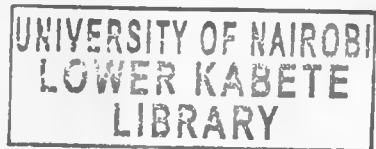


**STRATEGIC PLANNING PRACTICES AND PERFORMANCE OF
LARGE MANUFACTURING FIRMS IN KISUMU, KENYA**

BY

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**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT
OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS
ADMINISTRATION, SCHOOL OF BUSINESS , UNIVERSITY OF NAIROBI**

SEPTEMBER 2011

DECLARATION

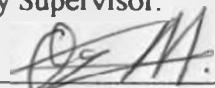
This management research project is my original work that has not been presented to any other University or Institution of higher learning for examination.

Signed 

Date 14/11/2011

MOSES OTIENO AYIEKO
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This management research project has been submitted for examination with my approval as the University Supervisor.

Signed 

Date 14/11/2011

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DEDICATION

My study is dedicated to my parents who nurtured my academic skills from a very tender age , though one of them has not lived to see the results of their work. My entire family deserve special recognition for their invaluable encouragement , support and continued prayers they offered me during the entire period of my study. THANK YOU AND MAY GOD BLESS YOU ABUNDANTLY.

ACKNOWLEDGEMENT

My first thanks go to the Almighty God for the gift of life and for giving me skills , knowledge , stamina and financial strength to complete this research paper.

Secondly , my special acknowledgement goes to my supervisor, DR. Martin Ogutu for his guidance and encouragement in undertaking this research project. His reviews and incisive ideas helped shape up this paper into a better finished work. Also special recognition goes to my project moderators, Mr. Jaleha (Coordinator , SOB, Kisumu) and Dr. Vincent Machuki who also shaped up this paper to be what it is.

My third acknowledgements goes to the firms , particularly the respondents without whose cooperation and responses , this paper could not have take off. I say thank you very much.

I also want to acknowledge Ebenezer Bookshop and Computer Bureau Management for the quality work they offered me throughout this course. Special mention here goes to Mr. Osunga. In addition , I want also to recognize the efforts of Madam Waseth and Mr. Keya for their positive critique of every stage of this project. Thank you very much.

Lastly , to all those whom I cant mention by name and contributed towards making this paper a success , I say THANK YOU VERY MUCH.

ABSTRACT

This study sought to determine the strategic planning practices adopted by large manufacturing firms operating in Kisumu , Kenya and their relationship to firm performance. This was a census study conducted on senior management of the target population. Descriptive study design was adopted by the researcher. Questionnaires were used as the main instruments for data collection.

Respondents from all the firms studied indicated that their respective organizations practice strategic planning , have strategic departments and have formal documentation of vision and mission statements. A correlation of strategic planning practices and key indicators of overall firm performance showed a high positive correlation co-efficient. It was concluded that strategic planning practices have a positive impact on firm performance.

The study recommends that all categories of employees be involved fully in strategic planning process to create firm ownership. All manufacturing firms were also suggested to be ISO-Certification compliant. The study recommended further research on informal planning practices and firm performance , a study of strategic planning practices on firm performance but carried in different set-ups.

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ABBREVIATIONS / ACRONYMS

ROI	- Return On Investment
SWOT	- Strengths , Weaknesses , Opportunities and Threats
EABL	- East African Breweries Limited
EAML	- East African Maltings Limited
CEO	- Chief Executive Officer
PEST	- Political , Economic , Social And Technological
LTD	- Limited
HODs	- Heads Of Departments
ISO	- International Standards Organization
r	- Correlation Co-efficient
X	- Independent Variable
Y	- Dependent Variable
\bar{X}	- Sample Mean of Independent Variable
\bar{Y}	- Sample Mean of Dependent Variable

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Superior performance of a firm is a pre-requisite to the attainment of the firm's long term goals. In order to achieve such a goal, a firm has to adopt strategic work patterns that sustain such aspirations. It is the magnitude and impact of such strategic work plans that gives rise to the need for strategic plans. All these require strategic decisions that also demand strategic choices. Strategic planning is a process that determines what results an organization intends to achieve in future and how it will be achieved. Strategic thinking can help keep the focus directed towards achievement of the short term and long term target(s) of a firm (Microsoft, 2005).

According to Cole (2006), strategic planning involves determination of objectives of an organization and prescribes the course of action needed to achieve them. Armstrong (1991) concludes that formal planning is valuable for firms and that formal planning is associated with better performance. Foley and Green (1989) also identify the need for adequate planning as the main attribute that contributes to success. Based on the above arguments, it does not matter how superb the strategic plans are. What really counts is how efficiently and effectively they are implemented to produce desired results.

1.1.1 Strategic Planning Practices

Strategic planning process involves formulation of vision and mission statement, performance of situational analysis and finally, strategy formulation and choice (Pearce and Robinson, 2008). It involves identification of the corporate mission and broad goals analysis of the organization's external competitive environment to identify opportunities and threats, analysis of the organization's internal operating environment to identify the organization's strengths and weaknesses and the analysis of company options by matching resources with the external environment (Hills and Jones, 1999). Clear objectives and directions of the organization make employees perform better in quantity and quality as they know what is expected of them and where the organization is going. Steiner (1998) and Bateman et al. (1990), asserts that evaluation and control is one aspect of strategic planning practices that focuses on actual performance of the firm and ensures that it is consistent with organization's roles, objectives and expected performance. It allows the organization to take corrective actions when the plans have been implemented improperly. Matzberg (1988) contend that an organization will hardly achieve its goal without strategic planning practices. He therefore holds that strategic formulation must

consider customer care , human resources, pricing strategy, information management system, quality control, technology and research and development. Ansoff (1988) argues that strategic decisions are primarily concerned with external, rather than internal problems of the firm and in particular the selection of the product mix which the firm will produce and the markets to which it will sell. The strategic problem is concerned with establishing a match between the firm and its environment or simply deciding what businesses the firm is in and what kind of business it seeks to enter. Aosa observes that a mismatch between the environment and the organization brought about by failure to respond to changes in the environment creates a strategic problem – which requires a strategic response (Ansoff & McDonnell, 1990). A strategic response is a set of decisions and actions that result into formulation and implementation of plans designed to achieve a firm's objectives (Pearce & Robinson, 1998).

Newman et al. (1989) , asserts that strategic planning by nature sets forth the mission of the company and that strategic plans guide managers on what to do and what not to do thereby serving as the rallying theme for co-ordinating the firm's diverse activities. Grant (2002) says that strategic planning is an important determinant of success in most areas of human activity, while according to Johnson and Scholes (2002), the process of planning strategy is universal to all organizations. Howe (1993) , contends that strategic decisions should only be made and implemented after the senior management of the organization has gone through the strategic decision making process which includes mission and objective identification , analysis of the environment , the organization analyzing its own internal capabilities , the business evolving a particular strategy and finally putting the chosen strategy into effect and monitoring its implementation in order to ensure the achievement of the organization's goals.

Although strategic planning is important to any profit motivated firm. What is even more important is how it is practiced in the firms that apply them. Many manufacturing firms keep on redefining their mission and vision statement, organize seminars and workshops and hire consultants to formulate strategies (Kamau, 2008). Yabs J. (2010) asserts that strategic thinking and decision making are the essence of strategic management and should be directed towards three fundamental issues. First , determining strategic direction and long term performance of the firm. Secondly, providing a set of managerial decisions and finally guiding the priority use of resources and internal managerial decisions.

Wheelan & Hunger (1995), argue that strategic planning practices are a set of managerial decisions and actions that determines the long range performance of a firm with emphasis being

put on the monitoring and evaluation of environmental opportunities and constraints and in light of a corporation's strengths and weaknesses. Pearce and Robinson (2002) see strategic planning practices as either being formal or informal. Formality refers to the degree to which participants, responsibilities, authority and discretion in decision making are specified in written or in official form. Hofer and Schendel (1978) argue that formal analytical tools and methodologies do help managers reach a better quality of strategic decisions, greater formality being positively correlated with success. Formal plan is a written documented plan developed through an identifiable process (Rue and Byars, 2009).

The informal strategic planning practices are not officially stated or written down. They are characterized by executive bargaining and negotiations building of coalitions and practice of "muddling through" (Hax and Mujluf 1996). Malik and Basu (1986) observe that strategic planners outperform non-planners by a wide margin in almost all financial indicators of efficiency. Formal strategic planning practices calls for the analysis of the key strategic factors, identifying the major strategic issues and generation of alternative strategies. According to Bateman (1990), strategic planning practices lead to customer focus, quality management, technology, strategy, research and development, production, operation strategy, human resource strategies and financial strategies.

1.1.2 Firm Performance

According to Leslie (2003) organization performance is tested against the commitment that the management made in its management system. It measures the management plans of whether social, economic and ecological goals are being achieved. For instance in the employment context, performance is the accomplishment of tasks that make up employee job. The term performance is the end result of activity. Performance management system aims at introducing a culture in both the public and private sector organizations that focuses on results rather than inputs and procedures. The emphasis on results necessitates a performance – oriented management culture that gives attention to the right values and behaviours.

The measurement of firm performance is therefore a crucial part of evaluation and control that a focused organization has to undertake. Which measures to select to assess performance however depends on the organizational unit to be appraised and the objectives to be achieved. Some measures such as return on investment (ROI) are appropriate for evaluating a corporation's or

division's ability to achieve a profitable objective. However, this measure is inadequate for evaluating additional corporate objectives such as social responsibility or employee development. Hence although profitability is a corporation's major objective, ROI can be computed only after profits are totaled for a period. This tells what happened after the act – not what is happening or what will happen. A firm, therefore, needs to develop measures that predict likely profitability (Sababu , B.M. 2007). Studies by Marr (2004) ; Ghalayani and Noble (1996) ; Kaplan and Norton (2001) and Kennerly and Neely (2003) indicate that performance measurement systems have evolved from the traditional uni-dimensional financial focused systems to strategic integrated systems that are flexible to the drastic changes in the environment.

Significant research and development into the field of performance measurement has seen practitioners, consultants and academicians develop various models, frameworks and methodologies such as balanced score card, the business excellence model , key performance indicators , performance measurement questionnaire , performance prism and competitive bench marking. Each bench mark purports to be unique yet each offers a different perspective on performance (Kaplan & Norton , 2001; Neely, 1999) ; Ghalayani & Noble 1996 ; Kanji 2002; Othieno 2006). Ittner and Larker (2003) note the complexity of business performance and advices that businesses that do not scrupulously uncover the fundamental drivers of their units of performance face several potential problems often ending up measuring too many things, trying to fill every perceived gap in the measurement system. The end result is a wild profusion of peripheral, trivial or irrelevant measures.

1.1.3 Large Manufacturing Firms in Kisumu, Kenya

The study will concentrate on the study of large manufacturing firms in Kisumu town West and Kisumu Town East constituencies that house Kisumu municipality. The concept of large manufacturing firms in this context refers to manufacturing organizations whose market share extend beyond the Province where the firm operates, whose category of revenue as specified by the Municipal council of Kisumu is Ksh. 1,500,000 and whose labour force is over one hundred (100) workers. Most large manufacturing firms in Kisumu are concentrated within the town sphere. However , the actual location of each depends on the nature of products and widely determined by the social effects such production has on surrounding society. Most large manufacturing firms operating in Kisumu deal in quite heterogeneous range of products that basically depend on local raw materials as input. By August 31st 2011 , the following were the main large manufacturing firms as sourced from the Municipal Council of Kisumu :- Mombasa

Maize Millers (Kisumu) , United Millers , Phoenix matches LTD , Spectre International Limited , Foam Mattresses Limited , Equator Bottlers Limited , Hayer Bishan Singh and Sons Limited , Abyssina iron & Steel Limited , Victorian Delight Limited.

From the above list , it is clear Kisumu town is well endowed with manufacturing industries that host several large firms and expected to keep to the profitability positions outlined above. The fast changing business environment in this lakeside town has had profound effect on continued operation of large manufacturing firms in the region. As a result , quite a good number of these large manufacturing firms have either collapsed or remain ailing over the last decade. It is on this basis that this project proposal is aiming at identifying these large manufacturing firms, their strategic planning practices and how such practices impact on the performance of the firms in question. It is also worth to note that the above firms have a revenue category of Ksh. 1,500,000 categorized by the Municipal Council of Kisumu as “large industrial plants.” It is also worth to note from the records provided by the Municipal Council of Kisumu that some companies own more than one industrial plant. For instance the United Millers have three industrial plants , Equator Bottlers Limited have two while Foam Mattresses Limited own four , making the total for large industrial plants in Kisumu , Kenya to be fifteen (15) as per the empirical records issued on 5th September 2011 from the Business register of 296/Municipal Council of Kisumu.

1.2 Statement Of the Research Problem

Strategic planning practices involves defining the organization’s vision and mission , environmental scanning , setting of objectives , generating strategic options and deciding on strategic methods of evaluation and controls. Organizational performance is about creating value for its primary beneficiaries. To achieve its desired goals and maximize profits , an organization has to follow the steps of corporate strategic planning. This procedure will ensure performance and help set a clear vision that enable the organization to avoid confusion between business activities. Strategic thinking and planning also assist firms keep the focus on the firm’s value creation rather than focusing on management tools or practices for their own sake. The firm will also achieve overall organizational performance in areas such as human resources, production, finance and marketing when it adopts strategic planning practices.

Most research studies carried in Africa (Kenya inclusive) have shown that large manufacturing firms apply strategic planning practices. However, these studies had concentrated in other

settings. Large manufacturing firms in Kisumu , Kenya are therefore assumed to conform to the findings of these earlier studies. Since large manufacturing firms in Kisumu, Kenya carry out strategic planning practices, they must have not been able to establish competitive advantage by positioning themselves in a unique manner in the market. We have cases of such large firms operating below their threshold targets or collapsing altogether. Most research carried on strategic planning practices have been limited to large formal corporate entities. Very little research has been done on the causal relationship between large firms and performance. Moreover , most of the studies have been done in developed foreign states. This is the gap this research study wish to fill. Studies by Otete (2003) found that formal strategic planning is practiced in public sector with top down communication channels while the government influenced strategic planning process. Other studies carried Mbaya (2001) , Aosa (2002) and Busolo (2003) commonly focuses on strategy practices in the industrial and private sector firms under different environments or settings.

Mitra (2001) and Kamau (2008) have done studies in strategic planning practices in Hotel , Tours and travel companies respectively but never covered strategic planning practices and performance in large manufacturing firms. It is worth to note that Kisumu town, Kenya is the only largest town in the republic with interior fresh water lake and hosting a sizeable population. It is therefore the concern of the researcher and the general public that firms of this region show consistency in their operations so as to offer employment opportunities to the dense population of the region and also produce enough of their products for local, regional and even national development. Also, most firms in the town use local raw materials. For instance, Spectre International , Kisumu uses locally grown sorghum, and United Millers use locally produced maize grains, among others. Inevitably, growth of these firms means development of the local area and creation of employment opportunities to the local communities.

The most profitable businesses have well thought out, well executed strategies. But the link between strategy and performance remained elusive. It has not been possible to establish a causal relationship between strategy and company performance.

Does Strategic planning Improve Company performance? Long Range Planning, 19(2) , April solidifies the fact that the relationship between strategic planning and performance is yet to be established. Studies linking strategic planning and performance are inconclusive. More research needs to be done in this area.” But there are a range of potential advantages to be gained from

utilization of strategy planning practices (Greenley G. (1986). From the foregoing arguments , we raise the question:-

What role does strategic planning practices play in the performance of large manufacturing firms operating in Kisumu , Kenya?

1.3 Objectives Of The Study

The research study will be guided by the following objectives:-

- i. To establish the strategic planning practices adopted by large manufacturing firms in Kisumu, Kenya .
- ii. To determine the influence of strategic planning practices on performance of large manufacturing firms in Kisumu , Kenya.

1.4 Values Of The Study

The findings of this research study will be beneficial to the following groups in decision making:- firstly, academicians and scholars who will be able to explore more on existing knowledge gap created by the research study while at the same time adding on the same. This will be based on recommendations made by the researcher as well as the study's limitations.

Secondly, the government and the business community will have a parameter within which to establish organizational performance which consequently will lead to reduced costs initially incurred through bottlenecks and bureaucratic practices in administration and management of institutions.

Thirdly, policy makers at all levels of the economy will also use the performance measurement tool in question to forecast the future with certainty and optimism thereby reducing unnecessary initial overlaps in budgets and in manpower training.

Fourthly, the venture capitalists and practitioners will use the research findings to explore on more innovative entrepreneurial practices leading to new insights into the world of business and lastly, the business community will use the research models and parameters to determine firm profitability hence make informed decisions.

CHAPTER TWO : LITERATURE REVIEW

2.1 Concept of Strategic Planning

According to Cole (2006), strategic planning involves determination of objectives of an organization and prescribes the course of action needed to achieve them. Kotler P. et al (2009) argue that companies must focus on the customer by responding actively to changing customer needs and develop well staffed marketing departments with other departments accepting the concept that the customer is the king. They strongly recommend the use of strategic planning practices through marketing plans. Robinson et al. (1984), argued that formal strategic planning is a conceptual activity suited solely to large firms and therefore has no effect on the financial performance of small firms. Greenley (1986) agreed with Robinson et al. (1984) but provided an alternative perspective. He asserted that there may not even be a positive relationship between planning and performance. Greenley specifically noted the validity of the planning – performance linkage, but, reports that existing empirical data has not substantiated the relationship.

The concept of strategy, in the views of Jauach and Gluek (1984) is a unified comprehensive and integrated plan relating to the strategic advantages of the firm to the challenges of the environment. It is fundamental in the planning process as strategic decisions influence the way organizations respond to their environments. Hence the underlying concept of strategic planning is “strategy”. Ohmae, (1983) explains the meaning of strategic planning when he states that business strategy is about competitive advantage. He contends that the main purpose of strategic planning is to enable a firm to gain as efficiently as possible a sustainable edge over its competitors. Thus strategic planning involves an attempt to alter a company’s strength relative to that of its competitors, in the most efficient and effective way. It focuses on the direction of the organization and actions necessary to improve its performance. It is the process by which firms derive a strategy to enable them anticipate and respond to the changing dynamic environment in which they operate (Hewlett , 1999)

Strategic planning can be seen as more of a thought process, an intellectual exercise , rather than a prescribed set of processes , procedures, structures or techniques. It is the systematic and more or less formalized effort of a company to establish basic company purposes, objectives, policies and to develop detailed plans to implement policies to achieve objectives and basic company

purposes (Steiner , 1979). Strategic plans are synonymous to business policies. According to Wheelen and Hunger (2007) , business policy and strategic management are integratively defined as a process that involves four basic elements namely:- environmental scanning , strategy formulation , strategy implementation and strategy evaluation and control. The strategy making function of managers consist of various tasks or practices of developing a concept of the business and forming a vision of where the organization needs to be headed , infusing the organization with a sense of purpose , providing long term direction and establishing a mission , converting the mission to specific performance objectives , crafting a strategy to achieve the targeted performance , implementing and executing the chosen strategy efficiently and effectively and finally evaluating performance , reviewing the situation , and initiating corrective adjustments in mission , objectives , strategy in light of actual experience , changing conditions , new ideas and new opportunities, (Thompson and Strickland , 1993).

Strategic planning, in the above views can be defined as a systematic process through which an organization agrees on , and builds commitment among stakeholders to priorities which are essential to its vision and mission and responsive to the operative environment. The process is strategic because it involves choosing how best to respond to circumstances of a dynamic and sometimes hostile environment. The process of strategic planning involves situational analysis , development of objectives, development of strategies and development of appropriate budgets , reward systems , information systems , policies and procedures (Muriuki, 2005). As a management tool, strategic planning is the process in which top management takes control of the planning process through formation of “strategic planning staff” units, whose task is to develop strategic plans for the corporation. Annual management tools of senior executives at 708 companies revealed the most popular tools as strategic planning (Bain & Company, 2003).

Ansoff and McDonnel (1990) says that strategic planning is a process that involves the review of market conditions , customer needs , competitive strengths and weaknesses , socio-political , legal and economic conditions , technological developments and the availability of resources that lead to specific opportunities or threats facing the organization (Donnelly et al. , 1992) . Grant (1998), states that the strategic planning process involves decision making about long-term goals and strategies, hence has a strong external orientation.

Kaplan and Norton (2004) asserts that strategic planning is a step-by-step process with definite objectives and end products that can be implemented and evaluated. It is a process by which we look into the future, paint a picture based on current trends and influence the forces that will

affect us. It looks three to five years ahead and charts a definite course based on strong indicators of what the business environment will be in those years.

2.2 Strategic Planning Process and Practices.

Strategic planning is the process of determining what results an organization intends to achieve in future and how it will achieve them. It involves asking one self the following questions: - where are we now? Where do we want to be? How do we get there? The strategic planning process is about building commitment. It encourages engagement of stakeholders in policy making process, allowing disagreements where appropriate and allows consensus to be built. The strategic planning process involves environmental scanning, definition of company's vision, mission statement and objectives as well as strategy formulation, strategy implementation and strategy evaluation and controls. Various scholars however hold to the fact that the strategic planning process is more unintended as advanced by Mintzberg (1978), incremental as advanced by Lindbolm and Quin (1978) and political as advanced by Fahey (1981).

The process can be broken down into the following sub-steps:- identification of the corporate mission and broad goals analysis of the organization's external competitive environment to identify opportunities and threats, analysis of the organization's internal operating environment to identify the organization's strengths and weaknesses and finally analysis of the company options by matching resources with the external environment (Hill & Jones, 1999). The mission statement broadly outlines the organization's future course of action and serves as a guiding concept. The Management's vision of what the organization seeks to do and to become over long term refers to the organization's mission (Thompson & Strickland, 1989). Wheelan & Hunger (1995) define an organization's mission as the purpose for the organization's existence.

Pearce and Robinson (1997) advance that the mission of a company is the unique purpose that sets it apart from other companies of its type and identifies the scope of its operations. Hence the mission describes the company's product, market and technological areas of emphasis in a way that reflects the values and priorities of the strategic decision makers. Thompson (1993) on the other hand says that the organization needs direction in terms of where the strategic leader wants to go and how he/she would wish it to develop. This is really the mission of the organization, a visionary statement concerning the future. It is likely to be stated broadly and generally and it is unlikely that it can ever be achieved completely. Improvement in the overall situation towards the stated mission is the appropriate measure of performance by an organization.

Pearce and Robinson (1991) identify various formal environmental analyses including. Porters Forces model, Strategic group analysis, strengths – weaknesses – opportunities and threats (SWOT) analysis as well as political, economic, social and technological (PEST) aspects of the environment. Value chain and functional analyses are identified as formal internal environment analyses. Cope (1989), argues that to understand the behavior of an organization, you must understand the context of that behavior. Organizations are inescapably bound up with the conditions of the environment. Indeed, it has been said that all organizations engage in activities which have as their logical conclusion adjustments to the environment.

Ansoff (1987), suggests that the environment should be analyzed in terms of competition and entrepreneurship. The competitive environment is affected by structure and profitability- the intensity of competitive rivalry and the degree of differentiation, market growth, the stage in the life of the products or services in question and the frequency of new products launches, capital intensity and economies of scale. Certain of these factors, namely the market growth, the stage in life of the product and profitability also help to determine the extent to which the environment is entrepreneurial. Changes in structure and technology, social pressures and innovation are also influential.

Objective setting is only one of the functions of the senior management in an organization, along with strategic decision making. Without these two roles of the management, many of the other functions of senior management become pointless. Without a well considered, communicated and verifiable set of objectives, positive management of the organization, including management by objectives becomes impossible. Hence every organization should commence its strategic planning process with a set of objectives incorporating financial or accounting targets which it wants to achieve as well as broad and long-term view of the product-market area(s) in which the firm is to operate (Howe, 1993).Thompson and Strickland (1989) advance that the act of setting formal performance objectives not only converts an organization's mission and direction into specific performance targets to be achieved but also helps protect against drift, confusion over what to accomplish and a toleration of undemanding results. They further argue that objectives give an organization something to shoot for, something specific to achieve.

Keith (1998), provides an insight into the concept that managers will still tend to use gut feeling and intuition in selecting the strategy of the firm. They argue that small firms tend to be less formal in their choices of strategy and that strong personality of the founder will tend to decrease formality in the decision making process. Generally, as a management discipline, Pearce and

Robinson contend that strategic management must involve the managerial activities of planning, directing, organizing and controlling of the firms actions and decisions by management.

The long term accomplishment of a company's overriding goals is enabled through the construction and careful maintenance of success potentials (Grunig and Kuhn, 2006). Strategic planning is thus not only concerned with optimizing success during the planning period itself, but also focuses on the investments and efforts required to ensure preservation of success potentials and build new ones as well. This guarantees success during and beyond the planning period.

The main components of strategic planning include; objective setting, establishing a company's mission, determination of a firm's external opportunities and threats, developing alternative strategies among others. Wheelan & Hunger (1995), argue that strategic planning practices are a set of managerial decisions and actions that determines the long range performance of a firm. Emphasis is put on the monitoring and evaluation of environmental opportunities and constraints, in light of a corporation's strengths and weaknesses. Ansoff (1988) argues that strategic decisions are primarily concerned with external, rather than internal problems of the firm and in particular the selection of the product mix which the firm will produce and the markets to which it will sell. The strategic problem is concerned with establishing a match between the firm and its environment or simply deciding what businesses the firm is in and what kinds of business it seeks to enter.

Pearce and Robison, (2002) see strategic planning as either being formal or informal. Formality in strategic planning refers to the degree to which participants, responsibilities, authority and discretion in decision making are specified in written or in official form.

Hofer and Schendel (1978) argue that formal analytical tools and methodologies do help managers reach a better quality of strategic decisions. Greater formality has been positively correlated with correlated success. Thompson and Strickland (1989) report that formal strategic planning usually produces a strategic document plan. Research by Gluck et al. (1980) proposes that , as top managers attempt to deal with their changing worlds , strategic planning within a firm evolves through four sequential phases:-Phase 1 - basic financial planning by seeking better operational control through the meeting of budgets; Phase 2 - forecast based planning (Long range planning) concerned with seeking more effective planning for growth and trying to predict the future beyond the next year; Phase 3 - externally oriented planning (Strategic

planning) which involves seeking increased responsiveness to markets and trying to think strategically and phase 4 - strategic management which seek to manage all resources by developing competitive advantage and to help create a successful future.

Ansoff and McDonnel (1990) argue that the evolution of general management is in response to the decreasing familiarity of events and the decreasing visibility of the future. In response to increasing turbulence in the environment, systems have been forced to become progressively more responsive and more complex. As the turbulence levels changed, management developed systematic approaches to the handling of the increasing unpredictability, novelty and complexity. As the future becomes more complex, novel and less foreseeable, systems become correspondingly more sophisticated, each complimenting and enlarging upon the earlier one. Denning and Lehr (1972), argue that the introduction of formal systematic corporate long-range planning is a managerial response to two separate sets of needs of which one is strategic. They report a strong positive relationship between the introduction of long range planning and a high technological change, size of company, capital intensity and complexity.

Malik and Basu (2002), advance that the principal duty of the chief executive officer is often defined as giving long term direction in the firm. The chief executive officer is ultimately responsible for the success of the business and therefore its strategic planning practices. From the foregoing arguments, strategic planning practices are viewed as components of strategic planning processes. It is therefore imperative what goes on in the strategic planning processes are in one way or another the strategic planning practices hence objective setting , establishing of a company's mission and vision , determination of a firm's external opportunities and threats , determination of a firm's internal strengths and weaknesses and developing alternative strategies among others, which have been looked at above are in fact inferred as strategic planning practices.

2.3 Firm Performance

Organizational performance is about creating value to the organization's beneficiaries. It is the end result of an activity geared towards achievement of company goals and objectives. According to Kootz (2006), organizational performance is surrounded around the achievement or accomplishment of goals and objectives of the organization. Armstrong (2006) contends that financial achievement leads to an increase in profitability and hence increased shareholders' wealth. Non-financial achievement measures objectives that have direct bearing on financial

outcome but cannot qualify in monetary form such as the re-engineering processes. According to Cole (2004), organization performance can be measured in terms of efficiency and efficacy.

Ranchman (2006) looks at a performance indicator as a measure of performance criteria. It measures direction and extent of achievement in terms of cost reduction or savings compliance with business plan. Sagimo (2002) measure performance with completion rate, output like completion of a report customer satisfaction, safety measures implementation and incidences of reduction of corruption.

Microsoft (2005), measures performance in terms of service delivery. The service delivery can be in terms of adhering to the promises and charters. For instance, if an organization's major objective is to maximize the shareholder's wealth by 5%, then at the end of the trading period, the performance value will be measured in terms of how this has been delivered considering that quality of the product is not compromised. Studies by Marr (2004) ; Ghalayani and Noble (1996) ; Kaplan and Norton (2001) and Kennerly and Neely (2003) indicate that performance measurement systems have evolved from the traditional uni-dimensional financial focused systems to strategic integrated systems that are flexible to the drastic changes in the environment.

Significant research and development into the field of performance measurement has seen practitioners, consultants and academicians develop various models, frameworks and methodologies such as balanced score card, the business excellence model, key performance indicators, performance measurement questionnaire, performance prism and competitive bench marking. Each bench mark purports to be unique yet each offers a different perspective on performance (Kaplan & Norton, 2001; Neely (1999); Ghalayani & Noble 1996; Kanji 2002; Othieno 2006).

Ittner and Larker (2003) note the complexity of business performance and advices that businesses that do not scrupulously uncover the fundamental drivers of their units of performance face several potential problems often ending up measuring too many things, trying to fill every perceived gap in the measurement system. The end result is a wild profusion of peripheral, trivial or irrelevant measures. It is therefore important to note that firm performance is crucial for a firm's continuity. Two performance indicators can be cited here that can be used to test the objectives of this research proposal: (a) Financial indicators which according to Armstrong (2006) leads to an increase to a firm's profitability and include: (i) pretax profit derived by deducting total expenses from total operating income. Total operating income is

derived by deducting interest expense from interest income. Total expenses include board members' allowances, staff costs, administration costs, depreciation and doubtful debts. Pre-tax profit is expected to increase overtime. (ii) Return On Investment (ROI) which is a performance measure used to evaluate the efficiency of an investment. It is given by dividing pretax profit with capital employment. ROI is expected to be positive for a performing firm. (iii) Development Index which is a ratio of development expenditure over recurrent expenditure. It is given by dividing development expenditure with recurrent expenditure. Development expenditure results in the creation of fixed assets. Recurrent expenditure on the other hand consists of wages, salaries, purchases of goods and services and consumption of fixed capital (depreciation). Development index is expected to increase overtime. (b) Non financial indicators according to Armstrong (2006), measures objectives that have direct bearing on financial outcome but cannot qualify in monetary terms. They include: (i) Re-engineering of business processes to create an efficient organization. (ii) Achieving a sustainable financial base to ensure a financially sound organization. (iii) Strengthening the firm's human resource base in order to focus on new business priorities. (iv) Developing a positive corporate image so as to foster understanding and appreciation of the corporation. (v) Developing and offering innovative and market driven products.

2.4 Strategic Planning Practices and Firm Performance.

Research studies attempting to measure the connection between strategic management and corporate performance have found mixed reactions. A study by Ansoff found that organizations that engaged in strategic planning outperformed those that did not, a study by Sababu (2007) showed that formal strategic management systems significantly influenced organizational performance. But studies by Reu, Leontiades (1986) and others found that there were no any returns or benefits from strategic planning. Other studies have also revealed that some organizations have been successful without any formal strategic management systems. This means the relationship between firm strategic planning efforts and firm performance have so far received considerable attention. However, despite the large number of studies examining this relationship, the results have been inconclusive, with findings ranging from positive relationships to negative relationships and to no relationships. A number of researchers have attempted to understand these contradictory findings:-

Armstrong (1982) published one of the first such papers and analyzed 14 studies which generally supported the hypothesis that formal planning was useful but. noted that there were serious

research problems with the studies. He was concerned with the lack of description or definition of the strategic planning process provided to the study subjects. He therefore concluded that without a description of the planning techniques, it is not possible to assess the value of planning in a scientific manner. Pearce, Freeman and Robinson (1987) also concluded that the evidence that formal strategic planning enhances a firm's financial performance is inconsistent and often contradictory. They had concerns about the methodology's limiting impact on the researchers' ability to understand the effect of strategic planning on performance. They were concerned about the lack of consistent definition of strategic planning, how the strategic planning construct was measured and the impact of corporate context and the factor of business size.

Venkatraman and Grant (1986) noted that there is no widely accepted definition of strategy and that the inability to measure the strategic planning construct has hindered research attempting to identify substantive relationship between independent and dependent variables. Boyd (1971), based on the results of his meta-analysis of 21 studies, published between 1970 and 1988, including 29 samples and 2,496 organizations, concluded that there were modest positive correlations between strategic planning and financial performance. He was however concerned with the significant measurement errors in these studies and concluded that this most probably resulted in an underestimate of the true strategic planning – performance relationship.

Miller and Cardinal (1994) concluded that planning was found to be strongly and positively related to growth in studies in which industry effects were controlled, an informant source of performance data was used, planning was defined as not requiring written documentation and the quality of the assessment strategy was high.

A study by Sarason and Tegarden (2003), focused on the configuration theory and firm's resource based view to understand the relationship between strategic planning and the firm's performance. The findings also provide partial support for a positive relationship between strategic planning and performance. However, their conclusion was that this relationship is moderated by organizational stage of development and that it is beneficial to early stage firms. The underlying premise of these conclusions are based on the development competitive advantages provided by the structure and the future thinking incorporated into the strategic process and the non-sustainability and erosion of these advantages in late stage firms, whose processes are more prone to imitation. Thune and House (1970), contends that companies that engage in formal long range planning have historically outperformed informal planners. It would be naïve to conclude that formal planning is the sole cause of success in firms, as other

management practices may as well contribute to success. It is only more likely that formal planning is a characteristic of a well managed firm than the single cause of successful performance.

Porter, M. (2004), asserts that given that the business environment is complex, dynamic and competitive, business organizations needs to strategize and use strategic planning practices in order to establish and position themselves strategically in the market. According to Loabby (1987), strategic planning provides all employees with clear objectives and directions to the future of the enterprise. Strong incentives, unified opinion, no conflicts, control and evaluation basis and others are the positive effects of strategic planning.

CHAPTER THREE : RESEARCH METHODOLOGY

3.1 Research Design

The research design can be understood as the planning of any scientific research right from the first to the last step. It can also refer to the specification of the most adequate operations to be performed in order to test a specific hypothesis under given condition. A research design can be thought of as the structure of the research, the glue that holds all of the elements in a research project together. It structure the research to show how all of the major parts of the research project work together to try to address the central research questions. Orodho (2003), defines it as the scheme, outline or plan that is used to generate answers to research problems. This study seeks to test the link between strategic planning practices and performance of large manufacturing firms of Kisumu , Kenya.

This is a cross sectional survey study covering all large manufacturing firms in Kisumu , Kenya. The study will hence adopt descriptive survey technique to collect data for testing the research objectives of large manufacturing firms in Kisumu, Kenya and would adequately address the study questions of the strategic planning practices adopted by large manufacturing firms in Kisumu and how such strategic planning practices influence performance of such firms. Descriptive study designs are not only restricted to fact findings, but may often result in the formulation of important principles of knowledge and solution to significant problems (Kerlinger, 1969). It will also allow the researcher to carry out interview and administer a questionnaire on the target population which is large manufacturing firms operating in Kisumu, Kenya.

The descriptive survey, in this context, is a method of collecting information by interviewing or administering a questionnaire to a sample or population of individuals (Orodho, 2003). It can be used while collecting information about people's attitudes, opinions, habits or any of the variety of education or social issues (Orodho & Kombo, 2002). A descriptive study or formal study has been described by Cooper and Schindler as a study typically structured with clearly investigative objective. The design was applied by Chong (1998) in his study on predicting financial distress in Malaysian firms. The descriptive study design allows the researcher to make speculation, on the basis of the literature and any other earlier evidence as to what they expect the research findings to be (Taliani, 2010).

3.2 Target Population

The study population comprise of 15 large manufacturing firms operating in Kisumu, Kenya as sourced from the Municipal Council of Kisumu on August 31st , 2011. It composed of varied categories of firms involved in different lines of production, with only a few producing similar products. These features allow for adequate investigation of the research problem hence choice of the target population. The target population also had a heterogeneous demographic , considering the type , size and class of the targeted manufacturing firms. This created greater diversity and differences in the target population hence allowing for more reliability of the study. The population size was fifteen large manufacturing firms operating within Kisumu, Kenya. The size of each member of the population was dictated by policy, financial and other factors arising from within and without the business firm under study.

3.3 Sample Design

This study captured all the large manufacturing firms operating in Kisumu as it is a census study. The researcher administered questionnaire on the target population through the Chief Executive Officers who are the respondents by virtue of their positions in their respective firms. (Refer to table 1.0 in the Appendix 3 for further clarification)

3.4 Data Collection

Data in research refers to gathering specific information aimed at providing or refuting some facts. The respondents of this study were chief executive officers of the respective firms. The chief executive officers were the most suitable category of workers to provide the accurate data given their hierarchical positions in the identified firms. The study relied on both primary and secondary data collected using questionnaire and from records kept over the years respectively. The questionnaires were dropped and later collected for data analysis.. More information was also be retrieved on request from the records of the Municipal Council of Kisumu and Kenya Bureau of Statistics to supplement the secondary data acquired from the firms under study.

3.5 Data Analysis

In order to test the statement of the problem adequately, this study used statistical parameters like , mean scores, correlation and regression analysis. Given the objectives achieved and the question addressed, the research study relied on either simple correlation co-efficient which is

a statistical measure of the co-variation or association between two variables. The formula for calculating the correlation coefficient for say two variables x and y is given by:-

$$\frac{\Sigma (x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\Sigma (x_i - \bar{x})^2 \Sigma (y_i - \bar{y})^2}}$$

(Source : Harper, W.M. (1991). Correlation. (6th Edition) , Statistics (p.173).U.K : Pearson Education Limited)

Where symbols \bar{x} and \bar{y} represents sample means of x and y respectively OR

regression analysis which gives a measure of linear association that investigates straight line relationship of the type $Y = \alpha + \beta X$ where y is the dependent variable, x is the independent variable and α and β are two constants to be estimated. Here, use of least squares method of regression analysis is ideal. To compute estimated values of α and β , the following formulae will be used:-

$$\beta = \frac{n (\Sigma xy) - (\Sigma x) (\Sigma y)}{n (\Sigma x^2) - (\Sigma x)^2}$$

and $\alpha = \bar{Y} - \beta \bar{X}$

where β = estimated slope of line

α = estimated intercept of y axis

Y = dependent variable

\bar{Y} = mean of the dependent variable

X = independent variable

\bar{X} = mean of independent variable

n = number of observations.

(Source : Harper, W.M. (1991). Correlation. (6th Edition) , Statistics (p.173).U.K : Pearson Education Limited)

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

The research study aimed at assessing two objectives; strategic planning practices and their relationship with performance of large manufacturing firms operating in Kisumu , Kenya. The chapter used descriptive survey design while the main instrument for data collection was questionnaire with structured questions. The findings and interpretations were categorized based on the above study objectives. The research targeted fifteen (15) large manufacturing firms operating in Kisumu of which the research managed to collect data from only thirteen (13). The chapter gives responses from the senior management of the target population and start by analyzing the general information about them , their strategic planning practices and finally their performance.

4.2 a) Response Rate.

From the 15 large manufacturing firms operating in Kisumu and visited by the researcher , two firms stated that they did not wish to participate in the research. Data collected from respondents were therefore from 13 large manufacturing firms out of the 15 targeted. This represents 86.7% participation rate of the firms as shown in the table 4.1(a)

Table 4.1 (a) Response Rate

Response Rate	Frequency	Percentage
Did not respond	2	13.3
Completed questionnaire fully	13	86.7
Total	15	100

(Source : Research data , 2011)

4.2 b) Background Information

The study sought to know ownership of each of the firms under study. They were all indicated as private companies by their respective respondents. On number of years the firms have been in operation, two (2) were cited to have been in operation below 10 years, one between 10-19, two to have been in operation between 20-29 years, five have been in operation between 30 – 39 years while three were cited to have been in operation between 40 to 49 years. This is tabulated as shown in table 4.1 b) below

Table 4.1b) Number of years in operation

Years	No. of companies	% No
0 - 9	2	15.38
10 - 19	1	15.38
20 - 29	2	7.69
30 - 39	5	38.46
40 - 49	3	23.08
Total	13	100

(Source : Research data , 2011)

Respondents were also asked to state whether their firms have strategic planning departments and 11 out of 13 responded Yes while 2 responded No as indicated below in table 4.2

Table 4.2 Number of firms with strategic planning departments and those without

Response	No. of firms	% Response
Yes	11	84.61
No	2	15.38
Total	13	100

(Source : Research data , 2011)

This confirms that the firms under study practice formal strategic planning. On number of employees working in each of the firms studied, the following gives the respondents' responses as shown in table 4.3 below.

Table 4.3 Number of employees working in each of the firms studied.

No. of employees between	No. of firms	%
Below 200	3	23.08
200 – 299	4	30.77
300 – 399	2	15.38
Over 400	4	30.77
Total	13	100

(Source : Research data , 2011)

The table indicates that all firms have over 100 employees spread in various management categories. On annual sales turnover , the following responses were given by respondents as tabulated in table 4.4

Table 4.4 annual sales turnover in millions Kenya shillings

Sales turnover (In Millions p.a)	No. of firms	% Response
Below 50	2	15.38
51 – 75	1	7.69
Over 100	10	76.92
Total	13	100

(Source : Research data , 2011)

It is clear from the above last two tables that over 75% of firms have a turnover above 100 million Kenya shillings and over 200 employees. This confirms the size of firms studied. The respondents were asked to give the predominant caliber of senior management staff (from HODs to CEO) in their respective firms. The outcome were as shown in table 4.5 below :-

Table 4.5 Calibre of workers in the studied firms

Calibre of worker	Frequency	%
No technical and management training	0	0
Technical specialists without management training but <i>with</i> experience	3	23.08
Technical specialists with management training	10	76.92
Others	0	0
Total	13	100

(Source : Research data , 2011)

From table 4.5 majority of senior management have technical skills with management training. This constitutes about 77% of workers employed by the 13 large firms studied.

From the background information of the firms studied , it is evidenced that they are large in size hence worth to be used to test the objectives of this study. In this study , large firms have over 100 employees and capital base of Ksh. 1,500,000 .

4.3 Strategic planning practices

The first objective of the study was to find out strategic planning practices adopted by large manufacturing firms in Kisumu. The questionnaire had various indicators to measure this as explained in the foregoing sections.

4.3.1 Vision And Mission

Respondents were asked to indicate whether their firms are actively involved in strategic planning practices or not. Respondents in all the thirteen (13) firms studied confirmed active participation of their respective firms. This is a 100% active participation and involvement of the firms studied in strategic planning practices. Respondents of the respective firms also confirmed that formal documentation of vision and mission statements exist in their firms. Asked to state how their vision and mission statements were developed , respondents from ten firms gave by consensus , respondents from one firm gave by benchmarking , while respondents from two of the firms gave both by benchmarking and consensus. This can be represented in percentage as shown in table 4.6 below .

Table 4.6 : How vision and Mission statements are developed.

Development of Vision & Mission Statement	Number of firms	% Involvement
Benchmarking	1	7.69
Consensus	10	76.90
Inherited	0	0
Benchmarking and Consensus	2	15.38
Total	13	100

(Source : Research data , 2011)

Respondents were also asked to state a combination of those involved in formulation of their respective company's vision and mission. The table 4.7 below shows their responses.

Table 4.7 : Those involved in formulation of company vision and mission statement.

Authority Combination	Number of firms	% Involvement
CEO , Directors , shareholders , staff	2	15.38
Consultants , Directors , CEO & Staff	1	7.69
Directors , shareholders & consultants	1	7.69
Staff and Directors	4	30.77
CEO , Directors , consultants & shareholders	3	23.08
Directors and shareholders	2	15.38
Total	13	100

(Source : Research data , 2011)

It is clear from the table that senior directors cut across the important role of formulating company mission and vision. When finally asked to state how often the vision and mission statements of their respective firms are reviewed , five respondents gave annual review of their firm's vision and mission statements , three gave five year review period , three gave others (as need arises) while two said their vision and mission statements are still at their initial stages. This information is represented in table 4.8 below.

Table 4.8 Frequency of Vision and Mission statement

Period	Number of firms	% Involvement
After every 5 years	3	23.08
Annually	5	38.46
Semi-annually		0
Quarterly		0
Others (as need arises)	3	23.08
Initial stages	2	15.38
Total	13	100

(Source : Research data , 2011)

Table 5.0 Involvement in SWOT Analysis

Analysis	Total	Mean	% Involvement
Senior management	60	4.62	92.31
Consultants	46	3.54	70.77
Heads of Departments	47	3.62	72.31
Employees	41	3.15	63.08
CEO	46	3.54	70.77

(Source : Research data , 2011)

Table 5.0 shows that senior management , HODs , CEOs and consultants lead the pack in the involvement in the SWOT analysis to a great extent with mean scores of 4.62 , 3.62 and 3.54 respectively. Employees' involvement follow to a moderate extent with a mean score of 3.15. what this implies is that senior management and consultants are directly involved in strategic planning practices hence custodians of company information.

When asked to outline what they consider to be their company's strengths , most companies quoted competent human capital , modern technology , large market share and quality products as the main strengths. A few others quoted cash flow and lines of credit , experienced staff and staff empowerment and motivation through training and incentives. On weaknesses , the majority of the respondents cited interdepartmental conflicts , loss of experienced staff , non paying contracts or clients , lack of market intelligence , lack of innovativeness and inadequate external environmental scanning among others. These responses justify the ownership of the firms and explains why quite a good number of firms have collapsed over the past decade. Respondents were also asked to give , among analysis of the external environment , analysis of internal organizational environment , choosing the appropriate strategy and developing strategies to achieve the strategic objectives of the company , a combination of strategic planning processes their respective firms undertake. The outcome is detailed in table 5.1 below.

Table 5.1 Steps in strategic planning process.

Combination of steps	Frequency	% undertaking
Analysis of the external environment and analysis of internal organizational environment	2	15.38
Developing strategies to achieve the strategic objectives of the company.	1	7.69
Analysis of the external environment , analysis of internal organizational environment and developing strategies to achieve the strategic objectives of the company	3	23.08
Analysis of the external environment , analysis of internal organizational environment and choosing appropriate strategy	1	7.69
Analysis of the external environmental , developing strategies to achieve the strategic objectives of the company , analysis of internal organizational environment and choosing appropriate technology.	6	46.15
TOTAL	13	100

(Source : Research data , 2011)

It is evidenced that a combination of all the four steps provided is most undertaken by firms studied with 46.15% undertaking. This is followed by the combination of the first three strategic planning processes with 23.08% undertaking the combination of first two processes take 15.38 % undertaking while the third process and a combination of first two and fourth process take last position with 7.69 % undertaking. It is therefore clear that the first two strategic planning processes (analysis of the external environment and analysis of internal organizational environment) are key strategic planning processes. Finally , respondents were asked to state whom they communicate their strategies to in their respective firms. The outcome is tabulated in table 5.2 as shown below.

Table 5.2 Whom to communicate strategies to

Whom to communicate to	Frequency	%
Internally in the organization	4	30.77
Internally in the organization and externally to relevant bodies (financers , customers , business partners etc)	1	7.69
Externally to relevant bodies (financers , customers and business partners) and both internally and externally	2	15.38
Both internally and externally	6	46.15
TOTAL	13	100

(Source : Research data , 2011)

It is also clear from table 5.2 that majority of firms communicate their strategies both internally and externally with a 46.15% lead followed by internal communication with 30.77 % , then in all the given channels at 15.38% and least communication channels is internally in the organization and externally to relevant bodies (financers , Customers , business partners) at 7.69 %

4.3.3 Objectives

Respondents were asked to state whether their respective firms have a set of objectives. Table 5.3 gives the outcome of their responses.

Table 5.3 Firms with or without objectives.

Response	No. of firms	% Response
YES	12	92.31
NO	1	7.69
TOTAL	13	100

(Source : Research data , 2011)

This result shows that 92.31% of firms studied have a set of objectives while 7.69% have not. This is an indication that strategic planning practices is carried out in the firms studied. On being asked whether everyone is aware of the objectives , six respondents representing six firms responded Yes while seven responded No representing 46.15% and 53.85% respectively. This is given in table 5.4 below.

Table 5.4 Firms with everyone aware or Not

Response	No. of firms	% Response
YES	6	46.15
NO	7	53.85
TOTAL	13	100

(Source : Research data , 2011)

The response shows that in most firms studied not everyone is aware of the existence of company objectives This is an indication that all cadres of workers are not involved in mission and vision statement development.

Respondents were also asked to state to what extent the CEO , senior management , strategic planning groups , shareholders , consultant and employees influence the setting of objectives. They were required to use a 5-point likert scale where 5 = very influential while 1 = No opinion. The response are given in table 5.5 below.

Table 5.5 Effect of company members on setting of objectives.

Member	Percentage	Total	Mean
CEO	80	52	4.08
Senior management	84.62	55	4.33
Strategic planning groups	76.92	53	3.85
Shareholders	75.35	49	3.77
Consultants	72.31	47	3.62
Employees	73.85	48	3.69

(Source : Research data , 2011)

The result from table 5.5 shows that CEOs and senior management influences the setting of objectives most with mean scores of 4.08 and 4.31 respectively. Similarly , strategic planning groups , shareholders , employees and consultants follow with mean scores of 3.85 , 3.77 , 3.77 and 3.62 respectively implying they are least influential to setting of company objectives. Finally , asked to state any three of their corporate strategic objectives , the majority of the respondents representing their respective firms gave satisfaction of customers , shareholders and employees , production of high quality products , achievement of at least 10% annual growth , reduce overheads by at least 10% per year , increase market share by at least 5% per year nationally and to be leading producers in the region among others.

4.3.4 Strategic Choice

Respondents were asked to indicate whether informal planning process , timetable for preparation of plans , clear cut responsibilities for planning and existence of planning departments characterize their firm's planning process or not. The following responses were realized as shown in table 5.6

Table 5.6 Firm's planning process features

ANALYSIS	RESPONSES			
	YES		NO	
	Frequency	% Response	Frequency	% Response
Informal Planning Process	8	61.54	5	38.46
Timetable for preparation of plans	13	100	0	9
Clear cut responsibilities for planning	13	100	0	0
Existence of planning department	6	46.15	7	53.85

(Source : Research data , 2011)

From table 5.6 , is clear that timetables for preparation of plans and clear cut responsibilities for planning characterize features of the studied firms in their planning process with 100% response rate. Informal planning process also account for 61.54% of the planning process characteristics while existence of planning departments account for 46.15%. This shows that even where strategic planning practices are carried , some elements of informal planning is necessary for completeness. Also existence of planning departments add value to firm's management system and should be constituted in large enterprises.

Respondents were also asked to state how strategic planning communicated across their organizations. The result is as tabulated below in table 5.7

Table 5.7 . Methods of communication strategic planning

Medium	Frequency	% Response rate
Circulars	9	69.23
Word of Mouth	3	23.08
Others	1	7.69
TOTAL	13	100

(Source : Research data , 2011)

It can be seen that the main channels of communication in order of priority are use of circulars representing 69.23% , word of mouth representing 23.08% and use of E-mail representing 7.69%. Hence use of circulars still dominate large enterprises. Also, respondents were asked to indicate the extent to which political factors , legal developments , economic , technological changes , socio-cultural trends and others are considered in the strategic formulation process of the studied firms. A 4-point likert scale was used where 4 = great extent and 1 = not at all. The responses are shown in table 5.8 below.

Table 5.8 Extent to which the Factors stated below are used in the strategic formulation Process

	Percentage	Total	Mean Score
Political factors	69.23	38	2.69
Legal developments	84.62	44	3.38
Economic	98.08	51	3.62
Technological changes	92.31	48	3.69
Socio-cultural trends	48.08	25	1.92
Others	38.46	20	1.54

(Source : Research data , 2011)

It is evident from the table 5.8 that technological changes , economic and legal developments are highly considered in strategic formulation process with mean scores of 3.69 , 3.62 and 3.38 respectively representing moderate extent in strategic formulation process. On the other hand , political factors , socio-cultural trends and other factors which have mean scores of 2.69 , 1.92 and 1.54 respectively representing little extent and not at all in the strategic formulation process. Finally, when respondents were asked to indicate the year their respective organizations first developed strategic planning , the following responses were given as shown in table 5.9.

Table 5.9 Development of first strategic planning

Questionnaire Number	Year first strategic planning was developed
V/ 003	2010
H.B /008	1980
SHS / 013	1990
B / 001	1980
U / 005	1995
A.B/ 012	2005
U / 006	1986
T.S / 009	1990
F / 004	2010
E / 007	1970
E / 002	1988
M.H / 010	1980
S.P / 011	2009

(Source : Research data , 2011)

It is evident that most firms have lived with strategic planning for at least ten years. To have gone through the period 1975 – 1985 when there was widespread dissatisfaction with strategic management , it is indicative that strategic planning has some gain to organizational performance.

4.4 Firm Performance

4.4.1 Perceived Organization Performance

Respondents were asked to rate over a 5 year period their organizations' performance compared with other organizations involved in some kind of business based on such attributes as quality products or services , development of new products or services , ability to retain essential employees , ability to attract essential employees , ability to attract essential employees , relationship among employees , satisfaction of customers and retention of customers. They were

to use a 5 – point likert scale where 5 = very good and 1 = very poor. The responses are shown in table 6.0

Table 6.0 Perceived Organizational Performance in relation to other Organizations

Performance Indicators	Mean	Percentage
Quality of products and services	4.08	81.54
Development of new products and services	3.54	70.77
Ability to retain essential employees	3.00	60
Satisfaction of customers	3.77	75.38
Relationship among employees	4.08	81.54
Retention of customers	4.08	81.54
Ability to attract essential employees	3.38	67.67

(Source : Research data, 2011)

The above table shows that quality of products and services , relationship among employees and retention of essential employees are rated good with mean scores of 4.08 respectively in perceived organization performance. On the other hand relationship among employees , development of new products and services , ability to attract essential employees and ability to retain essential employees are next rated average with mean scores of 3.77 , 3.54 , 3.38 and 3.00 respectively. These figures give strong indications of firm performance.

4.4.2 Perceived Market Performance

Respondents were asked to rate market performance of their respective firms compared with other firms involved in the same kind of business on a 4 – point likert scale where 4 = very good and 1 = very poor. The results obtained from respondents are contained in table 6.1 below based on profitability , market share , capita level and customer level attributes.

Table 6.1 Perceived Market Performance

Indicators	Total	Mean	Percentage
Profitability	44	3.38	85
Market share	45	3.46	87
Capital level	44	3.38	85
Customer level	43	3.31	83

(Source : Research data, 2011)

From the table 6.1 , market share , profitability , capital level and customer level were all rated average with mean scores of 3.46 . 3.38 . 3.38 and 3.31 respectively. In fact the market performance indicators received over 80% growth implying perceived market performance continue to receive steady positive performance.

4.5 Strategic Planning Practices and Performance

To measure the statistical relationship between strategic planning practices and firm performance the research used simple correlation co-efficient. The performance indicators included the relationship between the setting of objectives and overall firm performance , situational analysis and overall market performance , formulation of company vision and mission statement and overall firm performance , involvement of top management in SWOT analysis and firm performance , strategic planning process features and overall market performance and strategic formulation process and overall firm performance.

4.5.1 The setting of objectives and Overall firm Performance

Overall percentages on objective setting and firm performance were taken as independent and dependent variables respectively for purposes of attaining an overall relationship. The percentages are arranged in chronological order as shown below in table 6.2.

Table 6.2 Objective Setting Overall Firm Performance

Setting (x) %	Y %	(X- \bar{X})	(X- \bar{X}) ²	(Y- \bar{Y})	(Y- \bar{Y}) ²	(X- \bar{X})(Y- \bar{Y})
72	68	-3.6	12.96	-7.6	57.76	27.36
74	71	-1.6	2.56	-4.6	21.16	7.36
75	75	-0.6	0.36	-0.6	0.36	0.36
77	82	1.4	1.96	6.4	40.96	8.96
80	82	4.4	19.36	6.4	40.96	28.16
			$\Sigma(X-\bar{X})^2$ = 37.2		$\Sigma(Y-\bar{Y})^2$ = 161.2	$\Sigma(X-\bar{X})(Y-\bar{Y})$ = 72.2

(Source : Research data 2011)

$$\bar{X} = \frac{378}{5} = 75.6$$

$$\bar{Y} = \frac{378}{5} = 75.6$$

$$\text{Correlation co-efficient (r)} = \frac{\Sigma(x-\bar{x})(y-\bar{y})}{\sqrt{\Sigma(x-\bar{x})^2 (y-\bar{y})^2}}$$

$$= \frac{72.2}{\sqrt{37.2 \times 161.2}}$$

$$= \frac{72.2}{\sqrt{5,996.64}}$$

$$= \frac{72.2}{77.43797518}$$

$$= 0.932359089$$

$$\approx 0.932 \quad (3 \text{ dec. places})$$

The value of the correlation co-efficient 0.932 shows that objective setting and overall firm performance have a high positive correlation. Hence strategic planning practices add value to firm performance.

4.5.2 Situational Analysis And Overall Market Performance

The percentage values of the data derived from key areas believed to apply in the strategic planning process and market performance were analyzed using the method of correlation co-efficient. The analysis is given in table 6.3 below.

Table 6.3 Situational Analysis and Overall market

Setting (x) %	Y %	(X- \bar{X})	(Y- \bar{Y})	(X- \bar{X}) ²	(Y- \bar{Y}) ²	(X- \bar{X})(Y- \bar{Y})
77	83	-4.25	-2	18.0625	4	8.5
82	85	0.75	0	0.49	0	0
83	85	1.75	0	3.0625	0	0
83	87	1.75	2	3.0625	4	3.5
				$\Sigma(X-\bar{X})^2$ = 24.6775	$\Sigma(Y-\bar{Y})^2$ = 8	$\Sigma(X-\bar{X})(Y-\bar{Y})$ = 12

(Source : Research data 2011)

$$\bar{X} = \frac{325}{4} = 81.25$$

$$\bar{Y} = \frac{340}{4} = 85$$

$$\begin{aligned} \text{Correlation co-efficient (r)} &= \frac{\Sigma(x-\bar{x})(y-\bar{y})}{\sqrt{\Sigma(x-\bar{x})^2 \Sigma(y-\bar{y})^2}} \\ &= \frac{12}{\sqrt{24.6775 \times 8}} \end{aligned}$$

$$= \frac{12}{\sqrt{197.42}}$$

$$= \frac{72.0}{14.05062276}$$

$$= 0.854054671$$

$$\approx 0.854 \text{ (3 dec. places)}$$

The value of correlation co-efficient (0.854) can be described as a high positive correlation. This implies that situational analysis and overall market performance have a high positive correlation co-efficient.

4.5.3 Strategic Formulation Of Company Vision And Mission Statement And Overall Firm Performance.

Here data collected from key indicators of vision and mission statement of companies is correlated with data from key indicators of overall firm performance using the method of correlation co-efficient as shown in table 6.4 below.

Table 6.4 Formulation of Company Vision and Mission statement and overall Firm Performance

Formulation of vision & Mission (x) %	Firm Performance Y %	(X- \bar{X})	(Y- \bar{Y})	(X- \bar{X}) ²	(Y- \bar{Y}) ²	(X- \bar{X})(Y- \bar{Y})
7.69	69.69	-8.98	-9.22	80.64	84.64	82.7956
7.69	70.77	-8.98	-6.14	80.64	37.70	55.1372
15.38	75.38	-1.29	-1.53	1.66	2.34	1.9737
15.38	82.54	-1.29	5.63	1.66	31.70	-7.2627
23.08	82.54	6.41	5.63	41.09	31.70	36.0883
30.77	82.54	14.1	5.63	198.81	31.70	79.383
				$\Sigma(X-\bar{X})^2$ = 404.5	$\Sigma(Y-\bar{Y})^2$ = 219.78	$\Sigma(X-\bar{X})(Y-\bar{Y})$ = 248.1151

(Source : Research data 2011)

$$\bar{X} = \frac{99.99}{6} = 16.67$$

$$\bar{Y} = \frac{461.46}{6} = 76.91$$

$$\text{Correlation co-efficient of x to y} = \frac{\Sigma(x-\bar{x})(y-\bar{y})}{\sqrt{\Sigma(x-\bar{x})^2 (y-\bar{y})^2}}$$

$$= \frac{248.1151}{\sqrt{404.5 \times 219.78}}$$

$$= \frac{248.1151}{\sqrt{88901.01}}$$

$$= \frac{248.1151}{298.162724}$$

$$= 0.832146565$$

$$\approx 0.832 \text{ (3 dec. places)}$$

The result shows a high positive correlation between formulation of company vision and mission statements and overall performance of the firm.

4.5.4 Strategic Planning Process (Choice) Features And Overall Market Performance.

Data from salient indicators of strategic choice in the planning process are correlated with those derived from overall market performance using the method of correlation co-efficient as indicated in table 6.5 below.

Table 6.5 Strategic Planning Process (Choice) and Overall market Performance.

(x) %	Y %	(X- \bar{X})	(Y- \bar{Y})	(X- \bar{X}) ²	(Y- \bar{Y}) ²	(X- \bar{X})(Y- \bar{Y})
11.54	83	-45.19	-2	2,042.14	4	90.38
15.38	85	-41.35	0	1,709.82	0	0
100	85	43.27	0	1,872.29	0	0
100	87	43.27	2	1872.29	4	86.54
				$\Sigma(X-\bar{X})^2$ = 7,496.54	$\Sigma(Y-\bar{Y})^2$ = 8	$\Sigma(X-\bar{X})(Y-\bar{Y})$ = 176.92

(Source : Research data 2011)

$$\bar{X} = \frac{226.92}{4} = 56.73$$

$$\bar{Y} = \frac{340}{4} = 85$$

$$\begin{aligned} \text{Correlation co-efficient (r)} &= \frac{\Sigma(x-\bar{x})(y-\bar{y})}{\sqrt{\Sigma(x-\bar{x})^2 (y-\bar{y})^2}} \\ &= \frac{176.92}{\sqrt{8 \times 7,490.54}} \\ &= \frac{176.92}{\sqrt{59,924.32}} \\ &= \frac{176.92}{244.8} \\ &= 0.722439537 \\ &\approx 0.722 \quad (3 \text{ dec. places}) \end{aligned}$$

The value 0.722 depicts a high positive correlation between strategic planning processes (strategic choice) and overall market performance.

4.5.5 Strategic Formulation Process And Overall Firm Performance.

Here key indicators of strategic formulation process is correlated to key indicators of overall firm performance using the method of correlation co-efficient as shown in table 6.6 below.

Table 6.6 Strategic Formulation Process (x) and Overall Firm Performance (y)

(x) %	Y %	(X- \bar{X})	(Y- \bar{Y})	(X- \bar{X}) ²	(Y- \bar{Y}) ²	(X- \bar{X})(Y- \bar{Y})
38	67.69	-33.5	-9.22	1122.25	85.0084	308.87
48	70.77	-23.5	-6.14	552.25	37.6996	144.29
69	75.38	-2.5	-69.53	6.25	4834.4209	173.825
84	82.54	12.5	5.63	156.25	31.6069	70.375
92	82.54	20.5	5.63	420.25	31.6969	115.415
98	82.54	26.65	5.63	702.25	31.6969	148.4
				$\Sigma(X-\bar{X})^2$ = 2959.5	$\Sigma(Y-\bar{Y})^2$ = 5052.2196	$\Sigma(X-\bar{X})(Y-\bar{Y})$ = 961.175

(Source : Research data 2011)

$$\bar{X} = \frac{429}{6} = 71.5$$

$$\bar{Y} = \frac{461.46}{6} = 76.91$$

$$\begin{aligned} \text{Correlation co-efficient (r)} &= \frac{\Sigma(x-\bar{x})(y-\bar{y})}{\sqrt{\Sigma(x-\bar{x})^2 (y-\bar{y})^2}} \\ &= \frac{961.175}{\sqrt{2,959.5 \times 5,052.2196}} \\ &= \frac{961.175}{\sqrt{14952043.91}} \end{aligned}$$

$$\begin{aligned}
 \text{Correlation co-efficient} &= \frac{\Sigma(x-\bar{x})(y-\bar{y})}{\sqrt{\Sigma(x-\bar{x})^2 (y-\bar{y})^2}} \\
 &= \frac{148.7778}{\sqrt{478.115 \times 118.1317}} \\
 &= \frac{148.7778}{\sqrt{56,480.53775}} \\
 &= \frac{148.7778}{237.6563438} \\
 &= 0.626028393 \\
 &\approx 0.626 \quad (3 \text{ dec. places})
 \end{aligned}$$

From table 6.7 , it is clear that involvement of top management in SWOT analysis and overall firm performance has a high correlation coefficient implying that the strategic planning practices have positive impact on overall firm performance.

All the above arguments are combined in table 6.8 below

Table 6.8 Strategic Planning practices and Performance

Response	Correlation
Setting of objectives and perceived overall firm performance	0.932
Situational analysis and perceived overall market performance	0.854
Strategic formulation of company Mission and Vision statement and overall firm performance	0.832
Strategic planning process (Choice) features and overall Market Performance	0.722
Strategic Formulation Process and Overall firm Performance	0.249
Involvement of top management in SWOT analysis and overall firm performance	0.626

(Source : Research data, 2011)

From table 6.8 above, it is clear that overall strategic planning practices have a high positive correlation co-efficient with overall firm performance. It is therefore generalized in the research study that strategic planning practices have a positive impact on overall firm performance. The first and second objective are therefore proved positive.

SUMMARY, DISCUSSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of chapter four and the conclusions and recommendations of the study. The objectives of the study focused on the strategic planning practices and their relationship with the performance of large manufacturing firms operating in Kisumu, Kenya. The chapter will also look at the challenges and limitations of the research study.

5.2 Summary Of Findings

The study found out that most large manufacturing firms in Kisumu have been in operations for the last 30 years. 84.61% of the respondents certified that their firms have strategic planning departments. Over 75% of the respondents confirmed that their respective organizations have over 200 employees and a sales turn-over of Kshs.100, 000,000 per annum. These statements confirm the size of firms studied making the study population relevant to the research study. From H.O.Ds to C.E.Os, over 90% of the staff calibre comprise of technical specialists with or without management training but with job experience.

Evidence from respondents shows that all the 13 firms studied actively participate in strategic planning practices represented by 100% involvement. They also confirmed existence of formal documentation of vision and mission statements for their respective organizations. Respondents also confirmed that their organizations develop their vision and mission statements mainly by consensus represented by 76.9% involvement. These documents are mainly formulated by a combination of senior managers and staff of their respective firms. Most respondents also said that their firms review their vision and mission statements after every year followed by a five year period and others as need may require.

The firms are also involved in situational analysis. This include external environmental analysis at 76.92 % involvement, internal environmental analysis at 89.23%, establishing strategic directions at 89.23%, strategy formulation at 83.08%, strategy implementation at 86.15% and strategy implementation monitoring at 90.77%. majority of respondents also certified that the firms' senior management, C.E.Os, consultants and H.O.Ds are involved in SWOT analysis to a great extent represented by senior management at 92.31%, H.O.Ds at 72.31%, C.E.Os at 70.77% and consultants at 70.77%. Most respondents also confirmed that their organizations have a set

of objectives represented by 92.31% certification although 46.15% of the respondents again certified that everyone in their firms is not aware of the existence of these objectives. This is indicative that only the top management is involved in objective setting and formulation. This is further confirmed by the fact that 80% of the senior management is involved in objective setting in the firms studied while 73.38% of employees are involved. Respondents also confirmed that informal planning processes, timetable for preparation of plans, clear-cut responsibilities for planning and existence of planning departments characterized by their firms planning process although informal planning process also account for 61.54% of the firms' features. This indicates that informal planning in large organizations is also practiced to some extent.

The above arguments shows that studied firms undertake strategic planning practices to a great extent. This explains the survival of these firms in the face of collapse of giant organizations like Kenya Breweries, Kicomi Textile Industries and Kenya Matches. It is also clear from the study that most firms still use circulars as a method of communication represented by 69.23% compared to the use of word of mouth at 23.08% and E-mails at 7.69%. The research also noted that economic factors at 98.08%, technological changes at 92.31% and legal developments at 84.62% play major role in the strategic formulation process of studied firms. On the other hand, political factors at 69.23%, socio-cultural trends at 48.08% and others at 38.46% play minor roles in this area.

It is indicative from this study that organizations that practice strategic planning perform better than their counterparts who do not practice strategic planning and in the same line of business. Respondents of this research certified that overall organizational performance rose in the fields of quality of products and services at 81.54%, development of new products and services at 70.77%, relationship among employees at 81.54%, retention of customers at 81.54% and satisfaction of customers at 75.38%. This shows that strategic planning practices have a positive impact on performance of firms. Even overall market performance rose in the areas such as profitability at 85%, market share at 87%, capital levels at 85% and customer level at 83%.

When the setting of firm objectives were correlated to overall firm performance, a correlation coefficient(r) of 0.932 was realized showing a high positive correlation between the independent variable (x) and dependent variable (y) representing objective setting and overall firm performance respectively. The link between situational analysis(x) and overall market performance(y) representing the strategic planning process and overall market performance respectively gave a correlation co-efficient(r) of 0.854 also showing a high positive correlation

between the two variables. Further link between strategic formulation of company vision and mission statements(x) and overall firm performance (y) also gave a correlation co-efficient index of 0.832 showing a high positive correlation between the independent variable(x) and dependent variable(y). A high positive correlation of 0.722 was also noted to occur between strategic planning process (choice) (x) and overall market performance (y). Strategic involvement of top management in SWOT analysis (x) and overall firm performance (y) at correlation index of 0.626 and strategic formulation process(x) and overall firm performance (y) at a correlation index of 0.249.

5.3 Discussions

No organization can stay in one position forever. Triggers from external and internal environment keep on changing forcing firms to keep on reinventing themselves. Consider such factors as currency fluctuations against major world currencies in the economy and increased competition. Firms are therefore, bound to make strategic decisions in order to come up with strategic changes. Strategic planning practice has a positive correlation with firm performance where a proper plan is in place. However, if poorly implemented even a good strategy leads to disaster. All firms are therefore advised to develop flexible strategic plans that can easily succumb to changes in the volatile environments. Moreover, all firms need to make attempts of involving all cadres of workers in objective setting in order for the firm to be owned. The top management should delegate roles in organization hierarchy otherwise conflicts will persist lowering firm performance. Firms should also integrate their public relations departments with sales and marketing departments.

5.4 Challenges and Limitations

The research study nearly came to a standstill when for the first 10 days; data collection became a nightmare with the directors of the firms developing a no hurry attitude towards response to the questionnaires. It became clear they suspected the research findings could turn to be a spy role of competitors. However, with acquaintances, the majority later accepted researcher's request to study their firms. It also proved quite challenging moving from firm to firm seeking for consent of authority to study their organizations and following completed questionnaires especially where means of transport became evident. Another challenge came when the researcher had to balance between the collection of data and attending to work. In most cases, the firms' authorities could give dates that conflict with the researcher's administrative roles at the work

station. This situation was worsened considering the limited time the researcher had to complete the project. Another challenge came in when balancing the researcher's roles at his home, work place and friends. Finally, there was a serious challenge when the researcher settled down to start analysing the research findings. It required more than a skill to reach an appropriate approach, harmonious to the achievement of research objectives.

The research study also had several limitations. The most serious one was financial limitation. The research proved very expensive given that the researcher lived 100 km from Kisumu City where the data collection took place. Together with unpalatable logistics, financial requirements became a real issue in the study. Also since data collection was fully vested on the firms' respondents, they could decline participation and make the whole study tumble. Finally, time became another limitation. There was enormous work to be done against limited time. This required extraordinary planning to achieve the deadline requirements of this study.

5.5 Recommendations

The study established that large manufacturing firms practiced strategic planning. The study also established that strategic planning practices compliment firm performance. The study therefore makes the following recommendations;

All cadres of workers should be involved in strategic planning, especially in objective setting, strategy formulation process, and SWOT analysis and strategy implementation stages. This makes workers to own the processes thereby putting in optimum effort towards achievement of firm's vision and mission statement. The government should also come up with policy issues that regulate operations of privately owned manufacturing firms. This will remove likely monopolies currently enjoyed by most manufacturing firms. It will also create a fair and healthy competition in the economy as all firms achieve ISO certifications making them more open and accountable to the general public and government. All manufacturing institutions should also benchmark with their counterparts in the same business line to enhance quality and quantity through healthy competition and creation of good neighbourliness. Finally, all manufacturing institutions should remain open for academic researchers to enhance improved work on research and policy recommendations.

5.6 Recommendations For Further Research

The research is not exhaustive and therefore, the researcher recommends the following areas for further research; challenges still exist in the implementation of strategic planning practices. It is clear from the research findings that lower category of workers are not fully involved in the strategic planning, implying that the implementation process can never be smooth under such situations. Better ways of implementing strategic planning should therefore, be looked into especially those challenges which manufacturing firms face with implementation process. The study also only narrowed on large manufacturing firms operating in Kisumu. More research should be carried on large manufacturing firms operating in other environments so as to reach concrete conclusions about the research findings. Similar studies should also be carried on other organizations operating in unique and special products such as service provider firms. Another knowledge gap worth study is the role of informal planning practices on performance of manufacturing enterprises. A study should therefore, be conducted on operation of small and micro enterprises in relation to informal strategic planning practices.

5.7 Conclusions

From the findings of the study, researcher makes the following conclusions; the study has established that all large manufacturing firms in Kisumu are involved in strategic planning. Informal planning was noted to go hand in hand with formal strategic planning in all manufacturing firms. Basically, it was noted from the study that large-scale manufacturing firms in Kisumu are privately owned. It was also noted that strategic planning practices have a positive correlation co-efficient to key overall performance indicators in the economy. The study also showed that large manufacturing firms in Kisumu employ a good proportion of workers from within and without the region thereby contributing to unemployment alleviation in the economy at large. Even though most large scale manufacturing firms do have well documented vision and mission statements, a set of objectives and strategic planning departments, the majority of workers and stakeholders are not aware about the existence of such documents.

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Appendix 1 : Letter of Introduction to respondents

MOSES OTIENO AYIEKO,
UNIVERSITY OF NAIROBI,
P.O BOX 30197,
NAIROBI.

1ST SEPTEMBER, 2011.

THROUGH

UNIVERSITY OF NAIROBI,
SCHOOL OF BUSINESS,
DEPARTMENT OF BUSINESS ADMINISTRATION,
P.O BOX 30197,
NAIROBI.

Dear respondent,

REF : COLLECTION OF SURVEY DATA BY MOSES OTIENO AYIEKO – D61/71204/2009

I, the above mentioned person is a post graduate student at the University of Nairobi , pursuing a masters in Business Administration (MBA) degree course. As part of requirements for the award of the degree , I am undertaking a management research project on the strategic planning practices and performance of manufacturing firms operating in Kisumu , Kenya.

The purpose of this letter is therefore to inform you that your firm has been selected to be part of this study and to request you further to fill the attached questionnaire , which will be collected on and used to analyze the research findings. The information collected will be used exclusively for academic purposes and will be treated with utmost strict confidentiality. The findings of this research can however be availed to you upon request.

Thank you in advance for your co-operation.

Yours faithfully,

MOSES O. AYIEKO
MBA STUDENT,
DEPARTMENT OF B. ADMIN.,
UNIVERSITY OF NAIROBI.

Dr. MARTIN OGUTU
LECTURER/PROJECT SUPERVISOR,
DEPARTMENT OF BUSINESS ADMIN.,
UNIVERSITY OF NAIROBI.

Appendix 2 : Questionnaire

This questionnaire seeks to establish strategic planning practices and their relationship to performance of large manufacturing firms operating in Kisumu , Kenya. The information obtained will be treated with utmost confidentiality and used only for academic purposes. Your assistance in completing this questionnaire will be highly appreciated.

This questionnaire is in three parts: A , B and C.

Part A consists of questions aimed at obtaining information about your organization.

Part B seeks information on the strategic planning practices of your firm.

Part C seeks to find out whether there is any relationship between strategic planning practices and firm performance.

Questionnaire Number _____

Date _____

PART A: BACKGROUND INFORMATION

1. Ownership (Please tick as appropriate)

Private company

Public company

Jointly private and Government owned

Others (Please specify) _____

2. How many years has the firm been in operation? _____ years

3. Do you have strategic planning department? (Tick appropriately)

Yes

No

4. How many employees do you have? (Please tick accordingly)

0 -100

101- 200

201-300

301-400

Over 400

5. What is your sales turnover per annum?

Less than 25 Million

26-50 Million

51-75 Million

Over 100 Million

6. Which of the following best describes the predominant caliber of your senior management staff (from heads of department to the C.E.O) in your organization?

No technical and management training

Technical specialists without management training but with job experience.

Technical specialists with management training.

Others (Please specify) _____

PART B : STRATEGIC PLANNING PRACTICES

Section One : Vision and Mission

1. Is your firm actively involved in Strategic planning practices

YES

NO

2. Does your firm have formal documentation of vision and mission statement ?

YES

NO

If your answer is YES in 2 above please state those who are involved in the formulation of the company's mission and vision.

CEO/Directors/shareholders/staff

Directors/shareholders/Consultants

Consultants/Directors/CEO/staff

Shareholders & Directors

Staff & Directors

CEO/Directors/Consultants/shareholders

Others ? please specify _____

3. How is your mission and vision developed ?

Benchmarking

Consensus

Inherited

4. How often are the vision and mission statement reviewed ?

After every five years

Annually

Semi-annually

Quarterly

Others ? Please specify _____

Section two : Situation Analysis

5. Describe the extent to which the following apply in the strategic planning process. Use a 5 point scale where 1 = not at all , 2 = a little extent , 3 = moderately extent , 4 = great extent , 5 = very great extent.

Step	1	2	3	4	5
External Analysis					
Internal analysis					
Strategy findings – Evaluation Of Strategic options					
Evaluation of strategic risks					
Establishing strategic direction					
Strategy formulation					
Strategy Implementation					
Strategy implementation and monitoring					

6. To what extent are the following involved in SWOT analysis. Use a 5 point scale where 1 = not at all , 2 = a little extent , 3 = moderately extent , 4 = great extent , 5 = very great extent.

	1	2	3	4	5
Senior Management					
Consultants					
Heads off Departments					
Employees					
C.E.O					

7. a) What do you consider to be your company's strengths ?

.....

.....

.....

b) Weaknesses ?

.....
.....
.....

8. Please tick below all those steps you undertake in strategic planning process in your organization.

- Analysis of the external environment
- Analysis of internal organizational environment
- Developing strategies to achieve the strategic objectives of the company.
- Choosing the appropriate strategy.
- Others (Please specify) _____

9. Whom do you communicate your strategies?

- Internally in the organization.
- Externally to relevant bodies (financers, customers, business partners)
- Both internally and externally

Section three : Objectives

1. Does your firm have a set of objectives?

YES NO

2. Is everyone in your firm aware of the objectives ?

YES NO

2. How is the strategic planning communicated across your organization ?

Circulars

Word of mouth

Others ? Please specify _____

3. Indicate the extent to which the following factors are considered in the strategic formulation process. Use a 5-point scale where 1 = not at all , 2 a little extent , 3 = moderately extent , 4 = great extent

Factors	1	2	3	4
Political factors				
Legal developments				
Economic				
Technological changes				
Socio-cultural trends				
Others				

4. Please indicate the year your organization first developed strategic planning _____

PART C : Firm performance

Section One : Perceived Organization performance

1. How would you rate the organization performance with the following attributes over the past 5 years to that of other firms. Use a 5-point scale where 1 = very poor , 2 = poor , 3 = average , 4 = good , 5 = very good

	1	2	3	4	5
Quality of products or services					
Development of new products or services					
Ability to retain essential employees					
Ability to attract essential employees					
Relationship among employees					
Satisfaction of customers					
Retention of customers					

Section Two Perceived Market Performance

2. Compared to other firms , how would you rate your firms performance over the last 5 years ? Use a 4-point scale where 1 = very poor , 2 = poor , 3 = average , 4 = Very good

	1	2	3	4
Profitability				
Market share				
Capital level				
Customer level				

Filed by-----

Designation-----

Thank you very much for your co-operation. .

Appendix 3 : Large Industrial plants in Kisumu, Kenya.

Table 1.0: Large manufacturing Firms in Kisumu, Kenya.

Business Identification Number	Business Name	Physical Address
524	Mombasa Maize Millers	Sabuni
643	United Millers Limited	Obote Road
998	Spectre International limited	Otonglo
MF/010	Mayfair holdings Limited	Obote Road
MF/013	Super Loaf Limited	Sabuni Road
M/F/009	Tread Setters Limited	Obote Road
MF/005	J-Fish (K) Limited	Sabuni Road
1,423	Equator Bottlers Limited	Jomo Kenyatta Highway
4,028	United Millers Limited	Obote Road
4,241	Hayer Bishan Singh & Sons Limited	Kisian – Bondo Road
4,269	United Millers Limited	Nkurumah Road
4,964	Equator Bottlers Limited	Nkurumah Road
6,657	Abyssinia Iron & Steel Limited	Kibos Road

Source: (Municipal Council Of Kisumu , Kenya.)