser-Meyer-Olkin and Bartlett's Test**

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.787
Bartlett's Test of Sphericity	Approx. Chi-Square	574.766
	Df	153
	Sig.	.000

**Source:** Field Data (2018)

KMO measure of sampling adequacy was 0.787 and Bartlett's test of sphericity was significant ( $\chi^2 = 574.766$  at 153 degrees of freedom (df) with p-value = 0.000) as shown in Table 4.5. If KMO index is greater than 0.5 and a significant Bartlett's test of sphericity, that is  $p \leq 0.05$ , the data is considered suitable for FA (Williams et al., 2012).

In conducting FA, the study used principal component analysis (PCA) to assess the variables in order to extract initial factor solutions leading to total variance explained by the constructs as shown in Table 4.6. Eigen value represented the amount of variation explained by a component. The study's eighteen components were subjected to this analysis.

**Table 4.6: Total Variance Explained**

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.510	36.167	36.167	6.510	36.167	36.167	3.839	21.329	21.329
2	2.074	11.525	47.691	2.074	11.525	47.691	3.137	17.430	38.759
3	1.474	8.191	55.883	1.474	8.191	55.883	2.692	14.955	53.714
4	1.302	7.235	63.117	1.302	7.235	63.117	1.548	8.600	62.314
5	1.107	6.152	69.269	1.107	6.152	69.269	1.252	6.954	69.269
6	.895	4.971	74.240						
7	.763	4.237	78.477						
8	.721	4.008	82.485						
9	.570	3.168	85.653						
10	.488	2.712	88.365						
11	.424	2.354	90.719						
12	.366	2.032	92.751						
13	.339	1.883	94.634						
14	.294	1.635	96.269						
15	.240	1.334	97.603						
16	.212	1.180	98.783						
17	.130	.720	99.503						
18	.089	.497	100.000						

**Extraction Method:** Principal Component Analysis.

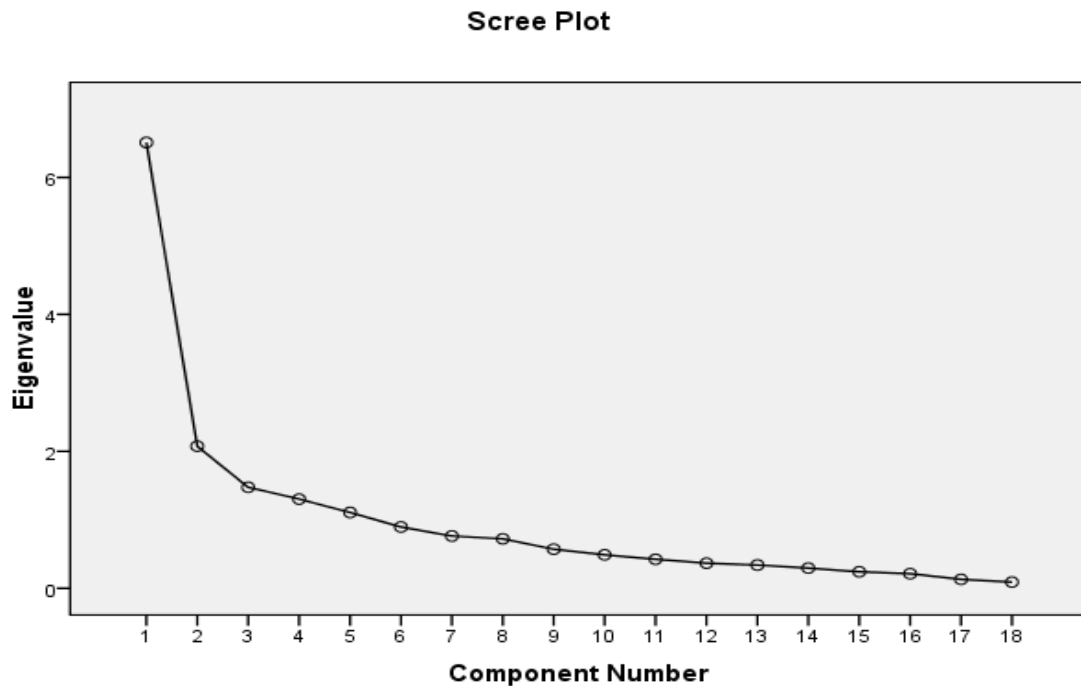
**Source:** Field Data (2018)

Kaiser (1960) recommended that the entire components with eigen value more than one to be reserved. The concept behind this criterion is that the amount of variation explained by a component is represented by the eigen values and a considerable amount of variation is represented by an eigen value of one. Results show that five components had eigen values greater than one implying there were five underlying factors in this study. These five components explained 69.269 percent of total variance in the study variables with first component explaining 36.167 percent of total variation. In agreement with Kaiser (1960), the five components were extracted as displayed in Table 4.6 in the column marked extraction sums of squared loadings.

In the final part of Table 4.6, after rotation is done, the eigen values of the factors are displayed. Field (2009) pointed out that the outcome of rotation is the optimization of the component arrangement and one effect of these data is that comparative influence of the five components is made equal. The results indicated that factor one explained for significantly extra variance than the other four before rotation (36.167 percent compared to 11.525, 8.191, 7.235 and 6.152 percent), but after extraction it accounted for 21.329 percent of variance (compared to 17.430, 14.955, 8.600 and 6.954 percent, respectively).

However, the cumulative variance explained by the five factors remained at 69.269 percent before and after rotation of the factors. When eigen values are plotted against components, resulting graph is called scree plot which is shown in Figure 4.4. Cattell (1966) pointed out that the limit for selecting components ought to be at the point of inflexion of the scree curve which is where the gradient of the line changes dramatically.

The scree plot for this study had an inflexion point at the fifth component implying that the five factors to the left of the inflexion point should be extracted. The scree plot methodology of factors extraction lends credence to the Kaiser (1960) methodology.



**Figure 4.4: Eigen values Scree Plot**

**Source:** Field Data (2018)

Scholars have advised that after extraction of initial eigen values, items with big loadings on more than a few of the un-rotated components are likely to be seen thereby making interpretation problematic (William et al., 2012). It is thus helpful to examine a rotated solution. There are various methods of rotation, which vary on how they rotate the components. Five components that had been extracted were subjected to varimax and Kaiser normalization test to obtain a rotated component matrix as shown in Table 4.7.

Field (2009) explains that varimax method was chosen as it strives to maximize the spreading of loadings within components. Consequently, varimax method attempts to load a lesser number of variables extremely on each component resulting in more interpretable clusters of components. Table 4.7 comprises the loadings of every variable onto each component, even though all loadings less than 0.5 were suppressed. Scholars consider a loading of a total value of more than 0.5 to be significant (Field, 2009).

**Table 4.7: Rotated Component Matrix**

Items	Component				
	1	2	3	4	5
Specification of objectives		.653	.534		
Generation of strategies			.842		
Documentation		.544			
Time spent			.671		
Communication		.794			
Process existing					
Firm structure		.634			
Firm resources and capabilities			.718		
Political				.741	
Economical				.775	
Social				.533	
Technological	.541				
Return on assets					.903
Product/service quality	.877				
New product introduction	.801				
Operational efficiency	.891				
Customer satisfaction	.710				
Employee well-being and development	.538				

**Extraction Method:** Principal Component Analysis.

**Rotation Method:** Varimax with Kaiser Normalization.

**Source:** Field Data (2018)

Six items loaded onto factor one; these constructs were technological and non-financial performance (product/service quality, new product introduction, operational efficiency, customer satisfaction, and employee well-being and development). Technology is key to product/service quality, new product introduction and operational efficiency. These three enhances sustained competitive advantage which results to high performance. High performance results to customer satisfaction, and employee well-being and development. Four items loaded onto factor two; these constructs were specification of objectives, documentation, communication and firm structure. In strategic planning, specification of objectives is crucial since it states the direction the firm intends to take. These objectives have to be documented and communicated to all stakeholders of the firm. Appropriate firm structure which is firm-level factor is needed to actualize this.

Four items loaded onto factor three; these constructs were specification of objectives, generation of strategies, time spent, and firm resources and capabilities. After specification of objectives in strategic planning, generation of strategies follow where scanning of environment is very important in form of SWOT analysis. Time factor is very critical in this stage. Resources and capabilities which are firm-level factors are needed to actualize this. Three items loaded onto factor four; these constructs were political, economic and social. These are external environment dynamics which the management has no control of them. Scanning of the environment is critical for managers to understand these external environment dynamics. One item was loaded onto factor five which was return on assets. This is a financial performance indicator which involves income and assets owned by the firm. This item was classified on its own since financial income depends with many other factors.



#### **4.7 Respondents' Demographic Profiles**

The respondents were requested to state their position, duration of service and role in SP in current firm. Position in current firm was important to ascertain the targeted respondents participated in the research survey. The researcher had targeted respondents who mainly were senior managers (Chief Executive Officers/Managing Directors, Corporate Planning Managers, Chief Operating Officers, Marketing Managers, Finance and Administration Managers, Human Resources Managers or Operation Managers) or their representatives in targeted firms.

These were important in this study because they are the key knowledge engineers in operationalizing visionary ideals (Holden, 1999). These are assumed to be accountable for formulation and implementation of strategies (Strategic Planning Process). They are also deemed to be the most knowledgeable about issues under investigation and would provide more reliable information. In this study most of the senior managers delegated the responsibility to their representatives citing time constraints. But they asked their representatives to consult them for any question which they feel they lack the correct information. With this assurance, the researcher gained confidence of the information to be generated by the research instrument.

The length of service in the current firm was important because it highlighted the level of experience. They would also be in a position to give institutional memory on the firm's activities hence the responses would be credible. The respondent's role in the firm's strategic planning process was important since they are assumed to be responsible for it. Most of the respondents indicated that their role was in formulation and implementation of the strategies.

#### 4.8 Firms' Demographic Profiles

The firms' demographic profiles that this study sought to know was the year of incorporation, country of incorporation, ownership structure (locally fully owned, foreign fully owned, both locally and foreign owned), the manufacturing sector, scope of operation (national, regional, continental and global), size of the firm (number of full time employees) and products market (locally sold volume percent and exported volume percent). Respondents were requested to specify ownership structure of their organizations and results are summed up in Table 4.8.

**Table 4.8: Ownership Structure**

	Ownership structure	Frequency	Percentage	Cumulative Percentage
Valid	Fully locally owned	51	70.8	70.8
	Fully foreign owned	5	6.9	77.7
	Both locally and foreign owned	8	11.1	88.9
	Total	64	88.9	
Missing	System	8	11.1	
Total		72	100.0	

**Source:** Field Data (2018)

Ownership structure was defined by classifying the firms into three categories namely locally fully owned, foreign fully owned, and both locally and foreign owned. Fully locally owned firms in manufacturing sector in Kenya were 70.8 percent. This means that majority of the firms are locally owned. This is a good indicator that the Kenya's policy framework developed to make the sector vibrant and stimulate economic growth through local production (Kenya Vision 2030).

Both locally and foreign owned firms in manufacturing sector in Kenya were 11.1 percent, a distance second. Then fully foreign owned was third with 6.9 percent. The few numbers of fully foreign owned, and both locally and foreign owned firms in Kenya might be due to unfavorable business environment on foreign firms especially on political and economic dimensions. Most of the foreign firms have relocated to countries with favorable business environment.

For example, Cadbury’s, Eveready, and Procter and Gamble had stopped production in Kenya by the time of data collection. These firms’ products in Kenyan market come from their subsidiaries in Egypt and South Africa according to sales people found there but who declined the questionnaire citing few business activities and company policy. It should also be noted that 11.1 percent of the firms responded declined to answer this particular question citing policy while others had no reason for not answering. Respondents were requested to specify scope of operation of their organizations and the results are summed up in Table 4.9.

**Table 4.9: Scope of Operation**

	Scope of Operation	Frequency	Percentage	Cumulative Percentage
Valid	National (Within Kenya)	16	22.2	22.2
	Regional (Within East Africa)	33	45.8	68.1
	Continental (Within Africa)	19	26.4	94.4
	Global (Outside Africa)	4	5.6	100.0
	Total	72	100.0	

**Source:** Field Data (2018)

Scope of operation was defined by classifying the firms into four categories. These were national (within Kenya), regional (within East Africa), continental (within Africa) and global (outside Africa). A high number of the firms operate within East Africa region at 45.8%. It is followed by the firms operating within Africa continent at 26.4%. This is followed closely by firms operating within Kenya at 22.2%. Last but not least, the firms those operate outside Africa at 5.6%.

The regional and continental operation by manufacturing firms in Kenya, which is at 72.2 percent, enables them to expand their business base while tapping the unexploited market in the region and the continent. This will increase their sales revenues hence the performance. The regional and continental operations are favorable due to formation of regional market block like East Africa Community or continental market block like COMESA. These market blocks come up with laws, regulations and policies which help to mitigate the external environment which results to the favorable operations.

Therefore, most of these manufacturing firms and especially large manufacturing firms which are endowed with resources and capabilities and good firm structures will take advantage of this. But the global operation faces the external environment turbulences and few manufacturing firms will venture in this operation. The external environmental turbulences are mostly those emanating from political, economic and socio-cultural dimensions. The results for firm size (number of full-time employees) are summarized in Table 4.10.

**Table 4.10: Firm Size (Number of Full Time Employees)**

	Firm Size (Number of Full Time Employees)	Frequency	Percentage	Cumulative Percentage
Valid	11 – 50	4	5.6	5.6
	51 – 100	11	15.3	20.8
	Above 100	57	79.2	100.0
	Total	72	100.0	

**Source:** Field Data (2018)

Table 4.10 shows the firm size in terms of number of full-time employees classified into three categories. These were 11 to 50, 51 to 100 and above 100 employees which this study adopted. The data shows that the firms with above 100 employees were many at 79.2 percent. This was followed at a distance by the firms with 51-100 employees at 15.3 percent. The firms with 11-50 employees came a distance third with 5.5 percent of the firms. Several different measures are used to classify manufacturing firms either into small, medium or large although there is no clear uniformity on how to define the size of manufacturing firms in Kenya.

The different measures used are the firm's number of employees (Kirkpatrick, 1994; Kidombo, 2007), capital used (Sawyer, 1985), amount of sales revenue (Crossan, 2005) or all above (Aosa, 1992). Using size of firm in terms of number of employees, large manufacturing firms have above 100 employees, medium firms have between 51 to 100 employees, small firms have between 11 to 50 employees and those with 10 or fewer employees are micro enterprises (KAM, 2013). Ondiek and Odera (2012) in their study also confirmed that manufacturing firms with more than 100 employees are considered large.

This study used the KAM registered members in the 13 sectors of the economy. From the results in Table 4.10, it is evidenced that large manufacturing firms from definitions above constituted of 79.2 percent. Several reasons may contribute to this high number. Large manufacturing firms have confidence in what they are doing hence they have registered as KAM members more than medium firms and small firms. Also it should be noted that large manufacturing firms have formal strategic planning in place and by this confidence, these firms allowed the researcher to collect data from them unlike some medium and most of small manufacturing firms. The other valid reason is that some firms might be medium or small using other measures like turnover, but due to manual operations (both by operational procedure or lack of technology) they engage many employees for work to be done.

The large manufacturing firms have more resources and capabilities, better structures and can navigate the external environmental turbulences in carrying out strategic planning hence better performance than the medium and small manufacturing firms. This is the main reason why most of them have formal strategic planning in place. The medium manufacturing firms with 51-100 employees followed at 15.3 percent and small manufacturing firms with 11-50 employees were last at 5.5 percent. This study did not come across the micro enterprises firms which have 10 or fewer employees mostly because they have not registered with KAM. The results for the firm product market (locally sold volume %) are summarized in Table 4.11a.

**Table 4.11a: Firm Product Market (Locally Sold Volume %)**

Locally Sold Volume %	Frequency	Percentage	Cumulative Percentage
0-20	4	5.6	5.6
21-40	4	5.6	11.2
41-60	15	20.9	32.1
61-80	16	22.3	54.4
81-100	30	41.7	96.1
Total	69	96.1	

**Source:** Field Data (2018)

Table 4.11a shows the product volume percentage sold locally by firms in Kenya. 41.7 percent of the firms sold 81 to 100 percent of their product volume locally. Out of these, six firms or 8.7 percent sold 100 percent of their product volume locally. One of the reasons might be the nature of the products these firms manufacture. For example, some of the food and beverage products might all be sold locally. Second reason might be the firm size. Small firms and some medium firms might not have power for export or their products meet specifications for export market. Export market will require financial power and aggressive marketing of their products. Lack of resources and capabilities by these firms might result to this.

Third reason is that the volume they produce might just be enough for local market demand. 22.3 percent of the firms sold 61 to 80 percent of their product volume locally. 20.9 percent of the firms sold 41 to 60 percent of their product volume locally. 5.6 percent of the firms sold 21 to 40 percent of their product volume locally. 5.6 percent of the firms sold 0 to 20 percent of their product volume locally. Generally, the results indicate that the bigger percentage of the products is sold locally. The results for the firm product market (exported volume %) are summarized in Table 4.11b.

**Table 4.11b: Firm Product Market (Exported Volume %)**

Exported Volume %	Frequency	Percentage	Cumulative Percentage
0-20	34	47.3	47.3
21-40	23	32.0	79.3
41-60	6	8.4	87.7
61-80	4	5.6	93.3
81-100	2	2.8	96.1
Total	69	96.1	

**Source:** Field Data (2018)

Table 4.11b shows the product volume percentage exported by firms in Kenya. 2.8 percent of the firms exported 81 to 100 percent of their product volume. One of the reasons is that these products have less demand locally mostly due to substitutes and high demand in other countries. The second reason is that some of these products are produced in large quantities such that the exported products are the surplus from the local demand. Cash crop products like tea are in this category. 5.6 percent of the firms exported 61 to 80 percent of their product volume. 8.4 percent of the firms exported 41 to 60 percent of their product volume. 32.0 percent of the firms exported 21 to 40 percent of their product volume. 47.3 percent of the firms exported 0 to 20 percent of their product volume.

#### **4.9 Strategic Planning**

This study's broad objective was to determine the firm-level factors and external environment dynamics influence on SP and performance relationship of manufacturing firms in Kenya. From this overall objective, four detailed objectives and corresponding hypotheses were derived. The first detailed objective of this study was to determine the SP and performance relationship of manufacturing firms in Kenya. SP has been accepted by both public and private business enterprises as an important source of stellar performance.



Various scholars have explained the linkage between SP and performance. For instance, the argument by Steiner (1979) was that the framework for formulating and implementing strategies is contributed by formal SP method. Hodgetts and Kuratko (2000) pointed out that SP can contribute to performance through generation of pertinent information, creation of an improved perceptiveness of significant environments as well as reduction of unpredictability. Drawing from descriptive literature, strategic planning process can take place in organizations by existence of formal strategic plans or merely by utilization of strategic planning tools and techniques (Reid, 1989; Elbanna, 2008).

Strategy making process is a recurring organizational phenomenon which leads itself to a scientific method of inquiry where repeated measures can be taken of the same construct and variance analyzed (Raman, 2009). For this study, strategic planning was operationalized by specification of objectives, generation of strategies, documentation, time spent, communication and process existing.

#### **4.9.1 Specification of Objectives**

The initial stage in emerging a model in SP is to stipulate the fundamental framework from which to operationalize strategic planning measures. Nine descriptive statements on specification of objectives by these firms were asked on a 5-point Likert-type scale ranging from 1=Not at all to 5=Very large extent. The respondents were requested to indicate the extent to which specification of objectives were applied in their firms. The aim was to establish whether these firms adhere to this important initial stage of the SP and the findings are shown in Table 4.12.

**Table 4.12: Specification of Objectives**

<b>Specification of Objectives</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>CO V</b>	<b>t-value</b>	<b>Sig.</b>	<b>CV %</b>
When specifying for strategic planning objectives we involve all the key stakeholders who will be affected by the plan	72	3.99	.831	.690	40.720	.000	20.83
When specifying for strategic planning objectives we ensure they are written clearly for all stakeholders to read and understand	72	3.97	.934	.872	36.085	.000	23.53
When specifying for strategic planning objectives we start with ultimate objectives for our organization, then we translate into specific measurable objectives	72	4.03	.919	.844	37.195	.000	22.80
When specifying for strategic planning objectives we reflect environmental requirements and gaps	72	4.03	.750	.563	45.565	.000	18.61
When specifying for strategic planning objectives we seek external consultants' advice on the same	72	3.72	1.103	1.218	28.624	.000	29.65
When specifying for strategic planning objectives, "stakeholder" analysis is done to ensure that all important objectives are included	72	4.03	.769	.591	44.466	.000	19.08
When specifying for strategic planning objectives we identify explicit objectives for each group (stakeholder)	72	3.79	.838	.702	38.387	.000	22.11
When specifying for strategic planning objectives we clarify, agree and write down the organization's long-range objectives by asking pertinent questions like: what is the organization trying to do?, for whom?, or what is the organization really for?	72	3.92	.884	.782	37.589	.000	22.55
When specifying for strategic planning objectives we use a systematic procedure to gain the team commitment (e.g. by meetings, participations, assigned goals, etc)	72	4.04	.879	.773	39.009	.000	21.76
Average mean score		3.95					

**Source:** Field Data (2018)

The findings in Table 4.12 show that the overall average mean score for the nine statements used to assess specification of objectives was 3.95. The results indicated a general acknowledgement that the manufacturing firms in Kenya adhere to this first step of the strategic planning. The statement with the highest mean (mean score=4.04) “when specifying for strategic planning objectives we use a systematic procedure to gain the team commitment (by meetings, participations, assigned goals)” indicates that the manufacturing firms put measures to ensure commitment of the team members.

Commitment is very important in that without commitment of the team members this step of specification of objectives would not be understandable. Without understanding this first step the strategic planning may fail. Therefore, commitment and participation of team members will enhance understanding of the objectives which will lead to positive outcomes of the strategic planning. The high mean score shows respondents were in agreement to this statement.

The statement with the highest variability of 1.218 and highest coefficient of variation (CV) of 29.65% was “when specifying for strategic planning objectives we seek external consultants’ advice on the same” indicating that respondents in all the 72 manufacturing firms surveyed had the highest variation in responses. This could be elucidated by the fact that these organizations vary in size such that small size firms which were few in this study may seek external consultants’ advice since these firms may not be endowed with resources especially employees with wide knowledge skills to implement the strategic planning by their own.

For large firms and most of medium firms which constituted the highest number for this study may not need external consultants' advice since they are endowed with resources including employees with wide knowledge skills who can drive the strategic planning by their own. Some of these big firms have established department of strategy and employed experts who can help and lead other team members in strategic planning.

The statement with the lowest variability of 0.563 and lowest CV of 18.61% was "when specifying for strategic planning objectives we reflect environmental requirements and gaps" indicating that respondents in all the 72 manufacturing firms surveyed had the lowest variation in responses to this statement. Reflection of environmental requirements and gaps are a must for all firms; may it be large, medium or small. This helps in specifying the right objectives which will give positive outcomes. This statement is among the top which had a mean of 4.03. Statistically significant results were reported for all the nine statements and this meant that the firms surveyed had acknowledged that they specify objectives (relatively high t-values;  $p < 0.05$ ) indicating that the manufacturing firms take this step of SP very seriously.

#### **4.9.2 Generation of Strategies**

This step entails scanning and analysis of business environment which permits the organization to be linked to its environment and assures the organization-environment alignment. The argument by Grant (1998) was that external and internal environment objective analysis facilitates the establishment of the firm-environment fit as well as improved decision making. Ten descriptive statements on generation of strategies by the manufacturing firms in Kenya were asked on a 5-point Likert-type scale ranging from 1=Not at all to 5= Very large extent.

The respondents were requested to point out the extent to which generation of strategies were applied in their firms. The aim was to establish whether these firms analyze and scan the firms' environment which improves decision-making. The findings are presented in Table 4.13. The results indicate that the overall average mean score for the ten statements used to assess generation of strategies was 4.01. The results indicated a general agreement that the manufacturing firms in Kenya adhere to this second step of SP. The statement with highest mean (mean score= 4.24) "when generating strategies, we analyze strengths of the organization" indicates that the manufacturing firms put effort in analyzing their strength which is key in any positive move in strategic planning. This is followed by the statement "when generating strategies, we analyze weaknesses of the organization" with mean (mean score= 4.19) and "when generating strategies, we analyze opportunities in the external environment" with mean (mean score= 4.19).

**Table 4.13: Generation of Strategies**

<b>Generation of Strategies</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>COV</b>	<b>t-value</b>	<b>Sig.</b>	<b>CV %</b>
When generating strategies, all stakeholders who will be affected by the strategies are fully involved and know the vision and mission of our organization	72	3.99	.847	.718	39.913	.000	21.23
When generating strategies, we do external appraisal of the organization's environment	72	3.75	.931	.866	34.189	.000	24.83
When generating strategies, we do internal appraisal of the organization's environment	72	4.00	.822	.676	41.280	.000	20.55
When generating strategies, we analyze threats in the external environment	72	4.06	.820	.673	41.950	.000	20.20
When generating strategies, we analyze opportunities in the external environment	72	4.19	.799	.638	44.568	.000	19.07
When generating strategies, we	72	4.24	.778	.605	46.195	.000	18.35

**Table 4.13: Generation of Strategies Continued**

analyze strengths of the organization							
When generating strategies, we analyze weaknesses of the organization	72	4.19	.799	.638	44.568	.000	19.07
When generating strategies, we consider key success factors when analyzing threats and opportunities in the external environment	72	4.08	.783	.613	44.266	.000	19.19
When generating strategies, we consider distinctive competencies when analyzing strengths and weaknesses in the internal environment	72	4.08	.835	.697	41.496	.000	20.47
When generating strategies, we use a systematic procedure to gain commitment of all those who will be affected by the plan (e.g. by meetings, participation, assigned goals, etc)	72	4.07	.828	.685	41.714	.000	20.34
Average mean score		4.01					

**Source:** Field Data (2018)

The statement “when generating strategies, we analyze threats in the external environment” has a mean (mean score= 4.06). These four statements constitute the strengths, weaknesses, opportunities and threats (SWOT) analysis. This indicates the manufacturing firms in Kenya value the need to carry out the SWOT analysis since it focuses on the highly significant factors influencing their businesses. Utilizing SWOT analysis, you can better comprehend your business, tackle weaknesses, dissuade threats, take advantage of your opportunities and strengths, and form business objectives and strategies for attaining them. Most of the manufacturing firms in Kenya can do SWOT analysis since it doesn’t require training or technical skills. Instead, it can be done by any person with know-how about the business in enquiry and the industry in which it operates.

Combination of qualitative and quantitative information from a multiple source is a key requirement for SWOT analysis. A range of data accessed from a number of sources enhances communication, improves decision-making, enhances enterprise-level planning and policy-making and helps to coordinate operations. Consideration of key success factors when analyzing threats and opportunities in the external environment had mean (mean score= 4.08) as well as consideration of distinctive competencies when analyzing strengths and weaknesses in the internal environment which had mean (mean score= 4.08). The statement that “when generating strategies, we use a systematic procedure to gain commitment of all those who will be affected by the plan (such as by meetings, participation, assigned goals, and many more) had a mean (mean score= 4.07). This indicates when generating strategies commitment of the team members is very important.

The statement with the highest variability of 0.866 and highest CV of 24.83% was “when generating strategies, we do external appraisal of the organization’s environment” indicating that the respondents in all the 72 manufacturing firms surveyed had the highest variation in responses to this statement. This could be explicated by the fact that appraising the organization’s external environment has challenges. It was the same statement which had lowest mean score of 3.75. The statement with the lowest variability of 0.605 and lowest CV of 18.35% was “when generating strategies, we analyze strengths of the organization” indicating that respondents in all the 72 manufacturing firms surveyed had the lowest variation in responses to this statement. This was the same statement which had the highest mean score of 4.24.

Statistically significant results were reported for all the ten statements and this meant that the 72 firms surveyed had acknowledged that they generate strategies (relatively high t-values;  $p < 0.05$ ) indicating that the manufacturing firms take this step of strategic planning very seriously.

#### **4.9.3 Documentation of Strategic Planning**

The Oxford dictionary defines documentation as the material that provides official information or evidence or that serves as a record. Documentation of strategic planning in the manufacturing firms in Kenya helps them to avoid errors in their processes and for future reference. In order to counter any confusion, it is imperative that all documentations are concise, legible, accurate and traceable.

Eleven descriptive statements on documentation of strategic planning by the manufacturing firms in Kenya were asked on a 5-point Likert-type scale ranging from 1=Not at all to 5= Very large extent. The respondents were requested to point out the extent to which documentation were applied in their firms. The aim was to establish whether these firms make use of documentation which helps in avoiding of errors in their processes hence positive outcomes. The findings are shown in Table 4.14.

The findings in Table 4.14 point out that overall average mean score for the eleven statements accustomed to assess documentation of strategic planning was 4.04. The results indicated a general acceptance that the manufacturing firms in Kenya adhere to documentation of their strategic planning. The statement with the highest mean (mean score= 4.53) “audited annual financial statements are documented” indicates that the manufacturing firms in Kenya ensure the audited financial statements are documented.



At this high mean score, it may be as a result of engaging employees trained on finance and accounting who take their work professionally since audited financial statements are very crucial when it comes to government regulation or shareholders demand to see them during their annual meetings. These documents are very important for future reference as well as in decision making especially when it comes to business improvement. This emphasize is made even by small firms since it is the area which shows performance. The high mean score shows respondents were in agreement to this statement.

**Table 4.14: Documentation of Strategic Planning**

<b>Documentation of Strategic Planning</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>COV</b>	<b>t-value</b>	<b>Sig.</b>	<b>CV %</b>
We have monthly work plan in place showing all the targets/goals we need to attain in our work	72	4.10	1.009	1.019	34.447	.000	24.61
We have annual individual employee performance appraisal audit which is pegged on targets/goals attained	72	3.79	1.100	1.210	29.254	.000	29.02
We have developed standard operating procedures for all departments and copies placed at strategic places as reminder for all employees	72	4.03	1.021	1.041	33.489	.000	25.33
We have a standard procedure for our machinery/equipment breakdown and preventive maintenance	72	4.28	.923	.851	39.340	.000	21.57
Audited annual financial statements are documented	70	4.53	.583	.340	65.002	.000	12.87
Policies and procedures for operations have been developed reviewed regularly and placed where they are available to staff	72	3.85	.899	.807	36.332	.000	23.35
All departments have a formal workforce development plan that meets our firm's standards	72	3.75	.960	.923	33.129	.000	25.60
Customer service/satisfaction/complaints feedback forms are filed for	72	3.89	.943	.889	35.000	.000	24.24

**Table 4.14: Documentation of Strategic Planning Continued**

reviews and corrective action taken							
We have job descriptions for all our staff	72	4.26	.787	.620	45.967	.000	18.47
Sales and marketing orders are raised and filed for onwards delivery as per the agreed timeline.	72	4.31	.705	.497	51.829	.000	16.36
Requisition of raw materials and transfer of finished products is done via documentation	71	4.48	.606	.367	62.262	.000	13.53
Average mean score		4.04					

**Source:** Field Data (2018)

The statement “requisition of raw materials and transfer of finished products is done via documentation” follows closely with a mean score of 4.48. This is also very high mean score indicating that the respondents surveyed were in agreement that they use documentation to requisition raw materials for production and use another documentation to transfer finished products to the store. This area is core to the manufacturing firms’ business. Emphasize to document requests and transfers is made even by small firms hence these are part of the wider controls of the raw materials and finished products before, during and after processing. Therefore, professionals in stores management, procurement and supplies are engaged and they do their work professionally.

The third highly rated statement was “sales and marketing orders are raised and filed for onwards delivery as per the agreed timeline” with a mean score of 4.31. This is also a very important area to manufacturing firms who must sell their finished products via sales and marketing orders. If these orders are not filed, misplacement of any of them means no delivery or delivery is delayed beyond agreed timeline hence a loss in sales revenue which results to lower performance.

Professional sales and marketing people are employed and they undertake this task professionally. The statement “we have a standard procedure for our machinery/equipment breakdown and preventive maintenance” had a mean score of 4.28. This is rated high since manufacturing firm’s core activity is transforming inputs to outputs through a transformation process which usually use machineries and equipment.

Taking care of these machineries and equipment through breakdown and preventive maintenance will increase their working life hence increased performance. Therefore standard procedure is always in place and adhered to. This area is done by professional technicians and engineers who work professionally. This shows that even small firms emphasize on this area, otherwise if these machineries and equipment ceases working there will be no production, hence no goods for sale. This will result to lower performance. The statement “we have job descriptions for all our staff” had a mean score 4.26. Every firms’ employee must know his or her job description when being engaged and afterwards. The job description is done by human resource offices who are also professionals in their area.

Manufacturing firms in Kenya (small, medium and large) have human resources faction which ensures this is done. When employee is aware of what his or her job entails, the performance is increased since he /she is focused on what is expected of him/her. The statement “we have monthly work-plan in place showing all the targets/goals we need to attain in our work” had a mean score of 4.10. Work-plans, targets and goals setting are very important in the manufacturing firms, both small, medium and large since budgeting is done in consideration of this. Setting these ensures employees are focused on what is expected of them. Hence this will increase productivity of workers.

The statement “we have developed standard operating procedures for all departments and copies placed at strategic places as reminder for employees” had mean score 4.03. The score was also to a large extent which indicates that the manufacturing firms have embraced the use of standard operating procedures which goes a long way to reminding the employees the sequence of their work operation for every section.

The statement with the highest variability of 1.210 and highest CV of 29.02% was “we have annual individual employee performance appraisal audit which is pegged on targets/goals attained” indicating that the respondents in all the 72 firms surveyed had the highest variation in responses to this statement. This could be explained by the small and medium firms who may not be practicing this management tool or they use other methods of appraisal analysis like daily appraisals and recognition. This statement had the second to lowest mean score of 3.79.

The statement with lowest variability of 0.340 and lowest CV of 12.87% was “audited annual financial statements are documented” indicating that respondents in all the 70 manufacturing firms surveyed had the lowest variation in responses to this statement. This was the same statement which had highest mean score of 4.53. Statistically significant results were reported for all the eleven statements and this meant that the firms surveyed had acknowledged that they do documentation (relatively high t-values;  $p < 0.05$ ) indicating that the manufacturing firms take this step of strategic planning very seriously.

#### 4.9.4 Time-Spent on Strategic Planning

Enough time is needed to support strategic planning especially at implementation stage. Factual expenditures comprise a realistic time commitment from employees to achieve an objective. Staffs need to have sufficient time to implement any extra activities that they are not presently performing. Six descriptive statements on time-spent on strategic planning by the manufacturing firms in Kenya were asked on a 5-point Likert-type scale ranging from 1=Not at all to 5= Very large extent. The respondents were requested to point out the extent to which time-spent was applied in their firms.

The aim was to establish whether these firms adhere to tasks/activities timelines which helps in attainment of the targets and improve on implementation stage of the strategic planning. The results are presented in Table 4.15. The results in Table 4.15 indicate that the overall average mean score for the six statements accustomed to assess time-spent on strategic planning process was 4.02. The results indicate a general acknowledgement that the manufacturing firms in Kenya adhere to timelines spelt out during strategic planning.

**Table 4.15: Time-Spent on Strategic Planning**

<b>Time Spent on Strategic Planning</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>COV</b>	<b>t-value</b>	<b>Sig.</b>	<b>CV %</b>
Various tasks/activities have set timelines agreed by various stakeholders for the attainment of our goals	72	4.04	.863	.745	39.740	.000	21.36
We adhere to timelines for various tasks/activities and work towards attainment of the same	72	4.11	.761	.579	45.843	.000	18.52
We review the timelines in case the tasks/activities prove to be unrealistic to meet	72	3.96	.863	.745	38.921	.000	21.79
We set timelines which are not too short or too long to avoid	72	3.90	.858	.737	38.578	.000	22.00

**Table 4.15: Time-Spent on Strategic Planning Continued**

non-commitment mindset							
We reward those who meet timelines in their tasks/activities	72	3.38	1.041	1.083	27.522	.000	30.80
Those who do not meet their tasks/activities timelines are given a chance to explain the challenges they experience which is collectively addressed.	72	3.76	.896	.803	35.649	.000	23.83
Average mean score		4.02					

**Source:** Field Data (2018)

Two statements had a mean score over 4 meaning to a large extent. The other four statements were awarded above mean score 3 but less than mean score 4 meaning to a moderate extent. The statement with the highest mean (mean score= 4.11) “we adhere to timelines for various tasks/activities and work towards attainment of the same” indicates that the manufacturing firms in Kenya adhere to timelines for various tasks/activities and work towards attainment of these tasks/activities. This shows good leadership, a crucial factor for the success of the strategic planning and eventually high performance.

The other highly rated statement was “various tasks/activities have set timelines agreed by various stakeholders for the attainment of our goals” with mean (mean score= 4.04). This indicates all stakeholders involved in strategic planning have participated in agreement to the timelines for various tasks/activities. By doing so, it increases the commitment of the stakeholders since they own the timeline set. Therefore, the goals attainment will be positive while positive goals results to higher performance. The statement “we review the timelines incase the tasks/activities proves to be unrealistic to meet” has a mean (mean score= 3.96). This indicates too ambitious and unrealistic tasks/activities are reviewed by manufacturing firms in Kenya.

Some tasks/activities are underrated or overrated in terms of time allocation during the initial stages. In course of the meetings by the stakeholders to drive these tasks/activities forward proves time was unrealistic, the stakeholders review the timelines which suit the said tasks/activities. The statement “we set timelines which are not too short or too long to avoid non-commitment mindset” has a mean (mean score= 3.90). This indicates that to avoid non-commitment mindset by the stakeholders, the set timelines should not be too short or too long. As one Chief Executive Officer (CEO) said “those involved with planning will begin to lose their enthusiasm if it takes too long. Thus, the timeline is of the essence; keeping on with an aggressive timeline implies that the planning is a serious attempt. A 3 to 5-year period is usually advised for the plan,” CEO firm 9.

The statement “those who do not meet their tasks/activities timelines are given a chance to explain the challenges they experience which are collectively addressed” has a mean (mean score= 3.76). This indicates that some tasks/activities might not be met due to some challenges encountered by the stakeholders. They are given a chance to explain the challenges which are addressed collectively. The statement with the highest variability of 1.083 and highest CV of 30.80% was “we reward those who meet timelines in their tasks/activities” indicating that the respondents in all the 72 manufacturing firms surveyed had the highest variation in responses to this statement. This could be explained by the fact that SP should be owned by the stakeholders for it to be successful. Rewarding might interfere with sense of ownership to SP which can result to failure of process since it is not owned. This statement had the lowest mean (mean score= 3.38).

The statement with lowest variability of 0.579 and lowest CV of 18.52% was “we adhere to timelines for various tasks/activities and work towards attainment of the same” indicating that the respondents in all 72 firms surveyed had the lowest variation in responses to this statement. This was the same statement which had the highest mean (mean score= 4.11). Statistically significant results were reported for all the six statements and this meant that the firms surveyed had acknowledged the time spent (relatively high t-values;  $p < 0.05$ ) indicating that the manufacturing firms take this step of strategic planning very seriously.

#### **4.9.5 Communication of Strategic Planning**

Stuart (2014) pointed out that effective communication is a significant driver of employee engagement, which leads to improved financial performance as shown by various articles and research studies. The linkage of firm’s goals to its core values and mission via strategic communication sustains momentum, increases personal drive and pride in the firm. Communication is central to staff participation which results to higher gratification and output.

Communication models presuppose that involvement in making decision improves the flow and use of important information in firms. Elegant communication agendas are vital for sharing a firm’s strategic plan and giving other vital organizational information that informs staffs of the company’s services and products, goals and objectives, and business priorities. Explicating the strategic focus of the business and how it generates worth for the client and stakeholders helps workers understand how their work connects directly to the success of the organization (Stuart, 2014).



Seven descriptive statements on communication of strategic planning by the manufacturing firms in Kenya were asked on a 5-point Likert-type scale ranging from 1=Not at all to 5= Very large extent. The respondents were requested to point out the extent to which communication was applied in their firms. The aim was to establish whether the employees and other stakeholders from these firms have access to information which helps in making informed decisions. The results are shown in Table 4.16. The results indicate that the overall average mean score for the seven statements accustomed to assess communication was 3.99. The results indicate a general acknowledgement that the manufacturing firms in Kenya have an effective communication to the employees and other stakeholders during strategic planning.

**Table 4.16: Communication of Strategic Planning**

<b>Communication of Strategic Planning</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>COV</b>	<b>t-value</b>	<b>Sig.</b>	<b>CV %</b>
We have placed vision and mission statements at strategic places in our firm	72	3.93	1.092	1.192	30.544	.000	27.79
We have placed standard operating procedures at strategic places in our firm	72	3.89	.958	.917	34.458	.000	24.63
We have company intranet for internal communication	71	4.14	.899	.808	38.805	.000	21.71
We have notice boards for internal communication	72	4.22	.892	.795	40.181	.000	21.14
We organize seminars, workshops and trainings for all our stakeholders annually	72	3.32	1.072	1.150	26.265	.000	32.29
We have a procedure to get customer complaints and satisfaction feedback which we act on it and respond to them	72	3.99	.847	.718	39.913	.000	21.23
We have placed monthly work plans at strategic places in our firm	72	3.54	1.074	1.153	27.985	.000	30.34
Average mean score		3.99					

**Source:** Field Data (2018)

Two statements had a mean score over 4 meaning to a large extent. The other five statements were awarded mean scores above 3 but less than 4 meaning to a moderate extent. The statement with the highest mean (mean score= 4.22) “we have notice boards for internal communication” indicates that the manufacturing firms in Kenya make use of the notice boards to communicate internally. In this case they target mostly employees. All firms may it be small, medium or large make-use of internal notice boards and it is the simplest and cheapest mode of communication. This means the employees were informed and they made their decisions via this information hence high performance.

The second highly rated statement was “we have company intranet for internal communication” with mean (mean score= 4.14). This indicates with current computer technology most firms have invested on internal communication via firms’ intranet which targets employees. With a password, employees can access the information which help in making informed decisions which results to high performance. The statement “we have a procedure to get customer complaints and satisfaction feedback which we act on it and respond to them” with mean (mean score= 3.99) indicates that these firms are also customer focused which is key to any business, especially manufacturing business. Responding to customers complaints and positively addressing them would enhance customer loyalty and confidence in the manufacturing firms resulting to high performance of the firms. The statement “we have placed vision and mission statements at strategic places in our firm” with mean (mean score= 3.93) was also highly rated. This enables employees and other stakeholders to be abreast on where the manufacturing firms want to go and how they will go there.

With this information which is communicated to employees and other stakeholders through the vision and mission statements, would go a long way in making informed decisions which resulted to high productivity. The statement “we have placed standard operating procedures at strategic places in our firm” with mean (mean score= 3.89). All functions in the manufacturing firms have established a procedural way on how to execute the work, which is called standard operating procedures. This means the employees in each function have a standard way on how they work. This enhances reduction of errors and mistakes while in operation, hence high performance.

The statement “we have placed monthly work plans at strategic places in our firm” with mean (mean score= 3.54) was second to last in rating. It was to a moderate extent as the manufacturing firms’ respondents argued that although they have monthly work plans, it is the weekly work plan which is highly followed since the short time plan will reflect exactly what is needed to be executed. In other words, the monthly work plans might have some small changes on a weekly work plans to accommodate the prioritized plans. This idea was from mostly small, medium and some large manufacturing firms.

The last statement to be rated was “we organize seminars, workshops and trainings for all our stakeholders annually” which had mean (mean score= 3.32). The respondents argued that seminars, workshops and trainings are not for all the stakeholders but mostly for employees who are involved in daily operations of the manufacturing firms, as need is. Other stakeholders like suppliers and customers may not unless under very special circumstances.

The statement with highest CV of 32.29% was “we organize seminars, workshops and trainings for all our stakeholders annually” indicating that the respondents in all the 72 manufacturing firms surveyed had the highest variation in responses to this statement. The statement with lowest CV of 21.14% “we have notice boards for internal communication” indicating that the respondents in all the 72 manufacturing firms surveyed had the lowest variation in responses to this statement. Statistically significant results were reported for all the seven statements and this meant that the firms surveyed had acknowledged the communication (relatively high t-values;  $p < 0.05$ ) indicating that the manufacturing firms take this step of strategic planning very seriously. All the 72 manufacturing firms in Kenya surveyed agreed that SP exist. Degree of formality is the one which differs right from small, medium and large firms.

#### **4.10 Firm-Level Factors**

The second specific objective for this study was to establish firm-level factors’ influence on SP and performance relationship of manufacturing firms in Kenya. Aspects precise to a certain firm describes the firm-level factors. Firm level factors comprise aspects internal to the firm which management can manipulate in a bid to achieve its objectives (Zou & Stan, 1998). Firm level factors are critical and crucial when it comes to strategic plans execution.

Sababu (2007) defines strategic plans execution as the “process through which plans and functional doctrines are implemented via the development of action plans, objectives, agendas, budgets, processes, structures, cultures, motivation, communication, leadership, allocations of resources, enforcement and operating environment.”For this study, firm-level factors were operationalized by firm structure, and firm resources and capabilities.

#### 4.10.1 Firm Structure

Structure denotes the ways in which people are organized, tasks are coordinated, and authority is distributed within an organization. Eleven descriptive statements on firm structure by the manufacturing firms in Kenya were asked on a 5-point Likert-type scale ranging from 1=Not at all to 5=Very large extent. The respondents were requested to point out the extent which firm structure was applied in their firms. The aim was to establish whether these firms have structure which is very important aspect of the strategic planning. The findings were presented in Table 4.17.

**Table 4.17: Firm Structure**

<b>Firm Structure Statements</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>COV</b>	<b>t-value</b>	<b>Sig.</b>	<b>CV %</b>
Our firm is characterized by high level of complexity in operations	72	3.29	.956	.914	29.219	.000	29.06
Our firm is characterized by high level of centralization	72	3.71	.895	.801	35.157	.000	24.12
Our firm is characterized by high level of standardization	72	4.01	.971	.943	35.065	.000	24.21
Our organization's rules and procedures are carefully defined	72	4.11	.848	.720	41.115	.000	20.63
The decision-making process is centered at the top-level management	72	3.93	.939	.882	35.504	.000	23.89
The employees have greater discretion in decision making	72	3.03	.888	.788	28.943	.000	29.31
The organization structure is highly decentralized	72	2.76	1.000	1.000	23.455	.000	36.23
The organizational structure is simple in hierarchy	72	3.56	.991	.983	30.433	.000	27.84
The organization structure is highly informal	71	2.41	1.090	1.188	18.620	.000	45.23
The decision-making process is usually from the top down to the lower levels	72	3.90	.922	.850	35.929	.000	23.64
The firm has reviewed its structure due to changes in the market	72	3.36	1.092	1.192	26.125	.000	32.50
Average mean score		3.46					

**Source:** Field Data (2018)

The findings in Table 4.17 pointed out that the overall average mean for eleven statements accustomed to assess firm structure were 3.46. The results indicate a general acknowledgement that the manufacturing firms in Kenya have a firm structure to a moderate extent. The statement with high mean (mean score= 4.11) was “our organization’s rules and procedures are carefully defined” indicates that the manufacturing firms have spelt out laws and processes which are prudently clear to avoid inconsistencies.

The organizations’ management gave clear instructions to the team on how to handle specific situations. This shows the desire for the firms to make consistent and impartial decisions. The management earned trust from the employees since they did not foresee any element of witch-hurt hence high performance. When the firm comes up with rules and procedures which are well defined, the employees did what is expected of them to keep their job with the firm. In case of any disciplinary action by the management, this document helped to defend the management actions. This document served as a training instrument since it shows the staffs how they suit into the general structure of the firm.

Therefore, these rules and procedures which are carefully defined contribute positively to overall working environment and result to high performance. This explains why the manufacturing firms are for this statement. The statement “our firm is characterized by high level of standardization” with a mean (mean score= 4.01) indicate that the manufacturing firms observe high level of standards in their systems and processes. The objective of standardization is to put into effect a level of homogeneity to particular practices or operations within the designated environment.

The surveyed firms being members of KAM, indicates there are standards they have to meet to enforce this level of consistency. They must also meet standards spelt out by KEBS, County government and the ministry of industrialization and enterprise development. The manufacturing firms in Kenya show a centralization of authority as the third, fourth and fifth statements indicate, with mean scores 3.93, 3.90 and 3.71.

The indications are that the decision-making process is centered at the top-level management, the decision-making process is usually from the top down to the lower levels and the firms are characterized by high level of centralization. Since most of the surveyed firms are locally owned, this means the directors are comfortable when the decisions are made at the top-level management, then it goes down to lower levels. With this, accountability is sought from the top management. Manufacturing being a sensitive activity, it could be the main reason why the directors prefer one center of authority for accountability purposes. This is because most of the firms are fully locally owned at 79.7%.

The statement “the organizational structure is simple in hierarchy” with mean (mean score= 3.56) also indicates the support of these fully locally owned firms whereby the accountability is sought from one center of power. The changes in the market have not resulted to the review of the structure as much. That is why the statement “the firm has reviewed its structure due to changes in the market” has mean (mean score= 3.36) which is to the lower side of moderate extent. This is also supported by the fact that the firms’ operations are not so complex, hence the statement “our firm is characterized by high level of complexity in operations” has a mean (mean score= 3.29).

The statement “the employees have greater discretion in decision making” has a mean (mean score= 3.03), which point out that the staffs’ discretion in making decision is just average, but major verdicts are made by the top-level management. The statement “the organization structure is highly decentralized” with mean (mean score= 2.76) shows manufacturing firms in Kenya prefer centralization of authority. Since most of the manufacturing firms are locally owned, they would not like to hold lower managers accountable to the manufacturing activities which are sensitive and need transparency.

The last statement “the organization structure is highly informal” with mean (mean score= 2.41) indicates that the manufacturing firms in Kenya prefer the formal structure where a common objective, rules and policies are established for compliance and there exists a system of authority. This can be explained by the fact that most of the surveyed firms were large at 79.2% followed by medium. Large firms prefer formal structures. The statement with highest CV of 45.23% was “the organization structure is highly informal” indicating that the respondents in all the 71 manufacturing firms surveyed had the highest variation in responses to this statement.

This statement had the lowest mean of 2.41. The statement with the lowest CV of 20.63% was “our organization’s rules and procedures are carefully defined” indicating that the respondents in all the 72 manufacturing firms surveyed had lowest variation in responses to this statement. This statement had the highest mean of 4.11. Statistically significant results were reported for all the eleven statements and this meant that the firms surveyed had acknowledged the firm structure (relatively high t-values;  $p < 0.05$ ) indicating that the manufacturing firms in Kenya embrace structure in their firms.



#### 4.10.2 Firm Resources and Capabilities

Resources and capabilities enable organizations to achieve their goals through a multifaceted production process. Ethiraj et al. (2005) agreed with this illustration and posited that capabilities are the firm's capacity to deploy resources. Peteraf (1993) argued that resources are assets while capabilities are processes, firm attributes or knowledge. Nineteen descriptive statements on firm resources and capabilities by the manufacturing firms in Kenya were asked on a 5-point Likert-type scale ranging from 1=Not at all to 5=Very large extent. The respondents were requested to point out the extent to which firm resources and capabilities were applied in their firms. The aim was to establish whether these firms have enough resources and capabilities which are very important aspect of the strategic planning and firm performance relationship. The results are shown in Table 4.18.

**Table 4.18: Firm Resources and Capabilities**

<b>Firm Resources and Capabilities</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>COV</b>	<b>t-value</b>	<b>Sig.</b>	<b>CV %</b>
The firm has always provided enough resources to all departments/sections to carry out key tasks of strategic planning process	72	4.03	.822	.675	41.590	.000	20.40
The firm possess superior and valuable resources e.g. market intelligence	72	3.79	.963	.928	33.401	.000	25.41
The firm has highly charged, motivated and loyal employees	71	3.96	.836	.698	39.911	.000	21.11
The firm possess resources which are valuable, rare, inimitable and nonsubstitutable	72	3.63	.956	.914	32.178	.000	26.34
The firm's management always ensures there is enough qualified and professional staff to carry out strategic planning	72	3.92	.975	.951	34.085	.000	24.87

**Table 4.18: Firm Resources and Capabilities Continued**

processes as well as strategic leaders to drive its vision and mission							
There is clear assigning of responsibility for various tasks/activities	72	4.10	.790	.624	44.004	.000	19.27
The firm has ability to analyze and predict the behavior of competition	71	3.82	.883	.780	36.409	.000	23.12
The firm has retained the workforce and management of change always	71	3.69	.950	.903	32.728	.000	25.75
The firm keep updated records which are easily retrievable when needed	72	3.97	.855	.732	39.406	.000	21.54
The firm has a high-level customer service quality	70	4.24	.824	.679	43.070	.000	19.43
The firm has reliable financial resources	71	4.00	.793	.629	42.512	.000	19.83
The firm has a well-equipped and developed quality control/assurance department	72	4.26	.787	.620	45.967	.000	18.47
The customer complaint is given first preference as replacement and explanation is given to the customer	72	4.06	.918	.842	37.504	.000	22.61
The firm has product development department which helps in new product and innovations	72	3.75	.946	.894	33.646	.000	25.23
The firm has well established management of information systems in all its departments	72	3.92	.884	.782	37.589	.000	22.55
The firm's work processes are highly automated	72	3.79	.887	.787	36.267	.000	23.40
The firm has an efficient and effective production process	71	4.15	.669	.447	52.360	.000	16.12
The firm has developed an intellectual property	70	3.51	1.073	1.152	27.395	.000	30.57
The firm regularly collects information about the industry, markets and other external factors for its decision making	72	3.88	.992	.984	33.144	.000	25.57
Average mean score		3.74					

**Source:** Field Data (2018)

Results in Table 4.18 indicated that overall average mean for the nineteen statements which measured firm resources and capabilities were 3.74. The results indicate a general acknowledgement that the manufacturing firms in Kenya have invested in resources and capabilities. The statement with high mean (mean score= 4.26) was “the firm has a well-equipped and developed quality control/assurance department” indicates that the manufacturing firms in Kenya have a well-equipped and developed quality control/assurance department. In any manufacturing setup, a quality control/assurance department is a must so that the internal quality checks can be done either on receiving raw materials, packaging materials, processing on-line or final processed products.

Products tested must meet quality and quantity specifications which give the customer confidence for the product, hence high sales revenue which results to high performance. For high quality final product, the quality is controlled at numerous stages of the production line so that the end product can be guaranteed to the customer. The only way to do this is by having an internal quality control and assurance department. A product quality which has been controlled at various stages of the production line have the actual shelf life, which means it cannot go bad before the stated date. A competitive advantage is created which results to high performance.

The second highly rated statement was “The firm has a high-level customer service quality” with mean (mean score= 4.24). Customer service quality goes hand in hand with product quality. If the customer service quality is high, the customer would come back again and again to buy product from the firm. The customer would also tell friends and as a result your service and product are marketed. This results to high revenue which translates to high performance.

The statement “The firm has an efficient and effective production process” has mean (mean score= 4.15) which is the third in rating. A high-quality product would only be realized from an efficient and effective production process. The production process should be able to maintain the set-up production parameters. For example, if an operator set up a machine to give a product quality with 10% moisture content, it should maintain this throughout the processing of that product. Also, if operator set up a machine speed so that the production quantity target is realized, the machine should maintain this speed. If both quality and quantity targets are met, then the production process is efficient and effective, hence high performance (non-financial). In addition, this means the firm is able to give high quality product and meet the sales demand, hence increased revenue which translates to high performance (financial).

The statement “there is clear assigning of responsibility for various tasks/activities” has a mean (mean score= 4.10). This statement was rated high at the fourth position which indicates manufacturing firms in Kenya assign clear responsibilities for various tasks/activities. This is very crucial in production operation to avoid inconsistencies which can result to inefficiencies and ineffectiveness in production process. The statement “The customer complaint is given first preference as replacement and explanation is given to the customer” has a mean (mean score= 4.06) which was fifth in rating. This statement portrays the aspect of customer quality service. If the customer complaint is given first preference as replacement and explanation is given to customer, the customer would feel honored and come back to buy as well as marketing the firms products to friends. Hence the sales revenue increases, which results to high performance.

The statement “The firm has always provided enough resources to all departments /sections to carry out key tasks of strategic planning process” has a mean (mean score= 4.03) which was sixth in rating. For strategic planning to be implemented, the firm has to provide resources. If the resources are provided and the SP is implemented, it results to high performance.

The statement “the firm has reliable financial resources” has mean (mean score= 4.00). This indicate that the manufacturing firms have reliable sources of operating funds either from their own accounts, creditors, cash flows or the assets they own. With reliable financial resources the firms’ operations go on uninterrupted and they are able to meet the sales demand and targets. This increases the revenue which in turn results to high performance.

With reliable financial resources, the firms are able to pay suppliers, employees, contractors and creditors as well as enhance innovations, market research and distribution of final products. Prompt payment to suppliers increases trust hence they continue to supply materials to the firm. When employees are promptly paid it increases motivation of the workers. When contractors are promptly paid it also increases trust to work for the firm. Prompt payment to creditors, they increase trust that you can meet your obligations hence are ready to give the firm more credit. All these results to high performance, both financial and non-financial. The statement “The firm keep updated records which are easily retrievable when needed” has a mean (mean score= 3.97). This indicates that the manufacturing firms have embraced documentation and filing of the same.

The updated records are important especially when needed by regulators, directors, employees, creditors and debtors. If the records are updated and easily retrievable it means all queries can be solved immediately which results to stakeholders satisfaction and high performance (non-financial). The statement “the firm has highly charged, motivated and loyal employees” has a mean (mean score= 3.96). This indicates that the manufacturing firms have employees who are led well and as a result of good leadership they are highly charged, motivated and loyal to the employer. With these three characteristics, these employees give their best at work in terms of efficiency and effectiveness. This results to high performance both financially and non-financially.

The statement “The firm's management always ensures there is enough qualified and professional staff to carry out strategic planning as well as strategic leaders to drive its vision and mission” has mean (mean score= 3.92) indicate that the manufacturing firms believe in employing professional staff. Most of the firms surveyed were large firms followed by medium firms which are able to employ professional staff. Professional staffs have work skills which give them an edge in carrying out their duties. With this, the professional staff can help in carrying out the strategic planning and drive the firms' vision and mission. Strategic planning results to high performance.

The statement “the firm has well established management of information systems in all its departments” has a mean of 3.92 indicate that the manufacturing firms have invested in management of information systems technology which increases the efficiency and effectiveness of the business. Information systems are used in operations management, financial management, human resource management, sales and stores management.

Integrated information systems can connect the manufacturing departments which furnish managers with necessary data to make sound business decisions and enhance the performance. The firm's website helps in introducing the firm's activities, products, job openings, sales and marketing. By just login to the website you can get the information which help in decision making. The decision made may result to purchase of product, engagement of a good worker or introduction of a reliable supplier or financier. This increases performance of the firm. Most of the surveyed firms were large firms followed by medium firms which embrace management of information systems in their operations by utilizing enterprise resource planning software (ERP). ERP is an all-inclusive system that integrates management information inside and outside of the organization.

The statement "the firm regularly collects information about the industry, markets and other external factors for its decision making purposes" has a mean (mean score= 3.88) indicating that the manufacturing firms in Kenya have to conduct the intelligence from the industry, markets and other external factors to enable them make decisions which gives them competitive advantage over their competitors. Sustained competitive advantage results to high performance. The statement "the firm has ability to analyze and predict the behavior of competition" has a mean (mean score= 3.82) indicating that the manufacturing firms can analyze and predict the behavior of competition. This enables them to put strategies in place to counter the competition hence a source of CA. If sustained, it results to high performance.

The statement “the firm possess superior and valuable resources, for example, market intelligence” has mean (mean score= 3.79). This indicate that the manufacturing firms’ superior and valuable resources they possess like market intelligence give them a competitive advantage by being ahead in knowing how the market is performing for them to make decisions. Some of the decisions they can make are on how to do their pricing and innovations for their products to attract more customers. This increases sales revenue which results to high performance.

“The firm's work processes are highly automated” is a statement which has mean (mean score= 3.79). This indicates that the manufacturing firms have invested heavily on automated machineries which are efficient and effective for their processing. Such machines process high quality products as well as meeting the production specified quantities. This results to increased performance.

The statement “the firm has product development department which helps in new product and innovations” has a mean (mean score= 3.75). This indicates that manufacturing firms have introduced the product development department specifically for new product development and innovations. High percentage of the surveyed firms was large in size and this explains the need for introduction of this department. Most of the firms are introducing new products as well as innovations to cope with the changing market dynamics of the customers. With this department, firms are able to get the product customers are demanding at that point in time, hence increased sales revenue which results to increased performance.



“The firm has retained the workforce and management of change always” is a statement which has a mean (mean score= 3.69). This indicate that the manufacturing firms prefer retaining experienced workers who are familiar with the systems and processes as well as training them on management of change as time passes by. Training them on management of change enable them to be kept abreast of the new rules and procedures in the manufacturing set-up. This workforce is a source of a CA in that they work efficiently and effectively. When this competitive advantage is sustained it results to increased performance.

The manufacturing firms were also positive on the statement “the firm possess resources which are rare, valuable and imperfectly imitable and substitutable” which has mean (mean score= 3.63). Such resources are sources of a sustained competitive advantage which results to increased performance. The statement with highest variability of 1.152 and highest CV of 30.57% was “the firm has developed an intellectual property” indicating that the respondents in all the 70 firms surveyed had the highest variation in responses to this statement. This statement had the least mean (mean score= 3.51).

The statement with lowest variability of 0.447 and lowest CV of 16.12% was “the firm has an efficient and effective production process” indicating that the respondents in all the 71 firms surveyed had the lowest variation in responses to this statement. This meant that the firms surveyed had acknowledged the firm resources and capabilities (relatively high t-values;  $p < 0.05$ ) indicating that the manufacturing firms in Kenya provide resources and capabilities in their firms.

#### **4.11 External Environment Dynamics**

External environment is one of the key determinants of the organizational outcomes. Superior firm performance requires strategic fit with the environment. For successful running of the business, firms depend on long term planning which entails analysis of the environment. Firms' managers do not have control of the external environment.

Environmental factors which affect business outcomes such political, economic, social and technological (PEST) analysis is widely used among firms and focuses on the external factors. PEST factors let companies develop a profounder understanding of the trends. For this study, external environment dynamics was operationalized by PEST.

##### **4.11.1 Political Environment**

Political environment affects businesses as regime verdicts and doctrines cause changes in the organizational environment and trade cycle. Firms should be ready to deal with the local and international outcomes of politics. Politicization of insecurity and demonstration during the general elections can also impact on business even if is for short term but sometimes long-term damages. If a country's political environment is hostile, some firms which might have expansion plans may not implement those plans due to uncertainties of putting more resources to uncertain political environment. Five descriptive statements on political environment by the manufacturing firms in Kenya were asked on a 5-point Likert-type scale ranging from 1=Not at all to 5=Very large extent. The respondents were requested to point out the extent to which political factors were applied in their firms. The aim was to establish the extent to which political environment has influenced SP and firm performance relationship. The findings are as per Table 4.19.

**Table 4.19: Political Environment**

<b>Political Environment</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>COV</b>	<b>t-value</b>	<b>Sig.</b>	<b>CV %</b>
Political demonstrations have affected our distribution of products and supply of raw materials	72	3.32	1.243	1.544	22.665	.000	37.44
Government involvement in trade unions and agreements have increased our cost of goods	72	3.31	1.057	1.117	26.544	.000	31.93
Government infrastructural development has reduced transportation time of raw materials and processed goods	72	3.39	1.042	1.086	27.593	.000	30.74
Insecurity in various parts of the country has reduced our sales coverage area since these areas cannot be accessed.	72	3.28	1.129	1.274	24.642	.000	34.42
Import restrictions in terms of quality and quantity has reduced our importation power	71	3.04	1.292	1.670	19.839	.000	42.50
Average mean score		3.27					

**Source:** Field Data (2018)

The results as per Table 4.19 indicate that the overall average mean score for the five statements used to measure political environment is 3.27 (to a moderate extent). The results indicate the political environment has influenced the strategic planning and performance of manufacturing firms to a moderate extent.

The statement “government infrastructural development has reduced transportation time of raw materials and processed goods” had highest mean score of 3.39 and the lowest variability of 1.086 and lowest CV of 30.74%. This indicate that the manufacturing firms acknowledged that the infrastructural development has helped to reduce time of raw material and processed goods owing to the several roads and by-passes constructed albeit to a moderate extent.

They have many hopes for standard gauge railway line (SGR) which is being constructed also to help in further reduction of the transportation time since the promised time from Mombasa port to Nairobi is anticipated to be five hours. The lowest variability and CV indicate that the respondents in all the 72 manufacturing firms surveyed had the lowest variation in responses to this statement. The statement “political demonstrations have affected our distribution of products and supply of raw materials” has a mean score of 3.32 (to a moderate extent).This indicates that the manufacturing firms acknowledged that political demonstration seasons affect the distribution of products and supply of raw materials. The extended demonstration seasons makes matter worse and when it comes to targeting some firms makes matter worst.

The statement “government involvement in trade unions and agreements has increased our cost of goods” has a mean score of 3.31 (to a moderate extent). This indicate that the manufacturing firms acknowledged that government arbitration between the employer and trade unions representing the employee in case of any labor impasse mostly favors the trade unions which has resulted to increased cost of goods due to the money paid to the employees.

The statement “insecurity in various parts of the country has reduced our sales coverage area since these areas cannot be accessed” has a mean score of 3.28 (to a moderate extent). This indicates manufacturing firms acknowledged that insecurity witnessed in various parts of the country has reduced their sales coverage areas. The areas mentioned were Coast and North Eastern regions where Al-Shabaab has caused menace and Northern region where the bandits and cattle rustlers walk free terrorizing other people.

The last statement “import restrictions in terms of quality and quantity has reduced our importation power” has mean score 3.04 and a highest variability of 1.670 and highest CV of 42.50%. This indicates that the manufacturing firms have a general acknowledgement that importation power has been reduced due to import restrictions in terms of quality and quantity. The respondents had highest variation in this statement. Statistically significant results were reported for all the five statements and this meant that the firms surveyed had acknowledged the political environment (relatively high t-values;  $p < 0.05$ ) indicating that the manufacturing firms in Kenya considered it important during the strategic planning.

#### **4.11.2 Economic Environment**

The economic assessment of the macro environment was meant to establish the extent to which economic factors in the organization’s market and the broader economy influenced the strategic planning and performance of manufacturing firms in Kenya. Frail and volatile economies are chancy and can hurt the business. Four descriptive statements on economic environment by the manufacturing firms in Kenya were asked on a 5-point Likert-type scale ranging from 1=Not at all to 5=Very large extent.

The respondents were requested to point out the extent to which economic factors were applied in their firms. The aim was to establish the extent to which economic environment has influenced SP and firm performance relationship. The findings are as per Table 4.20.

**Table 4.20: Economic Environment**

<b>Economic Environment</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>COV</b>	<b>t-value</b>	<b>Sig.</b>	<b>CV %</b>
The capped banks interest rates has resulted to increased credit facility	72	3.33	.993	.986	28.486	.000	29.82
The high exchange rate has affected our profits	72	3.94	.948	.898	35.314	.000	24.06
The labor cost has affected our profits	70	3.70	.968	.938	31.969	.000	26.16
The low level of consumers' disposable income has affected our sales and revenue hence profit	72	3.57	1.149	1.319	26.372	.000	32.18
Average mean score		3.64					

**Source:** Field Data (2018)

The results as per Table 4.20 indicate that the overall average mean score for the four statements used to measure economic environment is 3.64 (to a moderate extent). The results indicate the economic environment have influenced the strategic planning process and performance of manufacturing sector to a moderate extent. The statement “the high exchange rate has affected our profits” had highest mean score of 3.94. This indicates that the manufacturing firms acknowledged that the high exchange rate has affected their profits. This means that most of the manufacturing firms in Kenya import their inputs for transformation to outputs.

Then some outputs are sold outside the country. As seen earlier, about 77.8% of our firms have operations outside Kenya (National). This shows that the high exchange rate has affected their profits as a result of these operations. This statement had the lowest variability of .898 and lowest CV of 24.06%. This indicated that the respondents in all the 72 manufacturing firms surveyed had the lowest variation in responses to this statement.

The statement “the labor cost has affected our profits” has a mean score of 3.70. This indicated that labor cost is very high regionally owing to highly educated work force with high technical skills who asks very high salaries, insurance cover, pension scheme, mileage claims and annual leaves. As one HR Manager said “goods manufactured here in Kenya are highly priced than goods from our neighboring countries. For example, sugar manufactured in Uganda or Malawi is much cheaper than sugar manufactured in Kenya. The main reason is high cost of labor owing to highly educated Kenyans who will not agree for lower salaries.”HR Manager firm 17.

The statement “the low level of consumers' disposable income has affected our sales and revenue hence profit” has a mean score of 3.57 (to a moderate extent).This indicated that manufacturing firms acknowledge that low levels of consumers' disposable income have seen most of the consumers forgo goods which they could buy if their disposable income was high. This has affected their sales revenue and hence the profit. This statement had the highest variability of 1.319 and highest CV of 32.18%, indicating that the respondents in all the 72 manufacturing firms surveyed had the highest variation in responses to this statement.

The last statement “the capped banks interest rates has resulted to increased credit facility” has the lowest mean score of 3.33 although it is also a moderate extent. This indicate that the manufacturing firms acknowledge that the capped banks interest rate by the government recently has seen most banks shun lending credit facility to SMEs who have no equivalent collateral and increased to large firms who have collaterals and their businesses are predictable. The fact that out of the total number of firms surveyed by this study, large firms constituted 79.2%, this statement is supported. Even by recording the lowest mean score, the variability was not the highest, meaning the respondents were in agreement with this statement. Statistically significant results were reported for all the four statements and this means that the firms surveyed had acknowledged the economic environment (relatively high t-values;  $p < 0.05$ ) indicating that the manufacturing firms in Kenya considered it important during strategic planning.

#### **4.11.3 Socio-Cultural Environment**

Socio-Cultural issues are important considerations that organizations need to consider during SP. Product(s) offered by the firm must be compatible with the market otherwise it will fail. Four descriptive statements on socio-cultural environment by the manufacturing firms in Kenya were asked on a 5-point Likert-type scale ranging from 1=Not at all to 5=Very large extent. The respondents were requested to point out the extent to which socio-cultural factors were applied in their firms. The aim was to establish the extent to which socio-cultural environment has influenced the SP and firm performance relationship. The findings are as per Table 4.21.



**Table 4.21: Socio-Cultural Environment**

<b>Socio-Cultural Environment</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>COV</b>	<b>t-value</b>	<b>Sig.</b>	<b>CV %</b>
Some of our customers' attitude that imported goods are better than local manufactured goods affect our sales revenue	71	3.25	1.284	1.649	21.348	.000	39.51
Changing lifestyles of our customers hence change of preferences hence fluctuations in our sales revenue	71	3.00	1.134	1.286	22.293	.000	37.80
Some of our staff negative attitude towards work and career	71	2.55	.968	.937	22.193	.000	37.96
Perception that there are work for men and others for women	72	2.61	1.108	1.227	20.002	.000	42.45
Average mean score		2.85					

**Source:** Field Data (2018)

The results as per Table 4.21 indicate that the overall average mean score for the four statements used to measure socio-cultural environment is 2.85 (to a less extent). The results indicate the socio-cultural environment in Kenyan context has influenced the strategic planning and performance of manufacturing firms to a less extent. The statement “some of our customers' attitude that imported goods are better than local manufactured goods affects our sales revenue” has the highest mean score of 3.25 (to a moderate extent) and the highest variability of 1.649 and CV of 39.51% which was second to highest. This indicate that the manufacturing firms acknowledged that there are some customers who have the attitude that the imported goods are better than the local manufactured goods which can affect the sales revenue to a moderate extent.

The highest variability indicates that the respondents have highest disparity in agreeing to this statement. This is because the customers who have this attitude cannot tilt the sales volume significantly unless when they are factoring the pricing, quality and quantity of the said goods. The statement “changing lifestyles of our customers hence change of preferences hence fluctuations in our sales revenue” has a mean score of 3.00 (to a moderate extent) and the second highest variability of 1.286 and lowest CV of 37.80%. Even though manufacturing firms acknowledged that customers change lifestyles which might lead to change of preferences hence fluctuations in sales revenue, again the variability indicates that the respondents had disparity in agreeing to this statement.

In today’s Kenyan economy, it is insignificant number of customers who can change lifestyle hence change of preferences since most of them will be looking at pricing, quantity and quality. The statement “perception that there are work for men and others for women” has a mean score 2.61 (to a less extent) and still high variability of 1.227 and highest CV of 42.45%. This indicates that the manufacturing firms acknowledge this statement to a less extent, meaning they do not have work for men others for women. The variability also indicates that the respondents had disparity in agreeing to this statement. This is because they engage employees through advertisement of available jobs for those who meet the set qualification not discriminating either gender. Furthermore, Kenyan constitution advocates for a third of either gender or no discrimination in employment. Most of the firms had women mechanical and civil engineers which most people may feel as if they are men’s job.

The last statement “some of our staff negative attitude towards work and career” has lowest mean score of 2.55 indicating that the manufacturing firms acknowledge this statement to a less extent, meaning there are work rules and ethics which ought to be followed by all employees. Failure to follow rules and ethics you are allowed to leave the work for someone who is ready to work. The firms carry out training and allow for career development of their staff. This statement had lowest variability of .937 and second to lowest CV of 37.96%. The respondents had less disparity in agreement to this statement. Statistically significant results were reported for all the four statements and this mean that the firms surveyed had acknowledged the socio-cultural environment (relatively high t-values;  $p < 0.05$ ) indicating that the manufacturing firms in Kenya considered it important during the strategic planning.

#### **4.11.4 Technological Environment**

It is true that old technology gets outdated and obsolete with time hence organizations need to keep themselves updated with latest innovations and technologies to compete with the emerging competition. If a firm cannot beat technological change it must embrace it. Automation, research and development, and innovation are what are considered in technological factors. Four descriptive statements on technological environment by the manufacturing firms in Kenya were asked on a 5-point Likert-type scale ranging from 1=Not at all to 5=Very large extent. Respondents were requested to point out the extent at which technological factors were applied in their firms. The aim was to establish the extent to which technological environment has influenced SP and firm performance relationship. The findings are as per Table 4.22.

**Table 4.22: Technological Environment**

<b>Technological Environment</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>COV</b>	<b>t-value</b>	<b>Sig.</b>	<b>CV %</b>
We have a well-equipped research and development (R&D) department facility which helps in continuous innovation hence new product development	72	3.47	1.061	1.126	27.766	.000	30.58
We have acquired state of the art machinery and equipment which are very effective and efficient hence targets are met and overheads lowered	71	3.80	.839	.703	38.206	.000	22.08
We have invested in the information and communication technology which is giving us an edge in performance (operating software, internet and research)	72	3.96	.926	.857	36.273	.000	23.38
We have stand-by diesel generators in case of power outage which runs automatically.	72	4.32	.836	.699	43.828	.000	19.35
Average mean score		3.89					

**Source:** Field Data (2018)

The results as per Table 4.22 indicated that overall average mean of the four statements used to measure technological environment is 3.89 (moderate extent). The results indicated that technological environment had influenced strategic planning and performance of manufacturing firms to moderate extent.

The statement “we have stand-by diesel generators in case of power outage which runs automatically,” has the highest mean of 4.32 (large extent) and the lowest variability of .699 and lowest CV of 19.35%. This indicated that manufacturing firms acknowledged that they have invested in standby diesel generators which run automatically in case of power outage to a large extent. For the economies of scale to be realized in manufacturing, processing lines must run continuously without any hindrance. One of the hindrances is power outages which is numerous in Kenya. Manufacturing firms have tackled this by ensuring they have the automatic-start diesel generator. By ensuring continuous production, firms enjoy the advantage of economies of scale which creates a competitive advantage which results to high performance. The statement has the lowest variability and CV indicated that the respondents in all 72 manufacturing firms surveyed had the lowest variation in responses to this statement.

The statement “we have invested in the information and communication technology (ICT) which is giving us an edge in performance (operating software, internet and research)” has a mean score of 3.96 and a variability of .857. This indicates that the manufacturing firms acknowledge that they have invested in the information and communication technology which is giving them an edge in performance. Large manufacturing firms emerged with the highest percentage (79.2%) of the surveyed firms by this study followed by medium at 15.3%. This explains the need for ICT in their operations like use of sage in stores which is an operating software which shows the materials received from suppliers, materials requests to production line, final goods transfers to stores and goods for sales department.

The password is kept by the manager in charge of the stores mostly finance and administration manager such that once the figures are posted you cannot change them without his/her authority. This prevents frauds in the stores which gives a competitive advantage and this result to high performance. These firms also use internet which is very crucial in today's communication and information dissemination. It is through internet where we have firms' website where customers and prospective customers can have comprehensive information about the firm like the products, location, careers etc.

In addition, the firms have the intranet and emails for communication via the internet. Advertisement can be done via the internet. All these create a competitive advantage which results to higher performance. Research can also be done using the ICT which improves its content and create competitive advantage hence high performance. The variability which is second highest indicates some respondents were not in agreement especially on research. Some said most of the firms do not budget for research. Therefore, the ICT remains a tool for operation software and internet services.

The statement "we have acquired state of the art machinery and equipment which are very effective and efficient hence targets are met and overheads lowered" has a mean of 3.80 (moderate extent). This indicated that manufacturing firms acknowledge that they have acquired high performance machines which have ensured production output targets are met and has resulted to lowering the overheads. This has created competitive advantage in that by meeting output targets it means there is always stock for sales demand.

Therefore, all orders are serviced in time which would keep your loyal customers and attract new ones. This increases sales revenue, which results to high performance. Lowering of production overheads translates directly to saving more money which could have gone to offset the overheads. This result to profit increase which translates to high financial performance. The statement “Effective and efficient machinery and equipment produces high quality products which results to high non-financial performance”. The statement had a variability of .703. This was second to lowest indicating the respondents agreed to this statement since all firms are struggling to adopt the current technology in the business to ease operations.

The statement “we have a well-equipped research and development (R&D) which helps in continuous innovation hence new product development” had a mean of 3.47 (moderate extent). This indicated that manufacturing firms acknowledge the investment of the research and development for continuous innovation hence new products. Innovation is key for the development and growth of any firm. By innovation you get to introduce new products according to the market needs. The new products will improve the sales revenue hence high performance.

The statement had highest variability of 1.126 and highest CV of 30.58% which indicated that the respondents in all 72 manufacturing firms surveyed had the highest variation in responses to this statement. Statistically significant results were reported for all the four statements and this mean that the firms surveyed had acknowledged the technological environment (relatively high t-values;  $p < 0.05$ ) indicating that the manufacturing firms in Kenya considered it important during the strategic.

## **4.12 Firm Performance Measurements**

Firm performance relate to the efficiency and effectiveness of the firm. The measurements of performance are key as it gives report to the firm owners on how well the resources were utilized to derive the benefits for them. Over the years, financial indicators have been used to measure performance but this has since been changed to include non-financial indicators like internal and external stakeholders of an organization who play a critical part in influencing firm performance (Kaplan and Norton, 1992).

Production performance is analyzed on continuous basis for both quality and quantity of the output. This is done by the production manager to the shift supervisor at the end of every shift. The advantage of this method is that supervisors, production line heads, machine operators and factory hands are given chance for improvement before the quarterly and annual performance appraisals are done. The same is replicated by other functions of the firm.

### **4.12.1 Financial Performance Indicators**

The extent of performance of a firm over a specified duration of time stated in terms of total profits and losses during that time is described as financial performance. Manufacturing firms in Kenya use a period of one year to get their performance. The indicator used for financial performance for this study was return on asset. Respondents were asked to indicate the firms' return on asset (ROA) for the last five years (2011 to 2015). In this case the ROA was given by net income (from income statement) divide by total assets (from balance sheet), hence secondary data. The aim was to establish the actual ROA as a measure for financial performance for manufacturing firms in Kenya. The findings are as per Table 4.23.



**Table 4.23: Financial Performance Indicators**

<b>Financial Performance</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>COV</b>	<b>t-value</b>	<b>Sig.</b>
Return on assets 2011	66	.1383	.51244	.263	2.193	.032
Return on assets 2012	66	.1483	.50691	.257	2.377	.020
Return on assets 2013	67	.1754	.55108	.304	2.605	.011
Return on assets 2014	67	.1909	.61666	.380	2.534	.014
Return on assets 2015	66	.2153	.66581	.443	2.627	.011
Average mean score		0.1736				

**Source:** Field Data (2018)

The company's profitability compared to its total assets is indicated by return on asset. It gives a manager, investor, or analyst a notion with regard on how efficient a company's management is at using its assets to generate earnings. It is given in percentage (%). The number of firms which disclosed the financial performance dropped from 72 firms to 66 firms translating to 47.83% (for years 2011, 2012 and 2015) and 67 firms translating to 48.55% (for years 2013 and 2014). Even after the researcher pleaded with the respondents who declined to indicate their ROA, to indicate, since it was very important for the analysis of the data, they could not, citing company policy.

One firm which was incorporated in year 2012 could not give results for 2011 and 2012. The same firm did not give results for 2015 saying they had issues and returned to their auditors. Financial results for these companies have not been published since they are not listed companies. Bearing in mind that, financial performance disclosures for companies not listed is very sensitive, the researcher felt that this number was good enough for analysis. For the five years from 2011 to 2015, the ROA mean score for the manufacturing firms had an increasing trend which indicates that the profitability of the firms was improving.

The average mean for the five years' ROA for Kenyan manufacturing firms was 17.36%. This means on average the manufacturing firms in Kenya earned 17.36 cents on each dollar of assets. This indicates the business was profitable. This could be explained by the foundation put by the national rainbow coalition (NARC) government (2003 to 2007) and grand coalition government (2008 to 2012) on infrastructure and creating an enabling business environment. This period shows many roads constructed and the real estate sector improving. This created market for the building and construction materials.

The agriculture sector also improved and inputs towards farming got ready market. The same period show introduction of constituency development fund (CDF) which improved the market for manufacturers by providing ready market for their products such as building and construction, water provision, health sector like dispensaries, social sector like churches, agricultural sector and many more.

The free primary education created ready market for the school learning materials like stationeries, school uniforms due to increased number of students as a result of free primary education and disposable income from the parents as a result of free primary education which was used for other development. Generally, the economy was good for the consumerism. Even if the country experienced the post-election violence of 2007/2008, the immediate action taken for governance inclusivity by the government and opposition resulted to a grand coalition government which gave confidence to business community such that manufacturers could confidently expand their operations. Years 2011 and 2012 show a major infrastructural development especially the roads, road by-passes, Thika super-highway in both capital city and other parts of the country.

Movement of goods was eased which improved on time factor and availability to the destinations. All this resulted to the high performance of the manufacturing firms. The years 2013, 2014 and 2015 came another government after the successful and peaceful elections. This is the period which has seen implementation of the devolution. Money was availed to county governments' operationalization which has created market for manufacturing firms from building and construction, agriculture, water and early childhood education (ECDE). Creation of jobs locally by county governments which has resulted to increased disposable income has resulted to purchase of more goods.

The continued free primary education and roads construction in all parts of this country is still supporting the economy. The Mombasa port operationalization improvement has seen the cargo take less time to be cleared and delivered to the manufacturers as export goods take less time to reach the port for shipment. The two ambitious flagship projects of standard gauge railway (SGR) line and Lamu Port, South Sudan, Ethiopia, Transport (LAPSSET) which are on-going has resulted to consumption of manufactured goods, job creation which increases disposable income and investors' confidence.

The government policies which has resulted to improved ease of doing business has also resulted to investors' confidence. The revival of some manufacturing firms like Webuye Paper Mills, Volkswagen Car Assembly and sugar industry sector funding has all seen manufacturing improvement. Reduction of electricity connection fees has seen increased use of power by manufacturers. All these have resulted to increased firm performance. Statistically significant results were reported for all the five years and this mean that the firms surveyed had good financial performance (relatively high t-values;  $p < 0.05$ ).

#### **4.12.2 Non-Financial Performance Indicators**

It is essential to examine how non-financial performance measures are connected to profitability improvement and company results. Chenhall (1997) pointed out that reliable evidence emanating from literature has proposed that non-financial performance measure is related to adoption of manufacturing practices such as total quality management and just-in time manufacturing. Otley (2001) argues that determination of non-financial performance measure should be linked to target setting, and reward and incentive.

This study used product/service quality, new product introduction, operational efficiency, customer satisfaction, and employee well-being and development, as the indicators for non-financial performance measures. High quality product/service will attract more customers, hence high sales revenue. New product introduction will increase the firm's market share hence improved sales revenues. Operational efficiency will improve on both quality and quantity targets. Customer satisfaction will retain them and be loyal hence consistent high sales revenues. Employee well-being and development will motivate and improve work skills hence high productivity.

Five descriptive statements on non-financial performance by the manufacturing firms in Kenya were asked on a 5-point Likert-type scale ranging from 1=Not at all to 5=Very large extent. The respondents were requested to point out the extent to which non-financial performance were applied in their firms for the last five years. The aim was to ascertain the performance of these firms using non-financial performance indicators which are important assessment for performance. Results are as per Table 4.24.

**Table 4.24: Non-Financial Performance Indicators**

<b>Non-Financial Performance</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>COV</b>	<b>t-value</b>	<b>Sig.</b>	<b>CV %</b>
Our product quality has improved for the last five years	72	4.49	.731	.535	52.042	.000	16.28
We have introduced new products for the last five years	72	4.22	.938	.879	38.202	.000	22.23
The firm's operational efficiency has been improving for the last five years	72	4.42	.765	.585	49.019	.000	17.31
Customer satisfaction have been steady for the last five years	72	4.39	.683	.466	54.533	.000	15.56
The firm has supported employee well-being and development for the last five years	72	4.19	.898	.807	39.626	.000	21.43
Average mean score		4.34					

**Source:** Field Data (2018)

Results in Table 4.24 indicates that overall average mean score for five statements used to assess non-financial performance was 4.34. The results indicate a general acknowledgement that the manufacturing sector in Kenya is very keen on non-financial performance measures. The five statements exhibited ratings to a large extent with mean score ranging from 4.19 to 4.49. The statement “our product quality has improved for the last five years” has the highest mean score of 4.49 implying that manufacturing firms in Kenya have thrived to improve their product quality throughout five years period. Explanation for highest mean score is that these firms have a well-equipped and developed quality control/assurance department and an efficient and effective production process. In addition, they must have well trained and experienced production staff that have the necessary skills for the product processing and quality analysis.

The variability was .535 which was second to the lowest and CV of 16.28% which was second to lowest indicating the respondents in firms surveyed had second lowest variation in responses to this statement. The statement “the firm's operational efficiency has been improving for the last five years” was second with mean score 4.42. This indicates that for them to get the expected quality, the operational efficiency has been improving for the last five years. This means that they have been working on the processing line improvement either by adding new efficient machines or improving the existing ones.

They have also installed other support accessories like automatic start diesel generators which ensure processing does not stop in case of the power outages. They have also been training their machine operators and offering other incentives to enhance motivation including recognition, rewards and salary increments. It also means that the staff who oversees the operation including managers, supervisors and operators have necessary working skills, well experienced and motivated. The variability for this statement was .585 which was third from lowest indicating the respondents agreed to this statement.

The statement “customers satisfaction have been steady for the last five years” was third with mean score 4.39. Customers will always be satisfied when they get quality products and the quantity they desire to get at any given time and favorable price. Therefore, this indicates the manufacturing firms’ products are of high quality, readily available to them any given time and price is favorable. This statement has the lowest variability of .466 and lowest CV 15.56% which indicates the respondents of these firms had the lowest variation in responses to this statement.

The statement “we have introduced new products for the last five years” has a mean of 4.22 and highest variability of .879 and highest CV of 22.23%. This indicates that the manufacturing firms acknowledge that the new products were introduced for last five years, but the respondents had highest disparity in agreeing to this statement.

The last statement “the firm has supported employee well-being and development for the last five years” has a mean score of 4.19 and a second highest variability of .807. This indicates that the manufacturing firms acknowledge that employee well-being and development have been supported the last five years but the respondents have disparity in agreeing to this statement. Quality improvement which results from operational efficiency leads to retaining of customers due to their satisfaction of the products and attracting new customers to create a pool of customers who would buy the products hence increasing sales revenue. Increased sales revenue leads to increased performance. New product introduction leads to increased product portfolio which gives customer a good opportunity to choose. This result to a new market share hence the firm’s total product market share is increased which leads to high performance.

Operational efficiency ensures that the wastages of product and time is reduced hence high production yield and increased economies of scale. This leads to high performance. Employee well-being and development increases motivation which creates CA resulting to high performance. Employee development results to improved working skills necessary for the work being done. This also creates CA resulting to high performance. Statistically significant results were reported for all the five statements and this mean that the firms surveyed had good non-financial performance for the last five years (relatively high t-values;  $p < 0.05$ ).

This chapter was on descriptive analysis, and it started by presenting the study response rate for the study which was 52.17%. According to many studies done on performance of manufacturing firms, the response rate was enough for further analysis. The chapter also presented the tests of reliability, validity, factor analysis and diagnostic tests. Respondents' and firms' demographic were also presented.

Assessment of the four variables used in this study through the assessment of each variable's indicators were also presented by use of mean scores, one sample t-tests, significance levels and coefficient of variations which are computed to check variability in responses. The findings imply that there existed dissimilarities throughout the firms on aspects presented to the respondents regarding manifestation of various variables across the studied manufacturing firms. The overall results for the SP were also good and this indicates the manufacturing firms take it seriously.

Documentation was leading with 4.04, followed by time spent with 4.02, then generation of strategies with 4.01, communication had 3.99 and specification of objectives had 3.95. This indicates that SP influences firm performance. Firm-level factors results were to a moderate extent with firm resources and capabilities leading with 3.74 and firm structure had 3.46. External environment dynamics also had to a moderate extent although one of its indicators had to a less extent. Technological emerged the best with 3.89, followed by economic with 3.64, the political with 3.27 and last was socio-cultural with 2.85. For the external environment, technological manifested very well-meaning manufacturing firms value technology to improve their business performance. Economic environment also manifested well indicating manufacturing firms are very cautious of these factors for the improvement of their business. Next chapter presented hypotheses test results.



## CHAPTER FIVE

### HYPOTHESES TEST RESULTS

#### 5.1 Introduction

The manifestation of the variables under this study is explained by use of inferential analysis outcomes. The study variables relationships were tested by regression and correlation analysis. In order to verify statistical significance of the variation of the levels of manifestation of the variables, the study used one sample t-test at test value three (the median of the Likert scale that was used for ranking responses) and at 95 percent confidence level were used. The study utilized a number of inferential statistical operations to realize the objectives and test the hypotheses.

Simple regression, multiple regression and Pearson correlation coefficient (r) analyzes helped to find out the influence of predictor on the outcome variables. To test for interacting effect of moderating, interaction term was used where the moderating variables are added to independent variables to contain the direct influence of predictor variable on outcome variable. Regression analyzes yielded various values including R,  $R^2$ , F ratio, t-values and p-values.

The R-value reflected the relationship's strength between the independent and dependent variables. The  $R^2_{adj}$ -value depicted the variations' extent in which firm performance indicators are elucidated by the independent variable. Adjusted  $R^2$  was used for interpretation since the study was carried out on manufacturing organizations from different sectors. F-value showed the overall model's statistical significance, while t-value exemplifies the individual variables' significance.

Positive or negative effect of the explanatory on the outcome variable was depicted by beta values. P-values represented level of significance. Relationships were tested at 95 percent CI level ( $p=0.05$ ) which is the cut-off point for testing the hypotheses. At this point a verdict to verify the hypothesis was deduced at value of F-ratio, where  $p < 0.05$ . Outcome that yielded  $p\text{-value} > 0.05$  led to rejection of the hypotheses while results with  $p < 0.05$  resulted in failure to reject hypotheses. The result of the independent effect of the explanatory variable on the outcome variable is presented after which the combined influence result of the explanatory variable on the outcome variable is shown.

## **5.2 Strategic Planning and Firm Performance**

The first objective of the study was to determine SP and performance relationship of manufacturing firms in Kenya. Strategic planning was operationalized in the study by: specification of objectives, generation of strategies, documentation, time spent, communication and process existing.

So as to determine first objective of this study, a corresponding hypothesis  $H_1$ ; *SP and performance of manufacturing firms in Kenya have no relationship* was affirmed and tested. The independent influence of SP on performance was first tested, and then influence of the combined effect of SP on firm performance was analyzed. The analytical results are presented in Tables 5.1 and 5.2.

**Table 5.1: Independent Influence of Strategic Planning on Firm Performance**

Model Summary								
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate				
1	.511 <sup>a</sup>	.261	.192	.642				
ANOVA <sup>b</sup>								
Model		Sum of Squares	Df	Mean Square	F	Sig.		
1	Regression	9.338	6	1.556	3.771	.003 <sup>a</sup>		
	Residual	26.409	64	.413				
	Total	35.746	70					
Coefficients <sup>a</sup>								
		Unstandardized Coefficients		Standardized Coefficients	Collinearity Statistics			
Model		B	Std. Error	Beta	t	sig	Tolerance	VIF
1	(Constant)	1.685	1.246		1.352	.181		
	Specification of objectives	-.122	.107	-.151	1.132	.262	.648	1.543
	Generation of strategies	.442	.130	.488	3.412	.001	.565	1.771
	Documentation	.051	.124	.052	.415	.001	.735	1.361
	Time spent	.029	.098	.037	.300	.004	.757	1.322
	Communication	.046	.082	.070	.560	.002	.728	1.374
	Process existing	1.017	.864	.169	1.177	.243	.560	1.784
a. Dependent Variable: Firm Performance								
b. Predictors: (Constant) Specification of objectives, Generation of strategies, Documentation, time spent, communication, Process existing								

**Source:** Research Data (2018)

Overall, findings established that SP had strong relationship with performance which was positive (R= 0.511). The relationship elucidates 19.2 percent dissimilarity in performance. 80.8 percent of performance is elucidated by other aspects not pondered in this model. The proportion was significance statistically (p<0.05).

Independent indicators defining strategic planning had mixed results. Results showed that specification of objectives influenced performance negatively and it was not statistically significant (B= -.122, t= -1.132, sig= .262). Generation of strategies influenced performance positively and it was statistically significant (B= .442, t= 3.412, sig= .001). Documentation influenced performance positively and it was statistically significant (B= .051, t= .415, sig= .001). Time spent influenced performance positively and it was statistically significant (B= .029, t= .300, sig= .004). Communication influenced performance positively and it was statistically significant (B= .046, t= .560, sig= .002). Process existing influenced performance positively but it was not statistically significant (B= 1.017, t= 1.177, sig= .243). The equation describing the relationship would thus be:  $P = 1.685 - 0.122SOB + 0.442GOS + 0.051D + 0.029TS + 0.046C + 1.017PE$ , Where, P= Performance; SOB= Specification of Objectives; GOS= Generation of Strategies; D= Documentation; TS= Time Spent; C= Communication; PE= Process Existing.

In the equation, negative influence was reported on specification of objectives. Positive influences were reported for generation of strategies, documentation, time spent, communication and process existing. Explanation is that unit change in specification of objectives in the strategic planning yielded negative change (-0.122) in performance. This also means unit change in generation of strategies yielded 0.442 positive change in performance, unit change in documentation yielded 0.051 positive change in performance, unit change in time spent yielded 0.029 positive change in performance, a unit change in communication yielded 0.046 positive change in performance while unit change in process existing yielded 1.017 positive change in performance.

**Table 5.2: The Combined Influence of Strategic Planning on Firm Performance**

Model Summary								
Model	R	R Square		Adjusted R Square		Std. Error of the Estimate		
1	.501 <sup>a</sup>	.251		.241		.783		
ANOVA <sup>b</sup>								
Model		Sum of Squares		Df	Mean Square	F	Sig.	
1	Regression	14.392		1	14.392	23.491	.000 <sup>a</sup>	
	Residual	42.886		70	.613			
	Total	57.278		71				
Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.969	.468		4.203	.000		
	Strategic Planning	.549	.113	.501	4.847	.000	1.000	1.000
a. Predictors: (Constant), Strategic planning								
b. Dependent Variable: Firm Performance								

**Source:** Research Data (2018)

Table 5.2 results indicated when combined, SP influenced manufacturing firms' performance, and influence was statistically significant (B= 0.501, t= 4.847, p<0.05). Overall, SP correlated with performance up to 0.501, which was a strong positive relationship, it explained 24.1 percent variation in performance. 75.9 percent of performance is elucidated by other aspects not considered in the model. Proportion elucidated by combined influence of SP on performance is statistically significant (Higher F-value, p<0.05).

The following equation represented the results:  $P = 1.969 + 0.549SP$

Where, P= Performance, SP= Strategic Planning.

The equation showed that unit change in SP, yielded positive coefficient of 0.549 changes in performance. The change was statistically significant. On basis of these results, H1 is not supported. Therefore, the study rejected the hypothesis.

### **5.3 Strategic Planning, Firm-Level Factors and Firm Performance**

The study's second objective was to establish firm-level factors' influence on SP and performance relationship of manufacturing firms in Kenya. Operationalization of firm-level factors was done by firm structure, and firm resources and capabilities. So as to establish second objective of this study, a corresponding hypothesis H<sub>2</sub>: *Firm-level factors have no significant moderating influence on the relationship between strategic planning and performance of manufacturing firms in Kenya* was stated and tested.

Influence of independent firm-level factors on SP and performance relationship was tested. The influence of combined effect of firm-level factors on SP and performance relationship was also tested. Finally, the moderating influence of firm-level factors on SP and performance relationship was tested. The findings are as per Tables 5.3, 5.4 and 5.5.

**Table 5.3: Independent Influence of Firm-Level Factors on Strategic Planning and Firm Performance Relationship**

Model Summary								
Model	R	R Square		Adjusted R Square			Std. Error of the Estimate	
1	.306 <sup>a</sup>	.094		.067			.663	
ANOVA <sup>b</sup>								
Model		Sum of Squares		Df	Mean Square	F	Sig.	
1	Regression	3.082		2	1.541	3.508	.004 <sup>a</sup>	
	Residual	29.876		68	.439			
	Total	32.958		70				
Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	3.325	.418		7.961	.000		
	Firm structure	.121	.082	.173	1.479	.014	.974	1.027
	Firm resources and capabilities	.185	.096	.226	1.928	.004	.974	1.027
a. Predictors: (Constant), Firm resources and capabilities, Firm structure.								
b. Dependent Variable: Firm Performance								

**Source:** Research Data (2018)

Overall, findings established that firm-level factors had a moderate weak positive relationship with performance (R= 0.306). This relationship explains 6.7 percent variation in performance whereas 93.3 percent of performance is elucidated by other aspects not considered in this model.

This proportion was statistically significant ( $p < 0.05$ ). The individual indicators defining firm-level factors gave results which were both positive and statistically significant. Firm structure influenced performance positively and the influence was statistically significant ( $B = .121$ ,  $t = 1.479$ ,  $sig = .014$ ). Firm resources and capabilities influenced performance positively and the influence was statistically significant ( $B = .185$ ,  $t = 1.928$ ,  $sig = .004$ ). This shows that firm resources and capabilities were more statistically significant than firm structure. The equation defining the relationship would thus be:

$$P = 3.325 + 0.121FS + 0.185FRC$$

Where, P= Performance; FS= Firm Structure; FRC= Firm Resources and Capabilities.

In the equation, positive influences were reported for both indicators defining firm-level factors. A unit change in firm structure in the firm-level factors yields a positive change (.121) in performance. A unit change in firm resources and capabilities in the firm-level factors yields a positive change (.185) in performance. Findings as per Table 5.4 indicated that when combined, firm-level factors influence performance of manufacturing firms in Kenya and it was statistically significant ( $B = 0.234$ ,  $t = 2.016$ ,  $p < 0.05$ ).

Overall, firm-level factors correlate with performance up to 0.234 meaning it is a weak positive relationship and explain 4.1 percent variation in performance. 95.9 percent of performance is elucidated by other aspects not considered in this model. This proportion that is explained by combined influence of firm-level factors is statistically significant (Higher F-values,  $p < 0.05$ ). These findings were represented by the following equation:

$$P = 3.726 + 0.179FLF$$

Where; P= Performance, FLF= Firm-level factors.



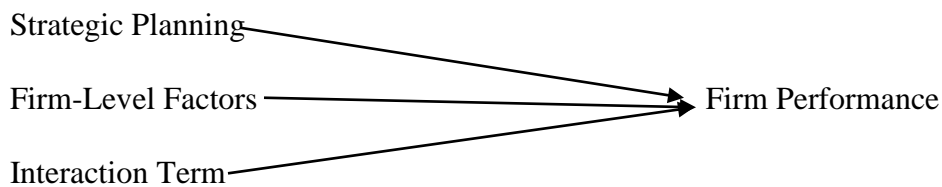
**Table 5.4: The Combined Influence of Firm-Level Factors on Strategic Planning and Firm Performance Relationship**

Model Summary								
Model	R	R Square		Adjusted R Square		Std. Error of the Estimate		
1	.234 <sup>a</sup>	.055		.041		.669		
ANOVA <sup>b</sup>								
Model		Sum of Squares		df	Mean Square	F	Sig.	
1	Regression	1.817		1	1.817	4.065	.004 <sup>a</sup>	
	Residual	31.294		70	.447			
	Total	33.111		71				
Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	3.726	.338		11.021	.000		
	Firm Level Factors	.179	.089	.234	2.016	.004	1.000	1.000
a. Predictors: (Constant), Firm Level Factors								
b. Dependent Variable: Firm Performance								

**Source:** Research Data (2018)

In the equation, a unit change in firm-level factors yields a positive coefficient of 0.179 positive changes in performance. This change is statistically significant. To test for the moderation influence of firm-level factors on SP and performance relationship, a hierarchical regression analysis was conducted using the following two steps.

Step one, tested the influence of strategic planning and firm-level factors on performance. In step two, the interaction term was introduced in the equation and its significance evaluated when controlling for strategic planning and firm-level factors. The interaction term was computed as the product of the standardized scores of the SP and firm-level factors. To confirm moderation, the influence of the interaction term should be significant. The relationship was depicted in Figure 5.1:



**Figure 5.1: Influence of Interaction Term of Strategic Planning and Firm-Level Factors on Firm Performance**

**Source:** Baron and Kenny (1986)

The findings of step one and step two are in Table 5.5. The findings for step one indicated that SP ( $B = .287$ ,  $t = 2.838$ ,  $p < .05$ ) independently had an influence which was statistically significant on performance, while firm-level factors ( $B = .110$ ,  $t = 1.036$ ,  $p > .05$ ) independently did not have an influence which was statistically significant on performance. This accounts for 18.4 percent ( $R^2 = .184$ ,  $F = 7.794$ ,  $p < .05$ ) explained variation. In the second step, the influence of the interaction term on controlling for the two independent variables was however statistically significant ( $B = .237$ ,  $t = 3.021$ ,  $p < .05$ ). The model explaining the relationship was statistically significant and accounted for 28.1 percent explained variation ( $R^2 = .281$ ,  $F = 8.850$ ,  $p < .05$ ).

**Table 5.5: Moderating Influence of Firm-Level Factors on Strategic Planning and Firm Performance Relationship.**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.429 <sup>a</sup>	.184	.161	.626	.184	7.794	2	69	.001
2	.530 <sup>b</sup>	.281	.249	.592	.097	9.127	1	68	.004
ANOVA <sup>d</sup>									
Model		Sum of Squares		df	Mean Square	F	Sig.		
1	Regression	6.102		2	3.051	7.794	.001 <sup>a</sup>		
	Residual	27.010		69	.391				
	Total	33.111		71					
2	Regression	9.298		3	3.099	8.850	.000 <sup>b</sup>		
	Residual	23.813		68	.350				
	Total	33.111		71					
Coefficients <sup>a</sup>									
Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics		
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF	
1	(Constant)	2.840	.431		6.584	.000			
	SP	.287	.101	.352	2.838	.006	.767	1.303	
	Firm Level Factors	.110	.106	.129	1.036	.304	.767	1.303	
2	(Constant)	2.398	.433		5.532	.000			
	SP	.243	.097	.298	2.506	.015	.750	1.334	
	Firm Level Factors	.029	.104	.034	.278	.782	.716	1.396	
	Interaction Term	.237	.078	.337	3.021	.004	.851	1.176	
a. Predictors: (Constant), Firm Level Factors, Strategic Planning									
b. Predictors: Firm Level Factors, Strategic Planning, interaction term									
c. Dependent variable: Firm performance									

**Source:** Field Data (2018)

The significance of the interaction term indicated that SP independently contributed to the influence of firm performance while firm-level factors did not contribute to the influence of firm performance. The relatively small change in  $R^2$  was an indication that the interaction term had a significant influence which was enough to explain the relationship. The study thus concluded that strategic planning has significant contribution to influencing firm performance while firm-level factors have no significant contribution to influencing firm performance. The interaction between the two variables had influence on firm performance which was enough to support the moderation relationship. On the basis of these results H2 is not supported. The findings therefore rejected the hypothesis.

#### **5.4 Strategic Planning, External Environment Dynamics and Firm Performance**

This study's third objective was to establish external environment dynamics' influence on SP and performance relationship of manufacturing firms in Kenya. External environment dynamics were operationalized by PEST framework. So as to establish the study's third objective, a corresponding hypothesis H<sub>3</sub>: *External environment dynamic have no significant moderating influence on the relationship between SP and performance of manufacturing firms in Kenya* was stated and tested. The independent influence, combined effect and moderating influence of external environment dynamics on SP and performance relationship were tested. Results of tests are presented in Tables 5.6, 5.7 and 5.8.

**Table 5.6: Independent Influence of External Environment Dynamics on Strategic Planning and Firm Performance Relationship**

Model Summary								
Model	R	R Square	Adjusted R Square			Std. Error of the Estimate		
1	.352 <sup>a</sup>	.124	.071			.705		
ANOVA <sup>b</sup>								
Model		Sum of Squares	df	Mean Square	F	Sig.		
1	Regression	4.649	4	1.162	2.338	.064 <sup>a</sup>		
	Residual	32.802	66	.497				
	Total	37.451	70					
Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	3.190	.474		6.723	.000		
	Political	-.005	.072	-.008	-.066	.948	.883	1.133
	Economical	.123	.094	.167	1.318	.003	.823	1.215
	Social	.110	.070	.193	1.560	.012	.871	1.148
	Technological	.137	.092	.174	1.489	.001	.971	1.030
a. Predictors: (Constant), Political, Economic, Social, Technological								
b. Dependent Variable: Firm Performance								

**Source:** Research Data (2018)

Overall, findings indicated that external environment dynamics had a moderate weak positive relationship with performance (R= 0.352). This relationship explains 7.1 percent variation in performance. 92.9 percent of performance is elucidated by other aspects not pondered in this model. Proportion was statistically not significant (p>0.05).

The individual indicators defining external environment dynamics gave mixed results with political influencing performance negatively and the influence was not statistically significant (B= -.005, t= -.066, sig= .948). Economical influenced performance positively and the influence was statistically significant (B= .123, t= 1.318, sig= .003). Social influenced performance positively and the influence was statistically significant (B= .110, t= 1.560, sig= .012).

Technological influenced performance positively and the influence was also statistically significant (B= .137, t= 1.489, sig= .001). Among the four, technological was the most significant, then economic and social. Political was not significant. The equation defining the relationship would thus be:

$$P = 3.190 - 0.005PO + 0.123E + 0.110S + 0.137T$$

Where, P= Performance; PO= Political; E= Economical; S= Social; T= Technological

In the equation, negative influence was reported for political factors. A unit change in political factors in the external environment yields a negative change (-0.005) in performance. The other three indicators of external environment reported positive influences. In the equation, a unit changes in economic factors in the external environment yields a positive change (.123) in performance. Also, a unit changes in social factors in the external environment yields a positive change (.110) in performance. Lastly, a unit changes in technological factors in the external environment yields a positive change (.137) in performance.

**Table 5.7: Combined Influence of External Environment Dynamics on Strategic Planning and Firm Performance Relationship**

Model Summary								
Model	R	R Square		Adjusted R Square		Std. Error of the Estimate		
1	.167 <sup>a</sup>	.028		.014		.931		
ANOVA <sup>b</sup>								
Model		Sum of Squares	Df	Mean Square	F	Sig.		
1	Regression	1.743	1	1.743	2.010	.001 <sup>a</sup>		
	Residual	60.701	70	.867				
	Total	62.444	71					
Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
		B	Std Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	3.767	.339		11.106	.000		
	External Environment Dynamics	.139	.098	.167	1.418	.001	1.000	1.000
a. Predictors: (Constant), External Environment Dynamics								
b. Dependent Variable: Firm Performance								

**Source:** Research Data (2018)

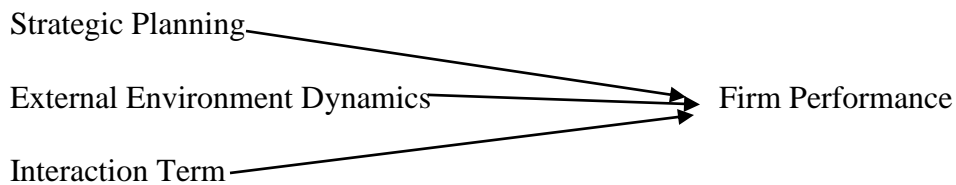
Findings as per Table 5.7 indicates that when combined, external environment dynamics influence performance of manufacturing firms in Kenya and was statistically significance (B= 0.167, t= 1.418, p<0.05). Overall, external environment dynamics correlate with performance up to 0.167 meaning it is a weak positive relationship and explain 1.4 percent variation in performance. 98.6 percent of performance is elucidated by other aspects not considered in this model. Proportion explained by combined influence of external environment dynamics is statistically significant (Higher F-value, p<0.05).

These findings were represented by the following equation:  $P = 3.767 + 0.139 \text{ EED}$

Where; P= Performance, EED= External Environment Dynamics.

In the equation, a unit change in external environment dynamics yields a positive coefficient of 0.139 positive changes in performance. This change is statistically significant. To test for the moderation influence of external environment dynamics on SP and performance relationship, a hierarchical regression assessment was conducted using the following two steps.

Step one, tested the influence of strategic planning and external environment dynamics on performance. Then in step two, the interaction term was introduced in the equation and its significance evaluated when controlling for strategic planning and external environment dynamics. The interaction term was computed as the product of the standardized scores of the strategic planning and external environment dynamics. To confirm moderation, the influence of the interaction term should be significant. The relationship was depicted in Figure 5.2:



**Figure 5.2: Influence of Interaction Term of Strategic Planning and External Environment Dynamics on Firm Performance**

**Source:** Baron and Kenny (1986)

Analysis of the moderation influence of external environment dynamics on strategic planning and firm performance relationship was done and the findings of step one and step two are in Table 5.8. Interaction term influence is as well indicated.



**Table 5.8: Moderating Influence of External Environment Dynamics on Strategic Planning and Firm Performance Relationship**

Model Summary									
Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Estimate Std. Error	Change Statistics				
					R <sup>2</sup> Change	F Change	df1	df 2	Sig. F Change
1	.429 <sup>a</sup>	.184	.161	.626	.184	7.794	2	69	.001
2	.434 <sup>b</sup>	.189	.153	.629	.004	.369	1	68	.545
ANOVA <sup>d</sup>									
Model		Sum of Squares		df	Mean Square	F	Sig.		
1	Regression	6.102		2	3.051	7.794	.001 <sup>a</sup>		
	Residual	27.010		69	.391				
	Total	33.111		71					
2	Regression	6.248		3	2.083	5.271	.002 <sup>b</sup>		
	Residual	26.864		68	.395				
	Total	33.111		71					
Coefficients <sup>a</sup>									
Model		Unstandardized Coefficients		Standardized Coefficients				Collinearity Statistics	
		B	S. E	Beta	t	Sig.	Tol.	VIF	
1	(Constant)	2.840	.431		6.584	.000			
	SP	.287	.101	.352	2.838	.006	.767	1.303	
	E. E. D	.110	.106	.129	1.036	.304	.767	1.303	
2	(Constant)	2.884	.439		6.563	.000			
	SP	.290	.102	.356	2.849	.006	.766	1.306	
	E. E. D	.131	.112	.153	1.167	.247	.697	1.435	
	Int. Term	-.043	.071	-.071	-.608	.545	.868	1.152	
a. Predictors: (Constant), External Environment Dynamics, Strategic Planning									
b. Predictors: Environment Dynamics, Strategic Planning, interaction term									
c. Dependent variable: Firm performance									

Source: Field Data (2018)

The findings for step one indicate that strategic planning ( $B=.287$ ,  $t= 2.838$ ,  $p<.05$ ) independently influenced performance and was statistically significant while external environment dynamics ( $B= .110$ ,  $t= 1.036$ ,  $p>.05$ ) independently did not influence performance and was not statistically significant. This accounts for 18.4 percent ( $R^2 = .184$ ,  $F= 7.794$ ,  $p<.05$ ) explained variation. In the second step, the influence of the interaction term on controlling for the two independent variables had a relationship which was negative and not statistically significant ( $B= -.043$ ,  $t= -.608$ ,  $p>.05$ ).

The model explaining the relationship was statistically significant and accounted for 18.9 percent explained variation ( $R^2= .189$ ,  $F= 5.271$ ,  $p<.05$ ). The insignificance of the interaction term indicated that strategic planning independently can contribute to the influence of performance positively while external environment dynamics does not contribute to the influence of firm performance. The interaction had a negative coefficient meaning a unit change in this interaction causes 0.071 decreases in performance. The coefficients were statistically not significant.

The relatively small change in  $R^2$  was an indication that the interaction term had a significant influence which was enough to explain the relationship. The study thus concluded that strategic planning had significant contribution to influencing firm performance while external environment dynamics had no significant contribution to influencing firm performance. The interaction between the two variables had no statistically significant influence on firm performance which was not enough to support the moderation relationship. On the basis of these results H3 is supported. The findings therefore, failed to reject the hypothesis.

### **5.5 Strategic Planning, Firm-Level Factors, External Environment Dynamics and Firm Performance**

The study's fourth objective was to determine joint effect of SP, firm-level factors and external environment dynamics on performance of manufacturing firms in Kenya. In order to determine fourth objective of this study, a corresponding hypothesis H<sub>4</sub>; *the joint effect of strategic planning, firm-level factors and external environment dynamics on performance of manufacturing firms in Kenya will not be different from individual effects of the same variables* was stated and tested. The findings of the tests are as per Table 5.9.

The findings in Table 5.9 indicate an increase in the explained variation in the model which was statistically significant. Strategic planning was depicted as the biggest contributor to the explained variation ( $R^2$  change= .172), followed by firm-level factors ( $R^2$ change = .013) and lastly external environment dynamic ( $R^2$ change = .002). The model explaining the changes were statistically significant (F= 14.292, p-value< .05, for model 1 meant to explain the contribution of strategic planning in influencing performance; F=7.696, p-value< .05, for model 2 meant to explain the contribution of both strategic planning and firm-level factors in influencing performance; F= 5.125, p-value<.05, for model 3 meant to explain how strategic planning, firm-level factors and external environment dynamics influence performance).

The influence of individual variables was statistically significant for strategic planning and not statistically significant for firm-level factors and external environment dynamics. The influence of strategic planning (B= .315, p-value< .05) was higher than the influence of the other two variables, that is, firm-level factors (B= .102, p-value> .05) and external environment dynamics (B= .033, p-value> .05).

**Table 5.9: The Joint Effect of Strategic Planning, Firm-Level Factors and External Environment Dynamics on Performance**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.414 <sup>a</sup>	.172	.160	.626	.172	14.292	1	69	.000
2	.430 <sup>b</sup>	.185	.161	.626	.013	1.083	1	68	.302
3	.432 <sup>c</sup>	.187	.150	.630	.002	.170	1	67	.681
ANOVA <sup>d</sup>									
Model		Sum of Squares		Df	Mean Square	F	Sig.		
1	Regression	5.601		1	5.601	14.292	.000 <sup>a</sup>		
	Residual	27.043		69	.392				
	Total	32.645		70					
2	Regression	6.026		2	3.013	7.696	.001 <sup>b</sup>		
	Residual	26.619		68	.391				
	Total	32.645		70					
3	Regression	6.093		3	2.031	5.125	.003 <sup>c</sup>		
	Residual	26.552		67	.396				
	Total	32.645		70					
Coefficients <sup>a</sup>									
Model		Unstandardized Coefficients		Standardized Coefficients				Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF	
1	(Constant)	3.109	.347		8.971	.000			
	Strategic Planning	.338	.089	.414	3.780	.000	1.000	1.000	
2	(Constant)	2.752	.488		5.645	.000			
	Strategic Planning	.328	.090	.402	3.650	.001	.989	1.012	
	Firm level Factors	.099	.095	.115	1.041	.302	.989	1.012	
3	(Constant)	2.674	.526		5.086	.000			
	Strategic Planning	.315	.095	.387	3.317	.001	.892	1.121	
	Firm level Factors	.102	.096	.119	1.068	.289	.980	1.020	
	External environment dynamics	.033	.080	.048	.413	.681	.899	1.112	
a. Predictors: (Constant), Strategic Planning									
b. Predictors: Strategic Planning, Firm level factors									
c. Predictors: Strategic Planning, Firm level factors, External environment dynamics									
d. Dependent variable: Firm performance									

Source: Field Data (2018)

VIF results indicated that there was no multicollinearity. From the model, firm-level factors had more influence than the external environment dynamics on SP and performance relationship. Overall, joint effect of three variables (SP, firm-level factors and external environment dynamics) was found to be greater than the individual effects of the variables. On the basis of these results, H4 is not supported. Thus, the study rejected the hypothesis.

**Table 5.10: Summary of Test of Hypotheses**

Objective	Hypothesis	Decision
<b>ONE:</b> To determine SP and performance relationship of manufacturing firms in Kenya.	<b>H1:</b> SP and performance of manufacturing firms in Kenya have no relationship.	Rejected <b>H1</b>
<b>TWO:</b> To establish firm-level factors' influence on SP and performance relationship of manufacturing firms in Kenya.	<b>H2:</b> Firm-level factors have no moderating influence on SP and performance relationship of manufacturing firms in Kenya.	Rejected <b>H2</b>
<b>THREE:</b> To establish external environment dynamics' influence on SP and performance relationship of manufacturing firms in Kenya.	<b>H3:</b> External environment dynamics have no moderating influence on SP and performance relationship of manufacturing firms in Kenya.	Failed to Reject <b>H3</b>
<b>FOUR:</b> To determine joint effect of SP, firm-level factors and external environment dynamics on performance of manufacturing firms in Kenya.	<b>H4:</b> The joint effect of strategic planning, firm-level factors and external environment dynamics on performance of manufacturing firms in Kenya will not be different from individual effects of the same variables.	Rejected <b>H4</b>

**Source:** Field Data (2018)

The study had a total of four hypotheses which were tested. The findings indicated that SP and performance of manufacturing firms in Kenya had a relationship; firm-level factors had a moderated influence on SP and performance relationship of manufacturing firms in Kenya; external environment dynamics had no moderated influence on SP and performance relationship of manufacturing firms in Kenya; the joint effect of the three variables on performance of manufacturing firms in Kenya was different from individual effects of the same variables. The summary of tests of hypotheses was presented. The next chapter presented discussion of the findings.

## **CHAPTER SIX**

### **DISCUSSION OF FINDINGS**

#### **6.1 Introduction**

This chapter presented discussion of the findings of the inferential analysis. The study has brought out mixed findings from independent tests, combined tests and moderating influences of the four study variables. The chapter also presented the discussion for the joint effect for the four variables. The results from the test of hypotheses are compared with other empirical and theoretical propositions and both areas of agreement or disagreement are discussed.

Inferential analysis involved testing of the four study hypotheses of which the results inferred the sample data to the greater population characteristics. The research findings are discussed and linked to the literature where applicable. The discussion of the findings was meant to interpret and describe the significance of the findings in light of what was already known about the study and to explain any fresh insights and new understanding about the problem after considering the findings.

The study findings were discussed under strategic planning and firm performance; strategic planning, firm-level factors and firm performance; strategic planning, external environment dynamics and firm performance; and strategic planning, firm-level factors, external environment dynamics and firm performance. These correspond with the researcher's main objectives where the four hypotheses were derived. The discussion is clearly explaining why the findings are acceptable and how they consistently fit in with previously published knowledge about the study area.

## **6.2 Strategic Planning and Firm Performance**

The study's first objective was to determine SP and performance relationship of manufacturing firms in Kenya. This objective had a corresponding hypothesis H1 which stated that SP and performance of manufacturing firms in Kenya have no relationship. From literature review, studies conducted on SP and performance have given different findings, some in support others failure to support the significant of the relationship. This study's intent was to contribute to these inconsistencies by previous scholars by empirically testing the significance of the SP and performance relationship.

Efendioglu and Karabulut (2010) posited that the results on SP and performance vary from positive relationships, to no relationships and to negative relationships. Elbanna (2008) posited that certain organizations could practice SP via the use of formal plans while others utilize techniques without formal plans. He said SP is realized, understood and implemented in dissimilar ways by managers. Boyd and Elliot (1998) designed a four-step model of the planning process to include specification of objectives, generation of strategies, evaluation and monitoring results.

To achieve strategic planning effectiveness, employee participation plays a major role. It increases employee motivation due to the fact that employees own and appreciate the roles they are required to play based on their participation in crafting the organization's objectives. Increased productivity, high quality engagements, cost reduction, overall efficiency and effectiveness are some of the benefits obtained from employee participation.



SP in this study was measured in terms of specification of objectives, generation of strategies, documentation, time spent, communication and process existing. Firm performance was on the other hand measured by financial performance (ROA) and non-financial performance for the last five-year period (2011-2015). Laitinen (2002) argued that financial evaluation alone is not sufficient for making decisions in modern firms hence need to incorporate non-financial measures.

So as to test the hypothesis, both the independent influence and combined influence of strategic planning on performance were tested. Results for individual influence of the aspects of strategic planning on performance indicated mixed outcomes. Overall, the results show that SP and performance had a strong positive relationship which was statistically significant. This is in support of Suklev and Debarliev (2012) who conducted a study in the Republic of Macedonia by examining SP and firm effectiveness and concluded that SP generally contribute to firm effectiveness.

Specification of objectives influenced the performance negatively and the influence was not statistically significant. Process existing influenced the performance positively and the influence was also not statistically significant. However, generation of strategies, documentation, time spent and communication influenced performance positively and their influences were statistically significant. The findings further found that the combined influence of strategic planning significantly influenced performance. The findings for this study support Glaister et al (2008) who conducted research in Turkish manufacturing firms and reported SP and performance relationship was strong and positive.

The study results support research done by Arasa and K'Obonyo (2012) in Kenya's insurance sector via correlation analysis and found that SP and performance relationship was strong. The study findings contradict that of Dincer et al. (2006) in Turkey and found that formal SP and performance relationship was strong and negative. Current research findings do not support the empirical study by Falshaw et al. (2006) who collected data from 113 United Kingdom firms and observed that SP and performance had no relationship.

### **6.3 Strategic planning, Firm-Level Factors and Firm Performance**

The study's second objective was to establish firm-level factors' influence on SP and performance relationship of manufacturing firms in Kenya. This objective had a corresponding hypothesis H2 which stated that firm-level factors have no moderating influence on SP and performance relationship of manufacturing firms in Kenya. Scholars have tried to debunk inconsistencies in SP and performance relationships outcomes. For example, Glaister et al. (2008) have criticized past studies for diminutive thought on investigating organizational or back ground effects. The same inconsistencies raised other detractors propose that other components will have an effect on this relationship (Meilich & Marcus, 2006; Rudd et al., 2008; Hoffman, 2007).

Firm-level factors were defined by Zou and Stan (1998) as the manageable internal possessions of the organization that endow it with advantages for involving in their respective activities with the aim of achieving specific goals and objectives. These factors are specific to a particular business which interacts with strategy variables to influence firm performance.

The operationalization of firm-level factors was informed by many studies (Grant & Jordan, 2015; Oyewobi et al., 2013; Grant & Jordan, 2012; Efendioglu & Karabulut, 2010; Gruber et al., 2010; Helfat et al., 2009; Dutta et al., 2005; Ethiraj, et al., 2005; Helfat & Peteraf, 2003). According to Higgins (2005), these factors are resources, structure, staff, system and processes, style, shared values, strategy and strategic performance. The study considered firm structure, and firm resources and capabilities as indicators for firm-level factors.

Results for the independent influence of the aspects of firm-level factors with performance had a moderate weak positive relationship and the influence was statistically significant. Combined influence indicated that firm-level factors influenced manufacturing firms' performance, relationship was weak and positive and the influence was statistically significant. The study supported Lopez (2003) study of Spanish manufacturing firms who found that there was significant relationship between resources and organization performance. Study also supported Grewal and Tansuhaj (2001) who reported that well defined structure resulted to more company performance.

The moderating influence indicates that SP independently was statistically significant on performance while firm-level factors independently were not statistically significant on performance. But on influence of interaction term on controlling for the two independent variables, were however statistically significant. The significance of interaction term pointed out that, firm-level factors had a moderated influence on SP and performance relationship.

The results support Oyewobi, et al. (2013) research on impact of firm structure on performance, who indicated that it had no direct impact on financial and non-financial performance. This study findings support the argument of the RBV theory advanced by Wenerfelt (1984), Barney (1991) and Peteraf (1993) which stresses the internal competences of the firm in formulating strategy to achieve a SCA in its markets and industries. The study further supports Talaja (2012) who established that both physical and financial resources were important to coordination and use of the other resources.

The overall results concur with proponents of RBV theory (Wernerfelt, 1984; Penrose, 1959) that resource possession influences performance. Kostopoulos et al. (2002) proposed that organizational resources bestow the input that in turn is merged and transformed by competences to yield innovative forms of CA. Due to this CA, a significant influence of the SP and FP is enhanced. Teece et al. (1997) noted that firm's capabilities facilitate the organization to readjust its competences and adapt to volatile markets, environmental uncertainty and environmental changes. The study also supports Choe et al. (2006) who established that intangible assets and performance had a positive relationship.

Performance was influenced by firm structure positively and the influence was statistically significant. On average, firm structure influenced the relationship to a moderate extent on lower side. Firm structure denotes the ways in which people are organized, tasks are coordinated and authority is distributed within a firm. The firm structure is vital to the company's information processing competence and has an important influence on the context and nature of human interactions (Miller, 1987).

The findings from this study indicate that the manufacturing firms' rules and procedures are carefully defined to a large extent. This enhances understanding of the rules and procedures which results to proper work execution. As a result, the mistakes and errors are avoided and this results to superior performance. The current study supports Robbin and DeCenzo (2005) who argued that organizational structure carries out an important role in the attainment of organization's set objectives and achievement of its strategic goals and direction.

Manufacturing firms in Kenya are characterized by high levels of standardization to a large extent. Since their main work is to transform inputs into outputs through a process, manufacturing firms embrace high level of standardization in their structure. Robbin and DeCenzo (2005) add that the significance of firm structure is experienced more when it is in agreement with the intentmission, competitive environment and resources of the firm. Burns and Stalker (1961) assert that design choices for organization fundamentally create two different organizational structures considered as mechanistic and organic.

Manufacturing firms in Kenya exhibit a mechanistic and formal structure as opposed to organic and informal structure. The other reason for this is that most of the firms studied were locally owned. Local firms which are mostly family owned, Indian owned or local shareholding prefer this type of structure for control purposes, although this is another potential area of further studies. Bucic and Gudergan (2004) assert that there are four general kinds of control methods which comprise centralization, formalization, outputs and cloning.

Robbin and DeCenzo (2005) describes formalization as extent to which occupations are synchronized while defines centralization as a state where decisions are crafted at the apex of the firm. To a moderate extent these firms' structure is simple in hierarchy. Reviewing of structure due to changes in the market and firms being characterized by high level of complexity had a moderate extent but on lower side. This means on these two points they were just on average. For these firms being highly decentralized and highly informal, these firms indicated to the less extent meaning these two structures are not common. This supports the findings by Miller (1987) who found that formalization had a significant and positive influence on the sensibleness of strategy-creating methods after evaluating firm structures along formalization, centralization and structural integration dimensions.

A considerable proof signifying that firms with organic structures are more effective in unstable environments do exist, while the companies with mechanistic structures are more effective in stable environments where there is no need for fast organizational responses (Burns & Stalker, 1961; Lawrence & Lorsch, 1967). This supports the findings for this study in that the external environment was not statistically significant. The reason could be the external environment was stable and predictable.

Gibbons and O'Connor (2005) found that firms with organic structures have a tendency to espouse a strategy creation process that is incremental and emergent, while firms with mechanistic structures were more probable to espouse a strategy creation process that is formal and comprehensive. Firm resources and capabilities positively influenced performance and the influence was statistically significant. On average, performance was influenced by firm resources and capabilities to a moderate extent on higher side.

This is in support of Grant (1991) who asserted that capabilities and resources are a source of competitive advantage for companies. Having a well-equipped and developed quality control/assurance department indicates manufacturing firms are able to test the quality specifications for their product to assure the customers that the product meets set standards. The manufacturing firms having a high level of customer service quality means that customers are welcomed well in the firms and all their queries addressed amicably.

These two are examples of a resource and capability which will create a difference in working processes and outcomes among the manufacturing firms. This difference is what is enjoyed by firms as a competitive advantage. The results also support Prahalad and Hamel (1990) who argued that management's critical responsibility is to create an organization proficient of creating products which consumers demand, thus the organization's bundle of resources is configured and reconfigured to be the company's core and distinctive competences. Manufacturing firms have product development department which helps in new product and innovations.

These findings are in support of Prahalad and Hamel (1990) who argued that management's critical responsibility is to create an organization proficient of creating products which consumers demand, thus the organization's bundle of resources is configured and reconfigured to be the company's core and distinctive competences. Leonard-Barton (1992) posited that new products and innovations reflect a company's cluster of aptitude to attain new and innovative forms of CA given path dependencies and market positions. Barney (1991) and Marino (1996) described firm resources as assets, knowledge, capabilities and organizational processes.

Their definition is supported by this study in that the manufacturing firms have an efficient and effective production processes and responsibilities for various tasks/activities are clearly assigned. Attending to customer complaint and showing concerned by addressing it promptly indicates that these manufacturing firms value their customers and this will motivate the customers to continue purchasing from them. Providing enough resources to all departments/ sections to carry out key tasks of strategic planning process indicate that the manufacturing sector gives priority to implementation stage which will lead effective implementation of the strategy. This finding supports Muthuiya (2004) who indicated that in what way companies implement their strategies is important because it effects the accomplishment of their wanted outcomes, disregarding whether these companies are for profit or non-profit. Reliable financial resources are of essence in manufacturing firms since it gives reliable cash flow to implement the strategy.

Manufacturing firms in Kenya keep updated records which are easily retrievable when needed and this help in making informed decisions and time saving. Employees who are highly charged, motivated and loyal are high performers in their respective works and this translates to effective performance. Management of the manufacturing firms in Kenya always ensure there is enough qualified and professional staff to carry out strategic planning as well as strategic leaders to drive its vision and mission. Manufacturing firms have retrained the workforce and management of change always which enhances adaptation of the new work procedures. This supports RBV proponents who suggested that the resources possessed by a firm are the primary determinants of its performance and may contribute to SCA (Hoffer & Schendel, 1978; Wernefelt, 1984).



Collection of information regularly by manufacturing firms about the industry, markets and other external factors for its decision-making purposes enhances performance in that informed decision is made rather than ad hoc decisions. These firms also possess superior and valuable resources like market intelligence which help in decision making. The manufacturing firms have ability to analyze and predict the behavior of the competitor which enhances competitive advantage. These results concur with Prahalad and Hamel (1990) who proposed that learning and knowledge creation of firms will lead to cumulative and path-dependency. They posit that firms should not only possess resources but build capabilities and competencies if they are to earn a competitive edge over their competitors.

A well-established management of information systems in all departments in a manufacturing firm helps in communication both vertically and horizontally, operations management, decision making and record keeping. This enhances firm operation effectiveness. Organizations espouse new management methods and systems with the intent of bettering the decision-making processes, enhance results and minimize outputs costs (AlMaryani & Sadik, 2012; Henry & Mayle, 2003).

Manufacturing firms own resources which are valuable, rare, inimitable and non-substitutable. Manufacturing firms have also developed intellectual property. This is in support of Barney (1991) who proposed that resources and capabilities should be heterogeneous and imperfectly mobile, valuable and rare to be a source of SCA. The current study also found out that the manufacturing firms work processes are highly automated. Automation of processing lines enhances efficiency and effectiveness of the processes. This results to superior performance.

#### **6.4 Strategic Planning, External Environment Dynamics and Firm Performance**

The study's third objective was to establish external environment dynamics' influence on SP and performance relationship of manufacturing firms in Kenya. The corresponding hypothesis H3 stated that external environment dynamics have no moderating influence on SP and performance relationship of manufacturing firms in Kenya. In understanding cause of inconsistencies in SP and performance studies, scholars have recommended future research to consider external environment.

This is portrayed by scholars who felt that environment was a potential contextual variable that had great insightful plea as a component that may have effect on the planning-performance relationship (Pearce et al., 1987; Shrader et al., 1984; Priem et al., 1995; Slevin & Covin, 1997; Andersen, 2004a, b). Others like Hofer and Schendel (1978) have conceptualized the environment as one of the key variables for understanding organizational behavior and performance. Shrader et al. (1984) asserts that those powers acting on the company outside the control of management define environment.

Although research have found that certain aspects of SP correlated with performance (Greenley & Foxall, 1997), theory anticipates the said correlations were influenced by external environmental effects (Boyd et al., 1993; Drazin & Ven de Ven, 1985; Ginsberg & Venkatraman, 1985; Hansen & Wernerfelt, 1989). The concepts and recommendations emanating from the above scholars led the researcher consider the external environment dynamics as a probable construct which can influence the SP-performance relationship. Operationalization of external environment dynamics was informed by many studies (Ombaka, 2014; Machuki & Aosa, 2011; Boyne & Meier, 2009; Eriksen, 2008; Johnson et al., 2008; Koka & Prescott, 2008).

Results for independent influence of the aspects of external environment dynamics on performance had weak positive relationship with performance but influence was not statistically significant. The combined influence had a positive weak relationship and relationship was statistically significant. The moderating influence indicates that strategic planning independently had influence which was statistically significant on performance while external environment dynamics independently did not have influence which was statistically significant on performance. The results support Ombaka (2014) who indicated that external environment was not a predictor of performance in the insurance industry.

The results which were negative could be explained by suggesting that since manufacturing firms tend to have competitive advantage through economies of scale and market power, they may experience less pressure to be involved in planning. The quick development into other types of business and the demanded strategic planning expertise may not commensurate with task of SP. It contradicts Murgor (2014) who found that the influence of external environment on firm performance was statistically significant.

The insignificance of interaction term indicates that external environment dynamics had no moderating influence on SP and performance relationship. The interaction was also negative. It supports Mkalama (2014) findings which indicated that macro-environment has no moderation influence of top management demographics on strategic decision making. Insignificance of the external environment dynamics could be explained in that the industry of operation was the same for all firms, thus they experienced comparable effects. But the study contradicts Glaister et al. (2008) who found that that their results verified the moderating roles of environmental turbulence on SP – performance link.

## **6.5 Strategic Planning, Firm-Level Factors, External Environment Dynamics and Firm Performance**

The study's fourth objective was to determine joint effect of strategic planning, firm-level factors and external environment dynamics on performance of manufacturing firms in Kenya. This objective had a corresponding hypothesis H4 which stated that the joint effect of SP, firm-level factors and external environment dynamics on performance of manufacturing firms in Kenya will not be different from individual effects of the same variables. Scholars have conceptualized that stellar performance will be realized when the three variables are synchronized than when analyzed independently. For instance, McGee and Prusak (1994) argue that precise and varied information in a timely manner and big volumes are required for an efficient strategy definition process.

Information collected from the environment is a resource which firms can utilize to improve performance. This constitutes the environmental scanning which McGee and Sawyer (2003) posits that it is important for organizations to seek resources and legitimacy as well as function as open systems in the environment. Defining strategies adjusted to the market's circumstances by managers is made attainable by environment scanning process. Also, the company is able to learn about opportunities in which it can take advantage, events or problems that may threaten its performance and permits defining strategies aligned with environmental conditions through scanning. Hence managers will be able to intervene for superior performance. Both tangible and intangible resources will be needed to facilitate environmental scanning as well as interventions.

The study's findings indicate that strategic planning had the biggest contribution in influencing performance. The study found that SP and performance relationship was strong and positive. This supports Glaister et al. (2008) who did a research in Turkish largest manufacturing establishments where 135 usable questionnaires were received. Results of formal strategic planning and performance had a strong and positive relationship. Explanation of current study results was that manufacturing companies considered most of the strategic planning as important.

The influence of strategic planning was higher than the influence of the other two variables, that is, strategic planning ( $B = .315$ ,  $p\text{-value} < .05$ ), firm-level factors ( $B = .102$ ,  $p\text{-value} > .05$ ) and external environment dynamics ( $B = .033$ ,  $p\text{-value} > .05$ ). From the model, firm-level factors had more influence than the external environment dynamics on SP and performance relationship. This supported RBV theory. External environment dynamics contributed the least to performance. Boyne and Meier (2009) argue that if the future in the external circumstances is unpredictable on the foundation of present knowledge and past experience, then the unfavorable consequences for performance may be considerable.

To survive the environment, firms have to pay attention and match their activities to the environmental conditions (Ansoff & McDonnell, 1990). According to Kotter (1996), SP can be used as a means of repositioning and transforming the organization. It comprises deliberations on the person who will be accountable for implementation of the strategy; the firm structure most suited for strategy implementation support (Pettigrew, 1988; Lynch, 2000); the necessity to adapt the systems employed to manage the organization (Johnson & Scholes, 2002).

In addition, the firm's resource mix needed changes and key assignments to be performed as well as each department's mandate and establishment of information systems for resource planning and development monitoring (Pearce and Robinson, 1997). Retraining of staff and management of change are also addressed at implementation stage (Johnson & Scholes, 2002). Porter (1980), Greenley (1986), Miller and Cardinal (1994), Hax and Majluf (1996) and Grant (1998) argue that creation of the organization-environment fit and enhanced decision-making is facilitated by an impartial analysis of external and internal environment.

Environmental scanning and analysis permit the company to be linked to its environment and warrants its alignment with environment. After environmental analysis; market dynamics, business opportunities and challenges, customer expectations, technological advancements and organization's internal capacities are disclosed and this gives the foundation for strategy selection. Lawless and Finch (1989) supported Hrebiniak and Joyce environment typology and concluded successful strategy for single industry firm is contingent to the environment. Mintzberg (1973) suggested that since future states of complex and rapidly changing environments are impossible to predict, executives in firms facing such environments do not engage in SP with much intensity.

This chapter presented discussion of findings. The findings from the four tested hypotheses were discussed and comparison made with previous empirical and theoretical propositions. In course of comparison, there were areas of agreement and disagreement which were discussed extensively. The next chapter presented a summary, conclusion and recommendations for future study.

## CHAPTER SEVEN

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 7.1 Introduction

The chapter presented the study's summary, conclusion and future research recommendations. It laid emphasis on the key results' summary amongst the study's variables relationships. Findings' summary based on the four objectives and four hypotheses was emphasized. The conclusion was then drawn based on these findings and discussions. Further, the chapter presented the study's implications on theoretical, policy, managerial practice and methodological. Finally, study's limitations and suggestions for further research based on the identified limitations concluded this chapter.

Necessity for SP becomes higher as firm develops and business environment becomes more complex. All stakeholders need to understand the vision and mission of the company. SP is a process that brings to life the mission and vision of the firm. A well-crafted SP considers both internal and external environment of the business and should be communicated to all stakeholders. SP leads to improved communication, facilitates effective decision-making, results to better selection of tactical options and leads to a higher probability of achieving stakeholders' goals and objectives.

To drive this process, resources and capabilities as well as structure must be provided. The goals and objectives of any business person are the positive performance of the business both financially and non-financially. Meeting these goals and objectives ensures continuity and expansion of the business. SP has no single used process but there are required steps and principles that optimize its value.

Therefore, research scholars must strive to conceptualize various strategic planning steps, and internal and external organizational variables which influence the performance of firms. By coming up with conceptual objectives and hypotheses, the data gathered from a sample of firms from the industry of interest can be tested by way of software analysis and results interpreted scientifically. Recommendations and implications of the study are suggested. Such a research will keep the business improving over time as it helps the firms in mitigating the challenges they face in course of their business.

## **7.2 Summary**

The study established that manufacturing firms in Kenya is fully locally owned at 79.7%. This was followed by both locally and foreign owned at 12.5% and lastly by fully foreign owned at 7.8%. Most of these firms operate regionally (within East Africa) at 45.8%, followed by continental (within Africa) at 26.4%, then National (within Kenya) at 22.2% and lastly global (outside Africa) at 5.6%. Therefore, operation outside Kenya stands at 77.8% which is mostly sales and marketing operations. The main reason for this is to increase customer base hence increase in revenue.

This indicates that the external environment dynamics of other countries which might be different contextually with Kenya will influence their performance. External environment dynamics indicated a non-significant influence on performance which might be as a result of this. It was further found that the manufacturing firms in Kenya studied cut across large firms, medium firms and small firms. The firm size considered in this study was in terms of number of full-time employees. The large firms (above 100 employees) constituted 79.2%, medium firms (51-100 employees) constituted 15.3% and small firms (11-50 employees) were 5.5%.



Noting that the manufacturing firms considered in this study were those registered as members of (KAM), this firm size scenario shows that bigger firms have courage to register as members of KAM, followed by medium firms and lastly small firms. In this study, the researcher did not come across the microenterprise's firms. Microenterprises firms are firms with 10 or fewer employees (KAM, 2013). The manufacturing firms in Kenya indicated that they market their products locally and others export them. It was found that about 5.8% of the firms sell up to 20% of their products volume locally.

Then 5.7% of the firms sell between 21-40% of their products volume locally, 21.8% of firms sell between 41-60% of their products volume locally, 23.2% of firms sell between 61-80% of their products volume locally and 43.5% of firms sell between 81-100% of their products volume locally. In export market, it was found that about 49.4% of firms export up to 20% of their products volume, 33.2% of firms export between 21-40% of their products volume, 8.8% of firms export between 41-60% of their products volume, 5.7% of firms export between 61-80% of their products volume and 2.9% of firms export between 81-100% of their product volume.

From the study variables, their manifestations were established through their study indicators. Strategic planning which was an independent variable in this study had specification of objectives, generation of strategies, documentation, time-spent, communication and process existing as the study indicators. Documentation had the highest average mean score of 4.04, second was time-spent with average mean score of 4.02, third was generation of strategies with average mean score of 4.01, fourth was communication with average mean score of 3.99 and fifth was specification of strategies with average mean score of 3.95.

All the 72 firms (100%) agreed that they have the process existing. As pertains firm-level factors manifestations, the firm resources and capabilities was the highest with average mean score of 3.74 and firm structure was second with average mean score of 3.46. For external environment dynamics, the highest was technological with average mean score of 3.89, second was economical with average mean score of 3.64, third was political with average mean score of 3.27 and fourth was social with average mean score of 2.85.

Lastly, for firm performance, the highest was non-financial performance which had an average mean score 4.34 followed by financial performance which had average ROA of 0.1736, that is 17.36% which means earnings of 17.36 cents on each dollar of assets. Testing of hypotheses was done by testing the independent influence of the independent variables on dependent variable and combined influence of the independent variables on the dependent variable. Also moderating influence of the independent variables on the dependent variable was tested by use of an interaction term. According to the findings, SP and performance of manufacturing firms in Kenya had a relationship.

Findings also indicated Firm-level factors had a moderated influence on SP and performance relationship of manufacturing firms in Kenya. However, they did not indicate that external environment dynamics had a moderated influence on SP and performance relationship of manufacturing firms in Kenya. But the study found that the joint effect of SP, firm-level factors and external environment dynamics on performance of manufacturing firms in Kenya was different from individual effects of the same variables.

### **7.2.1 Strategic Planning and Firm Performance**

The study's first objective was to determine strategic planning and performance relationship of manufacturing firms in Kenya. In their study report, Vel, Creed and Narayan (2012) noted that indeed firms at no time have they been accosted with considerable upsurges in unpredictability and competition. Management of manufacturing firms in Kenya should be able to use meaningful management style to move their firms beyond the current reality of strong competition, rapid technological developments and uncertain business environments. Firms' management will realize, understand and implement SP in different ways.

This study used specification of objectives, generation of strategies, documentation, time-spent, communication and process existing to operationalize strategic planning. Mohamed et al. (2010) asserted that the first step in strategic planning is often considered to be vision statement development. The overall independent influence of strategic planning on performance of manufacturing firms in Kenya had a strong positive relationship which was statistically significant. This indicates that strategic planning influences performance. On the indicators which were used to operationalize strategic planning, they gave mixed results.

Specification of objectives had a relationship which was negative with organizational performance and statistically the influence was not significant. Objectives specification was considered as a major step of planning which should be clearly written. In addition, organization's broad objective preceded, and then interpreted into detailed objectives which are measurable and challenging. All staff members should be trained and always reminded of the company objectives and especially new employees.

He adds that “stakeholder” analysis can help to ascertain that all the important objectives are included. He says this examination calls first for an enumeration of all groups that share to the firm. Based on the results for specification of objectives, the many group of stakeholders needed for coming up with the objectives, possible explanation for this finding is that positive and negative results were influenced by their behavior. It means that chase for self- (and subunit) welfares may not constantly be matched with backing for company goals and strategies (Wooldridge et al., 2008).

Generation of strategies had a relationship which was positive with organizational performance and statistically the influence was significant. This indicates that by generating strategies, the performance of the manufacturing firms is enhanced. Armstrong (1982) asserts that generation of strategies should be done by the ultimate strategy implementers. He says that for the strategies’ growth, vital factors should be considered and the plan should incorporate slack resources such as money, facilities and extra time which should be kept in spare. This caters for unpredictability and adds flexibility to the plan.

Better procedures for generating strategies have been identified via research. As observed by Bouchard (1972), some of these procedures are the brainstorming and synectics which have clearly shown to be superior to the unstructured (traditional) group meeting for improving both the quantity and quality of ideas. SWOT analysis is done in this stage. SWOT analysis does not require expertise since any stakeholder who will be tasked in implementing the strategy would do it. Since when generating strategies all important factors are considered and slack resources are contained, the performance is enhanced.

Documentation had a relationship which was positive with organizational performance and statistically influence was significant. This indicates that documentation is a very important aspect of strategic planning since firms have to adopt it for referencing purposes. It is easier to remember and follow procedures when they are documented. Manufacturing firms in Kenya value documented information than verbal information. Documented information gets trust and confidence by the stakeholders. Documentation is very important when implementing strategies.

Time-spent had a relationship which was positive with organizational performance and statistically the influence was significant. When it comes to implementation of strategies, time is of essence. Meeting timelines for various activities is crucial in strategy implementation. Communication had a relationship which was positive with organizational performance and statistically the influence was significant. This aspect of strategic planning is also crucial in information dissemination which is used in strategy implementation. Manufacturing firms in Kenya need better ways of communication for every stakeholder to be abreast of how strategy is being implemented.

According to O'Regan and Ghobadian (2002), two barriers of strategy implementation do exist. They mentioned the internal and external barriers. Internal barriers are when implementation took longer than anticipated, employees understood strategy's broad objectives poorly, scanty communication, employees' capabilities deficit and ineffective implementation coordination. For external barriers, they included external factors impacted on implementation, unanticipated problems arose and crisis distracted attention from implementation.

Process existing had a relationship which was positive with organizational performance but not statistically significant. Explanation to this finding was that all firms had agreed process exists. Small and medium firms might not have formal strategic planning but they have plans which are followed for better performance. The findings indicated that when combined, SP and performance relationship was positive and strong and influence was statistically significant.

### **7.2.2 Strategic Planning, Firm-Level Factors and Firm Performance**

The study's second objective was to establish firm-level factors' influence on strategic planning and performance relationship of manufacturing firms in Kenya. Firm level factors are particular characteristics for a specific organization. Firm level factors in the study were firm structure, and firm resources and capabilities. Firm-level factors' overall independent influence on performance of manufacturing firms in Kenya had a moderate weak relationship which was positive with organizational performance and statistically the influence was significant.

Firm resources and capabilities were more significant than firm structure. This is in support of Mansoor et al. (2012) who contended that the perfect firm structure is a recipe for sterling performance. Firm's structure turns out to be more appropriate when in conformity with competitive environment, goal mission and firm resources. Mansoor et al. (2011) found that performance impact of organizational structure is moderated by environmental changes. They concluded that for desired sterling performance by an organization to be attained, sufficient attention is necessitated to have a structure that can tally the predominating external environment uncertainty.

They noted that the structures are typified with different aspects such as organizational knowledge, prestige governance, communication, task, control and values. The manufacturing firms in Kenya were found to be mechanistic, formal, centralized, simple in hierarchy and have high-level of standardization. This combination results to superior performance. Burns and Stalker (1961), and Lawrence and Lorsch (1967) noted there was a substantial evidence suggesting that more effective organizations in environments which are predictable or stable and no need for speedy organizational reaction exhibit the mechanistic structures.

While trying to define structure in an organizational set-up, Bucic and Gudergan (2004) explained that the formal system of task and reporting relationships that coordinate, control and motivate workers so that they act as a team to achieve organizational objectives. Centralization and simple hierarchy help to mitigate the bureaucracy involved and this result to high performance. Firm resources and capabilities had a relationship with performance which was positive and the influence was significant statistically. This means firm resources and capabilities enhance performance of manufacturing firms in Kenya.

These findings support Lopez (2003) study of Spanish manufacturing firms who found that resources and performance had a significant relationship. RBV theory emphasizes that organization can use their unique and rare resources to enhance their performance better than the competitors who do not have such resources (Barney, 2011). The results were consistent with RBV theory (Wernerfelt, 1984; Peteraf, 1993). Firms can have a competitive advantage if they make effective use of rare and unique resources.

The RBV theory proposes that unaccompanied resources cannot be sources of CA. For them to produce superior performance, they need to be employed in a particular manner.

Various scholars have defined capabilities, such as Henderson and Cockburn (1994) who asserted that a firm capability is the aptitude of a firm to accomplish planned tasks, employing firm resources, to attain certain outcomes. Others define capability as a firm's endowment to use and organize intermingling different resources using organizational procedures to influence a wanted outcome (Amit & Shoemaker, 1993; Grant, 1996a; Prahalad & Hamel, 1994) in (Kostopoulos et al., 2002).

The findings indicated that when combined, firm-level factors influenced manufacturing firms' performance with a weak positive relationship. The influence was found to be statistically significant. When moderated with interaction term, the firm-level factors independently did not influence the performance, but the significance of interaction term indicated that there was a moderated influence of firm-level factors on performance.

### **7.2.3 Strategic Planning, External Environment Dynamics and Firm Performance**

This study's third objective was to establish external environment dynamics' influence on SP and performance relationship of manufacturing firms in Kenya. External environment dynamics are events that take place outside of the organization and are harder to predict and control. An organization must have the ability to examine its external environment and make changes based on external environment factors that affect its performance. To survive in the environment, firms have to pay attention and match their activities to the environmental conditions (Ansoff and McDonnell, 1990).The external environment indicators used in this study were political, economic, social and technological.



External environment dynamics' overall independent influence on performance of manufacturing firms in Kenya had a moderate weak relationship which was positive with performance and statistically the influence was not significant. Current study's findings support Papadakis et al. (1998) results from research they carried out in thirty eight (38) companies in Greece to establish top management demographics' influence on strategic decision making dimensions and the role of the environment. Results indicated that environment dimensions and comprehensiveness of strategic decision-making relationship was not statistically significant.

But the current study findings contradict Glaister et al. (2008) who found that their results supported environmental turbulence's moderating roles on SP- performance linkage. It also contradicted Machuki and Aosa (2011) who argued that environment played a fundamental role by shaping the decisions that companies took and consequently their performance. But it should be noted that the individual influence of external environment had a positive relationship with performance.

The individual indicators defining external environment gave mixed results with political influencing performance negatively and the influence was not statistically significant. Economic had a positive relationship and statistically significant. Social had a positive relationship and statistically significant. Finally, technological gave positive relationship and the influence was statistically significant. The external environment when combined, it was not statistically significant. External environment dynamics had no moderating influence on the strategic planning and firm performance relationship.

#### **7.2.4 Strategic Planning, Firm-Level Factors, External Environment Dynamics and Firm Performance**

The study's fourth objective was to determine joint effect of strategic planning, firm-level factors and external environment dynamics on performance of manufacturing firms in Kenya. Overall results verified that combined influence of the three variables (strategic planning, firm-level factors and external environment dynamics) was greater than the individual effect of the three variables on performance of manufacturing firms in Kenya.

The finding supported Awino (2007) who used survey method to study selected strategy variables' effect on performance in the supply chain management of large private manufacturing firms in Kenya. His study indicated that the effects of individual strategy variables of core capabilities, strategy implementation, strategy and core competencies on organizational performance was weaker compared to the joint effect of the same variables. The findings support both the contingency theory, RBV theory and IO theory.

Contingency theory advocates for adaptation by management to exert some influence on the organizational outcomes since it presumes the ability is limited by environmental and organizational factors. Contingency theory came out as the main theory for the study. RBV theory is about possession and utilization of resources for better performance. The study has well shown that firm-level factors are drivers of the strategic planning, as they interact with it to moderate strategic planning and firm performance relationship. The study has shown the firm-level factors do not have a direct relationship with firm performance since they need to interact with another predictor variable for the effect to be significant.

IO theory emphasis on the role of external environment, especially the industry that the firm belongs to, in determining its performance. By combining the three variables, performance is improved than when two are combined or no combination at all. The study's joint effect has empirically shown that when the three variables of strategic planning, firm-level factors and external environment dynamics are synchronized, the effect on performance will be higher hence supporting the IO theory that external environment has a role in determining the performance of manufacturing firms in Kenya.

### **7.3 Conclusion**

The study's broad objective was to determine the firm-level factors' and external environment dynamics' influence on SP and performance relationship of manufacturing firms in Kenya. Four detailed objectives and corresponding hypotheses were used to test this relationship. Data was collected and the tests on variables' individual and combined effects on performance were carried out. Results established there was a statistically significance influence of SP on manufacturing firms' performance.

The study's results supported contingency theory. The presumption of the contingency theory is that the organizational factors (Carpenter & Golden, 1997) and external environmental factors (Finkelstein & Boyd, 1998) restrict the capability of managers to effect organizational result (Meindl et al., 1985). Thomas and Ramaswamy (1996) argue that the management can exert some influence on the organizational results by selecting the ways of adaptation since there are several options. It came out as the main anchoring theory for this study, since it is linking the four variables.

It was further established that firm-level factors did not moderate SP and performance relationship of manufacturing firms in Kenya. SP interacted with firm-level factors and this interaction had an influence on performance and was statistically significant, which was enough to support the moderation relationship. The results indicated external environment dynamics didn't moderate SP and performance relationship of manufacturing firms in Kenya. The interaction between the two variables had a negative influence on performance and was not statistically significant, which was not enough to support a moderation relationship. It is prudent for managers to scan the environment as they carry out SWOT analysis for the intervention, and not be caught unawares.

Finally, the combined influence of the three variables (SP, firm-level factors and external environment dynamics) was found to be greater than the individual influence of the variables on manufacturing firms' performance. The finding that SP has a statistically significant influence on performance is critical and manufacturing firms in Kenya is encouraged to ensure the SP does exist. The firms should also possess resources and capabilities which will give them competitive advantage. The structure to be adopted should consider the prevailing environment.

For manufacturing firms in Kenya, it was found that the structure adopted was mostly mechanistic, formal, centralized, simple in hierarchy and high level of standardization which are best in predictive environment. The combined influence of external environment dynamics on SP and performance relationship was found to be not statistically significant as a moderator. This should not mean external environment dynamics is not a necessary consideration since the independent influence of the indicators was statistically significant except the political dimension.

The other three dimensions of economic, social and technological were statistically significant. PEST analysis encourages SP and provides the necessary data. The joint effect for the three variables was also greater than the individual effect. The insignificant of external environment dynamics on SP and performance relationship as a moderator might be due to other reasons. The explanation of insignificance is that firms operated in the same industry (manufacturing) hence they experienced comparable effects. It was possible that acuties of environmental intricacy amongst manufacturing firms were so alike that environmental anxieties played a feebler responsibility in influencing SP and performance relationship.

Explanation for the negative results was that as manufacturing firms tend to have CA via market power and economies of scale, planning engagement pressure was less felt. Overwhelming of SP assignment could also contribute due to quick development and expansion into other types of business and needed SP know-how may not equal this rate. Managers of small firms and some medium firms may not bother to scan environment due to lack of training or resources, hence no intervention applied.

#### **7.4 Implications of the Study**

SP and performance relationship research have been done last four decades but the empirical results emanating from these studies have attracted criticisms. Mixed findings are the cause of the criticism and scholars feel that more has to be done for the near truth to be achieved. This is because study results have reported positive relationships, others negative relationships while others have shown insignificant relationships. Scholars have advised that future research on this relationship to consider organizational, environmental and contextual factors which are believed to influence the relationship.

The study's broad objective was to determine the firm-level factors' and external environment dynamics' influence on SP and performance relationship of manufacturing firms in Kenya. Firm-level factors and external environment dynamics were hypothesized as moderating variables whereas strategic planning was hypothesized as independent variable and firm performance as dependent variable. This study's findings have theory, policy, managerial practice and methodological implications.

#### **7.4.1 Implications on Theory**

The study's findings added to the existing body of literature by empirically corroborating that SP and performance had a positive relationship. The study also established that the three variables joint effects were bigger than the individual variable effect. This means by synchronizing the three variables they give better performance than when one of them is used. With this explanation the study supported contingency theory as the main theory for this study since its main emphasis is that outcomes in business are dependent on other factors whether internal or external.

It further confirms that firm-level factors influence this relationship both directly and indirectly through moderation influence. This indicates that firm resources and capabilities, and firm structure influence the firm performance and therefore support the RBV theory. RBV theory emphasizes on firm's own capabilities in strategy formulation to achieve SCA in its markets and industries (Wenerfelt, 1984; Barney, 1991; Peteraf, 1993). A firm, whose resources are unique, which is a necessary condition, will enjoy CA over the competitors. This theory also argues that organizations that are able to attract high level skills and expertise from their managers tend to outperform those without.

The external environment dynamics did not moderate the influence of the relationship but we cannot rule it out since the independent influence show clearly they contribute to this relationship. The study also established that the three variables joint effects were bigger than the individual variable effect. With this explanation, contingency theory and industrial organization theory is supported. Contingency theory came out as the main theory for this study.

#### **7.4.2 Implications on Policy**

Policy implications for manufacturing firms have emerged from the current study's results. Manufacturing accounts for 10% of our GDP and is believed to be one of the main contributors for economic growth and development. Kenya National Bureau of Statistics (KNBS) (2012) asserts that manufacturing sector contributes immensely on employment and has considerable backward and forward associations to other sectors of the economy and is crucial in achieving the country's vision 2030. Manufacturing firms should have policies which enforce various accreditations which form part of SP.

Manufacturing firms' management should be motivated to attract valuable resources and capabilities which are rare, not easily imitated, and cannot be substituted as they create sustainable competitive advantage hence propel organizations to better performance. Managers should scan the environment thoroughly both internally and externally for them to be able to plan for interventions of any uncertainty. Porter (1980; 1985) asserts that organizations do not respond to environments wholesomely. They scan the environment and respond to specific opportunities and threats through either structural reconfiguration or other resource driven strategies.

According to researchers, two environmental perspectives exist; information uncertainty and resource dependence perspectives. Information uncertainty perspective proposes that information originates from the environment (Duncan, 1972a; Lawrence and Lorsch, 1967). As a source of information managers can take advantage of this and get information that can be used for future planning. Resource dependence is the other perspective, which suggests that scanty resources which are sought after by rival firms originate from environment (March and Simon, 1958; Pfeffer and Salancik, 1978).

In the same breath, policy makers in the manufacturing industry should encourage manufacturing firms to invest more on current technology which entails automation, research and development, and innovations. Trainings of the staff of change will also go a long way in ensuring they are abreast with any technological and procedural change in the quest of product improvement or new one altogether. Quality products which are priced competitively will find their way not only to local markets but even export market. Consumers will be attracted to buy cheaper products but those meet the much needed quality.

In economical dimensions, policy makers should be able to make policies which are favorable to manufacturing firms like exchange rates, tax rate, interest rates, employment or unemployment rate and other economic growth indicators. Policies on political dimensions should also be well articulated. These involve the extent of government intervention in the economy. These are and not limited to infrastructure development, tariffs, employment laws, tax policies, labor laws, consumer protection laws, foreign policy which determine regulations in trade resulting in either incentives or restrictions in trade and specific regulations in the industry.



On social dimensions, favorable policies on safety awareness, health consciousness, distributions of age, population, attributes in career and population growth rate. Policy makers should therefore note that with strategic planning you can influence performance but when is jointly enhanced with firm-level factors and external environment dynamics, manufacturing firms in Kenya can perform more. If this is applied, I believe Kenyan manufacturing firms have a potential of contributing about 20% of our GDP.

### **7.4.3 Implications on Managerial Practice**

Firms' management should adopt SP practices and carefully select the process steps since it enhances performance. The current study's results established that firm-level factors had a moderating influence on SP and performance relationship. Independent influence was also statistically significant. Researchers have proposed firm resources to be significant drivers of company success. Empirically, current study's findings have established variables which lead to sustainable competitive advantage. The current study suggests that the stellar performance drivers in manufacturing firms are the company's owned and controlled resources and the firm's innovative propensity.

This study suggests that for managerial practice, manufacturing firms should have strategic resources that are valuable, rare, inimitable and non-substitutable. Regular continuous innovation, automation, and research and development should be adhered to. This will ensure development of new products and improvement of the existing ones which meets quality specifications and competitive pricing. Quality specifications for the inputs from the environment should be adhered to by manufacturing firms before they are allowed in the transformation process to give outputs which must conform to the quality specifications demanded by the environment.

Throughout the transformation process, the operational and procedural parameters should also be adhered to for the outputs to attain the specified quality specifications. This can only be done if the manufacturing firms adopt the right technology, and the superior resources and capabilities which will highly contribute in attaining the quality specifications. The environment will go for quality products which meet the specifications and this will improve the performance. The study also found that the firm structure influences the performance, and the firms' management should be able to put up ideal structure which is a recipe for good performance. Manufacturing firms in Kenya practiced structure which is centralized, formal, simple in hierarchy, mechanistic and high level of standard.

The study found that external environment dynamics did not have significant moderating influence on SP and performance relationship. Managers should be ready to come up with ways to mitigate it. Therefore, managers should be able to scan environment for planning purposes. The independent influence of external environment dynamics indicators influenced performance except the political dimensions. The joint effect of the three variables was also found to be higher than the individual effect of the same variables. This indicates external environment dynamics importance in this relationship.

#### **7.4.4 Implications on Methodology**

Data collection in manufacturing firms involved mostly drop and pick of data collection instrument with telephone follow-ups. This was effective since any respondent's query was addressed on the spot. Most of respondents who are skeptical of the e-mail method are convinced on the need to fill the questionnaire, hence improved response rate. The respondents said that e-mail turns out to be a competitor or schemer of information.

Operationalization of study variables made it easy for the respondents to understand the questions raised in the questionnaire and to provide relevant data that brought issues of performance in manufacturing firms in Kenya. Stratified sampling helped in picking firms from all sectors of economy and this enabled representation. Data collection instrument was tested for reliability, validity, linearity, normality, multicollinearity, heteroscedasticity and factor analysis. This was to ensure the data collected would give positive results and eliminate any errors. This is a good methodological step which gives a researcher confidence of going ahead with the analysis of the data. This should be replicated by future researchers.

The direct relationship of SP and performance has been criticized because of inconsistency of the results. By moderating SP and performance relationship with other organizational variables like firm-level factors and external environment dynamics, and also by getting the joint effect of the three variables, we are able to conclude validity of this relationship. The single variable relationship is not effective in influencing performance of the organizations.

The study utilized regression method to analyze the relationship between study variables. This tool is used widely in strategic management research and helps to explain relationships clearly. The use of regression made it very easy to test the hypotheses which were developed to attain research objectives. At the end of the tests, it was very clear on how they related in regards to manufacturing firms in Kenya. Regression analysis helped in predicting the relationships of the variables.

## **7.5 Limitations of the Study**

Cross-sectional survey was utilized by current study because it was the most appropriate method available to address the issues of time and financial constraints. Cross sectional studies do not allow for causal effects on the observed relationships and therefore could not give actual relationships that exist on SP, firm-level factors, external environment dynamics and performance of manufacturing firms in Kenya. Future researchers could consider using other approaches like longitudinal studies that will give the change in performance of manufacturing firms in Kenya over time.

Some of the targeted respondents mainly CEOs and senior managers complained of time constraints and delegated this to their representatives. Although they asked their representatives to contact them for any clarification in areas they needed their help, this could not be confirmed. This means such information could not be confirmed whether it came from CEOs or representatives, although the researcher had confidence with the appointed representative. On the same note, some of the firms delegated this to human resources office saying it was the responsible office.

Data collection targeted one respondent per firm (either CEOs or senior managers or their representatives). Using a single informant for research has limitations as there is a possibility of common method bias. Despite the fact that respondents are thought to give objective responses, they could have their own perceptions which could lead to misleading responses. It therefore becomes difficult to tell whether the perception was the respondents' or firms'. Future researchers could consider using multiple respondents so as to be able to compare views of other respondents in the firm. It could also be prudent if the questionnaire is accompanied by an interview to these respondents.

## **7.6 Suggestions for Further Research**

This study was done in manufacturing firms in Kenya and used two moderating variables. Similar studies can be done using both moderating and intervening variables to see whether similar results will be achieved. Manufacturing firms in Kenya as a context is less developed, similar studies should be done in developed countries where manufacturing has developed to see whether similar results will be achieved.

A similar study can be done in a different industry like academic institutions, health institutions, not for profit organizations or hospitality to see whether similar results will be achieved. Different business ratios can be used other than ROA for financial performance. Also two or three ratios can be used to see whether the outcome will be similar. Different non-financial indicators can be used to confirm whether same results can be achieved. This is advisable because different people will prefer different aspects of the non-financial aspects.

It would be prudent also to conduct similar study per sector to see whether same results will be obtained. This is advisable because manufacturing is categorized into different sectors and each sector may manifest differently. Manufacturing firms are in different sizes. This study was conducted across the three different sizes, that is; small, medium and large. It would also be wise to conduct similar study in the same size of manufacturing firms like large manufacturing firms, medium manufacturing firms or small manufacturing firms. This is because resource and capabilities endowment vary with size of the firm. Endowment is more in large firms than medium or small firms. With such a research we can be able to understand the resources and capabilities impact.

This research used cross-sectional design, since the researcher collected data at one point in time due to time and cost constraints. A similar study would be appropriate using longitudinal design in manufacturing firms in Kenya to compare the outcomes. The analysis for this study used regression analysis and similar research can be done using chi-square or other research data analysis techniques to see whether same results can be achieved.

### **7.7 Contribution to Knowledge**

The study empirically has added knowledge to strategic management by acknowledging that SP (specification of objectives, generation of strategies, documentation, time-spent, communication and process exist) results to performance of the organizations. Empirically, this study has established the extent of influence of SP on performance. Amongst the three variables, strategic planning had the highest influence, followed by firm-level factors and lastly external environment dynamics. The study has established the extent for firm-level factors (firm structure, and firm resources and capabilities) to influence and moderately influence SP and performance.

It has also established how external environment dynamics (political, economic, social, and technological) influence SP and performance relationship. Further, joint effect for the three variables on performance was established to be bigger than individual effects of variables. This indicates that the joint combination results to multiplication effect and enhances firm performance. This indicates that performance is a function of several variables which is a confirmation that firms should focus on drivers of performance for SCA, which enhances performance.

The study has added knowledge to managers in the manufacturing firms in Kenya by showing how structure and firm resources and capabilities can contribute to performance by interacting with strategic planning. Therefore the managers have learnt that they need to practice strategic planning and come up with proper steps which can be synchronized with firm-level factors and external environment dynamics for stellar performance. It has also shown the need for environment scanning for interventions in case of any eventuality.

The practitioners have learnt that all stakeholders training is vital for smooth running of the firm and hence performance. They have learnt that motivation is key for staff performance. They have also learnt that acquiring resources which are valuable, rare, inimitable and non-substitutable ensures sustainable competitive advantage. The practitioners have also learnt that the strategic planning steps should be carefully selected which tailor the company operations and objectives. They have also learnt that employee training is vital to ensure constant performance.

The chapter presented the summary of the current study's findings which were discussed based on the objectives. Some of the findings supported previous results while others contrasted previous research findings. It further presented the implications of the study on theory, policy, managerial practice and methodology in the field of strategic management. The chapter also presented limitations of the study. These limitations did not affect the validity of the findings in any way. Suggestions for the further research were discussed as well as contribution of the study findings to the knowledge.

## REFERENCES

- Aiken, L. S., & West, S. G. (1991). *Multiple Regression: Testing and Interpreting Interactions*. Thousand Oaks, CA: Sage.
- Alaka, N., Tijani, A., & Abaas, O. (2011). Impact of Strategic Planning on the Performance of Insurance Companies in Nigeria. *European Journal of Humanities and Social Sciences*, 5(1), 136-152.
- Aldehayyat, J. S., & Twaissi, N. (2011). Strategic Planning and Corporate Performance Relationship in Small Business Firms: Evidence from a Middle East Country Context. *International Journal of Business and Management*, 6 (8), 255 - 263.
- Aldehayyat, J. S., & Al Khattab, A. A. (2013). Strategic Planning and Organizational Effectiveness in Jordanian Hotels. *International Journal of Business and Management*, 8(1), 11-25.
- Amit, R., & Schoemaker, P. (1993). Strategic Assets and Organizational Rent. *Strategic Management Journal*, 14(1), 33-46.
- Andersen, T. (2000). Strategic Planning, Autonomous Actions and Corporate Performance. *Long Range Planning*, 33, 184-200.
- Andersen, T.J. (2004a). Integrating Decentralized Strategy Making and Strategic Planning Processes in Dynamic Environments. *Journal of Management Studies*, 41 (8), 1271 - 1299.
- Andersen, T.J. (2004b). Integrating the Strategy Formation Process: An International Perspective. *European Management Journal*, 22 (3), 263 - 272.
- Andersen, T.J. & Nielsen, B.B. (2009). Adaptive Strategy Making: The Effects of Emergent and Intended Strategy Modes. *European Management Review*, 6 (2), 94-107.



- Ansoff, H., & McDonnell, K. (1990). *Implanting Strategic Management*. 2<sup>nd</sup> edition, Prentice Hall.
- Aosa, E. (1992). An Empirical Investigation of Aspects of Strategy Formulation and Implementation within Large Private Manufacturing Companies in Kenya. *Unpublished PhD Thesis*, University of Strathclyde, Glasgow, Scotland.
- Arasa, R. (2008). Strategic Planning, Employee Participation and Firm Performance in Kenya's Insurance Industry. *Unpublished PhD Thesis*, School of Business, University of Nairobi.
- Arasa, R., & K'Obonyo, P. (2012). The Relationship between Strategic Planning and Firm Performance. *International Journal of Humanities*, 2 (22), 201-203.
- Armstrong, J. S. (1982). The Value of Strategic Planning for Strategic Decisions: Review of Empirical Research. *Strategic Management Journal*, 3, 197-211.
- Arvey, R. D., Dewhirst, H. D. & Boling, J. C. (1976). Relationships between Goal Clarity, Participation in Goal Setting, and Personality Characteristics on Job Satisfaction in a Scientific Organization. *Journal of Applied Psychology*, 61, 103-105.
- Asch, D., & Salaman, G. (2002). The Challenge of Change. *European Business Journal*, 14 (3), 133-144.
- Astley, W.G., & Van de Ven, A. H. (1983). Central Perspectives and Debates in Firm Theory. *Administrative Science Quarterly*, 28 (2), 245 - 273.

- Awino, Z. B. (2007). The Effects of Selected Strategy Variables on Corporate Performance: A Survey of Supply Chain Management in Large Private Manufacturing Firms in Kenya. *Unpublished PhD Thesis*, School of Business, University of Nairobi, Kenya.
- Awino, Z., & Muturi, P. (2012). Firm Strategy, Business Environment and the Relationship between Firm-Level Factors and Performance *Africa Management Review*, 2 (1), 95 - 122.
- Babbie, E. (2005). *The Basics of Social Research*. Belmont: Thomson Wadsworth.
- Bahaee, M.S. (1992). Strategy-Comprehensiveness Fit and Performance. *Australian Journal of Management*, 17 (2), 195-215.
- Bain, J. S. (1968). *Industrial Organization*. 2nd Ed., New York Wiley.
- Bain, J. S. (1972). *Essays on Price Theory and Industrial Organization*. Boston Little.
- Baranyi, Á. (2001). Environmental Strategy Types used by Hungarian Manufacturing Companies. *PhD Thesis*. BKÁE, Gazdálkodástudományi PhD Program.
- Barney, J.B. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17, 99 - 120.
- Baron, R. M., & Kenny, D. A. (1986). The moderator- mediator variable distinction in social psychological research: Conceptual, strategic and statistical considerations. *Journal of Personality and Social Psychology*, 51, 1173-1182.
- Baruch, Y. & Holtom, B. C. (2008). Survey Response Rate Levels and Trends in Organizational Research. *Human Relations*, 6 (8), 1139 - 1160.
- Berry, W. D., & Feldman, S. (1985). *Multiple Regression in Practice*. Sage University. Newbury Park, CA: Sage.

- Bharadwaj, S., Bharadwaj, A., & Bendoly, E. (2007). The Performance Effects of Complementarities between Information Systems, Marketing, Manufacturing and Supply Chain Processes. *Information Systems Research*, 18 (4), 437 - 453.
- Blaxter L., Hughes C., & Tight M. (2006). *How to Research*. 3rd Ed., Buckingham: Open University Press.
- Bouchard, T. J. (1972). A Comparison of Two Group Brainstorming Procedures. *Journal of Applied Psychology*, 56, 418 - 421.
- Bourgeois, L. J. (1980). Performance and Consensus. *Strategic Management Journal*, 1 (3), 227.
- Bourgeois, L.J. (1985). Strategic Goals, Perceived Uncertainty, and Economic Performance in Volatile Environments. *The Academy of Management Journal*, 28 (3), 548 - 573.
- Boyd, B. K. (1991). Strategic Planning and Financial Performance: A Meta-Analytic Review. *Journal of Management Studies*, 28, 354-374.
- Boyd, K. B., Dess, G. G., & Rasheed, A. M. A. (1993). Divergence between Archival and Perceptual Measures of the Environment: Causes and Consequences. *Academy of Management Review*, 18, 204 - 226.
- Boyne, G. A., & Meier, K. J. (2009). Environmental Turbulence, Organizational Stability and Public Service Performance. *Administration and Society*, 40 (8), 799-825.
- Bracker, J., & Pearson, J. (1986). Planning and Financial Performance of Small, Mature Firms. *Strategic Management Journal*, 7 (6), 503 - 522.
- Bryman, A., & Cramer, D. (2005). *Quantitative Data Analysis with SPSS 12 and 13*. Retrieved from <http://www.psypress.co.uk/brymancramer>.

- Bryson, J. M. (1995). Strategic Planning for Public and Nonprofit Organizations. *Business Review*, 68 (3), 79-91.
- Bryson, J. M. (2011). *Strategic Planning for Public and Nonprofit Organizations: A Guide to Strengthening and Sustaining Organizational Achievement*, 4<sup>th</sup> Ed. San-Francisco, CA: Jossey-Bass.
- Bucic, T., & Gudergan, S. (2004). The Impact of Organizational Settings on Creativity and Learning in Alliances. *Management*, 7, 257 - 273.
- Burns, T., & Stalker, G. (1961). *The Management of Innovation*. London: Tavistock.
- Capon, N., Farley, J. U., & Hoening, S. (1990). Determinants of Financial Performance: A Meta-Analysis. *Management Science*, 36, 143-159.
- Capon, N., Farley, J. U., & Hulbert, J. M. (1994). Strategic Planning and Financial Performance: More Evidence. *Journal of Management Studies*, 31 (1), 105 - 110.
- Carpenter, M.A., & Golden, B. (1997). Perceived Managerial Discretion: A Study of Cause and Effect. *Strategic Management Journal*, 18, 187- 220; Contingency Approach, *Academy of Management Journal*, 26, 687-707.
- Cattell, R. B. (1966). The Scree Test for the Number of Factors. *Multivariate Behavioral Research*, 1, 245–276.
- Chakravarthy, B. S. (1986). Measuring Strategic Performance. *Strategic Management Journal*, 7(5), 437- 458.
- Chandler, A. D. (1962). *Strategy and Structure: Chapters in the History of the Industrial Enterprise*. MIT Press, Cambridge.

- Chavunduka, D., Chimunhu, P., & Sifile, O. (2015). Strategic Planning Intensity and Firm Performance: A Case of Zimbabwe Mining Development Corporation. *European Journal of Business and Management*, 7 (5), 12 - 18.
- Claycomb, C., Germain, R., & Droege, C. (2008). The Effects of Formal Strategic Management Planning on the Industrial Firms' Configuration Structure, Exchange Patterns and Performance. *Industrial Marketing Management*, 29, 219-234.
- Cochran, W. G. (1963). *Sampling Techniques*. 2nd Ed., New York: John Wiley and Sons, Inc.
- Combs, J.G., Crook, R.T., & Shook, C. L. (2005). The Dimensionality of Organizational Performance and its Implications for Strategic Management Research. *Research Methodology in Strategy and Management*, 2, 259 - 286.
- Cooper, D. R., & Schindler, P. S. (2006). *Business Research Methods*. 8th Ed., Tata, McGraw-Hill.
- Cooper, R. D., & Schindler, S.P. (2003). *Business research methods*. 8th Edition, Boston: Irwin McGraw-Hill.
- Crossan K. (2005). A Test of the Validity of the Theory of the Firm. *Journal of International Research Publications*, 1, 127-135.
- Daft, R. L. (2000). *Organization Theory and Design*. 7th Ed., South-Western College Publishing, Thomson Learning. U.S.A.
- Deloitte (2013). *Global CEO Survey*. Country Manufacturing Competitiveness Index Rankings.

- Dess, G. G., & Beard, D. W. (1984). Dimensions of Organizational Task Environments. *Administrative Science Quarterly*, 29 (1), 52 - 73.
- Dincer, O., Tatoglu, E., & Glaister, K.W. (2006). The Strategic Planning Process: Evidence from Turkish Firms. *Management Research News*, 29 (4), 206 - 219.
- Dobák, M. (2006). *Organizational Types and Management*. Akadémiai Kiadó, Budapest.
- Donaldson, L. (1996). The Normal Science of Structural Contingency Theory. In *Handbook of Organization Studies*, Clegg SR, Hardy C, Nord WR (Eds). Sage. London, 57-76.
- Dowling, M. J., & McGee, J. E. (1994). Business and Technology Strategies and New Venture Performance. A Study of the Telecommunication Equipment Industry. *Management Science*, 40, 1663-1677.
- Drazin, R., & Ven de Ven, A. (1985). An Examination of Alternative Forms of Contingency Theory. *Administrative Science Quarterly*, 30, 514 - 539.
- Drury, C. (2008). *Management and Cost Accounting*, 7<sup>th</sup> Ed. South Western Cengage Learning: London.
- Duncan, R. G. (1972a). Characteristics of Firm's Environments and Perceive Environmental Uncertainty. *Administrative Science Quarterly*, 17 2), 313 - 327.
- Duque-Zuluaga C. L., & Schneider, U. (2008). Market Orientation and Organizational Performance in the Non-Profit Context: Exploring Both Concepts and the Relationship Between Them. *Journal of non-profit and public sector marketing*, 19 (2), 1-30.

- Efendioglu, A. M., & Karabulut, T. (2010). Impact of Strategic Planning on Financial Performance of Companies in Turkey. *International Journal of Business Management*, 5, 3-12.
- Elbanna, S. (2008). Planning and Participation as Determinants of Strategic Planning Effectiveness: Evidence from Arabic Context. *Management Decisions*, 46, (5) 779-796.
- Eriksen, M. (2008). Leading Adaptive Organizational Change: Self-Reflexivity and Self-Transformation. *Journal of Organizational Change Management*, 21, 622-640.
- Eriksson, P., & Kovalainen, A. (2008). *Qualitative Methods in Business Research*. London: Sage.
- Ethiraj, S. K., Kale, P., Krishnan, M. S., & Singh, J. V. (2005). Where Do Capabilities Come from and How Do They Matter? A Study in the Software Services Industry. *Strategic Management Journal*, 26, (1), 25-46.
- Falshaw, J. R., Glaister, K. W., & Tatoglu, E. (2006). Evidence on Formal Strategic Planning and Company Performance. *Management Decision*, 44 (1), 9 - 30.
- Fararo, P. (1997). Foundations of the Theory of Organization. *Social Review*, 13, 25 - 35.
- Field, A. (2009). *Discovering Statistics Using SPSS*. London: Sage Publishers.
- Finkelstein, S. and Boyd, B.K. (1998). How Much Does the CEO Matter? The Role of Managerial Discretion in the Setting of CEO Compensation. *Academy of Management Journal*, 41 (2), 179 - 200.
- Fredrickson, J. W., & Mitchell, T. R. (1984). Strategic Decision Processes: Comprehensiveness and Performance in an Industry with an Unstable Environment. *Academy of Management Journal*, 27 (2), 399 - 423.

- Furrer, O., Thomas, H., & Goussevskaia, A. (2008). The Structure and Evolution of the Strategic Management Field: A Content Analysis of Twenty-Six Years of Strategic Management Research. *International Journal of Management Reviews*, 10(1), 1-23.
- Ghobadian, A., O'Regan, N., Thomas, H., & Liu, J. (2008). Formal Strategic Planning, Operating Environment, Size, Sector and Performance. *Journal of General Management*, 34(2), 1-20.
- Gica, O. A. & Balint, C. I. (2012). Planning Practices of SMEs in North-Western Region of Romania: An Empirical Investigation. *Procedia Economics and Finance*, 3, 896-901.
- Gică, O. A., & Negrușă, A. L. (2011). The Impact of Strategic Planning Activities on Transylvanian SMEs – An Empirical Research. *Procedia Social and Behavioral Sciences*, 24, 643-648.
- Ginsberg, A., & Venkatraman, N. (1985). Contingency Perspectives on Organizational Strategy. *Academy of Management Review*, 10, 421-34.
- Glaister, K. W., Dincer, O., Tatoglu, E., Demirbag, M., & Zaim, S. (2008). A Causal Analysis of Formal Strategic Planning and Firm Performance: Evidence from an Emerging Country. *Management Decision*, 46(3), 365-391.
- Grandori, A. (2001). Neither Hierarchy Nor Identity: Knowledge Governance Mechanisms and the Theory of the Firm. *Journal of Management and Governance*, 5, 381-399.



- Grant, C. & Osanloo, A. (2014). Understanding, Selecting, and Integrating a Theoretical Framework in Dissertation Research: Creating the Blueprint for 'House' *Administrative Issues Journal: Connecting Education, Practice and Research*, 10, 12-22.
- Grant, M. R. & Jordan, J. J. (2015). *Foundations of Strategy*, 2nd Ed. Wiley, West Sussex.
- Grant, R.M. (1991). The Resource-Based Theory of Competitive Advantage: Implications for Strategic Formulation. *California Management Review*, 33 (3), 113-135.
- Grant, R. M. (1996a). Prospering in Dynamically-Competitive Environments: Organizational Capability as Knowledge Creation. *Organization Science*, 7, 375-387.
- Grant, R.M., & Jordan J. (2012). *Foundations of Strategy*. London: John Wiley & Sons Ltd.
- Greenley, G. E. (1986). Does Strategic Planning Improve Company Performance? *Long Range Planning*, 19 (2), 101-109.
- Greenley, G. E. (1994). Strategic Planning and Company Performance: An Appraisal of the Empirical Evidence. *Scandinavian Journal of Management*, 10 (4), 383-396.
- Greenley, G.E., & Foxall, G.R. (1997). Multiple Stakeholder Orientation in UK Companies and the Implications for Company Performance. *Journal of Management Studies*, 34 (2), 259 - 284.
- Griffin, R.W. (2006). *Fundamentals of Management*. 4th Ed, Boston: Houghton Mifflin.

- Grinyer, P. H., & Norburn, D. (1975). Planning for Existing Markets: Perceptions of Executives and Financial Performance. *Journal of the Royal Statistical Society (Series A-General)*, 138 (1), 70 - 97.
- Grover, V., & Segars, A. H. (2005). An Empirical Evaluation of Stages of Strategic Information Systems Planning: Patterns of Process Design and Effectiveness. *Information & Management*, 42, 761–779.
- Gruber, M., Heinemann, F., Brettel, M. & Hungeling, S. (2010). Configurations of Resources and Capabilities and their Performance Implications: An Exploratory Study on Technology Ventures. *Strategic Management Journal*, 31 (12), 1337-1356.
- Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (2006). *Multivariate Data Analysis*. 6<sup>th</sup> Ed., NJ: Prentice Hall.
- Hambrick, D. C., & Mason, P. A. (1984). Upper Echelons: The Organization as a Reflection of its Top Managers. *Academy of Management Review*, 9 (2), 193-206.
- Hansen, S. G., & Wernerfelt, S. (1989). Determinants of Firm Performance: The Relative Importance of Economic and Organizational Factors. *Strategic Management Journal*, 10 (5), 399 - 411.
- Hargrove, H. (2004). Positivism, Critical Inquiry, and Constructivism: Three Theoretical Approaches and their use in Studying Interdisciplinary Design Education. *Analytical Essay*, DDN, 702.
- Harris, L. C., & Ogbonna, E. (2006). Initiating Strategic Planning. *Journal of Business Research*, 59, 100 - 111.

- Hawawini, G., Subramania, V., & Verdin, P. (2003). Is Performance Driven by Industry Firm-Specific Factors? A New Look at the Evidence. *Strategic Management Journal*, 24, 1-16.
- Hax, A. C., & Majluf, N. S. (1996). *The Strategy Concept and Process: A Pragmatic Approach*. 2<sup>nd</sup> Ed. New Jersey, Prentice - Hall.
- Helfat, C. E., Finkelstein, S., Mitchell, W., Peteraf, M., Singh, H., Teece, D., & Winter, S. G. (2009). *Dynamic Capabilities: Understanding Strategic Change in Organizations*: John Wiley & Sons.
- Helfat, C. E., & Peteraf, M. A. (2003). The Dynamic-Resource-Based View: Capability Lifecycle. *Strategic Management Journal*, 24, 997-1010.
- Henderson, R. M., & Cockburn, I. M. (1994). Measuring Core Competence? Evidence from the Pharmaceutical Industry. *Strategic Management Journal*, 15 (Winter Special Issue), 63 - 84.
- Higgins, J. M. (2005). The Eight S's of Successful Strategy Execution. *Journal of Change Management*. 5 (1).
- Hitt, M.A., Ireland, R.D., & Hoskisson, R.E. (2011). *Strategic Management: Competitiveness and Globalization*. Boulevard: South Western Cengage Learning.
- Hoffer, C. W., & Schendel, D. (1978). *Strategy Formation: Analytical Concepts*. St. Paul, MN: West.
- Hopkins, W. E., & Hopkins, S. A. (1997). Strategic Planning-Financial Performance Relationship in Banks: A Causal Examination. *Strategic Management Journal*, 18, 635 - 652.

- Huber, G.P. (1984). The Nature and Design of Post-Industrial Organization. *Management Science*, (30) 928-951.
- Imenda, S. (2014). Is There a Conceptual Difference Between Conceptual and Theoretical Frameworks? *Journal of Social Science*, 38 (2), 185-195.
- Irungu, S.M. (2007). The Effect of Top Management Teams on the Performance of Publicly Quoted Companies in Kenya”. *Unpublished Ph.D Thesis*, University of Nairobi, Kenya.
- Ittner, C. D., & Larcker, D. F. (2003). Coming Up Short on Non-Financial Performance Measurement. *Harvard Business Review*, 81 (11), 80-97.
- Ivancevich, J. M. (1977). Different Goal Setting Treatments and their Effects on Performance and Job Satisfaction. *Academy of Management Journal*, 20, 406-419.
- Jocumsen, G. (2004). How Do Small Business Managers Make Strategic Marketing Decisions? A Model of Process. *European Journal of Marketing*, 38, 659 - 674.
- Johnson, G., Scholes, K., & Whittington, R. (2002). *Exploring Corporate Strategy*. Prentice Hall: London.
- Kaiser, H. F. (1960). The Application of Electronic Computers to Factor Analysis. *Educational and Psychological Measurement*, 20, 141–151.
- Kaplan, R. S., & Norton, D. P. (1992). *The Balanced Score Card*. Harvard Business School Press; Boston, MA.
- Kate, C. (2006). *Statistical Methods and Computing: Sample Size for Confidence Intervals with Known t-Intervals*. 374 SH, ISBN.335-0727.UIOWA.

- Katerberg, R. (1980). An Examination of the Quality of Goal Setting: Relationships to Job Attitudes and Role Stress. *Proceedings of the American Institute for Decision Sciences*, 387-389.
- Kaufman, R., Browne, H. O., Watkins, R., & Leigh, D. (2003). *Strategic Planning for Success (Aligning People, Performance and Payoffs)*. 989 Market Street, San Francisco, United States of America: Jossey-Bass/Pfeiffer, A Wiley Imprint.
- Kenya Association of Manufacturers. (2013). *The Kenya Association of Manufacturers and Exporters Directory*. Nairobi: Adafic Communications Limited.
- Kenya Association of Manufacturers (2014). *The Kenya Association of Manufacturer and Exporters Directory*. Nairobi: Adafic Communications Limited.
- Kenya Industrial Research and Development Institute (KIRDI] (1997). *Kenya Directory of Manufacturing Industries*. Nairobi, Government Printer.
- Kenya National Bureau of Statistics (2012, 2015). *Annual Report*. Kenya.
- Kenya Vision 2030. Available at <http://www.vision2030.go.ke>
- Kerlinger, N.F. (2007). *Foundations of Behavior Research*, New Delhi: Surjeet Publications.
- Kibe, J. M. (2000). Application of Inventory Manufacturing Practices. A Survey in Large Manufacturing Firms in Kenya. *Unpublished MBA Project*, University of Nairobi, Kenya.
- Kidombo, H. J. (2007). Human Resource Strategic Orientation, Firm's Commitment and Firm Performance in Large Private Manufacturing Firms in Kenya. *Unpublished PhD Thesis*, University of Nairobi, Kenya.

- Kim, J. S., & Hamner, W. C. (1976). Effect of Performance Feedback and Goal Setting on Productivity and Satisfaction in an Organizational Setting. *Journal of Applied Psychology, 61*, 48-57.
- Kirkpatrick, D. L. (1994). *Evaluating Training Programs: The Four Levels*. San Francisco: Berrett-Koehler Publishers, Inc.
- Kostopoulos, K. C., Spanos Y. E., & Prastacos, G. P. (2002). The Resource-Based View of the Firm and Innovation: Identification of Critical Linkages. *The 2<sup>nd</sup> European Academy of Management Conference*, Stockholm.
- Kotter, J.P. (1996). *Leading Change*. Harvard Business School Press, Cambridge, MA.
- Laitinen, E. K. (2002). A Dynamic Performance Measurement System: Evidence from Small Finnish Technology Companies. *Scandinavian Journal of Management, 18*, 65-99.
- Lawrence, P.R., & Lorsch, J.W. (1967). Differentiation and Integration in Complex Organizations. *Administrative Science Quarterly, 12* (1), 1- 47.
- Leavitt, H. J. (1965). *Applied Organizational Change in Industry: Structural, Technological and Humanistic Approaches*. In the Handbook of Organizations, 1144-1170.
- Lenz, R. T. (1981). Determinants of Organizational Performance: An Interdisciplinary Review. *Strategic Management Journal, 2* (2), 131-154.
- Leonard-Barton, D. (1992). Core Capabilities and Core Rigidities: A Paradox in Managing New Product Development. *Strategic Management Journal, 13*, 111-125.

- Levinson, M. (2016). *United States Manufacturing in International Perspective*. Congressional Research Service.
- López, V. A. (2003). Intangible Resources as Drivers of Performance: Evidences from a Spanish Study of Manufacturing Firms. *Irish Journal of Management*, 24 (2), 125-134.
- Machuki, V. N. (2011). The Impact of Environment-Strategy Co-Alignment on the Performance of Publicly Quoted Companies in Kenya. *Unpublished PhD Thesis*, University of Nairobi.
- Machuki, V.N., & Aosa, E. (2011). The Influence of External Environment on the Performance of Publicly Quoted Companies in Kenya. *Business Administration and Management Journal*, 1(7), 205-218.
- Mansoor, N., Aslam, H. D., Barbu, C. M., Capusneanu, S., & Lodhi, M. A. (2012). Organizational Structure as Determinant of Organizational Performance: Uncovering Essential Facets of Organic and Mechanistic Structure. *American Journal of Scientific Research*, 55, 48-55.
- March, J. G., & Sutton, R. I. (1997). Organizational Performance as a Dependent Variable. *Organization Science*, 8: 698–706.
- March, J. G., & H. A. Simon. (1958). *Organizations*. New York: Wiley, (49).
- Marino, K. E. (1996). Developing Consensus on Firm Competencies and Capabilities. *Academy of Management Executive*, 10 (3), 40-51.
- McCann, P. (2004). The Changing Definition of Organizational Effectiveness. *Human Resource Planning*, 27 (1), 7-30.

- McGahan, A. M., & Porter, M. E. (1997). How Much Does Industry Matter, Really? *Strategic Management Journal*, 18, 15–30.
- McKiernan, P. & Morris, C. (1994). Strategic Planning and Financial Performance in UK SMEs: Does Formality Matter? *British Journal of Management* 5, Special Issue, 31-41.
- McLaney, V. (2003). Strategic Planning Processes in Chaotic Environments. *Vikalpa*, 28, 1.
- Meindl, J.R., Ehrlich, S.B. & Dukerich, J.M. (1985). The Romance of Leadership. *Administrative Science Quarterly*, 30 (1), 78-103.
- Messick, S. (1989). Validity. In R. L. Linn (Ed.), *Educational measurement*, 3, 13 - 104.
- Miller, C. C., & Cardinal, B. L. (1994). Strategic Planning and Firm Performance: A Synthesis of More than two Decades of Research. *Academy of Management Journal*, 37 (6), 1649-1665.
- Miller, D. & Droge, C. (1986). Psychological and Traditional Determinants of Structure. *Administrative Science Quarterly*, 31, 539-560.
- Mintzberg, H. (1973). Strategic Making in three Modes. *California Management Review*, 16, 44-53.
- Mintzberg, H. (1987). The Strategy Concept II: Another Look at why Organizations Need Strategies. *California Management Review*, 30 (1), 25–31.
- Mintzberg, Quinn & Ghoshal (1998). The Strategy Process. *Revised European*.
- Mir, R. & Watson, A. (2000). Strategic Management and the Philosophy of Science: The Case for a Constructivist Methodology. *Strategic Management Journal*, 21, 941–953.



- Mislevy, R. J. (2007). Validity by design. *Educational Researcher*, 36(8), 463 - 469.
- Mkalama, R. N. (2014). Top Management Demographics, Strategic Decision Making, Macro-Environment and Performance of Kenyan State Corporations. *Unpublished PhD Thesis*, University of Nairobi, Kenya.
- Mugenda, O.M., & Mugenda, A.G. (2003). *Research Methods: Quantitative and Qualitative Approaches*. Nairobi: ACTS Press.
- Munyoki, J.M. (2007). The Effects of Technology Transfer on Organizational Performance: A Study of Medium and Large Manufacturing Firms in Kenya. *Unpublished PhD Thesis*, University of Nairobi, Kenya.
- Murgor P. K. (2014). External Environment, Firm Capabilities, Strategic Responses and Performance of Large Scale Manufacturing Firms in Kenya. *Unpublished PhD Thesis*, University of Nairobi, Kenya.
- Muthuiya, F.A. (2004). Strategy Implementation and Its Challenges in Non-Profit Making Organizations in Kenya: The Case of Africa Medical Research Foundation (AMREF)-Kenya. *Unpublished MBA Project*, School of Business, University of Nairobi, Kenya.
- Nachmias, C.F., & Nachmias, D. (2004). *Research Methods in the Social Sciences*. 5<sup>th</sup> Edition. India: Replica Press.
- Neuman, L.W. (2006). *Social Research Methods: Qualitative and quantitative approaches*, 6th Ed. London: Pearson International Edition.
- Newbert, S. L. (2007). Empirical Research on the Resource Based View of the Firm: An Assessment and Suggestions for Future Research. *Strategic Management Journal*, 28(2), 121–146.

- Newbert, S. L. (2008). Value, Rareness, Competitive Advantage, and Performance: A Conceptual-Level Empirical Investigation of the Resource-Based View of the Firm. *Strategic Management Journal*, 29 (7), 745 - 768.
- Nickel, W. G., & McHugh, J. (1996). Understanding Business, 4, 183 - 184.
- Nunnally, J. C. (1978). *Psychometric Theory*, 2nd Edition. New York: McGraw-Hill.
- Ogollah, K. O. (2012). Organizational Configuration, Stage of Development and Performance of Commercial Banks in Kenya. *Unpublished PhD Thesis*, University of Nairobi, Kenya.
- Ombaka, B. E. (2014). Resources, External Environment, Innovation and Performance of Insurance Companies in Kenya. *Unpublished PhD Thesis*, University of Nairobi, Kenya.
- Ondiek, G. O., & Odera, O. (2012). Assessment of Material Management in Kenyan Manufacturing Firms. *Journal of Business Studies Quarterly*, 3 (3), 40 - 49.
- O'Regan, N. and Ghobadian, A. (2002). Effective Strategic Planning in Small and Medium Sized Firms. *Management Decision*, 40 (7), 667- 681.
- Osborne, J., & Waters, E. (2002). Four Assumptions of Multiple Regression that Researchers Should Always Test. *Practical Assessment, Research & Evaluation*, 8 (2).
- Otley, D. T. (2001). Extending the Boundaries of Management Accounting Research: Developing Systems for Performance Management. *British Accounting Review*, 33 (3), 243 - 261.

- Papadakis, V. M., Lioukas, S. & Chambers, D. (1998). Strategic Decision-Making Processes: The Role of Management and Context. *Strategic Management Journal*, 19 (2), 115–147.
- Papke-Shields, K. E., Malhotra, M. K. & Grover, V. (2002). Strategic Manufacturing Planning Systems and Their Linkage to Planning System Success. *Decision Sciences*, 33, 1-30.
- Pearce, J. A., Robbins, D.K. & Robinson, R. B. (1987). The Impact of Grand Strategy and Planning Formality on Financial Performance. *Strategic Management Journal* 8, 125–134.
- Pearce II, J.A., Robinson, R.B., & Mital, A. (2012). *Strategic Management: Formulation, Implementation and Control, 12th Edition*. New Delhi: Tata McGraw Hill Education Private Ltd.
- Penrose, E. G. (1959). *The Theory of the Growth of the Firm*. New York: Wiley.
- Peteraf, M. A. (1993). The Cornerstones of Competitive Advantage: A Resource-Based View.
- Pfeffer, J., & Salancik G. R. (1978). *The External Control of Organizations*. New York: Harper & Row.
- Phillips, P. A., Davis, F. M. & Mountinho, L. (2001). The Interactive Effects of Strategic Marketing Planning and Performance: A Neural Network Analysis. *Journal of Marketing Management*, 17, 159-182.
- Pina, V., Torres, L. & Bachiller, P. (2016). Political Influence and the Performance of Non-Profit Spanish Banks. *Non-Profit Management and Leadership Journal*, 26 (4), 471-488.

- Porter, M.E. (1980). *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press.
- Powell, T. C. (1992). Strategic Planning as Competitive Advantage. *Strategic Management Journal*, 13 (7), 551-558.
- Prahalad, C. K. & Hamel, G. (1990). The Core Competence of the Corporation. *Harvard Business Review*, 68, 79-91.
- Prahalad C. K., & Hamel G. (1994). Strategy as a Field of Study: Why Search for a New Paradigm. *Strategic Management Journal*, 15 (Special Issue), 5-16.
- Prescott, E. J. (1986). Environments as Moderators of the Relationship between Strategy and Performance. *The Academy of Management Journal*, 29 (2), 329-346.
- Priem, R.L., Rasheed, A.M.A. & Kotulic, A.G. (1995).Rationality in Strategic Decision Processes, Environmental Dynamism and Firm Performance. *Journal of Management*, 21 (5) 913-929.
- Raman, S. R. (2009). Middle Managers Involvement in Strategic Planning: An Examination of Roles and Influencing Factors. *Journal of General Management*, 34 (3), 57-74.
- Ramanujam, V., Ramanujam, N., & Camillus, J. (1986). Multi-Objective Assessment of Effectiveness of Strategic Planning: A Discriminant Analysis Approach. *Academy of Management Journal*, 29 (2), 347-372.
- Ramaswamy, K., Thomas, A. S., & Lischert, R. J. (1994). Organizational Performance in a Regulated Environment: The Role of Strategic Orientation. *Strategic Management Journal*, 15, 63-74.

- Ravitch, S. M. & Carl, N. M. (2016). *Qualitative Research: Bridging the Conceptual, Theoretical and Methodological*. Los Angeles, U.S.A.: SAGE Publications, Inc.
- Reid, D.M. (1989). Operationalizing Strategic Planning. *Strategic Management Journal*, 10, 553-567.
- Reijonen, H. & Komppula, R. (2007). Perception of Success and Its Effect on Small Firm Performance. *Journal of Small Business and Enterprise Development*, 14, 689-701.
- Rhyne, L. C. (1986). The Relationship of Strategic Planning to Financial Performance. *Strategic Management Journal*, 7 (5), 423 - 436.
- Robbin, S. P., & DeCenzo, D. A. (2005). *Fundamentals of Management: Essential Concepts and Applications*. Prentice Hall, Upper Saddle River, NJ.
- Rogelberg, S. G. & Stanton, J. M. (2007). Understanding and Dealing with Organizational Survey Non-Response. *Organizational Research Methods*, 10 (2), 195-209.
- Roquebert, J. A, Philips, R. L, & Westfall, P. A. (1996). Markets Versus Management: What Drives Profitability. *Strategic Management Journal*, 17 (8), 653 - 664.
- Rudd, J. M., Greenley, G. E., Beatson, A. T., & Lings, I. N. (2008). Strategic Planning and Performance: Extending the Debate. *Journal of Business Research*, 61, 99-108.
- Ruefli, T. W., & Wiggins, R. (2003). Industry, Corporate, and Segment Effects and Performance: A Non-Parametric Approach. *Strategic Management Journal*, 24, 861-879.

- Rumelt, R. P. (1991). How Much Does Industry Matter? *Strategic Management Journal*, 12, 167–185.
- Saunders, M., Lewis, P. & Thornhill, A. (2007). *Research Methods for Business*.
- Sawyer M.C. (1985). *The Economics of Industries and Firms*. 2nd Ed. Kent: Croom Helm Ltd.
- Sekaran, U. (2000). *Research Methods for Business: A Skill Building Approach*, 3<sup>rd</sup> Edition, New York, John Wiley & Sons.
- Sekaran, U. (2003). *Research Methods for Business: A Skill Building Approach*. NY: Wiley.
- Shrader, C. B., Taylor, L., & Dalton, D. R. (1984). Strategic Planning and Organizational Performance: A Critical Review. *Journal of Management*, 10(2), 149-171.
- Slevin, D.P. & Covin, J.G. (1997), Strategy Formation Patterns, Performance and the Significance of Context, *Journal of Management*, 23 (2) 189-209.
- Soh, P. H. (2003). The Role of Networking Alliances in Information Acquisition and Its Implications for New Product Performance. *Journal of Business Venturing*, 18, 727-744.
- Spanos, Y. E., Zaralis, G., & Lioukas, S. (2004). Strategy and Industry Effects on Profitability: Evidence from Greece. *Strategic Management Journal*, 25, 139-165.
- Spender, J. C. (1996). Making Knowledge the Basis of a Dynamic Theory of the Firm. *Strategic Management Journal*, 17, 45-62.
- Steel, W. & Webster, L. (1991). *Small enterprises in Ghana: Responses to Adjustment*. World Bank Technical Paper NO.138, Washington D.C.

- Steiner, G.A., (1979). *Strategic Planning: What Every Manager Must Know*. New York: Free Press.
- Suklev, B. & Debarliev, S. (2012). Strategic Planning Effectiveness Comparative Analysis of the Macedonian Context. *Economic and Business Review*, 14 (1), 63-93.
- Tabachnick, B. G., & Fidell, L. S. (1996). *Using Multivariate Statistics*, 3rd Ed. New York: Harper Collins College Publishers.
- Tabachnick, B. G., & Fidell, L. S. (2001). *Using Multivariate Statistics*. 4th Ed. Needham Heights, MA: Allyn and Bacon.
- Tan, J.J. & Litschert, R.J. (1994). Environment-Strategy Relationship and its Performance Implications: An Empirical Study of Chinese Electronics Industry. *Strategic Management Journal*, 15 (1), 1-20.
- Tapinos, E., Dyson, R. G. & Meadows, M. (2005). The Impact of Performance Measurement in Strategic Planning. *International Journal of Productivity and Performance*, 54, 370-384.
- Teece, D. J., Pisano G., & Schuen, A. (1997). Dynamic Capabilities and Strategic Management. *Strategic Management Journal*, 18 (7), 509-533.
- Tegarden, L. F., Sarason, Y., Childers, J.S. & Hatfield, D. E. (2005). The Engagement Employees in the Strategy Process and Firm Performance: The Role of Strategic Goals and Environment. *Journal of Business Strategies*, 1-20.
- Thomas, A. S., & Ramaswamy, K. (1996). Matching Managers to Strategy: Further Tests of Miles and Snow Typology. *British Journal Management*, 7, 247- 261.

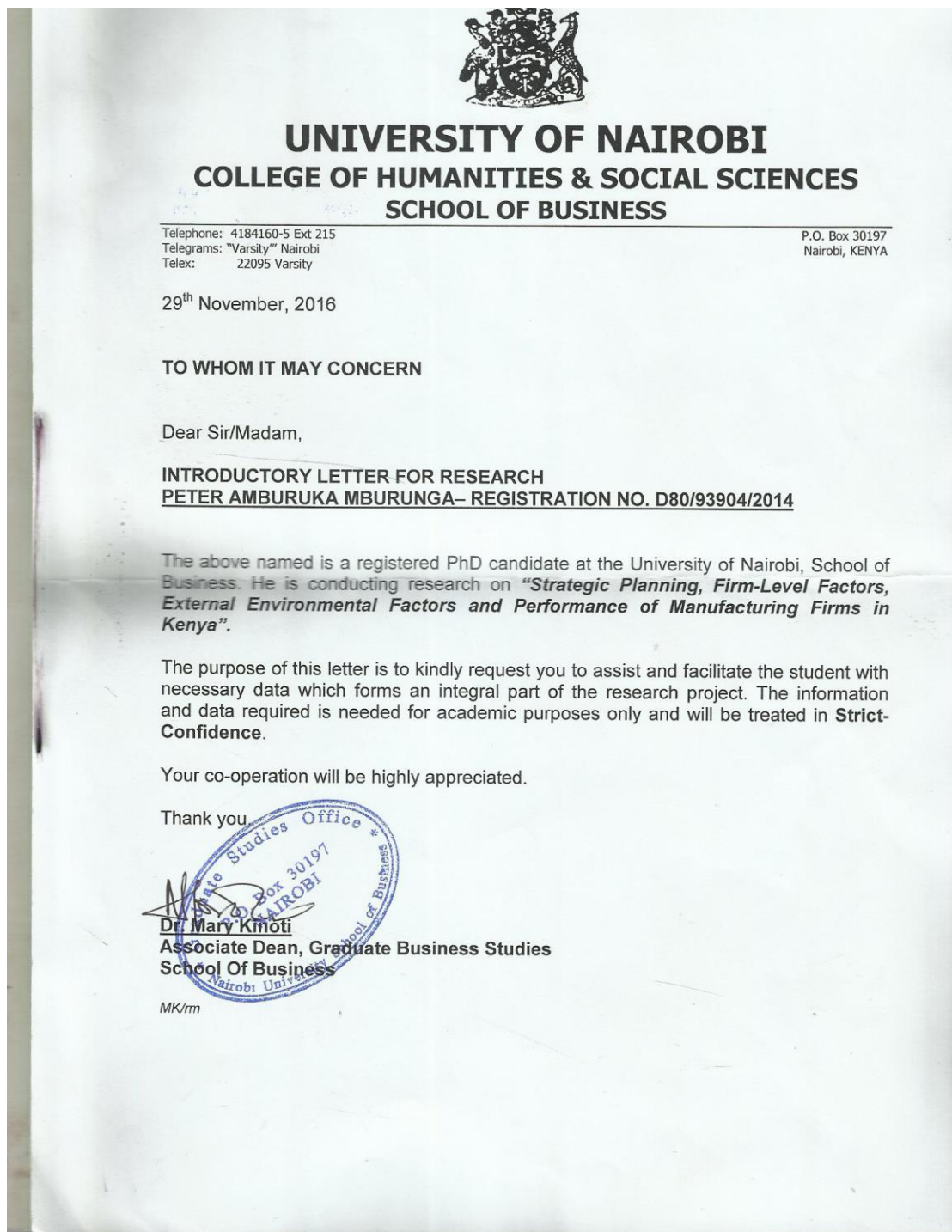
- Thomi, W.H. & Yankson, P.W.K. (1985). *Small-Scale Industries and Decentralization in Ghana*. University of Ghana, Legon.
- Thompson, A.A. & Strickland, A.J. (1993). *Strategic Management: Concepts and Cases*. Traditions, 2<sup>nd</sup> Edition. Thousand Oaks, CA: Sage. U.S.A.
- Thompson, J. D. (1967). *Organizations in Action: Social Science Basis of Administrative Theory*. McGraw-Hill Book Company, New York, USA.
- Thune, S. S., & House, R. J. (1970). Where Long-Range Planning Pays Off Findings of a Survey of Formal, Informal Planners. *Business Horizons*, 13 (4), 81 - 87.
- Travers, M. (2001). *Qualitative Research Through Case Studies*. London, Sage.
- Vel, P., Creed, B. & Narayan, R. S. (2012). The Corporate Strategy of Dubai Duty Free. *Asian Journal of Business and Management Sciences*, 2 (6), 40-52.
- Venkatraman, N. & Ramanujam, V. (1987). Planning System Success: A Conceptualization and an Operational Model. *Management Science*, 33, 687-705.
- Welch, J. B. Strategic planning could improve your share price. *Long Range Planning*, 17 (2), 144-147.
- Wernerfelt, B. (1984). A Resource-Based View of the Firm. *Strategic Management Journal*, 5, 171-180.
- Wiersema, M.F. & Bantel, K.A. (1993). Top Management Team Turnover as an Adaptation Mechanism: The Role of the Environment. *Strategic Management Journal*, (14) 485-504.
- Williams, B., Brown, T., & Onsman, A. (2012). Exploratory Factor Analysis: A Five Step Guide for Novices. *Australian Journal of Paramedicine*, 8 (3), 1-13.



- Wood, D.R. & LaForge, R. L. (1979). The Impact of Comprehensive Planning on Financial Performance. *Academy of Management Journal*, 22, 516-526.
- Wooldridge, B., Schmid, T. & Floyd, S. W. (2008). The Middle Management Perspective on Strategy Process: Contributions, Synthesis, and Future Research. *Journal of Management* 34, 1190-1221.
- Worthington, B. (2002). The Business Environment, 4, 468-469.
- Yusuf, A.& Saffu, K.(2005).Planning and Performance of Small and Medium Enterprise Operators in a Country in Transition. *Journal of Small Business Management*, 43 (4), 480-497.
- Zheng, W., Yang, B., & Mclean, G. N. (2010). Linking Organizational Culture, Strategy and Organizational Effectiveness, Mediating Role of Knowledge Management. *Journal of Business Research*, 63, 763-771.
- Zikmund, W.G. (2003). *Business Research Methods*. 7th Edition. Thomson Publishers United States of America.
- Zott, C. (2003). Dynamic Capabilities and the Emergence of Intra-Industry Differential Firm Performance: Insights from a Simulation Study. *Strategic Management Journal*, 24, 97-125.
- Zsolt, M. (2012). The Effect of Contingency Factors on the Use of Manufacturing Practices and Operations Performance. *PhD Thesis*. Corvinus University of Budapest.

# APPENDICES

## Appendix I: University Letter of Introduction



**Source:** Associate Dean, School of Business, University of Nairobi (2016)

## Appendix II: Personal Letter of Introduction

**February 2016**

Dear Respondent,

### **PhD Thesis**

I am a Doctor of Philosophy in Business Administration student of the University of Nairobi. I am conducting a research with the sole purpose of gathering information on **“The Influence of Firm-Level Factors and External Environment Dynamics on the Relationship between Strategic Planning and Performance of Manufacturing Firms in Kenya”**. Your firm has been selected for this study. This study is being carried out as a requirement in the partial fulfillment of the degree of Doctor of Philosophy in Business Administration, University of Nairobi.

The information and data required is needed for academic purposes and will be treated in strict confidence. There are no instances will your name be mentioned in this research and the information will not be used for any other purpose other than for this research. A copy of the thesis will be available to the organization upon request. Your cooperation will be highly appreciated.

Thank you.

Yours Sincerely,

Mburung'a Peter Amburuka

PhD Student

Prof. Z. B. Awino

University Supervisor

**Source:** Researcher (2016)

### Appendix III: Research Questionnaire

This questionnaire is designed to collect data from manufacturing firms in Kenya on the influence of firm level factors and external environmental dynamics on the relationship between strategic planning and performance of manufacturing firms in Kenya. The data shall be used for academic purposes only and will be treated with strict confidence. Your participation in facilitating the study is highly appreciated.

#### Part I: Firm and Respondent Profile

1. Name of the firm \_\_\_\_\_
2. Year of incorporation \_\_\_\_\_
3. Country of incorporation \_\_\_\_\_
4. Ownership structure (tick as appropriate)
  - a. Fully locally owned
  - b. Fully foreign owned
  - c. Both locally and foreign owned  
(Percentage of ownership: Local \_\_\_ %; Foreign \_\_\_ %)
5. Manufacturing sector \_\_\_\_\_
6. Type of industry \_\_\_\_\_
7. Scope of operation (tick as appropriate)
  - a. National (within Kenya)
  - b. Regional (within East Africa)
  - c. Continental (within Africa)
  - d. Global (outside Africa)
8. Size of organization (number of full time employees) (tick as appropriate)
  - a. 10 and below [ ]
  - b. 11-50 [ ]
  - c. 51-100 [ ]
  - d. Above 100 [ ]
9. Products market
  - a. Locally sold volume % \_\_\_\_\_
  - b. Exported volume % \_\_\_\_\_
10. Title of interviewee \_\_\_\_\_
11. How long have you been with this company? \_\_\_\_\_ years/months
12. What is your role in company's strategic planning process?

**Part II: Strategic Planning**

13. To what extent do you agree with the following statements relating to your firm’s specification of objectives? Use the keys provided to TICK as appropriate.

Key: 1-Not at all; 2-Less extent; 3-Moderate extent; 4-Large extent; 5-Very large extent

<b>Specification of Objectives</b>	1	2	3	4	5
a. When specifying for strategic planning objectives we involve all the key stake holders who will be affected by the plan.					
b. When specifying for strategic planning objectives we ensure they are written clearly for all stakeholders to read and understand.					
c. When specifying for strategic planning objectives we start with ultimate objectives for our organization, then we translate into specific measurable objectives.					
d. When specifying for strategic planning objectives we reflect environmental requirements and gaps.					
e. When specifying for strategic planning objectives we seek external consultants’ advice on the same.					
f. When specifying for strategic planning objectives, “Stakeholder” analysis is done to ensure that all important objectives are included.					
g. When specifying for strategic planning objectives, we identify explicit objectives for each group (stakeholder).					
h. When specifying for strategic planning objectives, we clarify, agree, and write down the organization’s long-range objectives by asking pertinent questions like: ‘What is the organization trying to do for whom?’ or ‘What is our organization really for?’.					
i. When specifying for strategic planning objectives we use a systematic procedure to gain the team commitment (e.g. by meetings, participations, assigned goals, etc.).					

14. To what extent do you agree with the following statements when generating strategies for your firm? Use the keys provided to TICK as appropriate.

Key: 1-Not at all; 2-Less extent; 3-Moderate extent; 4-Large extent; 5-Very large extent

<b>Generation of the Strategies</b>	1	2	3	4	5
a. When generating strategies, all stakeholders who will be affected by the strategies are fully involved and know the vision and mission of our organization.					
b. When generating strategies, we do external appraisal of the organization's environment.					
c. When generating strategies, we do internal appraisal of the organization's environment.					
d. When generating strategies, we analyze threats in the external environment.					
e. When generating strategies, we analyze opportunities in the external environment.					
f. When generating strategies, we analyze strengths of the organization.					
g. When generating strategies, we analyze weaknesses of the organization.					
h. When generating strategies, we consider key success factors when analyzing threats and opportunities in the external environment.					
i. When generating strategies, we consider distinctive competencies when analyzing strengths and weaknesses in the internal environment.					
j. When generating strategies, we use a systematic procedure to gain commitment of all those who will be affected by the plan (e.g. by meetings, participations, assigned goals, etc).					

15. To what extent do you agree with the following statements concerning documentation in your firm? Use the keys provided to TICK as appropriate.

Key: 1-Not at all; 2-Less extent; 3-Moderate extent; 4-Large extent; 5-Very large extent

<b>Documentation of Strategic Planning</b>	1	2	3	4	5
a. We have monthly work plan in place showing all the targets/goals we need to attain in our work.					
b. We have annual individual employee performance appraisal audit which is pegged on targets/goals attained.					
c. We have developed standard operating procedures for all departments and copies placed at strategic places as a reminder for all employees.					
d. We have a standard procedure for our machinery/equipment breakdown and preventive maintenance.					
e. Audited annual financial statements are documented.					
f. Policy and procedures for operations have been developed, reviewed regularly and placed where they are available to staff.					
g. All departments have formal workforce development plan that meets our firm's standards.					
h. Customer service/satisfaction/complaints feedback forms are filed for reviews and corrective action taken.					
i. We have job description for all our staff.					
j. Sales and marketing orders are raised and filed for onwards delivery as per the agreed timeline.					
k. Requisition of raw material and transfer of finished products is done via documentation.					

16. To what extent do you agree with the following statements concerning the time spent on strategic planning in your firm? Use the keys provided to TICK as appropriate.

Key: 1-Not at all; 2-Less extent; 3-Moderate extent; 4-Large extent; 5-Very large extent

<b>Time Spent on Strategic Planning</b>	1	2	3	4	5
a. Various tasks/activities have set timelines agreed by various stakeholders for the attainment of our goals.					
b. We adhere to timelines for various tasks/activities and work towards attainment of the same.					
c. We review the timelines in case the tasks/activities prove to be unrealistic to meet.					
d. We set timelines which are not too short or too long to avoid non-commitment mindset.					
e. We reward those who meet timelines in their tasks/activities.					
f. Those who do not meet their tasks/activities timeline are given a chance to explain the challenges they experience which is collectively addressed.					

17. To what extent do you agree with the following statements concerning communication of strategic planning in your firm? Use the keys provided to TICK as appropriate.

Key: 1-Not at all; 2-Less extent; 3-Moderate extent; 4-Large extent; 5-Very large extent

<b>Communication of Strategic Planning</b>	1	2	3	4	5
a. We have placed vision and mission statements at strategic places in our firm.					
b. We have placed standard operating procedures at strategic places in our firm.					
c. We have company intranet for internal communication.					
d. We have notice boards for internal communication.					
e. We organize seminars, workshops and trainings for all our stakeholders annually.					
f. We have a procedure to get customer complaints and satisfaction feedback which we act on it and respond to them.					
g. We have placed monthly work plans at strategic places in our firm.					

18. Does the strategic planning process exist? Yes  No

### **Part III: Firm-Level Factors**

19. To what extent do you agree with the following statements relating to your firm's firm-level factors during strategic planning? Use the keys provided to TICK as appropriate.

Key: 1-Not at all; 2-Less extent; 3-Moderate extent; 4-Large extent; 5-Very large extent



<b>Firm Structure Statements</b>					
a. The firm is characterized by high level of complexity in operations.					
b. The firm is characterized by high level of centralization of activities.					
c. The firm is characterized by high level of standardization.					
d. The organization's rules and procedures are carefully defined.					
e. The decision-making process is centered at the top level management.					
f. The employees have greater discretion in decision making.					
g. The organizational structure is highly decentralized.					
h. The organizational structure is simple in hierarchy.					
i. The organizational structure is highly informal.					
j. The decision-making process is usually from the top down to the lower levels.					
k. The firm has reviewed its structure due to changes in the market.					
<b>Firm Resources and Capabilities Statements</b>					
a. The firm has always provided enough resources to all departments/sections to carry out key tasks of strategic planning process.					
b. The firm possess superior and valuable resources e.g. market intelligence.					
c. The firm has highly charged motivated and loyal employees.					
d. The firm possesses resources which are valuable, rare, inimitable and non-substitutable.					
e. The firm's management always ensures there is enough qualified and professional staff to carry out strategic planning process as well as strategic leaders to drive its vision and mission.					
f. There is clear assigning of responsibility for various tasks/activities.					
g. The firm has ability to analyze and predict the behavior of competition.					
h. The firm has retrained the workforce and management of change always.					
i. The firm keeps updated records which are easily retrievable when needed.					
j. The firm has high level of customer service quality.					
k. The firm has reliable financial resources.					
l. The firm has a well-equipped and developed quality control/assurance department					
m. The customer complaint is given first preference as replacement and explanation is given to the customer.					
n. The firm has product development department which helps in new products and innovations.					
o. The firm has well established management of information systems in all its departments.					
p. The firm's work processes are highly automated.					
q. The firm has an efficient and effective production process.					
r. The firm has developed an intellectual property.					
s. The firm regularly collects information about the industry, markets and other external factors for its decision-making purposes.					

#### Part IV: External Environment Dynamics

20. To what extent do you agree with the following statements relating to your firm's external environment dynamics during strategic planning? Use the keys provided to TICK as appropriate. Key: 1-Not at all; 2-Less extent; 3-Moderate extent; 4-Large extent; 5-Very large extent

	1	2	3	4	5
<b>Political</b>					
a. Political demonstrations have affected our distribution of products and supply of raw materials.					
b. Government involvement in trade unions and agreements has increased our production cost of goods.					
c. Government infrastructural development has reduced transportation time of raw materials and processed goods.					
d. Insecurity in various parts of the country has reduced our sales coverage area since these areas cannot be assessed.					
e. Import restrictions in terms of quality and quantity have reduced our importation power.					
<b>Economical</b>					
a. The capped banks interest rates have resulted to increased credit facility.					
b. The high exchange rate has affected our profits.					
c. The labor costs have affected our profits.					
d. Low level of consumers' disposable income has affected our sales revenue hence profit.					
<b>Socio-Cultural</b>					
a. Some of our customers' attitude that imported goods are better than local manufactured goods affects our sales revenue.					
b. Changing lifestyles of our customers hence change of preferences hence fluctuations in our sales revenue.					
c. Some of our staff negative attitude towards work and career.					
d. Perception that there are some works for men others for women.					
<b>Technological</b>					
a. We have a well-equipped research and development department (R&D) which helps in continuous innovation hence new product development.					
b. We have acquired state of the art machinery and equipment which are effective and efficient hence targets are met and overheads lowered.					
c. We have invested in information and communication technology (ICT) which is giving us an edge in performance (operating software, internet and research).					
d. We have stand-by diesel generators in case of power outage which runs automatically.					

**Part V: Firm Performance Measurements**

21. Please indicate your firm’s return on assets for the last five years (2011 to 2015).

Financial Performance Indicator	Year				
	2011	2012	2013	2014	2015
Return on Assets (ROA)					

22. Please indicate the extent to which the following statements describe your firm’s performance over the past five years. Use key to TICK as appropriate.

Key: 1- Not at all; 2- Less extent; 3- Moderate extent; 4- Large extent; 5- Very large extent

Non- Financial Performance Indicator Statements	1	2	3	4	5
a. Our product quality has improved for the last five years.					
b. We have introduced new products for the last five years.					
c. The firm’s operational efficiency has been improving for the last five years.					
d. Customer satisfactions have been steady for the last five years.					
e. The firm has supported employee well-being and development for the last five years.					

23. Please give any other comment which you feel is useful for this study.

### Appendix IV: Sampling Strata

<b>Manufacturing Sectors</b>	<b>Population</b>	<b>Proportionate Sampling</b> <b><math>P_n = N/\text{Total Population} \times \text{Sample}</math></b>
Building, Mining and Construction	20	5
Chemical and Allied	70	19
Energy, Electrical and Electronics	34	9
Food, Beverages and Tobacco	71	20
Leather and Footwear	7	2
Metal and Allied	66	18
Motor Vehicle Assemblers and accessories	27	7
Paper and Board	63	17
Pharmaceutical and Medical Equipment	21	6
Plastics and Rubber	68	19
Textile and Apparels	35	10
Timber, Wood and Furniture	17	5
Fresh Produce	3	1
<b>Total</b>	<b>502</b>	<b>138</b>

**Source:** Kenya Association of Manufacturers (2016)

## **Appendix V: Manufacturing Firms in Kenya**

### **Sector: Building, Mining and Construction (20)**

Athi River Mining Ltd  
Bamburi Cement Limited  
Bamburi Special Products Ltd  
Central Glass Industries  
Flamingo Tiles (Kenya)Limited  
Glenn Investments Ltd C/O The Mehta Group Ltd  
Homa Lime Company Ltd  
Karsan Murji and Company Limited  
Kay Salt Ltd  
Kemu Salt Packers  
Kenbro Industries Ltd  
Kenya Builders and Concrete Ltd  
Malindi Salt Works  
Manson Hart Kenya Ltd  
Mombasa Cement Ltd  
Orbit Enterprises Ltd  
Saj Ceramics Ltd  
Savannah Cement  
Skylark Construction Ltd  
WarengNdovu Enterprises 2005

### **Sector: Chemical and Allied (70)**

Basco Products (K) Ltd  
Bayer East Africa Ltd  
Beiersdorf East Africa Ltd  
Blue Ring Products Ltd  
BOC Kenya Limited  
Buyline Industries Limited  
Canon Chemicals Limited  
Canon Chemicals Limited (Former United Chemicals) Ltd  
Carbacid (CO2) Limited  
Chemicals And Solvents (EA) Ltd  
Chrysal Africa Limited  
Coates Brothers (E.A.) Limited  
Continental Products  
Coopers K Brands Ltd  
Coopers K- Brands Ltd  
Coopers Kenya Ltd  
Crown Berger Kenya Ltd  
Crown Gases Ltd  
Crown Paints (Kenya) Ltd  
Darfords Enterprises Ltd  
Deluxe Inks Ltd  
Desbro Kenya Limited  
Diversey Eastern and Central Africa Limited

Eastern Chemicals Industries  
Elex Products Ltd  
Eveready Batteries East Africa Ltd  
Faaso Exporters Ltd  
Galaxy Paints and Coating Co. Ltd  
Grand Paints Ltd  
HacoTigerbrands East Africa Ltd  
Henkel Kenya Ltd  
Interconsumer Products Ltd  
Johnson Diversey East Africa  
KAPI Limited  
Kel Chemicals Limited  
Kip Melamine Co. Ltd  
Kridha Limited  
Maroo Polymers Ltd  
Match Masters Ltd  
MEA Ltd  
Metoxide Africa Ltd  
Milly Glass Works Ltd  
Murphy Chemicals Ltd  
Oasis Limited  
Odex Chemicals Ltd  
Orbit Chemicals Industries Limited  
Orbit Enterprises Ltd  
Osho Chemicals Industries Ltd  
Pan Africa Chemicals Ltd  
Polychem East Africa  
Procter and Gamble East Africa Ltd  
PZ Cussons EA Ltd  
Reckitt Benckiser (E.A.) Ltd  
Revolution Stores Ltd  
Rumorth Group of Companies Ltd  
S C Johnson And Son Kenya  
Sadolin Paints (E.A.) Ltd  
Sanergy  
Soilex Prosolve Limited  
Strategic Industries Limited  
SupaBrite Ltd  
Superfoam Ltd  
Syngenta East Africa Ltd  
Synresins Ltd  
Tata Chemicals Magadi Ltd  
Tri-Clover Industries (K) Ltd  
Twiga Chemical Industries Limited  
Unilever East And Southern Africa  
Vitafoam Products Limited  
Westminister Paints and Resins Ltd

**Sector: Energy, Electricals and Electronics (34)**

Alloy Steel Casting Ltd  
Amedo Centre Kenya Ltd  
AssaAbloy East Africa Limited  
Aucma Digital Technology Africa Ltd  
Avery East Africa Ltd  
Baumann Engineering Limited  
Biogas Power Holdings (EA) Ltd  
Centurion Systems Limited  
East African Cables Ltd  
Holman Brothers (E.A) Ltd  
Iberafrica Power (EA) Ltd  
International Energy Technik Ltd  
Karan Biofuel Ltd  
Kenwest Cables Ltd  
Kenya Power Ltd  
Libya Oil Kenya Limited (Formerly Mobil Oil Kenya)  
Manufacturers and Suppliers (K) Ltd  
Marshall Fowler (Engineers  
Metlex International Ltd  
Metsec Ltd  
Mustek East Africa Limited  
Optimum Lubricants Ltd  
PCTL Automation Ltd  
Pentagon Agencies  
Power Technics Ltd  
Powerex Lubricants  
Reliable Electricals Engineers (Nrb) Ltd  
Socabelec (EA) Ltd  
Solimpexs Africa Ltd  
Sollatek Electronics (Kenya) Limited  
Specialised Power Systems Ltd  
Synergy-Pro  
Virtual City Ltd  
Vivo Energy Kenya Ltd

**Sector: Food and Beverage (71)**

Africa Spirits Limited  
Agriner Agricultural Development  
Agro Chemical And Food Company Ltd  
Alpine Coolers Limited  
Arkay Industries Ltd  
Belfast Millers Ltd  
Broadway Bakery Ltd  
Brookside Dairy Ltd  
Bunda Cakes and Feeds Ltd  
Buzeki Dairy Limited  
C. Dormans Ltd  
Candy Kenya Ltd

Capwell Industries Limited  
Chirag Kenya Limited  
Deepa Industries Limited  
Edible Oil Products  
Europack Industries Limited  
Farmers Choice Ltd  
Githunguri Dairy Farmers Co-Operative Society  
Global Fresh Ltd  
Global Tea and Commodities (K) Limited  
Gonas Best Ltd  
Green Forest Foods Ltd  
Happy Cow Ltd  
Insta Products (EPZ) Ltd  
Jambo Biscuits (K) Ltd  
Kabianga Dairy Ltd  
Kakuzi Ltd  
Kapa Oil Refineries Limited  
Kenafic Industries Ltd  
Kenblest Limited  
Kenya Nut Company Ltd  
Kenya Sweets Ltd  
Kenya Tea Development Agency  
Kenya Tea Growers Association  
Kevian Kenya Ltd  
Kwality Candies and Sweets Ltd  
Lari Dairies Alliance Ltd  
London Distillers  
Mafuko Industries Limited  
Mayfeeds Kenya Limited  
Milly Fruit Processors Ltd  
Mini Bakeries (Nbi) Ltd  
Mjengo Ltd  
Mombasa Maize Millers  
Mount Kenya Bottlers Ltd  
Mzuri Sweets Ltd  
NAS Airport Services Ltd  
Nesfoods Industries Ltd  
Nestle Foods Kenya Ltd  
New Kenya Co-Operative Creameries Ltd  
Nicola Farms Ltd  
Nutro Manufacturers EPZ Ltd  
Palmhouse Diaries Ltd  
Patco Industries Limited  
Pearl Industries Ltd  
Pembe Flour Mills Ltd  
Proctor and Allan (E.A.) Ltd  
Promasidor Kenya Ltd  
Sigma Supplies Ltd  
Spice World Ltd  
The Breakfast Cereal Company (K) Ltd



Unga Group Ltd  
United Millers Ltd  
Usafi Services Ltd  
Valley Confectionery Ltd  
Valuepak Foods  
W. E. Tilley (Muthaiga) Ltd  
Wanainchi Marine Products (K) Limited  
Wrigley Company (E.A.) Ltd  
Xpressions Flora Ltd

**Sector: Fresh Produce (3)**

Avoken Limited  
Fontana Limited  
Maridadi Flowers Ltd

**Sector: Leather and Footwear (7)**

Alpharama Limited  
Bata Shoe Company (Kenya) Ltd  
Budget Shoes Limited  
C and P Shoe Industries Ltd  
Leather Industries of Kenya Limited  
Sandstorm Africa Limited  
Zingo Investments Limited

**Sector: Metal and Allied (66)**

African Marine and General Engineering Co. Ltd  
Allied East Africa Ltd  
Alloy Steel Casting Ltd  
Apex Steel Limited  
Apex Steel Limited - Rolling Mill Division  
Ashut Engineers Ltd  
ASL Limited- Steel Division  
ASP Company Ltd  
Athi River Steel Plant  
Blue Nile Wire Products Ltd  
Booth Extrusions Limited  
Brollo Kenya Limited  
City Engineering Works (K) Limited  
Cook ?N Lite Ltd  
Corrugated Sheets Ltd  
Crystal Industries Ltd  
Davis and Shirliff Ltd  
Devki Steel Mills Ltd  
Doshi Enterprises Ltd  
East Africa Glassware Mart Ltd  
East Africa Spectre Limited

East African Foundry Works (K) Ltd  
Elite Tools  
Elite Tools Ltd  
Farm Engineering Industries Limited  
Friendship Container Manufacturers Limited  
Friendship Container Manufacturers Ltd  
General Aluminum Fabricators Ltd  
Greif East Africa Ltd  
Hobra Manufacturing Ltd  
Insteel Limited  
Kaluworks Ltd  
Kens Metal Industries  
Kenya General Industries Ltd  
KhetshiDharamshi and Co. Ltd  
Kitchen King Ltd  
Laminate Tube Industries Limited  
Mabati Rolling Mills Limited  
Marvel Lifestyle Ltd  
Mecol Limited  
Metal Crowns Ltd  
Modulec Engineering Systems Ltd  
Nail and Steel Products Ltd  
Nampak Kenya Ltd  
Napro Industries Limited  
NarcolAluminium Rolling Mills Ltd  
Ndume Ltd  
Orbit Engineering Ltd  
Richfield Engineering Ltd  
Rolmil Kenya Ltd  
Sheffield Steel Systems Ltd  
Soni Technical Services Ltd  
Southern Engineering Co. Ltd  
Specialised Engineering Co. (EA) Ltd  
Standard Rolling Mills Ltd  
Steel Structures Ltd  
Steelmakers Ltd  
Steelwool (Africa) Ltd  
Tarmal Wire Products Ltd  
Technosteel Industries Limited  
Tononoka Steel Ltd  
Vicensa Investments Ltd  
Viking Industries Ltd  
Warren Enterprises Ltd  
Welding Alloys Limited  
Wire Products Ltd

### **Sector: Motor Vehicle and Accessories (27)**

Alamdar Trading Company Limited  
Associated Battery Manufacturers (EA) Ltd  
Associated Vehicle Assemblers Ltd  
Auto Ancillaries Ltd  
Auto Springs Manufacturers Ltd Company  
Autofine Filters and Seals Ltd  
Automotive and Industrial Battery Manufacturers  
Banbros Ltd  
Bhachu Industries Ltd  
Chui Auto Spring Industries Ltd  
CICA Motors  
Foton East Africa Ltd  
General Motors East Africa Limited  
Impala Glass Industries Ltd.  
Kenya Grange Vehicle Industries Ltd  
Kenya Vehicle Manufacturers Limited  
King-Bird (K) Ltd  
Labh Singh Harnam Singh Ltd  
Mann Manufacturing Co. Ltd  
Megh Cushion Industries Ltd  
Mutsimoto Company Limited  
Pipe Manufacturers Ltd  
Sohansons Limited  
Theevan Enterprises Ltd  
Toyota Kenya Ltd  
Unifilters Kenya Ltd  
VarsaniBrakelinings Ltd

### **Sector: Paper and Board (63)**

Paper House of Kenya Ltd  
Adpak International Limited  
Allpack Industries Ltd  
Andika Industries Ltd  
Associated Paper and Stationery Ltd  
Autolitho Ltd  
Bag and Envelope Converters  
Bags and Balers Manufacturers (K) Ltd  
Cempack Solutions Ltd  
Chandaria Industries Ltd  
Colour Labels Ltd  
Colour Packaging Limited  
Colourprint Ltd  
D.L Patel Press Ltd  
De La Rue Currency and Security Print Ltd  
Dodhia Packaging Limited  
East Africa Packaging Industries Limited  
Elite Offset Ltd

Ellams Products  
Ellams Products Ltd  
English Press Limited  
Flora Printers Ltd  
General Printers Limited  
Graphics and Allied Ltd  
Guaca Stationers Ltd  
Highland Paper Mills Ltd  
Icons Printers Ltd  
Interlabels Africa Ltd  
International Paper and Board Supplies Ltd  
Kartasi Industries Limited  
Kenafric Diaries Manufacturers Limited  
Kenya Litho Ltd  
Kim-Fay East Africa Ltd  
L.A.B International Kenya Limited  
Label Converters  
Manipal International Printing Press Ltd  
Modern Lithographic (K) Ltd  
Mufindi Paper Ltd  
Nation Media Group Limited-Printing Plant  
National Printing Press Limited  
Packaging Manufacturers (1976) Ltd  
Palmy Enterprises  
Paper House of Kenya Ltd  
Paperbags Limited  
Pressmaster Ltd  
Printing Services Ltd  
Printpak  
Printpak Multi Packaging Ltd  
Printwell Industries ltd  
Punchlines Ltd  
Ramco Printing Works Ltd  
Regal Press Kenya Ltd  
Sintel Security Print Solutions Ltd  
Soloh Worldwide InterEnterprises Ltd  
Stallion Stationary Manufacturers Ltd  
Standard Group Ltd  
Statpack Industries Ltd  
Taws Limited  
Tetra Pak Ltd  
The Rodwell Press Ltd  
Twiga Stationers and Printers Ltd  
Uneeco Paper Products Ltd  
United Bags Manufacturers Ltd

**Sector: Pharmaceutical and Medical Equipment (21)**

African Cotton Industries Ltd  
Alpha Medical Manufacturers Ltd  
Beta Healthcare International  
Biodeal Laboratories Ltd  
Biopharma Ltd  
Cosmos Limited  
Dawa limited  
Elys Chemical Industries Limited  
Gesto Pharmaceuticals Ltd  
GlaxoSmithkline Kenya Ltd  
KAM Industries  
Laboratory and Allied Limited  
Manhar Brothers (K) Ltd  
Medivet Products Ltd  
Novelty Manufacturing Ltd  
Oss.chemie (K) Limited  
Pharm Access Africa Ltd  
Pharmaceutical Manufacturing Co. (K) Ltd  
Regal Pharmaceuticals Ltd  
Revital Healthcare (EPZ) Ltd  
Universal Corporation limited

**Sector: Plastic and Rubber (68)**

ACME Containers Ltd  
Afro Plastics (K) Ltd  
Betatrad (K) Ltd  
Bluesky Industries Ltd  
Bobmil Industries Ltd  
Brush Manufacturers  
Cables and Plastics Ltd  
Canaaneast Company  
Complast Industries Limited  
Coninx Industries Ltd  
Dune Packaging Limited  
Dynaplas Limited  
Elgon Kenya Ltd  
Eslon Plastics of Kenya Ltd  
Five Star Industries Ltd  
Fleya Kenya Limited  
General Plastics Limited  
Hi-Plast Ltd  
Jamlam Industries Ltd  
Jumbo Chem  
Kamba Manufacturing (1986) Ltd  
Kenpoly Manufacturers Limited  
Kenrub Ltd  
Kentainers Ltd

Kenya Suitcase Manufacturers Limited  
King Plastic Industries Ltd  
Kinpash Enterprises Ltd  
L.G. Harris and Co. Ltd  
Laneeb Plastic Industries Ltd  
Metro Plastics Kenya Limited  
Mombasa Polythene Bags Ltd  
Nairobi Plastics Ltd  
Ombi Rubber Rollers Ltd  
Packaging Industries Ltd  
Packaging Masters Limited  
Plastic Electricons  
Plastics and Rubber Industries Ltd  
Polly Propelin Bags Ltd  
Polyblend Limited  
Polyflex Industries Limited  
Polythene Industries Ltd  
Premier Industries Limited  
Prosel Ltd  
Pyramid Packaging Ltd  
Raffia Bags (K) Ltd  
Rubber Products Ltd  
Safepak Limited  
Sameer Africa Ltd  
Sanpac Africa Ltd  
Shiv Enterprises (E) Ltd  
Signode Packaging Systems Ltd  
Silpack Industries Limited  
Solvochem East Africa Ltd  
Springbox Kenya Ltd  
Styloplast Limited  
Styroplast Limited  
Sumaria Industries Ltd  
Super Manufacturers Ltd  
Techpak Industries Ltd  
Thermopak Ltd  
Top Pak Ltd  
TreadsettersTyres Ltd  
Umoja Rubber Products Limited  
Uni-Plastics Limited  
Vectus Kenya  
Vyatu Ltd  
Wonderpac Industries Ltd  
ZaverchandPunja Ltd

## **Sector: Services and Consultancy (61)**

AAM Resources  
Adafic Communications Ltd  
African Banking Corporation Ltd  
Africote Ltd  
Andest Bites Limited  
Bank Of Africa  
BASF East Africa Limited  
Bluekey Software Solution (K) Ltd  
Bridgeworks Africa Ltd  
Bureau Veritas Kenya Ltd  
Capital Colours Creative Design Ltd  
Citigroup Kenya  
City Clock (K) Limited  
Commercial Bank Of Africa  
Compulynx Ltd  
Corporate Facilities  
Deloitte  
DHL Exel Supply Chain Kenya  
e Manage Africa  
East African Development Bank  
Ernst and Young  
Express Kenya Ltd  
Grain Bulk Handlers  
Grofin Kenya Ltd  
GS1 Kenya  
Halliday Finch Ltd  
HTM Capital  
IDB Capital Limited  
Industrial and Commercial Dev Corp.  
Industrial Promotion Services (K) Limited  
International Supply Chain Solutions Ltd  
Intersoft Ltd  
Intertek International Ltd  
IPS Kenya Ltd  
Kaizen Institute Africa  
Kensil Limited  
Kenya Fire Appliances Co. Ltd  
Kenya National Cleaner Production Centre  
Kenya Ports Authority  
Lean Energy Solutions Ltd  
Magnate Ventures Ltd  
Millenium Management Consultants  
Naushad Trading Company Ltd  
Panal Freighters  
Polucon Services (K) Ltd  
Rongai Workshop and Transport Ltd  
Safaricom Limited  
Sevenseas Technology

SGS Kenya Ltd  
Siemens Ltd Kenya  
Spectrum Network Ltd  
Standard Chartered Bank (K) Ltd  
Strategic Value Ltd  
The Co-Operative Bank Of Kenya Limited  
Tracesoft Limited  
Transoceanic Project Development Kenya Ltd  
Tricepts Management Solutions  
Uchumi Supermarkets Ltd  
Vehicle and Equipment Leasing Limited  
Viscar Industrial Capacity Ltd  
Wotech Kenya Limited

**Sector: Textile and Apparels (35)**

Adpack Limited  
Alltex EPZ Ltd  
Alpha Knits Ltd  
Ashton Apparel EPZ Ltd  
Bedi Investments Limited  
Brilliant Garments  
Fantex (K) Ltd  
Kamyn Industries Limited  
KavirondoFilments Ltd  
Kema (EA) Limited  
Ken-Knit (Kenya) Ltd  
Kenwear Garment Manufacturers  
Kikoy Co. Ltd  
Le Stud Limited  
Leena Apparels Ltd  
Lifeworks Shukrani Limited  
Longyun Garments  
Midco Textiles (EA) Ltd  
New Wide Garments (K) Ltd  
Ngecha Industries Ltd  
Senior Best Garments Kenya EPZ Ltd  
Shin-Ace Garments Kenya (EPZ) Ltd  
Spin Knit Limited  
Spinners and Spinners Ltd  
Squaredeal Uniforms Centre Ltd  
Straightline Enterprises  
Summit Fibres Limited  
Sunflag Textile and Knitwear Mills Ltd  
Tarpo Industries Limited  
Teita Estate Ltd  
Thika Cloth Mills Ltd  
United Aryan (EPZ) Ltd  
Vajas Manufacturers Ltd  
Wildlife Works (EPZ) Ltd  
World of Kikoys



**Sector: Timber, Wood and Furniture (17)**

Comply Industries Ltd  
Economic Housing Group Ltd  
Elburgit Enterprises Ltd  
Fine Wood Works Ltd  
Furniture International Limited  
Kenya Wood Limited  
Newline Ltd  
Panesar's Kenya Ltd  
PG Bison Ltd  
RaiPlywoods (Kenya) Ltd  
Rosewood Furniture Manufacturers  
Shah Timber Mart Ltd  
Shamco Industries Ltd  
Shayona Timber  
Timber Treatment International Ltd  
Timsales Ltd  
Woodtex Kenya Ltd

**Source:** Kenya Association of Manufacturers (2016)

## Appendix VI: Anti- Plagiarism Test

### HOW FIRM LEVEL FACTORS AND EXTERNAL ENVIRONMENT DYNAMICS AFFECT STRATEGIC PLANNING AND PERFORMANCE OF MANUFACTURING FIRMS IN KENYA

#### ORIGINALITY REPORT

**14%**

SIMILARITY INDEX

**6%**

INTERNET SOURCES

**6%**

PUBLICATIONS

**10%**

STUDENT PAPERS

#### PRIMARY SOURCES

<b>1</b>	Rose N. Mkalama, Vincent N. Machuki. "Top Management Demographics and Performance: An Empirical Investigation of Kenyan State Corporations", International Journal of Business Administration, 2018 Publication	<b>1%</b>
<b>2</b>	Submitted to Mesa State College Student Paper	<b>1%</b>
<b>3</b>	Submitted to University of Newcastle Student Paper	<b>1%</b>
<b>4</b>	<a href="https://pdfs.semanticscholar.org">pdfs.semanticscholar.org</a> Internet Source	<b>&lt;1%</b>
<b>5</b>	Submitted to Masinde Muliro University of Science and Technology Student Paper	<b>&lt;1%</b>
<b>6</b>	Submitted to Strathmore University Student Paper	<b>&lt;1%</b>

Source: Researcher (2019)