

THE EXTENT OF USAGE OF FORECASTING
METHODS IN KENYA:

A SURVEY OF LARGE MANUFACTURING FIRMS IN NAIROBI.

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ABSTRACT

This study analyzed the extent of utilization of formal subjective and quantitative methods of Forecasting. The study also explored the reasons behind the use of various forecasting methods surveyed, the problems encountered in applying them and the situations in which forecasting is needed most. Also explored were the time horizon in which the various methods are applied and their level of familiarity among the respondents (firms).

The motivation of the study was the fact that the long-run success and survival of any organization, especially in a turbulent environment like the one that is currently experienced in Kenya, depends entirely on how well management is able to forecast the future events that will affect its operations and thereby make strategic plans and decisions to counter them well in advance. The study was a survey of large manufacturing firms based in Nairobi. The required data was collected using a semi-structured questionnaire and analyzed and presented using frequency tables and proportions or percentages.

It was found from the study that in the overall, subjective methods of Forecasting are very familiar and used more regularly than quantitative ones. Of all the methods included in the survey, customer expectations was indicated as the most commonly used, while Box-Jenkins was indicated as the least familiar and least used.

With respect to forecasting time horizon for the methods used by the firms, customer expectations and sales force composite are used more for short and medium-terms, while jury of executives opinion is used more for medium term. Moving averages and trend-line projection/analysis is used most for medium-term and very less for short-term.

Concerning the reasons for using the various methods surveyed, most firms indicated that they use them mainly because they are easy to understand and less costly in development and application. The least important reasons were detailed analysis and enhancement of team spirit.

For the problems encountered in applying the methods used, rapid and inconsistent environmental changes was mentioned as the most serious, followed by inaccuracy of the methods. Difficulty in understanding and expensiveness in development were cited as the least serious problems.

The findings also indicate that production planning is the decision making situation that requires forecasting most. Sales analysis and materials resource requirements planning are other heavy users of forecasting, while logistics planning was indicated as the least user of forecasting.

On the basis of the findings of the study, it was recommended that the departments of management science in every institution take active role in enlightening the public about the existence and importance of using quantitative methods of forecasting in combination with the subjective ones.