STRATEGIC MANAGEMENT PRACTICES, EXTERNAL ENVIRONMENT AND PERFORMANCE OF REAL ESTATE COMPANIES IN NAIROBI, KENYA.

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.

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DECLARATION

I Nehemiah Wekhoba Opwolo hereby declare that this research project entitled Strategic Management Practices, External Environment and Performance of Real estate Companies in Nairobi, Kenya is my original work and has never been presented for academic award like a certificate, diploma or degree in any university, college or institution of higher learning.

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SUPERVISOR’S APPROVAL

This research project by Nehemiah Wekhoba Opwolo entitled Strategic Management Practices, External Environment and Performance of Real estate Companies in Nairobi, Kenya has been developed and submitted for examination with my guidance and approval as the university supervisor.

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DEDICATION

This research project is dedicated to my wife Rhoda for the love, immense support and her unwavering encouragement towards my studies.
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**GDP**  Gross Domestic Product
ABSTRACT

The objectives of this study were to; establish Strategic Management Practices adopted by real estate companies in Nairobi, establish the moderating effect of the External Environment on the relationship between strategic management and performances of firms and establish the practice of external analysis by these companies. Today, the business world has been reduced to a global village where at a glance, vendors can scan, see and pursue opportunities all over the world. This is enhanced high level of technological advancement and has exposed business practitioners. There is no business that operates in an island and there is no idea that after implementation remains in a cocoon. The current external environment for doing business is becoming more dynamic and turbulent day and night. Strategic management practice aims at gaining a strategic fit. It therefore incumbent upon planners of businesses to be cognizant of the dynamic changes in consumer behavior, supply trends, economic trends, competition, social-cultural dynamism, political systems, technological and legal business procedures changes and monitor and make flexible decision based of the trends of these factors, otherwise, all efforts to success through planning may topple to failure. The data used was collected from a random sample of fifty percent of the total population using questionnaires. Information collected was on the demographic characteristics of the study population, strategic management practice and performance of these firms. Quantitative data was collected and descriptive statistics used for analysis. The research findings were that most of the firms under study practiced strategic management but did not put much effort on external analysis and hence poor performance. It was found that strategic planning is not enough to attain a firm’s desired level of output; rather planning to fit in the external environment can help. The conclusion of this study was that most of the real estate companies were experiencing poor performance due to lack of planning in the context of their external environment and emphasis was put to the firms to use the environment as a mirror during their planning. The study recommended that real estate firms in Nairobi and other parts of the world should put more wait on external analysis during planning and establish flexible plans that will be reviewed over time as they check and adapt to changes in the external environment.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Comprehensive practice of strategic management improves the performance of a firm. Ansof (1991) indicated that, unlike trial and error, planning streamlines the operations of a firm and betters its financial results. It is a process that involves formulation, implementation and evaluation of strategies in the context of a firm’s business environment to better the future of an organization. The amount of strategic planning which an organization performs positively affects its financial performance (Miller & Laura, 1994). According to Miller and Laura, the parameters of measuring performance are sales, earnings, deposits, return on assets, return on equity, and return on sales and total investment capital. Effective strategic management practice affects performance positively. It is the bridge between the organization and its external environment implying that the external environment is a determiner of strategic management process which positively impacts the performance of an organization (Kay, 1993).

This study is anchored on Resource-Based Theory and supported by Industrial Organization theory. The resource-based theory stipulates that a business organization can make use of the resource they own to attain competitive advantage, (Barney 1991). The theory emphasizes on the need for a firm to acquire, nurture and own sophisticated resources which will help it be more competitive and above the rest of players in the industry. The Industrial organization theory argues that all business organizations exist to make profits from their operations and that each entity should organize their operations uniquely in a way that sets them apart from the rest and hence gain sustained competitive
advantage (Omalaja, 2011). The strategists of an organization need to guide the process of establishing ownership of these distinguished internal resources and capabilities which will put the firm on the bar and help attain desired goals.

Real estate industry in Nairobi Kenya continues to experience tremendous growth as indicated by increase in number of local and foreign investors who are putting up real estate projects and companies in the county. According to World Bank (2017), Kenya has a deficit of over 2 Million units in a year. The production of housing units stands at 50,000 annually which is below the targeted provision of 200,000. The industry substantially contributes to growth of GDP and provides live hood to many citizens. There are many opportunities in the industry including property development, management, sales and marketing, letting, agency, security, valuation, interior design and project management. Even with these opportunities, many developers have delayed or stalled project, property agencies don’t sell, let or manage their properties well to an extent of their contracts being terminated. Those in agribusiness have been plotted in scandals of unclean deals, properties have been partially demolished for being on riparian land and many more vices that keep coming up.

Effective practice of strategic management, proper monitoring and response to the external environment can salvage the situation, enhance performance and anchor sustained growth of the industry while providing many opportunities that will enhance the journey to achieving vision 2030. The study therefore aimed at reviewing the operations of real estate industry and establish the practice of strategic management and the moderating effect of the external environment on the relationship between strategic management practice and the performance of real estate companies in Nairobi. The study
also sought to establish the various setbacks which hinder comprehensive adoption of strategic management and consistent analysis of external environment and recommend ways to improve.

1.1.1 Strategic Management

Strategic management is a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives (Pearce & Robinson, 2011). It involves formulation, implementation and evaluation of strategies which determine the future position of an organization. It is the bridge between the organization and its external environment (Kay, 1993). It also involves establishing policies, methods, rules and guidelines that leads to proper allocation and use of limited organization resources to realize its goals and objectives. It is a process guided by a firm’s leadership to come up with strategies which makes the firm operations to be unique from its competitors.

Comprehensive practice of Strategic Management helps a firm to attain a competitive edge since it involves establishing the game plan of the firm that set it apart and better than other firms in the industry it operates. According to Capon (2008), the advantage of having a strategy includes; providing focus and direction to the firm, it is a basis of evaluating performance; it helps in responding to changes in the environment and gains a sustained competitive advantage over others. Referring from Taylor, Gregory and Lumpkin (2003), strategic planning is a continuous process that involves commitment of the management of a firm to analyze it goals in line with its internal and external environment, choose line and industry of operation and effectively share the available resources to aid implementation of the decisions and action plans. It is a process of
interdependent stages, ranging from setting vision and mission, carrying out strategic analysis, coming up with alternative decision, selection of strategies, allocation of resources, implementation and evaluation.

According to Boyd & Elke (1998), the specific indicators of strategic management practice include; mission statement, trend analysis, competitor analysis, long term and annual goals, action plan and ongoing evaluation. According to Olsen (2018), strategic management measures include efficiency measure, outcome measures, quality measures, and project measures. The outcomes of strategic plan of a firm can be measured against their impact on the return on investment and financial position, level of customer acquisition, retention and satisfaction, impact on internal business processes and employee satisfaction, retention, turnover, and involvement.

**1.1.2 External Environment**

External environment constitutes of factors beyond the control of a firm which influence its operation and success. Kay (1993) stipulated that a strategy is the match between an organization and its external environment. This external environment constitutes of opportunities, threats and constraints of a firm which can be categorized into remote, industrial and operating environment (Pearce & Robinson, 2011). The remote environment constitutes of factors originating outside the firm situation of operation and include social, economic, ecological, political and technological factors. The industrial factors are within the industry of the firm and include the bargaining power of suppliers and buyers, substitute’s availability, competitor rivalry and entry barriers. Those factors which affect an entities competitive situation like customer behavior, creditors, suppliers and the labor market forms the firms operating environment. The current external
environment keeps changing and is very unpredictable yet has a direct or indirect influence on the success of business firms.

It is not easy to predict the anticipated changes of a firm’s external environment. It is said to be very turbulent. In most cases, it is unfamiliar and complex. To establish the extent to which the changes in the external environment affects a firm, the strategist can carry out industry, competitor, customer and analysis and environmental scanning of the microenvironment. This then will help them to cluster the results into the different levels of environmental turbulence. These levels range from 1 to 5 with level one said to constitute of repetitive events, level two being slow, incremental and gradual, level three being fast, changing and incremental, level four being discontinuous and predictable and finally level five being surprising, unforeseen, discontinuous and unpredictable.

1.1.3 Organizational Performance

Organizational performance can be put in three categories: the organization, group and individual (Richard et al, 2009). Richard further clarified that performance comprises of financial, product market and the returns of the stakeholder. Revenue growth, market share, customer satisfaction, productivity and profitability are the most conspicuous indicators of performance of an organization (Ortega, 2010). Mckee et al. (2006) highlighted seven criteria of performance which are; efficiency, effectiveness, product/service quality, quality of work force, profitability and innovation. To perform well, the strategists of a firm are expected to establish new competitive space by coming up with new products and to explore new markets and refine growth game plans without overlooking the fundamental capabilities of the firm towards success and performance (Rastogi, 2000).
Performance of an organization constitutes of the actual output rated against the firm’s intended or planned output which are clarified in its set goals and objective (Richard, 2009). Performance can be the amount of revenue collected from sales without the expenses (Bass, 1990). This study views performance on the basis of the number profits made, liquidity, solvency, efficiency, market share, customer satisfaction, employee satisfaction and quality of product or service offered.

1.1.4 Real Estate Companies in Nairobi Kenya

According to Oxford Business group, Kenya 2017 Real estate report, Kenya attracts increasing real estate investment destination interest. Kenya constructs 50,000 houses annually and it has to construct over 250,000 units every year to meet the housing need of the growing urban population. Nairobi is the focal point of real estate activities in Kenya; it is the most saturated with property development activities in the country. In 2013, a report by Knight Frank ranked the city as the world fastest growing real estate market. The sector has a mix of both local and foreign investors with most of the local being private investors and government pension schemes.

Kenya constructs 50,000 houses annually and it has to construct over 250,000 units every year to meet the housing need of the growing urban population. The current government has also considered real estate by incorporating affordable housing in its big four agenda. This is an indication that the middle and lower middle class market has a big market gap that has not been fully exploited even with the current government inclusion. Real estate industry in Nairobi has numerous opportunities yet most operating companies continue to face many challenges that leads them to close the shops, freeze activities and product lines, be acquired, end up with many court cases, depend so much on credit
facilities, properties being auctioned among other failures. This is a real proof that the business environment is very dynamic and characterized by turbulence which affects these companies. It was not easy to establish the extent of application of strategic management if any and how the firms view and act in response to the external environment as much as there are peripheral aspects of strategic management practice that can be seen in these companies’ vision, mission statements and strategic activities.

1.2 Research Problem

Organizations need to realize the very important contribution of strategic management in shaping its mission and vision, making strategic choices and allocation of resources to achieve the set goals and objective and later the vision which is long term (Suklev & Debarliev, 2012). He emphasized that comprehensive and effective strategic management leads to superior performance of firms. Business managers should know that regardless of the fact that the external environment is so dynamic, it in the long-run affect the operations of firms through the threats and opportunities. They therefore have to analyze the environment and come up with guidelines and constrains which will help them focus and avoid being a jungle of all trade and being swayed by every wind which is simply a summary of strategic management practice that in the long-run help attain the desired superior performance.

Real estate firms in Nairobi Kenya envisage numerous concerns that furnish the need to establish the practice of strategic management by these practitioners, the extent to which it is applied and their perception about the external environment and how they respond to it. Nevertheless, there are various indicators that insinuate practice of strategic management. These can be traced by the defined missions and unique visions of the
firms, their annual financial reports, selected marketing strategies, selected joint ventures and markets, diversified products like real estate agribusiness ventures, government interest in housing captured in the big four agenda. Whereas there are numerous opportunities and unexploited markets like the lower middle class and very high demands for housing, companies which have been in this industry plus those joining have had tough experiences ranging from taking too long to break even, total dependence on financing, closing shop, being found in scandals and cases among others.

Previous studies have been done which focused on strategic management and organizational performance and established that strategic management has a positive influence on the performance of organizations (Schwenk & Shrader (1993), Miller & Laura (1994), Krans et al. (2006), Glaister et al (2008) and Suclev & Debarliev (2012)). There are a number of local studies which established similar findings. These include Strategic planning practices and performance of Commercial Banks in Kenya by Muriuki (2010) and Strategic Planning Practices and Organizational performance of Sandoz GmbH Kenya (2017).

These studies have consistent results but are limited to strategic management practice and performance. There is no one case study that has been carried that considered the external environment with much weight to be treated as a moderating variable which affect strategic management practice and if not given special attention affects the entire strategic planning process and its impact on performance of real estate firms in Nairobi Kenya. This study sought to answer this research question; to what extent does real estate companies in Nairobi practice strategic management and how do they regard the external
environment as a moderator of the relationship between strategic management practice and their overall performance?

1.3 Research Objectives

The objectives of this study were

i) To establish the practice of strategic management by real estate companies in Nairobi, Kenya.

ii) To establish the moderating effect of external environment on the relationship between strategic management practice and performances of real estate companies in Nairobi Kenya.

iii) To establish the practice of external environment analysis by real estate companies in Nairobi Kenya.

1.4 Value of the Study

This study will contribute to theory by enhancing research in the real estate or other industries by filling the identified gap. It can be used as reference for future studies in this field and a basis of coming up with other areas of study. It will also help those intending to research the same topic. The study will help students and researchers of strategic management to generate insight of what is happening in the real business world. The findings of the study will contribute to knowledge generation and development of strategic management theories. It might also establish more correlations between areas of strategic management and industries or firms which may require more studies.

It will also contribute to policy making by helping those professional mandated with policy making both in private and Public sector and especially in the real estate industry.
Policies aim at providing guidelines, regulations, rules and constraints and therefor require practical information of the particular state of industry which the research the finding here will provide. It may lead to strategic change is the approach used by those who make policies from the recommendations of the study.

Finally, the findings of this study will enhance the focus given to the external environment by the directors, vision bearers and stakeholders of real estate companies in Nairobi when strategizing. It will also help enhance their view and need for comprehensive and effective application of strategic management with a special consideration of the external environment. The real estate Industry player will also benefit from this research because it will be an eye opener which will help expose the elephant in the room and also salvage them from falling victims of the environmental dynamism and lack of comprehensive practice of strategic management.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter explains the theoretical foundation of the study; Resource-based theory and the Industrial Organization theory. The chapter also covers a review of the empirical literature on strategic management practice, external business environment, organization performance, a summary of the literature review and the research gap.

2.2 Theoretical Foundation

Strategic management applies a number of theories which include survival-based theory, the Industrial Organization theory, human resource-based theory, agency theory, Resource-based theory, contingency theory among others. These theories are systems of ideas which explain the origin, evolution, principles and applications of strategic management. This study is anchored by Resource-based theory and supported by Industrial Organization theory.

2.2.1 Resource-Based Theory

Resource-Based Theory stipulates that the kind of internal resources and capabilities of a company determine its competitive advantage, meaning the more unique and sophisticated the resources are, the more the company is distinguished and separated from its competitors (Barney, 1995). The theory implies that a firm’s competitive advantage and desired results can emanate from the resources it owns (Ainuddin et al, 2007). It places emphasis on the need to focus more on effective acquisition, nurturing
and use of source within to outshine the rivals. Therefore, in trying to attain superior performance over others, the strategist should be concerned about what it is the company can do and remain above a float, that which cannot be copied, mostly such abilities are not tangible (Kay, 2007).

A firm’s resource are its assets, procedures and processes, characteristics, capabilities, knowledge and information are controllable by the organization and help it to strategize (Barley, 1991). That there are specific trains of the resources that help the firm to acquire competitive advantage. These includes the value, ability not to be imitated or substituted rareness. Barley says that to win competitive advantage, a firm’s resource must, be able to neutralize threats and exploit opportunities in its immediate external environment, must be rare among its competitors, not imitable and have no substitute. This theory places a need for planners to find their strength in terms of internal resources and capabilities that will put them on a higher scale above other which is simply internal analysis in the strategic management process.

2.2.2 Industrial Organization Theory

Industrial Organization Theory stipulates that business entities exist to make maximum return on investment for as much as they exist. They also aim at establishing unique operations that distinguishes them from the rest of the industry players hence helping them to attain sustainable competitive advantage (Omalaja, 2011). This approach refreshes the attitude of decision makers of any business entity while redirecting all their focus towards finding a means to maximize profits and settle for decisions and activities that are different from their rivals in the market. The implication is that every agreed
causes of action for an organization must be rated against their impact on the rating of the company or rather company position in the industry as well as the profits made.

Porters Five Forces Model of assessing completion unfold industry specific points of focus that can be used by an organization to consistently monitor competition and trace the dynamics and trends of its market share (Capon, 2008). This include assessment of how companies compete within the industry, new entities likely to join the industry, good and services that are coming up that can have similar functions, the emerging opportunities to buy at the disposal of potential customers and the optional sources available which can meet the buyers’ needs. Every player in any business industry is always yarning to grow and stabilize its market share. This imposes a lot of rivalry because the same market niche is being explored by many others hence leaving a company with a few options with the best being to know the level of completion and making the right decisions to better position them maximize profits in such an environment. This theory informs emphasizes the importance of strategic management, like one has to plan well to get more profits and will over their rivals.

2.3 Strategic Management and Organizational Performance

Strategic management is the process setting decisions and actions resulting in formulation and implementation of strategies designed to achieve the objectives of an organization” (Pearce & Robinson, 2011). It is a process of establishing decisions and action plans in the context of the external environment of an organization that leads to achievement of its goals and objective. It is a means to an end and is led by the top leadership. It also emphasizes on coming up ways with policies, ways, plans and programs that leads to effective use of the available resources to the maximum gain of the organization. The
business environment is characterized by dynamism and turbulence which calls for every company to better position themselves to strategically fit into the environment. The dynamic environment ranges from political, social-cultural, economic and technical changes which heavily impacts the operations of every business. Strategic management practice provides a platform for the firms to monitor these factors and make decisions and action plans that will help them take lead.

A strategy is the game plan of an entity that makes it unique from the rest of the players in the industry. It is in this context that the managers of an entity design intentional and emergent strategies that help them not to lose focus even when things change so that even when there are changes, the business even does better and achieves its goals. According to Capon (2008), there are several elements of a strategy which when vivid offer a number of advantages to the organization. A good strategy should be sustainable and with ability to maintain change to enhance profitability and success and success of a business entity. It has to be unique so as to gain sustained competitive advantage implying it should be easy to be imitated by other firms. It also has to provide room for diversification which aids the decision makers to explore different markets and spread the risk which will be as a result of strategy implementation. The strategy also has to carry the vision of the firm in clarity, add value and strengthen the organization culture.

According to Richard et al (2009), there is no specific definition of organizational performance; it can be looked at in the face of the organization, group and individual. To him, performance can be in form of financial, product market and the returns of the stakeholder. The main indicators of performance of an organization are revenue growth, market share, customer satisfaction, productivity and profitability (Ortega, 2010). Mckee
et al. (2006) identified seven criteria of performance which are; efficiency, effectiveness, product/service quality, quality of work force, profitability and innovation.

Performance of an organization constitutes of the actual output rated against the firm’s intended or planned output which are clarified in its set goals and objective, (Richard, 2009). Bass (1990) stipulated that performance can be the amount of revenue collected from sales without the expenses. This study views performance on the basis of the number deals converted over a period of time, the actual market share, profits made over a period of time, influence in the society, brand stability, customer satisfaction, employee satisfaction product and service quality and stability.

To perform well, organization need effective strategic management practice. This implies that effective and good strategic management practice is always aimed at and will lead to maximum organizational performance. The role of the top management of an organization is to establish new competitive space by coming up with new products and to explore new markets and refine growth game plans without overlooking the fundamental capabilities of the firm towards success and performance (Rastogi, 2000). All these can better be achieved through effective strategic Management process.

2.4 Strategic Management Practice, External Environment and Organization Performance

A firm’s management effort to get maximum profits and win over their competitors can best be summarized by strategic management. Strategic management practice is a means to and end implying that its end result is to better the position of the practitioner or simply make an organization to perform well. It is an ongoing process (Lamb, 1984) meaning that it can guide all the operations of a firm at all times to achieve its intended
goals and objectives. It is from the practice of strategic management that management of any firm comes up with strategic choices and action plans whose implementation affects the future position of the firm.

External environment is critical during the second stage of strategic management process. During this stage, the leaders carry out situation analysis which include competent scanning of the internal and external factors that affects or are anticipated to affect the operations of the firm as it seeks to attain its goals and objectives. This can be achieved by carrying out SWOT analysis which is a systematic tool that can help the planners to establish the firm’s strengths and weaknesses from internal assessment and its threats and opportunities from the external assessment. The analysis will help the firm to understand the various factors at their disposal that may or may not favor its existing and planned ventures (Hill & Westbrook, 1997). The external environment is so profound and requires maximum and consistent focus because it is the mirror of the strategic management process because the entire process ends at establishing a strategic fit in the external environment.

An organization’s strengths help it to establish its ability to explore the available opportunities in the external environment while the weaknesses will help the management to ponder on and establish what it can do differently so as to curb the existing and anticipated threats in the same environment. It is after carrying out external analysis that the objectives are set to actualize the set mission while cognizant of what the environment offers. The objectives have to be specific, measurable, timely, attainable, relevant and time-bound (Meyer, 2003). The objectives are to be used as a mirror to indicate the extent to which the ventured activities help achieve the set vision.
Strategic analysis aims at establishing the various alternative causes of action that can be done to achieve the objectives and goals of a firm in the face of its external environment. The listed actions should be in light with the prevailing environmental factors earlier identified to establish their influence on the firm’s strategic fit. This environment provides the opportunities that are weighed against the vision, goals and objectives of the firm to establish which one amongst them if pursued leads full actualization of the targets. The selected strategies should easy to achieve using the available resources of the firm. Strategic analysis is a process that will the lead to identification and choosing of options which is strategic choice (Pearce & Robinson, 2007).

Strategic management process as a whole should always in the context of the firm’s external environment ends at enhanced organizational performance. There are various advantages of having a strategy(s) to an entity which include provision of focus, direction and motivation to the managers and employees at all levels of an organization. One aspect of coming up with strategies is environmental scanning which means that the strategist has to focus on how the firm relates to its external environment which then puts them on a better standing of understanding their operating environment. The strategy formulation process also helps establish how to relate with external influencers and the internal leadership of the firm. An elaborate strategy also highlights the specific details of a business ranging from the product or service they offer, their competition, their market share, the means to attain growth, projection of all possible change and how to adjust to it and the range of all the activities they engage in to achieve its goals. The uniqueness of a strategy helps the organization to attain unchallenged competitive edge which put it on a higher scale of business operation, performance, success and profitability.
2.5 Conceptual Framework

Effective and comprehensive practice of strategic management positively influences the performance of an organization. This means that there is a positive relationship between strategic management practice and organizational performance. A firm’s top management comprehensively applies strategic management practice when they make any decisions in view of the firm’s mission and vision, carry out environmental scanning, strategic analysis, strategic choice, setting long and short term goals and objectives, institutionalize and operationalize the strategic then carry out strategic evaluation to measure the level of effectiveness and adopt corrective measures where necessary. This will lead to better performance of the firm which can be is seen through financial and non-financial indicators.

External environment has a moderating effect on the relationship between strategic management practice and a firm’s performance. A firm’s external environment constitutes of both operating and remote environmental factors which have a direct impact on the operations of the firm. The operating factors include, customers, suppliers and competitor while the remote environment include, economic, social-cultural, technological and legal factor. External environmental changes are very dynamic and characterized by turbulence yet is uncontrollable and affect operations of firms. It is therefore, prudent that a firm’s strategists be sensitive to its external factors while planning so as to adopt decisions and choices which are considerate of its moderating effect on both strategic planning and the desired performance.
Figure 2.1: Conceptual Model

**Independent Variable**

**Strategic Management Practice**
- Mission & vision
- Environmental scanning
- Strategic Analysis and choice
- Strategy Implementation
- Strategy Evaluation

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**Dependent Variable**

**Organizational Performance**
- Financial indicators
  - Profitability
  - Liquidity
  - Solvency
  - Efficiency
- Non-Financial indicators
  - Customer satisfaction
  - Market share
  - Employee satisfaction
  - Product quality

**External Environment**
- Operating environment
  - Suppliers
  - Customers
  - Competitors

**Remote Environment**
- Economic factors
- Social-cultural factors
- Political factors
- Technical factors
- Legal factor

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**Moderating Variable**

*Source: Researcher (2018)*
2.6 Summary of Empirical Studies and Knowledge Gaps


In this review, there was no interaction with any research that focused on strategic management in real estate with consideration of External environment as an intermediate variable and gave it special research focus its impact on planning.

Table 2.1 summarizes what these studies focused on, the methods used, their findings and conclusion and the different research gaps. However, the most profound questions that remains clicking is, what are the unique reasons that leads to the different approaches to strategic management by different firms? What is the impact of this on the going concern of businesses? What is the fate of companies that partially applies or do not apply strategic planning process due to ignorance? What is the current and future level of need to incorporate strategic management practice in all business academic programs so as to curb the growing impact of environmental dynamism on business?
<table>
<thead>
<tr>
<th>Study</th>
<th>Methodology</th>
<th>Main Findings</th>
<th>Research gaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Planning and performance of KCA University (Odhiang, 2016)</td>
<td>Case Study</td>
<td>Strategic Planning positively impacted performance of the university</td>
<td>No focus on external environment.</td>
</tr>
<tr>
<td>Planning and performance of Banks in Kenya: National Bank of Kenya (Salah, 2014)</td>
<td>Case study</td>
<td>Strategic Planning has an impact on the firm’s performance</td>
<td>Only focused on one unit in banking industry and not real estate.</td>
</tr>
<tr>
<td>Relationship between Strategic Planning and Company Performances in Chinese companies (Jenster &amp; Klaus, 2013)</td>
<td>Case study</td>
<td>Positive relationship between strategic planning and corporate performance</td>
<td>No focus on external environment and real estate industry.</td>
</tr>
<tr>
<td>Strategic planning and firm performance (Laura, 1994)</td>
<td>Case study</td>
<td>Strategic planning affect performance in a positive way.</td>
<td>The study only used finance as a parameter to measure performance.</td>
</tr>
</tbody>
</table>

Source: Researchers (2018)
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describe the research methods which the researcher will used to carry out the study. These include an explanation of the research design, population of study, sample design, the methods used in data collection and analysis.

3.2 Research Design

This study used descriptive census study which involved use of numerical information in data collection, organization and making summaries to establish the correlational relationships among the research variables using the sample population. The study aimed at finding out the practice of strategic management by real estate firms in Nairobi Kenya and how their leadership view and deal with the external environment. A research focuses on how deep instead of how wide and usually focuses more on total analysis of a selected number of events, conditions and other correlations.

Descriptive research design is the most appropriate because it will help the research to collect and analyse information across the selected sample population. The focus of the research is quantitative and will use the descriptive census study approach. A descriptive census study was reliable in the sense that it is able to mine for abstract interpretation of information and helps in development of numerical correlations. The selected design was able to facilitate analysis of the selected variables across the population sample.
3.3 Population of the Study

The population of this study was all registered real estate developing companies in Nairobi Kenya. There are approximately 132 registered real estate firms which operate within Nairobi, his is in reference with the Estate agents’ registration board. According to Sekaran & Bougie (2010), research population is the ultimate number of individuals or companies which are investigated by a researcher.

3.4 Sample and Sample Techniques

This study sampled out fifty percent of the total study population which is a total of fifty companies randomly selected from the list of registered estate agents. Referring from Polit et al (2001) a sample is a fraction of a population. The researcher will use purposeful sampling which will involves identifying and selecting respondents with knowledge or experience relevant for this study.

3.5 Data Collection

This study collected both primary and secondary data where the primary data was collected by the aid of semi-structure questionnaires prepared by the researcher. The questionnaires were be used to collect data from the operation managers, marketing managers and human resource manager or their assistants of the sampled companies. The questionnaires were self-administered as to allow the respondents to respond to the questions at their convenience either on hand copy or email. The researcher used both close ended and Likert scale questions. The questionnaire was put into four sections; Section-A which covered the demographic information of the real estate companies, section-B with information on strategic management practices, section C covered
external environment of the firms’ and section D the firm’s performance. Those that were requested to fill the questions are operation managers, heads of departments, finance manager, human resource manager and their assistants across sampled population.

3.6 Data Analysis

The collected data was edited ahead of processing the responses to ensure that the information is complete and consistent. The nature of the data was quantitative and so it was to be cleaned to do away with inconsistencies and then categorized on similarity basis and finally tabulated before analysis. The tabulated data was analysed using Statistical Package for Social Scientist; that is use of mean scores, standard deviations, and frequency distribution to summarize the responses and show extent of similarities and differences and results presented in form of tables.
CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This research aimed at establishing Strategic Management Practices of real estate companies in Nairobi. It also sought to establish the moderating effect of the External Environment on the relationship between strategic management practice and performances of these firms. This chapter therefore presents data analysis, presentation of finding and discussion in reference to these objectives. The research findings are presented in frequency distribution tables, percentages, means and standard deviations.

4.2 Rate of response

A total of 66 questionnaires were administered out of which 52 were fully filled and returned which cumulated to 78% response rate. This response rate was sufficient enough to attain the objectives of the research because it was above 60% bear minimum (Livingston & Wislar, 2012).

4.3 Demographic Characteristics of the respondents

This study sought details on the length of operation of the selected companies and the number of employees of each company. The companies’ duration of operation was grouped into clusters of under 5 years, 6-10 years, 11-15 years and over 15years. The number of employees were slotted into those with less than 50 employees, those with 51-400 employees and those with above 400 employees.
4.3.1 Real estate company operation period.

The operation period of the companies referred to from the date the companies started running and when they were registered. The research results indicated that 51.92% of the respondents had been in operation for over 15 years, 23.08% said they had been in existence for a period of between 11 and 15 years, 15.38% had operated between 6 and 10 years while 9.62% within a period of less than five years.

Table 4.1 Company period of operation

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5</td>
<td>5</td>
<td>9.62</td>
<td>9.62</td>
</tr>
<tr>
<td>6-10</td>
<td>8</td>
<td>15.38</td>
<td>25</td>
</tr>
<tr>
<td>11-15</td>
<td>12</td>
<td>23.08</td>
<td>48.08</td>
</tr>
<tr>
<td>Over 15</td>
<td>27</td>
<td>51.92</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>52</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data (2018)

Table 4.1 above presents a summary of the period interval, frequency, percentage and cumulative percentage. It shows that more than 10% of the companies that responded had been in operation for more than 5 years, a period good enough to be able to have strategic plans and be cognisant of the external environment to an extent of being sensitive to its impact on their planning, operations and overall performance.

4.3.2 Company size

The size of the companies were estimated in terms of the number of employees. The results indicated that 55.77% of the companies that responded had between 50 and 400 employees, 26.92% had over 400 employees and 17.31% had less than 50 employees. This was in a nut shell summarized in Table 4.2.
Table 4.2 Company Size

<table>
<thead>
<tr>
<th>No of employees</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 50</td>
<td>9</td>
<td>17.31</td>
<td>17.31</td>
</tr>
<tr>
<td>51-400</td>
<td>29</td>
<td>55.77</td>
<td>73.07</td>
</tr>
<tr>
<td>Above 400</td>
<td>14</td>
<td>26.92</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>52</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Research Data (2018)*

Table 4.2 shows that more 73% of the companies had between 51 and 400 employees which are referred to as middle market companies with a high potential to grow.

4.4 Strategic Management Practice

This part of the questionnaire aimed at collecting information to help attaining the first objective of this study which was to establish Strategic Management Practices adopted by real estate companies in Nairobi. The section had two parts; one that aimed at establishing if the companies set any periodic short or long-term goal that informed their day to day operations. The other part sought to investigate the extent to which the various aspects of strategic management process were adopted if any. Information gathered from these two parts was to establish an overview of how and to what extend strategic management was practised.

4.4.1 Strategic Planning

Strategic planning is a means to an end which aims at providing long term direction to companies, this implies that it is futuristic and having timely goals and objectives as a partial indicator of practice of strategic management. To establish a general overview on whether the respondents from the sampled companies practised strategic management,
this part sought to find out if the companies had any long or short-term plans and if any, identify the strategic planning period. Table 4.3 below provides a summary of the percentage of the companies which carried out strategic planning.

Table 4.3 Setting of long and short term goals and objectives

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies that set long and short term goals</td>
<td>41</td>
<td>78.85</td>
</tr>
<tr>
<td>Companies that did not have any long or short term goals</td>
<td>11</td>
<td>21.15</td>
</tr>
<tr>
<td><strong>Cumulative frequency and percentage</strong></td>
<td><strong>52</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research data (2018)

Table 4.3 presents frequencies and percentages of companies that set long and short term goals. Out of the 52 respondents, 78.85% indicated that they established periodic short and long term objectives while 21.15% of the respondents did not have any structured timely or regular goals and objectives.

On average the planning period for the short term goals and objectives was 4.8 years. This was a clear indicator that most of the companies practiced strategic management.

This then posed need for further investigation to establish to what extent strategic planning was adopted.

4.4.2 Extent of Adoption of strategic management process

The researcher sought to find out from the respondents the extent to which the companies they represented carried out each of the elements of the strategic management process which included, developing vision and mission, environmental scanning, strategic analysis and choice, setting goals and objectives, allocation of resource and duties,
monitoring implementation, evaluation and adoption of corrective measures where there was need. They were asked to indicate this by highlighting on a 5-point Likeart scale which ranged from 1-Not at all, 2-Less extent, 3- Moderate extent, 4-Great extent and 5-Very great extent.

Table 4.4 Extent of application of strategic management process

<table>
<thead>
<tr>
<th>Strategic Management Process</th>
<th>Extent to which the real estate companies applied in the planning processes</th>
<th>1-Not at all</th>
<th>2-Less extent</th>
<th>3-Moderate extent</th>
<th>4-Great extent</th>
<th>5-Very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing Mission &amp; vision.</td>
<td></td>
<td>0</td>
<td>2</td>
<td>9</td>
<td>35</td>
<td>5</td>
</tr>
<tr>
<td>Environmental scanning.</td>
<td></td>
<td>24</td>
<td>14</td>
<td>10</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Strategic Analysis and choice.</td>
<td></td>
<td>4</td>
<td>9</td>
<td>18</td>
<td>19</td>
<td>2</td>
</tr>
<tr>
<td>Setting long and short term goals and objectives.</td>
<td></td>
<td>7</td>
<td>8</td>
<td>11</td>
<td>23</td>
<td>3</td>
</tr>
<tr>
<td>Strategy implementation; Resource allocation and assignment of duties.</td>
<td></td>
<td>0</td>
<td>2</td>
<td>20</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td>Strategy evaluation: Monitoring strategy implementation, evaluation and adoption of corrective measures.</td>
<td></td>
<td>8</td>
<td>13</td>
<td>7</td>
<td>22</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total frequency</strong></td>
<td></td>
<td><strong>43</strong></td>
<td><strong>48</strong></td>
<td><strong>75</strong></td>
<td><strong>127</strong></td>
<td><strong>18</strong></td>
</tr>
<tr>
<td><strong>Percentage</strong></td>
<td></td>
<td><strong>13.82</strong></td>
<td><strong>15.43</strong></td>
<td><strong>24.11</strong></td>
<td><strong>40.84</strong></td>
<td><strong>5.79</strong></td>
</tr>
</tbody>
</table>

**Source: Research data**

Table 4.4 above presents the extent to which the sampled companies practiced the various elements of strategic management process. Cumulatively the companies carried out all
the strategic management processes to a greater extent by 5.79%, to a great extent by 40.84%, to a moderate extent by 24.11%, 15.43% to less extent and 13.82% not at all. These results implied that all the respondents carried out each of the strategic management process at least to a great extent and hence practice of strategic management to a great extent. Important to note is the extent to which firms carried out external environment analysis which was 46.62% not at all against 26.92% to a less extent, 19.23% to a moderate extent, 5.77% to a great extent and 1.92% to a very great extent. This is a clear indication of little emphasis given to the environmental scanning by the companies during their planning process.

4.5 External Environment

The researcher used this section to answer the second objective of the study which was to establish the moderating effect of the external environment on the relationship between strategic management practice and organizational performance of real estate companies in Nairobi Kenya. Information from the respondents was filtered in two part; first was to find out from the respondents if their companies carried out external environmental analysis when setting strategic planning and second was to investigate the extent to which identified environmental factors affected the operations of these firms.

4.5.1 External analysis

The respondents were asked to confirm if their companies carried out external environment analysis when setting their strategic plans. They responded by putting a tick in either the yes or no brackets. The result indicated that 73.08% of the respondents did
not carry out external environmental analysis while only 26.92% carried out external analysis in the process of setting up their strategic plans.

**Table 4.5 External analysis**

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies that carried out external analysis</td>
<td>38</td>
<td>73.08</td>
</tr>
<tr>
<td>Companies that did not carry out external analysis</td>
<td>14</td>
<td>26.92</td>
</tr>
<tr>
<td><strong>Cumulative frequency and percentage</strong></td>
<td><strong>52</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source: Research data (2018)**

Table 4.5 presents a summary of the frequency and percentage of companies that carried out external analysis. It indicated that more than 73% of these real estate companies from which results were obtained were not carrying out external analysis in their strategic planning process. This then was an issue of discussion in the subsequent efforts to establish the firms’ performance.

### 4.5.2 Extent External Analysis

To establish the extent to which the respondents of the sampled companies were affected by changes in external environmental factors, a number of the external environmental factors which affect operations of companies were highlighted and the respondents given an opportunity to indicate on a 5-point Likert scale that ranged from 1-Not at all, 2-Less extent, 3- Moderate extent, 4-Great extent and 5-Very great extent and whose results were as summarised in the table 4.6 below.
Table 4.6 Extent of External Analysis

<table>
<thead>
<tr>
<th>External environmental factors</th>
<th>Extent to which changes affected operations of the real estate companies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1-Not at all</td>
</tr>
<tr>
<td>Change in Customer Behavior</td>
<td>0</td>
</tr>
<tr>
<td>Changes in supply patterns</td>
<td>0</td>
</tr>
<tr>
<td>Changes in Competition patterns</td>
<td>0</td>
</tr>
<tr>
<td>Changes in Economic trends</td>
<td>0</td>
</tr>
<tr>
<td>Changes in Social-cultural dynamics</td>
<td>2</td>
</tr>
<tr>
<td>Political changes</td>
<td>0</td>
</tr>
<tr>
<td>Technical changes</td>
<td>0</td>
</tr>
<tr>
<td>Changes in Legal procedures and business regulations</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total frequency</strong></td>
<td><strong>2</strong></td>
</tr>
<tr>
<td><strong>Percentage</strong></td>
<td><strong>0.51</strong></td>
</tr>
</tbody>
</table>

Source: Research Data (2018)

Table 4.6 presents the summary of the extent to which the various external environmental factors affected the firms. It indicated that changes in all the selected environmental factors affected operation of the respondent companies to a very great extent by 55.47%, to a great extent by 31.15%, to a moderate extent by 8.91%, to a less extent by 3.56% and not at all by 0.51. This result show that on average, changes in external factors affected these companies mostly on a very great extent if not just a great extent by 86.62%.
4.6 Performance of the real estate companies in Nairobi.

Efforts to gather information on from the respondents about company performance establishing overall impact of their strategic management activities and the moderating effect of the external environmental factors on the operations, failures and successes of these real estate companies in Nairobi. The researcher therefore identified the various financial and non-financial parameters of measuring a firm’s performance and asked the respondents to highlight in 7-point Likeart scale how they rated the performance of the companies they represented in the past one year against these parameters. The scale ranged from 1- excellent to 7- Worse. The parameters included; profits made, liquidity, solvency, and efficiency, Level of customer satisfaction, Market share, Employee satisfaction and quality of product and or service they provided. The finding of this section of the questionnaire was summarised as captured in table 4.7 below.
Table 4.7 Performance of the real estate companies

<table>
<thead>
<tr>
<th>Performance Measurement Parameter</th>
<th>Company performance rate, 1-Excellent&lt; 2,3,4,5,6 &gt; 7-Worse</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Profits made</td>
<td>3</td>
</tr>
<tr>
<td>Liquidity (Balance between assets and liability)</td>
<td>0</td>
</tr>
<tr>
<td>Solvency (firm’s ability to pay its debts)</td>
<td>2</td>
</tr>
<tr>
<td>Efficiency</td>
<td>2</td>
</tr>
<tr>
<td>Level of Customer Satisfaction</td>
<td>3</td>
</tr>
<tr>
<td>Growth in Market share</td>
<td>9</td>
</tr>
<tr>
<td>Employee Satisfaction</td>
<td>1</td>
</tr>
<tr>
<td>Quality of Product/Service offered</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24</td>
</tr>
<tr>
<td><strong>Percentage</strong></td>
<td>5.74</td>
</tr>
</tbody>
</table>

Table 4.7 presents results which indicated that the average performance of real estate companies in Nairobi using both financial and non-financial parameters on a 7-point scale is 32.76% poor, 29.76% fair, 12.20% good, 9.09% very good, 7.66% very poor, 5.74% excellent and 3.11% worse. The average performance of the companies in the range of between excellent to good is 9.01% while that in the range of between poor and worse is 14.51%. This statistics deduce that most of the companies in not fairly are
performing poorly regardless of the many opportunities and unexploited markets plus the many efforts earlier indicated on strategic management practice.

4.7 The Relationship between Strategic Management Practice, External Environment and Performance of Real Estate Companies in Nairobi Kenya.

This relationship was established based on scenario comparison of the trends that altered previously established correlations between strategic management practice and performance. These research results indicated that real estate companies in Nairobi on average (M-23.32%) if not to a less extent or not at all (M-14.63%) practices strategic management which means a positive deviation (8.69%) towards practice of strategic management and (M-14.51%) if not good (9.01%) performs poorly implying a positive deviation (5.50%) towards poor performance. It was also established that most of the firms (M-43.45%) if not to a less extent or not at all (M-2.04) with a positive deviation (41.41%) were affected by average changes in the external environment. The finding also indicated that only 26.97% of these companies carried out external analysis in their planning while 73.03% did not carry out external analysis while establishing their strategic planning giving a positive deviation (46.06%) towards not carrying out external analysis.
Table 4.8 Relationship between Strategic Management Practice, External Environment and performance of the real estate firms in Nairobi.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Mean</th>
<th>Deviation</th>
<th>Overall Impact on performance of the real estate companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Management practice</td>
<td>Practice = 23.73%</td>
<td>Don’t practice = 14.63%</td>
<td>Towards practicing = +8.69%</td>
<td>Positive</td>
</tr>
<tr>
<td></td>
<td>73.03%</td>
<td>26.97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance of the real estate companies</td>
<td>Good performance = 14.01%</td>
<td>Poor performance = 9.01%</td>
<td>Toward good performance = -5.50%</td>
<td>Negative</td>
</tr>
<tr>
<td></td>
<td>43.45%</td>
<td>2.04</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data

Table 4.8 shows the overall performance of these firms and how they are influenced by the external environment, I derived the formula below which awarded performance a total of positive two (+2) which is the summation of positive one (+1) for practice of strategic management, (+1) for external analysis.

I.e. Performance(Y) = Strategic Management Practice (kX1) + (Carrying out external analysis and addressing the impact (kX2) and so in this case;

Y= Kx1+ -1Kx2 =0 meaning there was no good performance due to lack of being cognisant and addressing the impact of changes in the external environment.
4.8. Discussion of Results

This section constitutes of a discussion of the results of this study in relation to the specific study objectives which were to establish; the practice of strategic management by real estate companies in Nairobi, the moderating effect of external environment on the relationship between strategic management practice and performances of these companies and the practice of external environment analysis by real estate companies in Nairobi Kenya.

Objective One: To establish the practice of strategic management by real estate companies in Nairobi, Kenya

The research results indicated that most of companies operating in the real estate industry in Nairobi were practicing strategic management through various planning activities. It was also noted all of the environmental factors affected the operations of the companies to a great extent. Ironically, most of the companies were not carrying out strategic external analysis. Results on performance indicated that most of the companies operating in the real estate industry in Nairobi Kenya were performing poorly both by analysis of financial and non-financial parameters of measuring performance.

An investigation into the extent to which the sampled companies practiced the different elements of strategic management process indicated that averagely, a greater number largely practiced strategic management by carrying out either all or a greater portion of each of the elements of strategic planning process. This conforms to the pattern of the results of the research done by Nzuki (2017) which was a case study of strategic planning and organizational performance. Similar results were attained by Odhiang (2016) in his study about Strategic Planning and Organizational Performance using a case study of
KCA University. Several other research that carried investigations on whether companies carry strategic management, had similar results to this study.

**Objective Two: To establish the moderating effect of external environment on the relationship between strategic management practice and performances of real estate companies in Nairobi Kenya.**

It was discovered that though most the sampled companies practiced strategic management, most of them registered poor if not very poor performance. Most of the companies that performed poorly are the ones that were not carrying out external environmental analysis. This registered a clear indication that if firms do not carry out external analysis, they fail regardless of how much they plan. More than 50% of the real estate firms in Nairobi had been operating for more than 15 years which is a duration with more than 3 average strategic planning period of 5 years. Most of the companies were operating on losses with average poor financial and non-financial performance. This can be alluded to the fact that as much as these companies were planning, they did not do it in the context of their external environment which was evidenced by the big percentage of firms that were not doing external analysis.

Previous studies like that of Suclev & Debarliev (2012), Muriuki (2010), Laura (1994) and those cited above concluded that strategic planning affect firm’s performance positively. The results of this study challenges this correlation by emphasizing that unless the planner plan in the content of their external environment, all efforts towards planning are likely to topple and cause consisted struggle and failure of the firms. While it is important to practice strategic management, it is equally important.
Objective Three: To establish the practice of external environment analysis by real estate companies in Nairobi Kenya.

It was found out that most of the real estate firms in Nairobi Kenya did not carry out external analysis. It was also noted that changes in the external environment to a very great extent affected or impacted the operation of these firms. Though these firms were averagely practicing strategic management, they continue to encounter challenges that cost most of them. These results then implied that a firm’s external environment whether taken into consideration or not could altered the outcomes of implemented strategic plans.

A research done by Muga (2014) on external environment, strategic responses and performance of large scale manufacturing firms in Kenya found out that to a larger extent most of the companies in the population of study were not practicing external environmental analysis. Jenster & Klaus (2013) in their study on Strategic Planning and Company Performances in Chinese companies also realized that most of the Chinese under study then did not put any elaborate efforts in studying the external environment a head, before or in the course of their strategic planning.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of a summary of the findings, conclusion, limitations of the study and recommendations for future studies.

5.2 Summary of the Study

The objective of this study was to investigate and establish the Strategic Management Practices and find out the moderating effect of the External Environment on the relationship between strategic management practice and performances of real estate firms in Nairobi Kenya. In summary, this research found out that most of the real estate companies that operated within Nairobi practiced strategic management but did not perform well. Those companies that did not perform well did not put much emphasis on the external environment during their planning. The specific objectives of the study were achieved and posed need for companies to consider external analysis as an element of must consider during their planning.

Further the results displayed that most of the real estate companies in Nairobi carried out strategic management practice yet experienced poor performance. Investigation on the practice of external environmental analysis found out that a big number of these firms were not proactive in carrying out external analysis. Further investigation on the extent to which the external environmental factors influenced the operation of these firms realized that changes in factors such as customer behavior, suppliers, competition, economic trends, social-cultural dynamics, political systems, technological advancement, legal and
business regulations. Real estate firms in Nairobi were found to be adversely affected by negligence or lack of giving proper attention to the dynamic external environment. It was found that, though it is good for firms to plan strategically, it is more important for the firms to plan in context of their external environment by carrying out substantial external analysis and fit into the threats and opportunities offered.

5.3 Conclusion of the Study

Strategic management efforts of all business firms in one way or another aspire to enhance their firm’s performance in either one, several or all of the following; make maximum profits, enhance better customer relations, pay off their debts, have efficient operations, grow their market, achieving better employee relations and sustaining development of high standard service or product. Comprehensive practice of strategic management is the best tool to draw a journey plan toward these desires because it provides a platform to summarize the desired level of achievement through missions and visions, environmental scanning, making strategic choices and analysis, setting timely goals and objectives allocation of resource and duties and carrying out evaluation during implementation while adopting corrective measures where need be.

External environment is characterized by dynamism which is so turbulent regardless of the industry. It changes in customer tastes and preference, suppliers, completion, economy, social-cultural activities, political stability, technology and legal frameworks and business procedures. To succeed, all firms must plan to fit in this environment. The top management are charge by the duty of leading the process by coming with avenues to scan these changes through external analysis, establish the level of turbulence from changes within factor and design a response plan in terms of the service or product
quality, production, outsourcing, processes, structures among other decisions. Most companies are adopting strategic management but this study challenges them to do it comprehensively by being more sensitive to the external environment because it to a great extent affects and moderates planning efforts and realized performance.

5.4 Recommendations

Results from this study should help change the nom of real estate practitioners recommend the following to them, that as much as they plan for success, they should understand their external environment and carry out consistent analysis before making any decisions or choices, they should also understand that this environment is so dynamic and need regular scanning. After scanning the decisions should be made in reference to the opportunities in the environment, threats and level of turbulence. As a supplement, the researcher was inquisitive to investigate the challenges which hindered effective practice of strategic management in the context of a firm’s external environment.

5.5 Limitations of the study

This research method was quantitative and therefore called for use of questionnaire which was costly and time consuming to produce and distribute, the research had to share a number of them on email to save on time. This limited face to face interaction with most of the respondents which may have given room for clarifications and explanations for finer responses. A few of the filled questionnaires require a lot of attention to align.

Performance of the firm was evaluated based on a period of up to one year which limited giving to observe trends over other years. It was also a lot involving in giving clarifications and emphasizing to the respondents to give a genuine response to the
questionnaires and built confidence in them that the responses were for academic purposes only and not for generating findings for public opinions that could implicate their performance. The selection of respondents was limited to managers which hindered generalizability of the results to other industry or study areas.

5.7 Areas suggested for future research

The researcher recommends future investigation of the following challenges which were highlighted that affected comprehensive practice of strategic management; negligence of employees, high cost of production, micromanagement, lack of proper structures, lack of ethnic standards and professionalism, lack of inclusion in decision making, central decision making, employee turnover, lack of business procedures among others. Future research can investigate the extent to which these challenges affect planning and overall performance of real estate or other firms in other industries.
REFERENCES


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APPENDICES

Appendix 1: Questionnaire

The focus of this questionnaire will be to establish the relationship between strategic management practice and performance of real estate companies in Nairobi Kenya and the moderating effect of external environment on this relationship. The information shared will be used for research purposes only and will be treated as confidential.

Section A: DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

1. Name of the real estate company………………………………………………

2. What is your role in the company……………………………………….

3. How long has your real estate firm been operating?
   a) Under 5 years ( )
   b) 6 – 10 years ( )
   c) 11 – 15 years ( )
   d) Over 15 years ( )

4. How many employees are in your company?
   a) Less than 50 ( )
   b) 51 – 400 ( )
   c) Above 400 ( )

Section B: STRATEGIC MANAGEMENT PRACTICE

5. Strategic Management Practice
   a) Does your firm develop long-term strategic plans? If yes, what period?

      Yes ( )  Period....................
b) To what extent does your company carry out the following strategic management processes? Use 1-Not at all, 2-Less extent, 3-Moderate extent, 4-Great extent and 5- Very great extent.

<table>
<thead>
<tr>
<th>Strategic Management Process</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>Developing Mission &amp; vision.</td>
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<tr>
<td>Environmental scanning.</td>
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<tr>
<td>Strategic Analysis and choice.</td>
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<tr>
<td>Setting long and short term goals and objectives.</td>
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<tr>
<td>Strategy implementation; Resource allocation and assignment of duties.</td>
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<tr>
<td>Strategy evaluation: Monitoring strategy implementation, evaluation and adoption of corrective measures.</td>
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</table>

Section C: EXTERNAL ENVIRONMENT


a) Does your firm carry external environmental analysis when setting strategic plans?

Yes ( )

No ( )

b) To what extend does changes of the following external environment factors affect the operations of your firm. Use 1-Not at all, 2-Less extent, 3-Moderate extent, 4-Great extent and 5- Very great extent.
External Environmental Factors

<table>
<thead>
<tr>
<th>Customer behavior</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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</thead>
<tbody>
<tr>
<td>Suppliers</td>
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<tr>
<td>Competition</td>
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<td>Economic trends</td>
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<td>Social-cultural dynamics</td>
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<td>Political systems</td>
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<tr>
<td>Technical factors</td>
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<tr>
<td>Legal procedures and regulations</td>
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</table>

SECTION D: ORGANIZATIONAL PERFORMANCE.

7. How will you rate the performance of your organization in the past one year based on the following performance measurement parameters?

Use 1- Excellent, 2-Very Good, 3- Good, 4-Fair, -5-Poor, 6-Very Poor, 7-Worse

<table>
<thead>
<tr>
<th>Performance Measurement Parameter</th>
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<th>6</th>
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<tr>
<td>Profits made</td>
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<td>Liquidity( Balance between assets and liability)</td>
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<td>Solvency( firm’s ability to pay its debts)</td>
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<td>Efficiency</td>
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</tbody>
</table>
Please highlight at least 3 challenges that hinder effective practice of strategic in your organization inconsideration of your firm’s external environment.

1. ................................................................................................................................................
   ................................................................................................................................................
   ................................................................................................................................................

2. ................................................................................................................................................
   ................................................................................................................................................
   ................................................................................................................................................

3. ................................................................................................................................................
   ................................................................................................................................................
   ................................................................................................................................................

THANK YOU FOR YOUR TIME AND SUPPORT
Appendix II: Introduction letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

DATE: 14/11/2018

TO WHOM IT MAY CONCERN

The bearer of this letter, Nehemiah Makhian, Opuru,
Registration No. D61/93751/2018,

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

14 NOV 2018

PROF. JAMES M. NJIHIA
DEAN, SCHOOL OF BUSINESS
Appendix III: List of Sample Registered real estate firms in Nairobi Kenya

1. AMS Properties Ltd
2. Axis Real Estate
3. Azizi Realtors
4. Banda Homes
5. Beyond Media
6. Broll Kenya Limited
7. Buy Rent Kenya
8. Centum Properties Limited
9. Coral Properties Limited
10. Crystal Valuers Limited
11. Cytonn Investment Limited
12. Diamond Property Merchants
13. Dinara Developers
14. Dunhill Consulting Limited
15. Edifice Ltd
16. Fair deal Properties
17. Fortress Consulting Ltd
18. Fusion Capital
19. Gakuyo Real Estate Limited
20. Gimco Limited
21. Greenspan Investment Limited
22. Kenya Interiors Ltd
23. Hass Consult
24. Home Afrika
25. Home Fix Ltd
26. Homes Kenya Ltd
29. Homes Universal Ltd
30. Homescrope Properties Limited
31. Kings Developers Limited
32. Kings Pride Properties Limited
33. Knight Frank
34. Lamudi.co.ke
35. Land Link Africa Ltd
36. Landmark Realtors Limited
37. Laser Property Services Limited
38. Liberty Homes Ltd
39. Llyod Masika Limited
40. M & D Homes (K) Ltd
41. M & M Designs
42. Mentor Group Limited
43. Myspace Properties Kenya
44. Norwich Union Properties Limited
45. New Realite Limited
46. Optiven Enterprises Limited
47. Pam Golding Properties
48. Pentagon Properties
49. Property 24
50. Property Point Kenya
51. Regent Management Ltd
52. Ryden International
53. Sigimo Enterprises Ltd
54. Security 24 Ltd
55. Silver Flames Properties Limited
57. Sky Management Limited
58. Sterling Partners Ltd
59. Superior Homes Kenya
60. Suraya Properties Limited
61. Sultan Palace
62. Sweet Homes Management Limited
63. TRV Group of Companies
64. Tysons Limited
65. Vaal Real Estate
66. Villa Care Kenya Ltd

Source: Registrar of Real estate Companies 2018