

RELATIONSHIP BETWEEN STRATEGIC PLANNING AND COMPETITIVE ADVANTAGE IN THE EXPORT PROCESSING ZONES IN KENYA "

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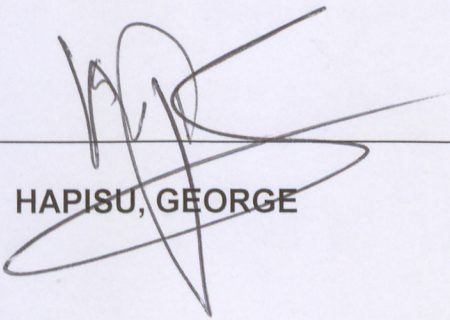
A Research project submitted in partial fulfillment of the requirements
of the award of Masters of Business Administration degree, Faculty of
Commerce, University of Nairobi

November 2003

Declaration

This project is my original work and has not been submitted for a degree in any other University

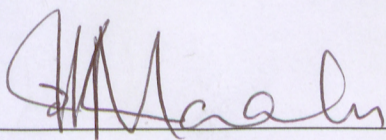
Signed



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This project has been submitted for examination, with my approval as the University Supervisor.

Signed



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Date

21/4/04

Ack Dedication

To my wife Truphy who patiently endured and encouraged me during the two years it took to complete my studies. No words can express my feelings for her and the sacrifices she made.

I gratefully acknowledge the encouragement I received from Mr. Lutfi Kassam, the Group Managing Director of Industrial Promotion Services (IPS). I'm sincerely grateful to the management of IPS for financial assistance and creating a supportive environment throughout the program.

I wish to acknowledge the guidance, help, advice and support provided by my University Supervisor Mr. Jackson Maslu. His interest and assistance kept me focused in this project.

I would also like to thank the Export Processing Zones Authority (EPZA) for the assistance of Albert Gumo, the Managing Director of Export Processing Zones Authority. Special thanks go to Mr. John Ming'ala and his team for their assistance. Without them this project could not have been completed.

I thank God for the gift of life, good health and guidance. To all others who assisted me but not mentioned I owe my gratitude and sincerely appreciate your contribution.

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Abstract

Over the past three decades export processing zones (EPZ) have become popular instruments of trade policy, offering firms located in them free trade conditions and a liberal regulatory environment. Past published research studies in strategic planning are found in the rich and industrialized countries. There is virtually no published data on strategic planning research in the EPZ. This study aims to fill this knowledge gap. This study determines the strategic planning practices in the EPZ firms in Kenya. The study then examines the relationship between strategic planning and competitive advantage in the EPZ firms in Kenya from a resource perspective.

In the literature positive relationships between planning and performance have been found in rich industrialized nations. The findings of this study suggest that strategic planning is not widely practiced in the EPZ firms in Kenya.

Firms that were widely involved in formal strategic planning had above industry average profits compared to those which were not. There was a significant difference in strategic planning and profitability between these firms. The results also show that the relationship between strategic planning and profitability was found to be significantly greater in firms where strategic planning is widely disseminated compared to those, which were not.

The researcher suggests further research in areas such as operationalising strategic planning, the relationship between resource allocation in strategic planning and success and the relationship on participation and effectiveness in strategic planning in the EPZ firms.

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CHAPTER ONE

INTRODUCTION

1.1 Background

Africa is a minor player on the world economic stage. Its GNP is equivalent to around 1% of the world GDP-a little more than that of Belgium-but covering a population of just over 600million people (World Bank, 2001). With a few exceptions, Africa is endowed with natural resources. Significant private foreign capital has not been attracted to Africa and its traditional investors have been deserting it. According to the World Bank report on Economic and Social Policy of 2001, most African exports are concentrated in oil, gas and minerals; diversification is clearly needed. The result is dependence on aid not trade-an unhealthy situation for a region that needs to accelerate its economic growth (World Bank, 2001).

Africa needs to make progress in penetrating world markets to achieve meaningful economic growth. Countries need to adopt a resolutely pro-export stance, and put in place the prerequisites to induce entrepreneurs both national and foreign to take up the challenge (World Bank, 2001). Export Processing Zones can play a significant role here.

An export processing zone is one of many export promotion tools, including bonded warehouses and temporary admission schemes. Today's export processing zones have evolved from their original definition as "an industrial estate, usually a fenced in area of 10–300 hectares that specializes in manufacturing for export" (World Bank, 1992). Some operate as fences-in zones, others are single factories that are awarded EPZ status and others are industrial parks to entire cities and high technology zones (International Labour Organization (ILO), 1998). In addition, countries have liberalized domestic sales—Mexico, for example, allows 20–40 percent of its zones' output to be sold domestically (World Bank, 1992).

As a policy means of achieving greater economic openness and growth, the

Conceptually, an EPZ may be characterized as a geographic area within a territory of a country where economic activities of certain kinds are promoted by set of policy instruments that are not generally applicable to the rest of the Country. In practice the type of zone vary from bonded warehouse, export processing and assembling, border or port trade, and high-tech R&D, to trade-related transportation of financial services (Wei Ge, 1999).

Over the past three decades export processing zones have become popular

Export processing zones have three main goals. They provide a country with foreign exchange earnings by promoting nontraditional exports. They create jobs and generate income. Further they attract foreign direct investment, engendering technology transfer, knowledge spillover, demonstration effects, and backward linkages (World Bank, 1998).

that specializes in manufacturing for export" (World Bank, 1992). Some operate

Export Processing Zones (EPZ) are not a new phenomenon and according to the ILO, the first zone was set up in 1929 in Spain. The 1970s then saw the EPZ boom, mostly in developing countries of Latin America, the Caribbean, Asia and to less extent Africa (ILO 1998). A common characteristic of EPZ is the provision of special incentives to attract (mostly foreign) investment for export promotion. These incentives range from tax holidays, duty-free exports and import, free repatriation of profits to the provision of infrastructure and exception from labour laws (Juach, 2003).

about 4.3% of the manufacturing sector turnover, an improvement from 3.0% in

As a policy means of achieving greater economic openness and growth, the concept of EPZ has gained noticeable significance during the past three decades (Wei Ge, 1999). According to the recent count, there are well over 850 zones of various sorts operating around the world, compared with just a handful in the 1960s (ILO, 1998). Most of the latecomer zones were established in less-developed countries and economies in transition (Wei Ge, 1999).

Mauritius and Madagascar with EPZ considered successful. Uganda, Tanzania,

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According to the Economic Survey of 2003, EPZ in Kenya fall under the manufacturing sector of the economy. In 2002, sales from the EPZ accounted for about 4.3% of the manufacturing sector turnover an improvement from 3.0% in 2001 (Economic Survey, 2003).

In Kenya EPZ Act came into effect in 1990 to provide for promotion and facilitation of export oriented investments and development of an enabling environment for such investments (EPZA, 2002). The enactment of the EPZ Act CAP 517 of the laws of Kenya made the country among a few in sub-Saharan Africa that had Export Processing Zones (EPZ) in the 1990s. Others are Mauritius and Madagascar with EPZ considered successful. Uganda, Tanzania, Zambia and Zimbabwe are adopting Kenya’s example. Other countries outside Africa with successful EPZ are Korea, Singapore, Taiwan, Mexico and Puerto Rico (EPZA, 2003). Although the EPZ program in Kenya was officially adopted on enactment of the EPZ Act in 1990, activities did not take off until 1993.

According to EPZA (2003), there are 37 gazetted EPZ in Kenya and 71 registered firms to operate in these zones. These zones are located in Nairobi, Mombasa, Athi River (Mavoko), Voi, Kilifi, Malindi and Kerio Valley. The activities eligible for EPZ incentives include Zone developer/ operator, firms that undertake the export-oriented investment activities, manufacturing, commercial activities such as bulk breaking, labeling, repacking, trading and export related activities including brokerage and repair, consulting excluding financial services.

The ownership structure of EPZ firms is mixed with 74% being foreign owned, 15% operating as joint ventures and 11% being locally owned. The main source of foreign investment is the UK, USA, Sri Lanka, India, Hong Kong, China, Taiwan, Belgium, Netherlands, Denmark and South Africa among others (EPZA, 2003).

The EPZ sub sector has grown rapidly since inception. In general the EPZ program has been growing steadily over the past six years at a rate of 30% per annum with exception of year 2001 when the sector experienced a leap of 63%. The turnover of all EPZ was KShs 11 billion at the end of 2002 and exports accounted 88% of the total turnover with destinations to EPZ export; 78% to the USA, 7% to EAC/COMESA, 8% to EU and 6% to other destinations. 80% of exports were in the garment sector. Garment firms and investments accounted for 54% of the total number of firms and investments in the EPZ. Other sectors in

the EPZ include electronic, printing and computers, pharmaceutical, horticulture, chemical/oils, services, spinning/weaving and others (EPZA, 2003).

Total EPZ related employment was 35,263 as at the end of 2002. The garment firms alone employed 96% of the total number of employees employed by EPZ. EPZ sub-sector is projected to increase its existing portfolio with 25 new projects annually, to achieve 118 firms by year 2005. Kenya also recently qualified once again for AGOA eligibility.

1.2 Problem Statement

In the past 30 years, many research studies have been undertaken in strategic planning including studies of performance consequences of formal strategic planning. In past planning-performance relationship studies, formal planners outperformed non planners (Rhyne, 1986; Thune and House, 1970; Ansoff et al, 1970; Herold, 1972; Karger and Malik, 1975; Wood and Forge, 1975; Kudia, 1980; Robinson, Vozikins and Pearce, 1981; Lindsay et al, 1981; Welch, 1974; and Fredrickson, 1984; Powell, 1992). Whether strategic planning resulted in superior performance or superior performance permitted strategic planning remain difficult to specify.

Powell's study on strategic planning as competitive advantage in the furniture and apparel industry in the United States is one of the comprehensive published research, which evaluated the planning-performance relationship from a resource perspective (Powell, 1992).

Many past published research studies in strategic planning are found in the rich and industrialized countries such as United States and United Kingdom. Published studies in the planning-performance relationship are rare in developing countries. Studies in the developing world particularly Africa sought to investigate evidence of strategic planning in different industries (Woodburn, 1984; Adegbite,

1986; Fubara, 1986; Aosa, 1992; Mwaura, 2001; Mittra, 2001; Sagwa, 2002; Wanjohi, 2002).

Past planning-performance relationship research also drew heavy criticism from reviewers on methodology and produced confusing, apparent contradictory results (Rhyne, 1986; Powell, 1992). Similarly most previous strategic planning research studies in Kenya were foundational in terms of theoretical grounding, sampling, design, planning measures and statistical procedures. Published studies testing hypothesis and case study research in strategic planning are few.

There is virtually no published data on strategic planning research in the EPZ. The uniqueness of the EPZ sector due to generous incentives being offered to investors by the governments on host countries all over the world and persistent labour problems has directed past research in the EPZ on the role of EPZ in economic development, employment creations, appraisal of EPZ benefits and costs and labour exploitation allegations (Ge wei, 1999; Yong-Sook, 1999; Willmore, 2000; Sannasse and Pearce, 2000; Mireri, 2000; Schrank, 2001; Shira, 2001; World Bank, 2001; Heron, 2002; Juash, 2002; Jayanthakumaran, 2003; ILRF, 2003; Rutashobya, 2003).

This study aims to fill this knowledge gap by proposing a study on strategic planning practices within the EPZ in Kenya and planning-profitability relationship.

1.3 Objectives of the Study

1. To determine the strategic planning practices of Export Processing Zones (EPZ) in Kenya
2. To establish the relationship between strategic planning and competitive advantage within the EPZ firms in Kenya

The following research questions are delineated;

- 1: What are the strategic planning practices in the EPZ firms in Kenya?
- 2: Is there a relationship between strategic planning and competitive advantage in EPZ in Kenya?

1.4 Hypothesis

Hypothesis (H)1: In firms where strategic planning is widely disseminated, there is a significant relationship between strategic planning and profitability

Hypothesis (H) 2: "The relationship between strategic planning and profitability is significantly greater in firms where strategic planning is widely disseminated than in firms where strategic planning is not widely disseminated.

1.5 Importance of Study

This study is expected to help EPZ managers to appreciate and recognize formal Strategic planning as a vital tool for achieving competitive advantage

Scholars, academicians and researchers are expected to find the study useful in Understanding of strategic planning as a tool of achieving competitive advantage In the context of EPZ in Kenya and compare results with studies done

Elsewhere. The study is also expected to form a basis for further research in Strategic management topics in the EPZ sub-sector

Other interested organizations including Export Processing Zones Authority, Kenya Association of Manufacturers, Ministry of Trade and Industry and the Strategic Management Journal will hopefully find the outcome of this research

Useful.

1.6 Organization of the Study

This report will have five chapters arranged as follows:

Chapter One: This is the introductory chapter. It will give the background information, statement of the research problem, research objectives, research questions, hypothesis and the importance of the study.

Chapter Two will contain the literature review. First, we look at the historical development of strategic planning process, then the strategic planning model and the concept of competitive advantage. Finally, we look at the empirical studies in planning and methodological issues in past studies.

Chapter Three is dedicated to the research methodology employed in the study. It will look at the scope of the study, sampling plan of the study, data collection methods and methods of data analysis.

Chapter Four will present the findings and discussion of the study. It will include data analysis and interpretations.

Chapter Five will contain a summary of the findings and conclusions as well as the suggestions for further study.

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References and Appendices: This section outlines the materials supplementary to those given in the report, such as the letter of introduction, copy of the questionnaire used in gathering data and list of operational EPZ firms. This section also contains detailed information on references and source materials.

2.1 Introduction

In this chapter we look at the literature review. First, we look at the historical development of strategic planning process, then the strategic planning model and the concept of competitive advantage. Finally, we look at the empirical studies in planning and methodological issues in past studies.

2.2 Historical development in Strategic Planning

Formalized strategic planning grew out of budget exercises in the 1950s in the United States and spread rapidly. According to Ansoff & Mc Donnell (1990), strategic planning evolved in the late 1950's when firms invented a systematic approach to deciding where and how the firm will do its future business. By the mid-1960 and throughout the 1980s strategic planning (in many forms) was occurring in most large corporation (Mintzberg, 1994).

It was until the 1970s that strategic planning began to receive widespread attention and to be used in business firms (Ansoff & Mc Donnell, 1990). In the late 1970s the issue of real-time strategic response technique came into

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

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existence. During the period between 1950 and 1973, strategic planning was increasingly adopted in the United States and overseas. Planning at this time was extrapolative that is, had past orientation and involved extended budgeting.

because it tries to account for discrepancy between what we hope will happen

The period between 1973 and 1985 was characterized with widespread dissatisfaction with strategic planning due to increased environmental turbulence, reduced business opportunities and increased competition. Although strategic planning had gone out of fashion in the late 1970's, it needed to be re-discovered. It would have to be "re-thought" and 're-cast'. Today's phase in strategic planning is referred to as the recast period. According to Porter (1982), the recast period of strategic planning spans from 1985 to present. Strategic planning during this period increased emphasis on implementation, became flexible and adaptable, became more focused, took into account competitive activity, enhanced strategic thinking and took into account both analytical and behavioral factors.

There is a consensus regarding the nature of strategic planning in literature. It is

Formal planning system is only one component in the process of strategy formulation and implementation. Strategic planning is a logical, analytic process for choosing the firms future positions vis-à-vis the environment. It is a multifaceted, complex and time consuming process (Ansoff & Mc Donnell, 1990). Strategic planning places the fate of the organization above all else.

Mintzberg et al (1976) suggest that strategy can be usefully defined as a pattern made up both of intended and unintended. This view of strategy is valuable because it tries to account for discrepancy between what we hope will happen and what does happen. Formal strategic planning only gave rise to deliberate strategies. Realized strategy was the outcome of both deliberate and emergent strategy. Rational considerations are important but political and behavioral considerations are also important in the strategy process (Mintzberg, 1987).

According to Rhyne (1981, 1985) planning has five types of characteristics. Rhyne developed a continuum of corporate-level planning systems based on the level of their 'openness' and the length of their planning 'horizon'. Five points on the continuum were identified: short-time forecasting, budgeting, annual planning, long range planning and strategic planning.

There is a consensus regarding the nature of strategic planning in literature. It is portrayed as a dynamic process by which companies identify future opportunities. They then link their appreciation with endeavors to grow resources so that the business can be positioned to benefit from its strengths. All this occurs against the backcloth of changing situations (Reid, 1989).

2.2 Strategic Planning Model

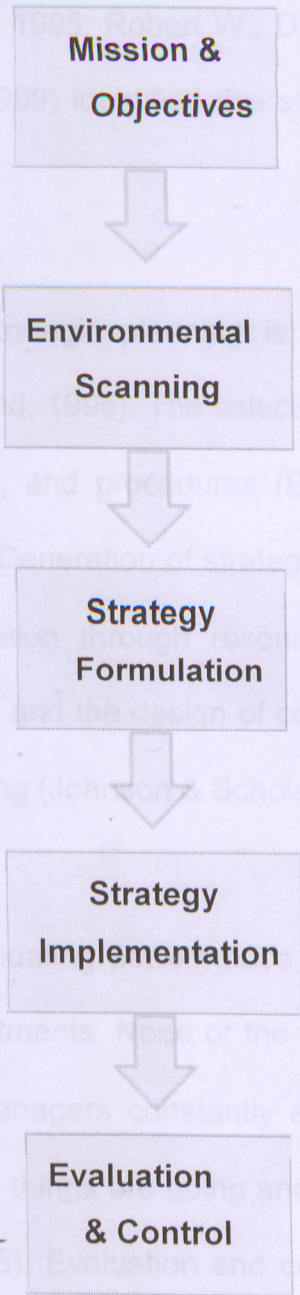
In today's highly competitive business environment, budget-oriented planning or forecast-based planning methods are insufficient for a large corporation to survive and prosper. The firm must engage in strategic planning that clearly defines objectives and assesses both the internal and external situation to formulate strategy, implement the strategy, evaluate the progress, and make adjustments as necessary to stay on track (Bradford, Robert W., Duncan, Peter J., Tarcy, and Brian, 1999). A simplified view of the strategic planning process is shown in Figure 1-0-1.

The first step in formal planning process is defining the business starting by a mission and forming a strategic vision. Defining the business begins with thinking strategically about the firm's future makeup and forming a vision of the firm's future (Thompson & Stickland, 1995; Pearce & Robinson ,2001).

The second step in formal strategic planning process is analyzing the environment and the resources of the organization (Pearce & Robinson ,2001). The internal analysis can identify the firm's strengths and weaknesses and the external analysis reveals opportunities and threat (Bradford, Robert W., Duncan, Peter J., Tarcy, and Brian, 1999). According to Johnson & Scholes (1999) external and internal analyses are conducted so as to match environmental

opportunities and threats with resource-based strengths and weaknesses. This viewpoint is supported by Pearce & Robinson.

Figure 1-0-1: Strategic Planning Model



Source: Bradford, Robert W., Duncan, Peter J., Tarcy, Brian (1999)

The third step is strategy formulation. Given the information from the environmental scan, the firm should match its strengths to the opportunities that it has identified, while addressing its weaknesses and external threats. To attain superior profitability, the firm seeks to develop a competitive advantage over its rivals (Thompson & Stickland, 1995; Robert W., Duncan, Peter J., Tarcy, Brian, 1999). Johnson & Scholes (1999) identified this step as that involving strategic analysis and choice.

The fourth step in formal strategic planning is implementing and executing strategy (Thompson & Stickland, 1995). The selected strategy is implemented by means of programs, budgets, and procedures (Bradford, Robert W., Duncan, Peter J., Tarcy, Brian, 1999). Generation of strategic options and their evaluation and planning, of implementation through resource allocation processes, the structuring of the organization and the design of control systems is critical in this step of formal strategic planning (Johnson & Scholes, 1999).

The fifth and last step is evaluating performance, reviewing new developments and initiating corrective adjustments. None of the tasks of strategic planning are a one-time only exercise. Managers constantly evaluate performance, monitor situation and decide how well things are going and make necessary adjustments (Thompson & Stickland, 1995). Evaluation and control consists of the following steps; defining parameters to be measured, defining target values for those parameters, performing measurements, comparing measured results to the pre-

defined standard and making necessary changes (Bradford, Robert W., Duncan, Peter J., Tarcy, Brian, 1999).

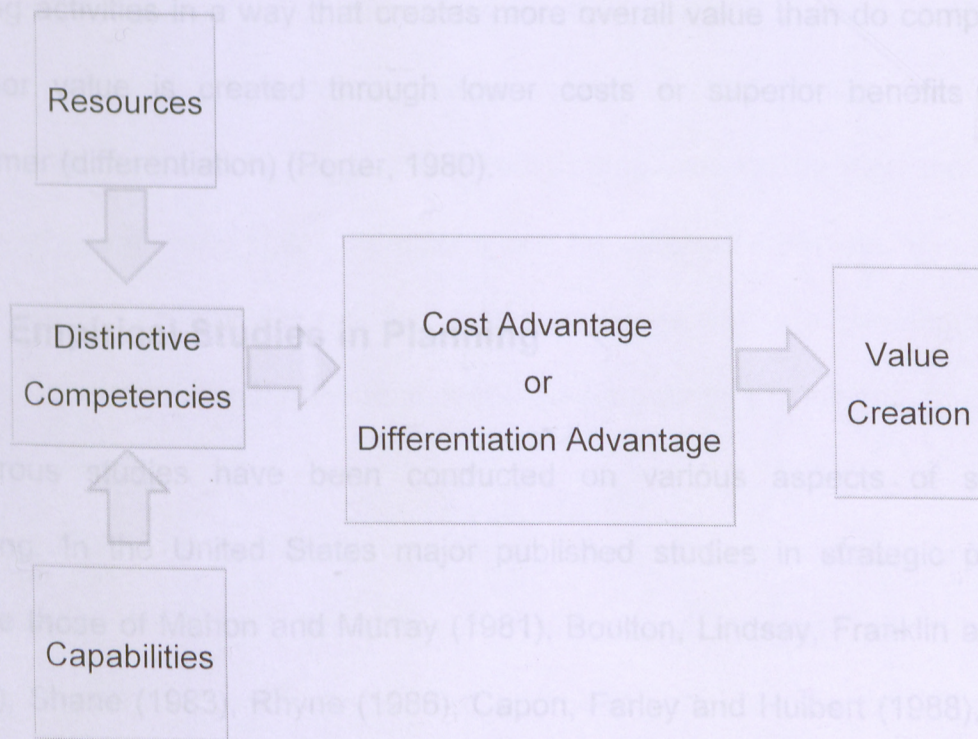
2.3 Concept of Competitive Advantage

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals (Porter, 1980). The goal of business strategy is to achieve a sustainable competitive advantage. Michael Porter identified two basic types of competitive advantage that is cost advantage and differentiation advantage.

Source: Porter (1980), *A Model of Competitive Advantage*

Porter (1980), A *resource-based view* emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. The diagram in Figure 1-0-2 combines the resource-based and positioning views to illustrate the concept of competitive advantage. According to the resource-based view, in order to develop a competitive advantage the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors could simply replicate what the firm was doing and any advantage would quickly disappear (Porter, 1980).

Figure 1-0-2: Model of Competitive Advantage



Source: Porter (1980): *A Model of Competitive Advantage*

The firm's resources and capabilities together form its distinctive competencies. These competencies enable innovation, efficiency, quality, and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage. Competitive advantage is created by using resources and capabilities to achieve either a lower cost structure or a differentiated product. A firm positions itself in its industry through its choice of low cost or differentiation. This decision is a central component of the firm's competitive strategy (Porter, 1980).

To achieve a competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value than do competitors. Superior value is created through lower costs or superior benefits to the consumer (differentiation) (Porter, 1980).

2.4 Empirical Studies in Planning

Numerous studies have been conducted on various aspects of strategic planning. In the United States major published studies in strategic planning include those of Mahon and Murray (1981), Boulton, Lindsay, Franklin and Rue (1982), Shane (1983), Rhyne (1986), Capon, Farley and Hulbert (1988), Powell (1992) and Huff (1992).

Mahon and Murray (1981) surveyed strategic planning for regulated companies and the results suggest that in a regulated environment, because of the more restricted domain and task environment, the researchers saw positive, measurable results obtainable from political and social strategies over and above those benefits derived from purely economic strategies.

Studies carried out by Boulton, Lindsay, Franklin and Rue (1982) in strategic planning: determining the impact of environmental characteristics and uncertainty found evidence that uncertainty does not have a consistent impact on all aspects of strategic planning and industry research.

Huff (1992) researched on the industry influences on strategic reformulation and Shane (1983) researched on the implementation of strategic planning: strategic planning in emergent companies; The executive illustrated primer of long range planning and the results suggest that most companies go through the normal stages of growth and these questions will be different from the levels in an organization. The study concluded that businesses that are growing are not doing so in a vacuum but a result of deliberate long range planning. Gibbs (1978)

researched on the use of a strategic planning model for health and personal Rhyne (1986) in his studies on the relationship of strategic planning to financial performance found that the strategic planners outperformed other types of planners. In prior studies formal planners outperformed non-planners (Thune and House, 1970; Ansoff et al, 1970; Herold, 1972; Karger and Malik, 1975; Wood and Forge, 1975; Kudia, 1980; Robinson, Vozikins and Pearce, 1981; Lindsay et al, 1981; Welch, 1974; Fredrickson, 1984).

business are related; for others they are inversely related. The study concluded that an effective planning process will be Capon, Farley and Hulbert (1988) researched on corporate planning practices and the results favoured strategic planning. Only 40% of the firms prepared contingency plans. Studies by Gershefski (1970) and Welch (1994) also favoured formal planning. Research carried out by Powell (1992) on strategic planning as a competitive advantage in the furniture and apparel industry and the results suggest that furniture firms scored significantly higher than apparel firms on all strategic planning dimensions. companies than in local firms (Woodburn, 1984)

Adagbala, 1988; Fubara, 1986; Aosa, 1992)

Huff (1992) researched on the industry influences on strategic reformulation and the results suggest that emphasis on the industry group as an important element in the development of sophisticated strategic frames is one of the most important aspects of this account of strategic formulation.

In the United Kingdom major published studies in strategic planning include those of Gibbs (1978), Dyson and Foster (1982) and Reid (1989). Gibbs (1978) researched on the use of a strategic planning model for health and personal social services in the department of health and social security in London and the results suggest a six points for strategic model.

Dyson and Foster (1982) carried out studies on the relationship of participation and effectiveness in strategic planning and the results suggest that some aspects of effectiveness, participation and effectiveness are related; for others they are inversely related. The study concluded that an effective planning process will be one, which harnesses the positive tendencies of participation and mitigates the negative ones.

Reid (1989) conducted a study in operationalising strategic planning and identified that only in few cases is strategic planning a live process within companies. In Africa, numerous studies suggest evidence of formal strategic planning in foreign owned companies than in local firms (Woodburn, 1984; Adegbite, 1986; Fubara, 1986; Aosa; 1992).

studies are found in the rich industrialized countries. Studies testing hypotheses

In Kenya, prior unpublished studies on strategic planning are those of Mwaura (2001), Mittra (2001), Sagwa (2002) and Wanjohi (2002). Mwaura (2001) and Mittra (2001) study on strategic planning found evidence of strategic planning in television and hotels & restaurants respectively. Sagwa (2002) found that due to the fact that the local pharmaceutical manufacturers were largely small and medium sized companies and were largely privately owned, strategic planning was informal, simplistic and employed less sophisticated tools. Wanjohi (2002) found that although various aspects of strategic planning were present within the insurance industry, the industry was still in the early stages of strategic planning process.

United States Capon, Farley and Hulbert (1983) used structured interviews and achieved a response rate of 72.9%. In Kenya use of personal interview

2.5 Methodological Issues

In the prior studies on strategic planning, cross sectional study designs was predominant. Studies by Mahon and Murray (1981), Boulton, Lindsay, Franklin, and Rue (1982), Dyson and Foster (1982), Shane (1983), Capon, Farley, and Hulbert (1988), Reid (1989), Mwaura (2001), Sagwa (2002) and Wanjohi (2002) used cross sectional design.

Studies investigating relationships include studies by (Rhyne, 1968; Powell, 1992; Thune and House, 1970; Ansoff et al, 1970; Herold, 1972; Karger and Malik, 1975; Wood and Forge, 1975; Kudia, 1980; Robinson, Vozikins and Pearce, 1981; Lindsay et al, 1981; Welch, 1974; Fredrickson, 1984). Again these

studies are found in the rich industrialized countries. Studies testing hypotheses in strategic management are also rare.

In Kenya, strategic planning research by Mwaura, 2001;, Sagwa, 2002; and Wanjohi, 2002 used small samples. It is for these reasons that census was preferred. Gibbs (1978) is one of the few researchers who used Case Study Method within the Department of Health and Social Security in the UK. Case study researches are rare and may be due to difficulties in collecting detailed information from one organization.

In the United States Capon, Farley and Hulbert (1988) used structured interviews and achieved a response rate of 72.9%. In Kenya use of personal interview method by Mwaura (2001) and Wanjohi (2002) resulted in several aspects of the responses of the participants being generalized to an extent and only 42% of the sample agreed to be interviewed.

Boulton, Lindsay, Franklin, and Rue (1982) and Rhyne (1981) administered mail questionnaires and received a response rate of 40.2% and 42.4% respectively. Mittra (2001) and Sagwa (2002) used questionnaires using the "drop and pick later" method and received a 52% and 80% response rate respectively.

Use of descriptive analysis is very common in the prior research studies in Strategic Planning. Use of inferential statistics in data analysis tends to be found in research studies that tested hypotheses. Gibbs (1978), Huff (1982) and Powell (1992) used inferential statistics in their studies in Strategic Planning.

2.6 Summary of Literature Review

In past planning-performance relationship research studies, firms with planning systems were found to exhibit superior long-term financial performance both relative to their industry and in absolute terms. However common areas of disagreement on whether strategic planning resulted in superior performance or superior performance permitted strategic planning remain difficult to specify (Rhyne, 1986).

Many past published research studies in strategic planning are found in the rich and industrialized countries such as United States and United Kingdom. Published studies in the planning-performance relationship are rare in developing countries. Studies in the developing world particularly Africa sought to investigate evidence of strategic planning in different industries. Past research studies in planning-performance relationships is that this line of research drew heavy criticism from reviewers on methodology and produced confusing, apparent contradictory results (Rhyne, 1986; Powell, 1992).

Similarly most previous strategic planning research studies in Kenya were foundational in focus. There is virtually no published data on strategic planning research in the EPZ. Prior EPZ research studies focused on the role of EPZ in economic development, employment creation, appraisal of EPZ benefits and costs and labour exploitation allegations.

This study focused on strategic planning practices within the EPZ in Kenya and the relationship between strategic planning and competitive advantage from a resource perspective. Powell previously used this approach in a similar study in the United States (Powell, 1992).

For this study descriptive design was used. Although descriptive designs are appropriate for discovering the association among different variables and also in describing a phenomenon, descriptive designs are inappropriate where the developed data is limited and one seeks to discover the effect that a variable (s) has on another (or others) or why certain outcomes are obtained.

3.2 Sampling Plan

At the time of this study, there were 57 EPZ firms operating in 37 gazetted EPZs in Kenya. The firms fell into 6 (six) categories, 33 garments/ textiles firms, 2 electronic printing & computers firms, 2 pharmaceuticals firms, 2 horticulture, chemicals/oils firms, 11 services firms and 7 other firms. Due to the diverse nature of the study population, stratified sampling method was found appropriate.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

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for this study. Stratified Sampling divides population into sub-populations or strata and uses simple random on each strata (Coopers & Schindler, 2003).

Sampling of the study population was necessary to minimize cost, achieve greater accuracy of results and speed of data collection, hence a sample of 63.1% of the population i.e. $n = 36$ respondents. The estimates of the population's parameters by number belonging to each stratum (Sampling unit) were weighted. The sampling plan is in Table 1. All responding firms were identified from the list of operational EPZ firms in Appendix I.

Table 1: Sampling Plan

Sample Units/ Strata	No.s N	Weight $W = \frac{N}{\sum N}$	Sample Size $n = 36 \times w$
Garment	33	0.57	21
Electronic, Printing, Computers	2	0.04	1
Pharmaceuticals	2	0.04	1
Horticulture, Chemical/ oils	2	0.05	2
Services	11	0.18	6
Others	7	0.12	5
TOTAL	57	1	36

Where N = Number of firms in each strata

W = Weighting apportioned for each strata

n = is the desired sampled size

Computer random number generator was used on identify the actual firms in the sample frame to be included in each stratum.

3.3 Data collection

Data collection involved a team of 3 Trained Field Assistants and a Field Supervisor. Field Assistants were allocated work in the EPZ as follows; Nairobi, Athi River and Mombasa. Nairobi has 3 zones including Rafiki Enterprises located in Ruaraka, Sameer Industrial Park along Mombasa road and Indigo EPZ located in Ruaraka. Athi River EPZ is located in Kitengela and has 13 EPZ firms. In Mombasa there are 8 zones. Supervision was centralized in Nairobi. The primary data of this study was collected using a mail questionnaire. Questionnaires were mailed through Express post office mail system along with, letters of introduction (see Appendix II) to the Chief Executive Officers (respondents) of all the EPZ firms in Kenya chosen for this study. Later respondents were contacted by telephone by the Field Supervisor and Field Assistants.

Data of this study was collected during the month of October and November. The conditions in the field were unfavourable due to busy schedule some of the respondents and unwillingness to respond to the questionnaire due to sensitivity of certain information. However this problem was overcome by seeking assistance from the Export Processing Zones Authority who provided information on the size, sales, exports and local expenses of the various products of all EPZ firms. This complemented with the information received from the EPZ firms that responded to this study.

The questionnaire consisted of open-ended and closed-ended questions. The questions were developed from the study of pertinent literature. The questionnaire consisted of five sections (see Appendix III).

Section I

Section I was used to gather general information about the firm including the size, products and age of the firm among other details.

Section II

Section II was used to gather CEO's (respondent's) responses on accuracy of five statements concerning their own values and attitude. This way, the CEO locus of control was determined.

Section III

Section III was used to gather information from the respondents on strategic planning practices within the EPZ under the following headings; institutionalizing the planning function, establishing strategic foundation, conducting the strategic situational diagnosis, developing strategic plans and managing strategic implementation.

Section IV

Section IV was used to gather information from the respondents on the accuracy of 11 statements concerning their firm's strategy making activities. The

responses were used to compare strategic planning and achievement of competitive advantage.

Section V

Section V was used to gather information from the respondents on their firm's performance over the past four years (1999 – 2002).

Rating Scale

Measurement Scale was built in the mail questionnaire. The measurement levels were both nominal and ordinal. This research applied the Five Point Agreeable Scale. This scale constituted the following different ratings. (See Appendix III)

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	3	4	5

3.4 Data Analysis

Data collected was checked for acceptability, completeness and quality before analysis. Data analysis was conducted using SPSS (Statistical Program for Social Sciences) for windows. To ensure and increase accuracy and precision, the questionnaires were edited in order to identify illegible, incomplete, inconsistent and ambiguous responses. This was done using a SPSS full -screen editor.

Data collected in section I, II and III was analyzed using descriptive statistics such as frequency distributions, mean, standard deviation, minimum maximum etc to describe the data and determine the level of strategic planning within the EPZ firms in Kenya. Responses to section III and IV were used to establish the relationship between strategic planning and competitive advantage. The following analysis tools were used to analyze data;

a) Factor analysis was used to collapse/merge the various questionnaire items into their respective variables of study

b) Correlation Analysis (Pearson correlation coefficient) was used to determine the relationship between strategic planning and profitability/competitive advantage and to test hypothesis 1 and 2. The statistical significance of the difference between the correlation coefficients was tested using a normal curve test and R. A. Fisher's r to z transformation.

c) Independent sample t-test was used to test hypotheses 3 i.e. to establish whether there was a correlation between formal strategic planning and achieving competitive advantage is significantly greater among firms with widely disseminated formal strategic planning than among firms where formal strategic planning is not yet widely disseminated.

Measurement of Validity

Similar to the study by Powell (1992), the dependent variable, profitability over a 4 year period was measured subjectively. Analysis of secondary data from the Export Processing Zones Authority was useful. The strategic planning scales-measuring goal setting, scanning and analysis was tested in the Five Point Agreeable Scale as above.

Measurement of Reliability

The Scales were tested for reliability using Cronbach's alpha (Cronbach, 1951) and the co-efficient was determined for the Scales. A measure of CEO personality-locus of control (Rotter, 1996)-was included in the survey, since CEO's with internalized loci of control may provide overly optimistic performance estimate, while attributing that performance to their own strategic planning and foresight (Miller, Kets de Vries, and Toulouse, 1982). The Scale to be used is as above.

Firm size and age was measured since these may confound planning-performance correlations (Fredrickson, 1984; Shepherd, 1972; Schoeffler, Buzzell and Heeany, 1974). Firm size was defined as the natural logarithm of the number of full-time employees (Blau and Schoenherr, 1971; Miller, 1987), and firm's age as the number of years since commencement of operations. The

average profitability over four year's period was used to determine/ measure whether the firms had achieved competitive advantage or not. If the firms average profitability is:

1. Above the industry average – Competitive Advantage achieved
2. Below the industry average – Competitive advantage not achieved

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CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Introduction

In this chapter we look at the findings and discussions of this study. We begin by looking at the rates of responses. We then look at profiles of the firms that responded to this study including when they started operations, their ownership structure, branch network and their size in terms of turnover and number of employees. After an overview of the company profiles, we then look at the strategic planning practices under the following headings; institutionalizing the planning function, establishing strategic foundation, conducting situational diagnosis, developing strategic plans and managing strategic implementation. We finally determine the relationship between strategic planning and competitive advantage in the EPZ firms using techniques such as independent samples test, correlation analysis among other techniques.

As with any research study the first question to be asked is: What was the response rate? In the case of this study, Table 2.1 shows that the overall response rate was 58.3% with 21 responses received from the 36 firms contacted. This was considered acceptable, in light of the high proportion of privately held firms, the direct involvement of the CEOs and the sensitivity of information required. An interesting point of comparison is the lower response rate of a study by Powell (1992). In order to establish Strategic planning as a

competitive advantage, Powell sent out a questionnaire to the CEOs of 542 firms in the furniture and apparel industries and received 113 responses, implying a response rate of 20.8%, which is significantly lower than the response rate of this study.

Rates of Response

Table 2.1 Rates of Response

Sector	No. of Questionnaires sent to sector	No. of Responses	% Response
Garments	21	10	47.61
Electronic, Printing, computers	1	1	4.76
Pharmaceuticals	1	1	4.76
Horticulture, Chemicals/Oil	2	2	9.52
Services	6	5	23.80
Others	5	2	9.52
Total	36	21	100

The sector breakdown of firms is based on researcher's classification: (1) garment/ textiles (2) Electronic, printing & computers (3) Pharmaceuticals (4) Horticulture, chemicals/oils (5) Services (6) others. Table 2.1 also shows that the sector response rates are ranging from 4.76% for Electronics, printing & computers and Pharmaceuticals to 47.61% for garment/ textiles. A final point should be noted about the response rate. There are numerous reasons why a firm did not respond and may include: the firm did not receive the questionnaire or the nature of the firms operations were confidential or information required was confidential. The second reason given above is extremely important because it could imply a secretive style of management in these firms.

4.2 Overview of Company Profiles

Table 2.2 illustrates the location of the EPZ firms. 33.3% of these firms were located in Rafiki/ Indigo EPZ, 23.8% were in Mombasa and 28.6% were located in Athi River EPZ. There were only 14% of the firms in own zones. Results suggest that 33.3% and 28.6% of the firms that responded in this study are located in Rafiki EPZ in Nairobi and Athi River EPZ respectively.

Table 2.2 Locations

Zone	Frequency	Percent
Own zone Mombasa	3	14.3
Rafiki/ Indigo	5	23.8
Mombasa	5	23.8
Indigo	2	9.5
Athi River	6	28.6
Total	21	100.0

Table 2.3 illustrates when the operations of the firms started. Of the firms, which responded to this study, 23.8% started operation in 1997 while 14.3% started operation in 1994 and 1995 respectively. Only 4.8% started operation in 1999 and 2002 respectively. Over 60% of the firms started operation between 1994 and 1997.

Table 2.3 *When operations started*

Table 2.3 *When operations started*

Year	Frequency	Percent
1992	2	9.5
1993	2	9.5
1994	3	14.3
1995	3	14.3
1996	2	9.5
1997	5	23.8
1998	2	9.5
1999	1	4.8
2002	1	4.8
Total	21	100.0

Table 2.4 illustrates the company ownership of the respondents of this study.

23.8% of these were foreign owned, 42.9% were joint ventures and 33.3% were locally owned (See Table 2.4). It was also found that most of the EPZ firms were joint ventures.

Table 2.4 *Operations*

Ownership	Frequency	Percent
Foreign owned	5	23.8
Joint venture	9	42.9
Local owned	7	33.3
Total	21	100.0

Of all the respondents of the study 66.7% had branches and associated companies. (See Table 2.5). Only 33.3% of the EPZ firms did not have branches and associated companies.

Table 2.5 Branches and Associated Companies

Response	Frequency	Percent
Yes	14	66.7
No	7	33.3
Total	21	100

Table 2.6 illustrates the branch network of the respondents and the number of employees. Branches and associated companies were found outside Kenya in most cases.

Table 2.6 Branch network and no. of employees

Branch network	Mean	Median	Mode	Std Deviation
Branches in Kenya	2.67	2.00	2	1.40
Branches outside Kenya	2.64	2.50	2	1.01
Number of employees	96.19	56.00	56	76.55

Table 2.7 below shows the annual export of the respondents of this study. 47.7% of these firms had annual exports less than US\$ 1.5 million, 33.3% had annual exports of between US\$1.2 to 6.5 million, and 9.5% had annual exports of between US\$ 6.5 and 14 million and 9.5% over US\$ 14 million. (See Table 2.7). Over 80% of these firms had sales turnover of less than US\$ 6.5million and above per annum, suggesting that EPZ firms are either small or medium size.

Table 2.7 Turnover in US\$ per annum

Turnover in US\$	Frequency	Percent
Less than 1.2 million	10	47.7
1.2 to 6.5 million	7	33.3
6.5 to 14 million	2	9.5
Over 14 million	2	9.5
Total	21	100

4.3 Strategic Planning Practices

4.3.1 Institutionalizing the planning function

Institutionalization of the planning function allows for efficient planning practices. Table 2.8 shows that institutionalizing of the planning function in the EPZ firms scored a high mean¹ of 2.876. This suggests that inefficient planning practices are allowed in the EPZ firms, hence making these firms adopt poor planning practices. This is supported further by high a mean of 3.24 and 3.0 in providing resources for planning and involving managers whose work might be affected significantly in the strategic planning process respectively.

The ideal strategic planning process involves the management team consisting principally of decision makers at corporate, business and functional levels (Pearce and Robinson, 2001). The team also relies on input from lower level

¹ The Scale starts from 1-Strongly agree to 5-Strongly disagree, meaning the lower the score, the stronger the agreement with the Statement.

managers and supervisors. The latter provide data for strategic planning and are responsible for implementing plans. This is an important finding and may suggest that EPZ firms may not be enjoying the advantages of a team-oriented and participative system. Plans are also meaningless without resources.

Table 2.8 Institutionalizing the planning function (n = 21)

Statement	Mean	Std. Deviation
Top executive take formal responsibility for the organization on a regular basis	2.52	1.36
Strategic planning is a top priority activity, performed on a regular basis	2.67	1.46
The organization provides resources	3.24	1.55
The organization follows a defined set of procedures in its strategic planning process	2.95	1.32
All managers whose work might be affected significantly by strategic planning participated in the planning process	3.00	1.30
Total	2.876	

In the results presented in Table 2.8, it is particularly disconcerting that a defined set of procedures in the strategic planning process scored a high mean of 2.95 suggesting that defined set of procedure in strategic planning is not to be strictly followed in the EPZ firms. Strategic planning procedure is the good foundation of strategy planning; it sets in place a series of steps for planning, thus fostering discipline in the process. A distinctive and coherent planning procedure faces few questions of legitimacy from the broader academic and business community. For strategic planning to reach its higher level of legitimacy, it is argued that the planning procedures need to be articulated more clearly.

4.3.2 Establishing strategic foundation

Table 2.9 captures the establishment of strategic foundation in the EPZ firms. Generally, slightly above average mean score of 2.562 was recorded in establishing strategic foundation in strategic planning. From the analysis in Table 2.9, systematic measurement of actual performance verses goals and written long-term (3-5 years) and short-term (1 year) goals scored 2.26 indicating that it systematic measurement of performance and goals is practiced well in the EPZ firms. Goals guide the strategic direction and are critical to the survival, growth and profitability of the EPZ firms. Unless an EPZ firm is able to survive, it will be incapable of satisfying any of its stakeholders aims (Pearce and Robinson, 2001).

Table 2.9 Establishing Strategic Foundation (n=21)

Statement	Mean	Std. Deviation
The organization has a written mission statement	2.62	1.20
All management and higher-level staff aware of the mission and understand it	2.62	1.32
Organization has written long-term (3-5years) and short-term (1year) goals	2.38	1.53
Organization's goals list quantified, measurable targets	2.43	1.16
If appropriate, the goals specify targets by location or geographical area	2.95	1.28
When appropriate, the goal list quality, timeframe and cost targets are observable and measurable	2.52	1.40
The goals appear realistic yet challenging, based upon experience/research	2.52	1.44
The organization systematically measures actual performance vs. goals	2.26	1.15
Management and higher-level staff whose responsibilities are affected participate in setting goals	2.76	1.41
Total	2.562	

Another important finding in this study was that management and high-level staff whose responsibilities are affected rarely participated in setting goals. This is a serious omission and is evidenced with a mean score of 2.76 recorded in this area (See Table 2.9).

internal data were practiced well in the EPZ firms. This is supported by lower

In having a written mission statement EPZ firms scored a mean of 2.62 showing slightly more than half of the EPZ firms did not have a written mission statement. This suggests that some EPZ firms lack a fundamental, unique purpose that sets them apart from other firms of their type. This scenario may result to a lack of clarity in scope of operations in products and market terms in the EPZ firms, hence defeating the purpose of existence of these firms in the first place. A mission is a broadly framed but enduring statement of company intent. Defining the business begins with thinking strategically about the firm's future makeup and forming a vision of the firm's future (Thompson and Stickland,1995)

4.3.3 Conducting Situational Diagnosis

Conducting situational diagnosis involves carrying out external and internal analysis. Conducting situational analysis is therefore critical for strategic planning. External and internal analysis is conducted so as to match environmental opportunities and threats with resource-based strengths and weaknesses (Johnson and Scholes, 1999). Table 2.10 illustrates how the EPZ firms conduct situational diagnosis. Generally, EPZ firms scored a mean of 2.529 in this area.

This study found evidence that comparing business performance and characteristics of the firm and those of the competitor, external/ market analysis and use of management information system to provide easy access to the

internal data were practiced well in the EPZ firms. This is supported by lower mean scores of 1.90 and 2.29 respectively (See Table 2.10). This is an important finding as it suggests that EPZ firms take advantage of opportunities in the business environment and react to threats posed by the environment as well. These firms are also able to identify their strengths and weaknesses.

Table 2.10 Conducting Strategic Situational Diagnosis (n=21)

Statement	Mean	Std. Deviation
The organization periodically gathers and analyzes data about market and other external factors which affect business	2.35	1.14
The external/market analysis identify key threats to the business and key opportunities	2.29	.90
The analysis includes detailed analysis of market or other geographical/demographic/psycho graphic	2.95	1.16
The business' performance and operational characteristics are compared with those of competitors	1.90	1.09
Demographic, behavioral and other consumer trends are analyzed	2.81	1.47
The organization assesses the industry as a whole in terms of new competitor, new technologies, procurement practices, price trends labour practices, etc	2.81	1.44
The organization assesses institutional factors such as cost and availability of capital, government regulations and the economy	2.84	1.38
The organization has knowledge of and access to sources of information about the industry, markets and other external factors	2.43	1.33
The organization analyzes its own business objectively	2.62	1.47
Internal analysis identifies key strengths and weaknesses in the organization	2.37	1.21
Internal analysis includes profitability factor trends e.g. after-tax earning, return on assets, cash flow	2.57	1.21
Internal analysis includes marketing/advertising	2.67	1.43
Internal analysis includes pricing strategy and its effect on customer's behavior	2.57	1.47
Internal analysis includes quality customer service and customer satisfaction/loyalty/defection data	2.50	1.47
The organization assesses its human resources development and management programs	2.45	1.23
The organization's management information system provides relatively easy access to the internal data discussed above	2.29	1.23
After completing its external and internal analyses, the organization reviews the mission and goals in light of the apparent threat/opportunities and strength /weakness	2.67	1.43
Based upon such a review, the strategic diagnosis culminate in identifying key strategic issues, e.g. outlets expansion, profitability improvement, positioning change	2.43	1.08
Total	2.529	

Statistics in Table 2.10 also show that EPZ firms scored a high mean of 2.95 in including detailed analysis of market, geographic, demographic, institutional factors e.g. cost, availability of capital, government regulations, economy, and industry in their situational diagnosis (See Table 2.10), hence indicating poor performance in this area. A thorough situational diagnosis must consider details of the external environment in which the EPZ firms operate as well as the internal analysis of these EPZ firms. By not considering details, EPZ firms are not enjoying the full benefits of conducting situational diagnosis.

4.3.4 Developing Strategic Plans

Developing of strategic plans was generally well practiced in the EPZ firms with majority of the firms carrying strategic (situational) diagnosis that considered market penetration, organization and management, and basing the strategic plan on feasibility and risk/ return. EPZ firms scored a low mean of 2.435 in this area of strategic planning. Coming up with good strategic plans alone cannot ensure success in the EPZ firms. EPZ firms must translate strategic plans into concrete actions and that action must be carefully implemented. Otherwise accomplishment of plans is left to chance (Pearce and Robinson, 2001).

In the results presented in Table 2.11, strategic (situational) diagnosis rarely considered such options as cost reduction, alternative suppliers, production improvement, etc. Strategic planning process was also rarely based on criteria by which options can be compared and selected. This is evidenced in the mean

scores of 2.81 and 2.67 in these areas respectively. The implication of this is that EPZ firms in Kenya may not enjoy a low cost per unit and productivity gains similar to those enjoyed by Asian countries under the EPZ program, hence competitiveness in the world market. The failure to compare options could result to poor strategic choices, which could result to poor performance of EPZ firms.

Table 2.11 Developing Strategic Plans (n=21)

Statement	Mean	Std. Deviation
The organization uses the strategic (situational) diagnosis to formulate strategic plans option	2.62	1.16
Strategic (situational) diagnosis considers business performance options e.g. cost reduction, alternative suppliers, production improvement, etc	2.81	1.33
Strategic (situational) diagnosis considers market penetration options, e.g. pricing/promotion, market expansion, segmentation	2.29	1.23
Strategic (situational) diagnosis considers organization and management options, e.g. restructuring, purchasing competitive business	2.11	1.20
The organization considers product/services enhancement option	2.26	1.05
The planning process is based on criteria by which options can be compared and selected	2.67	1.06
The organization decides its strategic plan (s) based on feasibility and risk/return criteria	2.29	1.23
Total	2.435	

4.3.5 Managing Strategic Implementation

Managing strategy implementation is the action phase of the strategic planning process. Unfortunately EPZ firms scored a mean of 2.816 indicating that managing strategy implementation was poorly practiced in the EPZ firms (See Table 2.12). None of the tasks of strategic planning are a one-time only exercise. EPZ firms have to constantly evaluate plans, monitor plans and decide how well plans are being implemented and make necessary adjustments in their plans. Firms must evaluate progress and make adjustments necessary to stay on track (Bradford, Robert W., Duncan, Peter J., Tarcy, and Brian, 1999).

based upon the strategic plan was found to be a problem in the industry (See

Table 2.12 further shows that organization reviews scored a high mean of 3.0 suggesting that reviews are carried out less regularly in the EPZ firms. Strategy is implemented in changing conditions. Execution of strategy in EPZ firms must be controlled and evaluated if the strategy is to be successfully implemented and adjusted to changing conditions.

Table 2.12 Managing Strategic Implementation (n=21)

Statement	Mean	Std. Deviation
The organization makes strategic decisions (implementation action plan) based upon the strategic plan	2.90	1.37
The organization clearly assigns lead responsibility for action plan implementation to a person or alternatively, to a team	2.63	1.46
Sufficient resources are allocated for implementation	2.95	1.24
The organization sets clearly defined and measurable performance standards for each plan element	3.05	1.27
The organization develops an organized system for monitoring how well those performance standards were met	2.81	1.33
The organization reviews monitoring data regularly, and revise Strategic decisions as appropriate	3.00	1.10
Individual responsible for strategic planning and implementation rewarded for successful performance	2.37	1.21
Total	2.816	

From the analysis in Table 2.13, 3 EPZ firms were above industry average in EPZ firms scored a high mean of 3.05 in setting clearly defined and measurable performance standards for each planning element. The implication of this in EPZ firms is that operations control systems that monitor performance, evaluate deviations and initiate corrective actions in EPZ firms will not be effective.

Statistics in Table 2.12 shows that allocation of resources for implementation of strategic plans scored a high mean of 2.95 which shows poor performance in EPZ firms. Strategic issues involve the allocation of large amount of resources. Plans will be difficult to implement without resources. Making strategic decision

based upon the strategic plan was found to be a problem in the industry (See Table 2.12). This may result to deviations from plans and the loss of direction of these EPZ firms.

4.4 Group Analysis

Table 2.13 and 2.14 shows how factor analysis was used to collapse/merge the various questionnaire items into their respective variables of study into GOALS, ANALYS and SCANING. Table 2.13 gives the mean and standards deviation for all variables. It compares strategic planning practices and achievement of competitive advantage. To achieve a competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value than do competitors (Porter, 1980). Superior value is created through lower costs or superior benefits to the consumer.

From the analysis in Table 2.13, 8 EPZ firms were above industry average in profit, hence achieved competitive advantage and 13 EPZ firms were below industry average. Table 2.13 also shows that firms with above industry average profit scored lower on goals in strategic planning than in firms with below industry average profit. This shows that these firms have broad, long and short-range goals known to all their managers.

Table 2.13 Independent Sample Tests

Statement	Achievement of competitive advantage	N	Mean	Std. Deviation	Std. Error Mean
We have broad, long range goals known to all managers (GOALS)	Above industry average profit	8	2.13	1.13	.40
	Below industry average profit	13	3.31	1.38	.38
We have specific, short-term goals known to all managers (GOALS)	Above industry average profit	8	2.25	1.04	.37
	Below industry average profit	13	3.38	1.19	.33
Our firm's action are based on formal plans than on institution (ANALYS)	Above industry average profit	8	2.38	1.41	.50
	Below industry average profit	13	3.62	1.33	.37
We have a manager or department devoted exclusively to formal planning (ANALYS)	Above industry average profit	8	1.88	.99	.35
	Below industry average profit	13	3.38	1.26	.35
We hold regular managers' meeting to discuss overall strategy (ANALYS)	Above industry average profit	8	2.38	1.30	.46
	Below industry average profit	13	3.08	1.19	.33
We use mathematical and computers models as a planning aids (ANALYS)	Above industry average profit	8	3.13	1.46	.52
	Below industry average profit	13	3.54	1.33	.37
We have a written plan for the next 12 months (ANALYS)	Above industry average profit	8	2.00	1.41	.50
	Below industry average profit	13	3.69	1.25	.35
Our planning outlook is more long-term than short-term (ANALYS)	Above industry average profit	8	2.50	1.20	.42
	Below industry average profit	13	3.54	1.27	.35
We search systematically for information about our competitors (SCANING)	Above industry average profit	8	2.13	1.13	.40
	Below industry average profit	13	3.31	1.44	.40
We use special market research studies (SCANING)	Above industry average profit	8	2.13	1.36	.48
	Below industry average profit	13	3.62	1.26	.35
We search systematically for new products, acquisitions and investments (SCANING)	Above industry average profit	8	1.88	1.25	.44
	Below industry average profit	13	3.69	1.32	.36

Table 2.13 further illustrates how analysis in strategic planning was not well practiced in firms where profit is below average industry average. Firms with below industry average profit scored higher in analysis in strategic planning than firms with above average industry profit. In these firms actions were based on intuition than on formal plans. These firms did not have a manager or department devoted exclusively to formal planning and strategy meetings with managers were rarely held. It was also noted that these firms did not use mathematical and

computer models as planning aids and they did not have a written plan for their business for the next 12 months. These firms tended to have a short-term planning outlook (See Table 2.13).

Table 2.14 Independent Sample Test

Firms that were involved widely in scanning in strategic planning were found to have profits above industry average. These firms systematically searched for information about their competitors, used special market research studies when scanning their environment and systematically searched for new products, acquisitions and investments.

According to Michael Porter (1980), in order for a firm to develop a competitive advantage, the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors could simply replicate what the firm was doing and any advantage would quickly disappear (Porter, 1980). EPZ firms are no exception.

4.4 Independent Sample Test

Table 2.14 contains the independent sample test statistics, used to illustrate the difference in the level of strategic planning between the firms which have achieved competitive advantage and those which have not i.e. those whose profit is above industry mean and those below. Since the levene's test for equality of variances in all the variables is greater than 0.05, equal variance is not assumed. The table indicates that there is a significant difference in goals in strategic

planning, analysis and scanning between the two groups. This is indicated by the fact that all the t values for the variables are greater than their critical values as shown in table of t statistics in Appendix IV.

Table 2.14 Independent Sample Test.

		Levene's Test for Equality of Variances		t-test for Equality of Means				
Dependent variables	Assumptions	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
We have broad, long range goals known to all managers (GOALS)	Equal variances assumed	.797	.383	-2.04	19.00	.056	-1.183	.580
	Equal variances not assumed			-2.14	17.28	.047	-1.183	.552
We have specific, short-term goals known to all managers (GOALS)	Equal variances assumed	.010	.923	-2.22	19.00	.039	-1.135	.511
	Equal variances not assumed			-2.30	16.64	.035	-1.135	.493
Our firm's action are based on formal plans than on institution (ANALYS)	Equal variances assumed	.208	.654	-2.04	19.00	.056	-1.240	.609
	Equal variances not assumed			-2.00	14.24	.064	-1.240	.619
We have a manager or department devoted exclusively to formal planning (ANALYS)	Equal variances assumed	.372	.549	-2.87	19.00	.010	-1.510	.525
	Equal variances not assumed			-3.05	17.67	.007	-1.510	.495
We hold regular managers' meeting to discuss overall strategy (ANALYS)	Equal variances assumed	.672	.423	-1.27	19.00	.220	-.702	.553
	Equal variances not assumed			-1.24	13.88	.236	-.702	.566
We use mathematical and computers models as a planning aids (ANALYS)	Equal variances assumed	.002	.969	-.667	19.00	.512	-.413	.619
	Equal variances not assumed			-.652	13.88	.525	-.413	.634
We have a written plan for the next 12 months (ANALYS)	Equal variances assumed	1.049	.319	-2.87	19.00	.010	-1.692	.590
	Equal variances not assumed			-2.78	13.53	.015	-1.692	.609
Our planning outlook is more long-term than short-term (ANALYS)	Equal variances assumed	.011	.917	-1.86	19.00	.078	-1.038	.557
	Equal variances not assumed			-1.89	15.65	.077	-1.038	.549
We search systematically for information about our competitors (SCANING)	Equal variances assumed	.553	.466	-1.98	19.00	.063	-1.183	.598
	Equal variances not assumed			-2.10	17.69	.050	-1.183	.563
We use special market research studies (SCANING)	Equal variances assumed	.294	.594	-2.56	19.00	.019	-1.490	.583
	Equal variances not assumed			-2.51	14.10	.025	-1.490	.593
We search systematically for new products, acquisitions and investments (SCANING)	Equal variances assumed	.032	.859	-3.13	19.00	.005	-1.817	.580
	Equal variances not assumed			-3.18	15.61	.006	-1.817	.572

The relationship between strategic planning and profitability is significantly greater in all aspects of goal setting, scanning and in some aspects of analysis such as devotion of managers in EPZ firms to formal planning and having written plans for next 12 months.

Statistics indicate that there is no significant difference in certain aspects of analysis such as basing the firm's plans on formal plans than institution and long-term planning outlook than short-term. This is also clearly indicated in table 2.14 where the t values of the variables are below their critical values based on the degree of freedom as shown the table of t statistics in the Appendix IV. This was equally applicable in holding of management meetings by EPZ firms to discuss overall strategy.

4.5 Correlation between strategic planning and competitive advantage

Table 2.15 illustrates the relationship between strategic planning and competitive advantage. For goals in strategic planning and competitive advantage, the correlation coefficient (0.421, $p=0.928$) indicates a weak and positive relationship. For analysis in strategic planning and competitive advantage, the correlation coefficient was (0.548, $p=0.10$) at two-tailed, indicating a fairly strong and positive relationship. For Environmental Scanning in strategic planning and competitive advantage, the correlation coefficient was (0.715, $p=0.00$) at two tail, indicating a very strong positive relationship. According to the above statistics, there is a strong positive relationship between strategic planning and competitive advantage.

Table 2.15 Correlation between planning and competitive advantage

Correlation between Strategic Planning and Achievement of
Competative Advantage

Factors in Strategic Planning		Achievement of competative advantage
GOALS in strategic planning	Pearson Correlation	.421
	Sig. (2-tailed)	.928
	N	21
ANALYSIS in strategic planning	Pearson Correlation	.548 *
	Sig. (2-tailed)	.010
	N	21
Environmental SCANNING in strategic planning	Pearson Correlation	.715 **
	Sig. (2-tailed)	.000
	N	21

*. Correlation is significant at the 0.05 level (2-tailed).

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

4.6 CEO locus of control

Table 2.16 illustrates the CEO locus of control. CEO locus of control mean score was 2.53 indicating that the CEOs had neither a high nor low internalized loci of control. This implied that CEO's did not provide overly optimistic performance estimates, while attributing that performance to their strategic planning and foresight.

Table 2.16 CEO Locus of Control

Statement	n=21	Min	Max	Mean	Std. Deviation
For the most part, my firm's success is controlled by forces too complex to understand/ control	21	1	5	2.29	1.27
Becoming a success is a matter of hard work; luck has little/nothing to do with it	21	1	5	2.43	1.21
Many times I feel I have little or no influence over what happens inside my firm	21	1	5	2.57	1.36
Getting ahead largely means being at the right place at the right time	21	1	5	2.67	1.20
I have found that it can control my firm's environment to a large extent	21	1	5	2.67	1.32
Total				2.526	

CHAPTER FIVE

SUMMARY AND CONCLUSION

5.1 Summary of Findings

This study had two research objectives namely; (i) To determine the strategic planning practices of Export Processing Zones (EPZ) firms in Kenya (ii) To establish the relationship between strategic planning and competitive advantage within the EPZ's firms in Kenya. Two hypotheses were proposed for testing objective (ii) of this study.

Results suggest that 33.3% and 28.6% of the firms that responded in this study are located in Rafiki EPZ in Nairobi and Athi River EPZ respectively. Over 60% of the firms started operations between 1994 and 1997. It was also found that most of the EPZ firms are joint ventures. Over 80% of these firms had sales turnover of less than US\$ 6.5million per annum, suggesting that EPZ firms are either small or medium in size. Only 33.3% of the EPZ firms did not have branches and associated companies. For those with branches and associated companies, these branches were found outside Kenya.

Strategic planning was widely disseminated in only 8 firms of the 21 that responded to this study. The results suggest that EPZ firms performed well in

goal setting and performance management. These firms also performed well in conducting situational diagnosis and developing of strategic plans.

The results further suggest that institutionalizing of the planning function was poorly done in the EPZ firms. Haphazard methods of planning were preferred instead of following a set of procedures for planning. EPZ firms also performed poorly in the management of strategic implementation indicating that EPZ firms plan better than they implement their plans. Managers and senior staff were also rarely involved in planning to suggest that planning is an activity of privileged few.

Hypothesis 1 predicts that in firms where strategic planning is widely disseminated, there is a significant difference between strategic planning and profitability. Results suggest that in 8 EPZ firms where strategic planning is widely disseminated profits were above industry average, hence indicating that these firms had achieved competitive advantage. Generally, the relationship is significantly greater in firms where strategic planning is widely disseminated than in firms where strategic planning is not widely disseminated.

Results also indicate that in 13 EPZ firms where strategic planning was not widely disseminated profits were below industry average, indicating that these firms had not achieved competitive advantage.

Hypothesis 2 predicts that the relationship between strategic planning and profitability is significantly greater in firms where strategic planning is widely disseminated than in firms where strategic planning is not widely disseminated.

EPZ firms in Kenya

These findings relate to the findings of other related studies. Studies by Thune and House (1970); Ansoff et al (1970); Herold (1972); Karger and Malik (1975); Wood and Forge (1975); Kudia (1980); Robinson, Vozikins and Pearce, (1981); Lindsay et al (1981); Welch (1974); Fredrickson (1984) showed evidence that formal planners outperformed non-planners. Similarly, Rhyne (1986) in his studies on the relationship of strategic planning to financial performance found that the strategic planners outperformed other types of planners.

confidential nature of

Further, the findings of this study also related to the results of Powell study on strategic planning as a competitive advantage in the furniture and apparel industry (Powell, 1992). According to Powell furniture firms scored significantly higher than apparel firms on all strategic planning dimensions. In the apparel industry, some non planning firms probably would benefit from increased strategic planning which would equally apply to the EPZ firms. Firms that prospered despite the threat were those that systematically monitored their environment. In this study those firms that had achieved competitive advantage are those which were involved in formal strategic planning.

Studies on strategic planning

countries in which

5.2 Conclusion

In conclusion, it was found that strategic planning is not widely practiced in the EPZ firms in Kenya. The study also concluded that there is a relationship between strategic planning and competitive advantage within the EPZ's in Kenya. The relationship is significantly greater and positively strong in firms where strategic planning is widely disseminated than in firms where strategic planning is not widely disseminated. This study confirmed strategic planning as a critical tool of achieving strategic advantage.

The major limitation of this study was that not all firms responded. Some firms contacted refused to respond. One firm indicated that the confidential nature of their operations could not allow them to participate in this study. Others deliberately refused to participate. The research was also carried out within limited time and resources.

(i) Operationalising strategic planning in the EPZ firms

Due to the high proportion of privately held firms, the direct involvement of the CEOs and the sensitivity of information required most EPZ firms did not volunteer information on their exports and earning. Therefore free flow of information was hampered. This data had to be collected from reliable secondary sources such as the EPZA.

Studies on planning-performance relationship are found in rich industrialized countries. In view of this therefore, a lot of data had to be collected in studies

carried out in those countries and on a wide range of aspects of strategic planning.

Lastly, is the assumption that EPZ is a sub- sector in the manufacturing sector in Kenya. This assumption was adopted because it was consistent with the Economic survey classification. These firms also have one thing in common. They receive unique incentives from the government that are applicable to all firms operating the EPZ program. However, this assumption is not full proof as there are certain firms in the EPZ which are not involved in manufacturing e.g. services, horticulture or IT companies. Different people could interpret findings differently.

More studies are recommended in EPZ firms. Research in the following areas will enhance knowledge in strategic planning in the EPZ firms in Kenya;

- (I) Operationalising strategic planning in the EPZ firms
- (II) Relationship between resource allocation in strategic planning and success of EPZ firms
- (III) Relationship on participation and effectiveness in strategic planning in the EPZ firms

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- Al-D
- Anch
- Ashton Apparels EPZ Ltd
- Asia Resources EPZ Ltd
- Baraka Apparels EPZ Ltd
- Birch Investments EPZ Ltd
- Blue Bird Garments (K) EPZ Ltd
- California Link EPZ Ltd
- Cyber Agn EPZ Ltd
- De la Rue Currency & Print Ltd
- E A Molasses EPZ Ltd
- Film Studios EPZ Ltd
- Forum International EPZ Ltd
- Global Apparels (K) EPZ Ltd
- Golden Light EPZ Ltd
- Indigo Garments EPZ Ltd
- Indu Farm EPZ Ltd
- Insight Digital Graphics EPZ Ltd
- Upan Wasana EPZ Ltd
- Ivee Aqua EPZ Ltd
- JAR Kenya EPZ Ltd
- Kapric Apparels EPZ Ltd
- Kenap EPZ Ltd
- Kentex Apparels EPZ Ltd
- Kenya Knit Garments EPZ Ltd
- Kenya Veged EPZ Ltd

APPENDIX I –List of Operational EPZ firms

Al-Borj EPZ Ltd.
Alltex EPZ Ltd
Ancheneyar EPZ Ltd
Ashton Apparels EPZ Ltd
Asia Resources EPZ Ltd
Baraka Apparels EPZ Ltd
Birch Investments EPZ Ltd
Blue Bird Garments (K) EPZ Ltd
California Link EPZ Ltd
Cybel Agri EPZ Ltd
De la Rue Currency & Print Ltd
E A Molasses EPZ Ltd
Film Studios EPZ Ltd
Forum International EPZ Ltd
Global Apparels (K) EPZ Ltd
Golden Light EPZ Ltd
Indigo Garments EPZ Ltd
Indu Farm EPZ Ltd
Insight Digital Graphics EPZ Ltd
Upan Wasana EPZ Ltd
Ivee Aqua EPZ Ltd
JAR Kenya EPZ Ltd
Kapric Apparels EPZ Ltd
Kenap EPZ Ltd
Kentex Apparels EPZ Ltd
Kenya Knit Garments EPZ Ltd
Kenya Vegext EPZ Ltd

Lithua Garments EPZ Ltd
Logistics Container Centre Mombasa EPZ Ltd
Match Point Kenya EPZ Ltd
Mega Garments Industries (K) EPZ Ltd
Mirage Fashion Wear EPZ Ltd
MRC Nairobi EPZ Ltd
Muthama Gemstones EPZ Ltd
Nodor Kenya EPZ Ltd
Norbrook Africa EPZ Ltd
Oil Tanking EPZ Ltd
Plastics Compounders EPZ Ltd
Premium Machinery EPZ Ltd
Protex EPZ Ltd
Pwani EPZ Ltd
Wild Life Works Ltd
Rayven EPZ Ltd
Rising Sun (K) EPZ Ltd
Rolex Garments EPZ Ltd
Rosavie EPZ Ltd
Rupa Cotton Mills EPZ Ltd
Sahara Stritch EPZ Ltd
Senior Best Garments (K) EPZ Ltd
Sin Lane EPZ Ltd
Sino Link EPZ Ltd
Transfleet EPZ Ltd
T. J. M Apparels EPZ Ltd
Tex Care Africa EPZ Ltd
Tristar EPZ Ltd
Union Apparels EPZ Ltd
United Aryan EPZ Ltd

APPENDIX II – LETTER OF INTRODUCTION

October 9, 2003

TO WHOM IT MAY CONCERN

Dear Sir/ Madam,

I'm a Master of Business Administration (MBA) student at the University of Nairobi. I'm required to submit as part of my coursework assessment a research project report on a management problem. My research project is on the **'Relationship between Strategic Planning and Competitive Advantage in the Export Processing Zones in Kenya'**.

I'm pleased to inform you that your organization has been randomly selected for this study from the list of 71 EPZ firms in Kenya. I would therefore appreciate if you can take 30 minutes of your time to complete the attached questionnaire before 31st October 2003. My Field Supervisor Mr. John Ming'ala will be contacting you next week to collect the completed questionnaire.

I wish to assure you that the information collected in the questionnaire will be treated confidentially and will not be used for any other purpose other than academic.

Other than academic purpose, I believe the results of the study will impact greatly on the practices in management in the EPZ sub sector as well as enhancing the understanding of strategic planning as a vital tool for achieving competitive

advantage in the EPZ. Upon request, you will receive a copy of the final dissertation.

PRIVATE & CONFIDENTIAL

Thank you in advance for your cooperation.

Questionnaire No. _____

Yours Sincerely,

This information in the questionnaire will be treated confidentially and will not be used for any other purpose other than academic.

HAPISU GEORGE. O

JACKSON MAALU

MBA STUDENT

SUPERVISOR

REG. D61/P/8783/2000

3. Date of Incorporation (When operations started) _____

4. Ownership: _____

☐ Foreign owned

☐ Joint Venture

☐ Local owned

5. Does the Company have any branches and associated Companies? _____

☐ Yes

☐ No

 If yes, how many? In Kenya _____ Outside Kenya _____

6. Number of employees _____

7. Products: _____

8. What is your sales turnover or receipts in US\$ per annum? _____

☐ Less than 1.2 million

☐ 1.2 to 6.5 million

☐ 6.5 to 14 million

☐ Over 14 million

APPENDIX III – QUESTIONNAIRE

PRIVATE & CONFIDENTIAL

Questionnaire No.:

This information in the questionnaire will be treated confidentially and will not be used for any other purpose other than academic.

SECTION I: COMPANY DETAILS

1. Name of Company: _____
2. Location: _____
3. Date of Incorporation (When operations started) _____
4. Ownership:
 - ☐ Foreign owned
 - ☐ Joint Venture
 - ☐ Local owned
5. Does the Company have any branches and associated Companies?
 - ☐ Yes
 - ☐ No
6. If yes, how many? In Kenya: _____ Outside Kenya: _____
7. Number of employees: _____
8. Products: _____
9. What is your sales turnover or exports in US\$ per annum?
 - ☐ Less than 1.2 million
 - ☐ 1.2 to 6.5 million
 - ☐ 6.5 to 14 million
 - ☐ Over 14 million

SECTION III – FORMALITY IN STRATEGIC PLANNING (PART A)

For each statement below, tick the appropriate number to indicate the degree of

SECTION II: RESPONDENT (CEO's) DATA

Indicate on a scale of 1-5, the accuracy of five statements concerning your own values and attitudes. The scale is as below:

Rating Scale

Strongly Agree Agree Neutral Disagree Strongly Disagree

No.	Statement	Tick your Score against each statement				
1.	Becoming a success is a matter of hard work; luck has little or nothing to do with it	1	2	3	4	5
2.	Getting ahead largely means being at the right place at the right time	1	2	3	4	5
3.	For the most part, my firm's success is controlled by forces too complex to understand or control	1	2	3	4	5
4.	I have found that I can control my firm's environment to a large extent	1	2	3	4	5
5.	Many times I feel I have little or no influence over what happens inside my firm	1	2	3	4	5

Source: Powell (1992), Strategic Planning as Competitive Advantage

SECTION III – FORMALITY IN STRATEGIC PLANNING (PART A)

For each statement below, tick the appropriate number to indicate the degree of formality in planning in your organization.

Rating Scale

Strongly Agree Agree Neutral Disagree Strongly Disagree

1 2 3 4 5

(i)	Institutionalizing the planning function	Tick your Score against each statement				
1	Top executive take formal responsibility for the organization's strategic business planning	1	2	3	4	5
2	Strategic planning is a top priority activity, performed on a regular basis, e.g. each year	1	2	3	4	5
3	The organization provides resources (manager's time, money, staff support, etc.) earmarked specifically for strategic planning	1	2	3	4	5
4	The organization follows a defined set of procedures in its strategic planning process	1	2	3	4	5
5	All managers whose work might be affected significantly by strategic planning participate in the planning process	1	2	3	4	5
(ii)	Establishing Strategic Foundation	Tick your Score against each statement				
6	The organization has a written mission statement	1	2	3	4	5
7	All management and higher-level staff aware of the mission and understand it	1	2	3	4	5
8	Organization has written long-term (3-5 years) and short-term (1 year) goals	1	2	3	4	5

9	Organization's goals list quantified, measurable targets (e.g. volume, market share, growth rate, profitability)	1	2	3	4	5
10	If appropriate, the goals specify targets by location or geographic area	1	2	3	4	5
11	When appropriate, the goals list quality, timeframe and cost targets and are observable and measurable	1	2	3	4	5
12	The goals appear realistic yet challenging, based upon experience and/ or research	1	2	3	4	5
13	The organization systematically measures actual performance vs. goals	1	2	3	4	5
14	Management and higher-level staff whose responsibilities are affected participate in setting goals	1	2	3	4	5
(iii)	Conducting the strategic situational diagnosis	Tick your Score against each statement				
15	The organization periodically gathers and analyzes data about market and other external factors, which affect the business	1	2	3	4	5
16	The external/ market analysis identify key threats to the business and Key opportunities	1	2	3	4	5
17	The analysis includes detailed analysis of market or other geographic and or demographic and/or psychographic segments	1	2	3	4	5
18	The business' performance and operational characteristics are compared with those of competitors	1	2	3	4	5

19	Demographic, behavioral and other consumer trends are analyzed	1	2	3	4	5
20	The organization assesses the industry as a whole in terms of new competitors and concepts, new technologies, procurement practices, price trends, labour practices, etc	1	2	3	4	5
21	The organization assesses institutional factors such as cost and availability of capital, government regulations and the economy	1	2	3	4	5
22	The organization has knowledge of and access to sources of information about the industry, markets and other external factors	1	2	3	4	5
23	The organization analyzes its own business objectively	1	2	3	4	5
24	Internal analysis identifies key strengths and weaknesses in the organization	1	2	3	4	5
25	Internal analysis includes profitability factor trends, e.g., after-tax earnings, return on assets, cash flow	1	2	3	4	5
26	Internal analysis includes marketing/ advertising	1	2	3	4	5
27	Internal analysis includes pricing strategy and its effects on customer's behavior	1	2	3	4	5
28	Internal analysis includes quality customer service and customer satisfaction/ loyalty/ defection data	1	2	3	4	5
29	The organization assesses its human resource development and management programs	1	2	3	4	5

30	The organization's management information systems provides relatively easy access to the internal data discussed above	1	2	3	4	5
31	After completing its external and internal analyses, the organization reviews the mission and goals in light of the apparent threat/ opportunities and strengths/ weaknesses	1	2	3	4	5
32	Based upon such a review, the strategic diagnosis culminate in identifying key strategic issues, e.g. outlet expansion, profitability improvement, positioning change	1	2	3	4	5
(iv)	Developing Strategic Plans	Tick your Score against each statement				
33	The organization uses the strategic (situational) diagnosis to formulate strategic plans options	1	2	3	4	5
34	Strategic (situational) diagnosis considers business performance options e.g. cost reduction, alternative suppliers, production improvement, etc	1	2	3	4	5
35	Strategic (situational) diagnosis considers market penetration options, e.g. pricing/ promotion, market expansion, segmentation	1	2	3	4	5
36	Strategic (situational) diagnosis considers organization and management options, e.g. restructuring, purchasing competitive businesses	1	2	3	4	5
37	The organization considers product/ services enhancement options	1	2	3	4	5

38	The planning process is based on criteria by which options can be compared and selected	1	2	3	4	5
39	The organization decides its strategic plan (s) based on the feasibility and risk/ return criteria	1	2	3	4	5
(v)	Managing Strategic Implementation	Tick your Score against each statement				
40	The organization makes strategic decisions (implementation action plans) based upon the strategic plan	1	2	3	4	5
41	The organization clearly assigns lead responsibility for action plan implementation to a person or alternately, to a team	1	2	3	4	5
42	Sufficient resources are allocated for implementation	1	2	3	4	5
43	The organization sets clearly defined and measurable performance standards for each plan element	1	2	3	4	5
44	The organization develops an organized system for monitoring how well those performance standards were met	1	2	3	4	5
45	The organization reviews monitoring data regularly, and revise strategic decisions as appropriate	1	2	3	4	5
46	Individuals responsible for strategic planning and implementation rewarded for successful performance	1	2	3	4	5

Source: www.strategicfutures.com

SECTION III: STRATEGIC PLANNING – PART B

Indicate on a scale of 1-5 as above, the accuracy of 11 statements concerning your firm’s strategy making activities.

No.	Statement	Tick your Score against each statement				
1.	We have broad, long-range goals known to all managers (GOALS).	1	2	3	4	5
2.	We have specific, short-term goals known to all managers (GOALS).	1	2	3	4	5
3.	Our firm’s actions are based more on formal plans than on intuition (ANALYS).	1	2	3	4	5
4.	We have a manager or department devoted exclusively to formal planning (ANALYS)	1	2	3	4	5
5.	We hold regular managers’ meeting to discuss overall strategy (ANALYS)	1	2	3	4	4
6.	We use mathematical and computer models as planning aids (ANALYS)	1	2	3	4	5
7.	We have a written plan for the next 12 months (ANALYS).	1	2	3	4	5
8.	Our planning outlook is more long-term than short term (ANALYS).	1	2	3	4	5
9.	We search systematically for information about our competitors (SCANNG)	1	2	3	4	5
10.	We use special market research studies (SCANNG).	1	2	3	4	5
11.	We search systematically for new products, acquisitions and investments (SCANNG).	1	2	3	4	5

Source: Powell (1992), Strategic Planning as Competitive Advantage

SECTION IV: STRATEGIC PLANNING AND PERFORMANCE

Please indicate your firm's performance for the past 5 years in the table below

Performance indicators	1998	1999	2000	2001	2002
Volume of Exports in US\$ per annum					
Earnings in US\$					

THANK YOU VERY MUCH FOR YOUR COOPERATION

APPENDIX IV – Table of t Statistics

APPENDIXES

EXHIBIT G-4 Critical Values of T in the Wilcoxon Matched-Pairs Test

n	Level of Significance for One-Tailed Test		
	.025	.01	.005
	Level of Significance for Two-Tailed Test		
	.05	.02	.01
6	0	—	—
7	2	0	—
8	4	2	0
9	6	3	2
10	8	5	3
11	11	7	5
12	14	10	7
13	17	13	10
14	21	16	13
15	25	20	16
16	30	24	20
17	35	28	23
18	40	33	28
19	46	38	32
20	52	43	38
21	59	49	43
22	66	56	49
23	73	62	55
24	81	69	61
25	89	77	68

SOURCE: Adapted from Table 1 of F. Wilcoxon, *Some Rapid Approximate Statistical Procedures* (New York: American Cyanamid Company, 1949), p. 13, with the kind permission of the publisher.