STRATEGIC PLANNING, EXTERNAL ENVIRONMENT AND PERFORMANCE OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES (SACCOS) IN KENYA

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

2019

DECLARATION

I Christine Muguru Muchoki**,** hereby declare that this research project entitled**: Strategic planning, external environment and organizational performance of SACCOS in Kenya** is my original work and has not been submitted to any other college, institution or university for award of any certificate, diploma or degree.

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D61/85684/2016

MBA PROGRAMME

SUPERVISOR'S APPROVAL

This research project by Christine Muguru Muchoki has been submitted for examination with my approval as the appointed University Supervisor.

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DEDICATION

This research study is dedicated to my children: Ledley Wyse, Lesley Njoki and Lenny Githiga for being enough motivation to work hard, and to my parents for all the prayers and support during the entire process up to completion of this project.

ACKNOWLEDGEMENTS

I take this opportunity to thank all the people who made this project possible. I thank God who is my source of all my inspiration for this research. Thank you to my supervisor Dr. James Gathungu for his guidance, support and patience throughout my research project period.

I also thank my husband Fredrick Waiganjoh for his support and my fellow MBA students at University of Nairobi including: Miriti, Teresiah, Lilian, Julius for sharing critical information that facilitated my completion of this project.

God bless you all.

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LIST OF ABBREVIATIONS

OP	Organization performance
PESTEL	Political, Environmental, Social, Economic, legal
RBV	Resource Based View
RDT	Resource Dependency Theory
SACCOS	Savings and Credit Co-operative Society
SP	Strategic planning

ABSTRACT

The main objective of the study was to determine the influence that strategic planning has on organizational performance in SACCOS in Kenya, as well as establish the connection between strategic planning, external environment and organizational performance. Strategic planning is vital for any organization as it directs firms into achieving their objectives. The scope and direction help an organization achieve a competitive advantage in the rapidly changing environment. Due to the fact that the environment is complex and disruptive, open rather than closed, senior management have to note there is need for a formalized, consistent, and comprehensive framework useful in analyzing the organization's strategic position. Strategic Planning is a management process that involves creating long term goals and carrying them out. It also extends to control mechanisms to govern the implementation of the strategy formulated. Organization performance relates to efficiency, effectiveness, relevance and financial viability. Effectiveness of a firm brings about the peculiar activities which a firm must embrace in attaining their mission. Managers have to pay keen attention to what is happening around their organizations and quickly adjust their strategies to adapt to the prevailing conditions of the environment. Consequently, more customers are borrowing from SACCOS as they are even more lenient in offering funding than banks. The main objective of the study was to determine the influence of strategic planning and external environment on organizational performance of SACCOS in Kenya. Descriptive survey design was adopted in this study. Population targeted for this study were 160 SACCOs in Kenya. Purposive sampling technique was adopted to select a sample size of 80 SACCOS. Primary data was collected by use of questionnaires. Data was analyzed using descriptive statistics using SPSS (Version 23.0). The study results established that SACCOS in Kenya had written goals quantified with measurable targets and also that management and higher-level staff are usually engaged in setting goals and objectives. In addition, it was established that SACCOS tends to assess the sector as a whole in terms of new competitors and concepts, new technologies, trends, labour practices in order to establish the existing trends in their sector of operations. Also, it was established that SACCOS in Kenya operate in dynamic environment that is hard to deal with due to unpredicted environmental factors especially political, economic and technological factors. The study therefore concluded that SACCOS in Kenya are involving their managers and higher-level staffs in goal and objective setting is because the outcomes from the decisions made can greatly affect both the company's health and its employees. It was also concluded that external environmental factors particularly political, economic, social, technology, environment and legal affect performance. The study recommended that SACCOS in Kenya should further their external environment, strategic plans, values, culture, goals and mission to ensure that both corporate and functional strategies are strengthened and made known to all employees across the organization.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

This study was anchored on resource based theory and supported by resource dependency theory and Dynamic capability theory. Resource based theory tries to find out the strategic resources that a firm can utilize to achieve competitive advantage and sustain it. Resource Dependency theory studies the ways in which external resources of an organization affects its behavior while Dynamic capability theory studies the capabilityof an organization to adapt a resource base with a purpose. Strategic planning is vital for any organization as it directs firms into achieving their objectives.

Strategy can be defined as the direction of an organization and its scope in the long term. The scope and direction help an organization achieve a competitive advantage in the rapidly changing environment. This happens through configuration of resources and competencies aiming at delivering to stakeholders their expectations. (Johnson Scholes & Whittington, 2008). As in the above definition, making strategic plans of an organization requires that that the environment in which the operates on, be thoroughly considered.

Machuki (2011) states that strategy can be viewed as the configuration of the thought process of a firm, actions, resources, and capacity for developing its long-term direction and success in the ever-changing external environment. Ansof and Sullivan (1993) in Long Range Planning , describe a formula for strategic success which stipulates that the profitability of a firm is optimized when its strategic behavior is aligned with its environment.

This formula was developed for over 25years and has been tested extensively in the field. Due to the fact that the environment is complex and disruptive, open rather than closed, senior management have to note there is need for a formalized, consistent, and comprehensive framework useful in analyzing the organization's strategic position.

Aosa (1997) Contextual Influence on Strategic Planning. Porters industry Analysis Model in the Kenyan setting, Aosa states that managers have always faced the challenge of positioning their companies such that they best sort challenges from the external environment. He says that the environment is the source of resource inputs for the organizations. At the same time, when resources have been transferred by the companies, the output goes back to the environment. Companies therefore have to maintain a relationship with their environment.

Ansoff and Donnel (1990) have described organizations as being "environment-dependent'. Therefore, for success to be attained, a firm has to maintain a working relationship with the environment. Due to this reason, managers have now turned to strategic planning in the quest of shaping the future of their companies (Ansoff and Donnel,1990).

(Porter 1980) postulated that a firm's success would be enhanced if the firm operated in an attractive industry. This means an industry where potential profitability was high. Attractiveness was defined by the degree of competition in the industry. Competition in an industry was dependent on five forces namely, threat of new entrants, threat of substitutes, industry rivalry, bargaining power of suppliers, and bargaining power of customers. All these five forces are the challenges that a firm may face in its operations. This study suggested that, managers would be able to understand dynamics and challenges of their industries if they would use Porters five forces model to analyze them. The concept of strategic planning is multi-dimensional. It is viewed as a means of establishing the organizational purpose in terms of its long-term objectives, resource allocation, action programs, etc. It is also viewed as a response to external opportunities and threats, internal strength and weaknesses in achieving competitive advantage by the firm. SACCOs in Kenya, just like any other organizations operating in the Kenyan soil have had a fair share of challenges due to turbulent external environment. In order to survive the challenging times, SACCOs have been left with no option but to lay down strategies on how to best use their resources and capabilities, at the same time cushion themselves by getting power over those that control the resources that firms need in their operations. SACCOs also need ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments.

1.1.1 Strategic Planning

Strategic Planning is a management process that involves creating long term goals and carrying them out. It also extends to control mechanisms to govern the implementation of the strategy formulated (Heracleous, 1998). It is the process through which thorough research is used in formulating, implementation and controlling strategy (Higgings and Vincze, 1993; Mintzberg, 1994; Pearce and Robinson, 1994). According to (Drucker, 1984) formal strategic planning started in 1950, in the USA when accelerating and cumulative events began to change the boundaries, the structures and the dynamics of business environment. Phillips & Moutinho (1999) assert that the sole purpose of strategic planning is to improve strategic performance. In fact, he argues that strategic performance is the commonly cited reason for strategic planning (Schraeder, 2002).

(Young, 2003) defines strategic planning, as a formal yet flexible process to determine where an organization currently is and where it should be in the future.

There are three levels of strategy namely; the corporate level, the business level and the functional level. Corporate strategy is how an organization struggles to create its value by developing competitive advantage in its industry and by improving its market share. On the other hand, a business strategy are the moves and actions that are competitive and are intended to attract clients, gain competitive advantage, improve performance and achieve organizational goals. Functional strategy are the plans by the firm for the various units in its structure. Strategic planning is very important to an organization as it helps an organization achieve advantage in a changing environment by configuring its resources and competencies with the aim of fulfilling stakeholder expectations (Johnson and Whittington ,2008).

1.1.2 External Environment

The external environment are the factors that affect how a firm operates. They are exogenous to the firm but possess potential to affect its performance (Murgor, 2014). External environment includes all the outside influences that affect the operation of a business. Ansoff & Sullivan (1993) suggest that all organizations are open systems hence, environment-serving organizations. This s because, organizations get their inputs from the environment and also send back their output to the same environment. Due to this reason, external environmental factors play an important role in formation and implementation of business strategy (Hiriyappa, 2009). External environment forces include; political, economic, social, technological, ecological and legal (PESTEL) factors. Organizations cannot single handedly have full control over what happens in the environment. The environment is the source of constraints, contingencies, problems as well as opportunities that affect the terms on which organizations operate their business (Khandwalla, 1977; Bourgeois, 1980).

According to Welch and Welch (2005), external environment of organizations is filled with uncertainties. Businesses therefore must be aware of the prevailing environmental conditions and react to them in order to survive. In the event that an organization acts blind to the external environment, then these factors would even result into pushing organizations out of existence. External environment can be broken down into two; micro environment and macro environment. Micro environment is composed of the factors that directly affects the operations of a company while macro environment is composed of the general factors that an organization has no control over. For an organization to be successful, it needs to be able to adapt to the prevailing external conditions.

Factors that affect micro environment are suppliers, customers, financiers, marketing intermediaries and public perceptions. Factors that affect macro environment include; economic, social cultural, legal, political, technical and environmental considerations. Economic factors are such as supply and demand, exchange and interest rates, government spending, taxes, etc. Managers should come up with appropriate means of reacting to these economic changes that happen in order to ensure survival of their organizations. Social cultural includes how consumers behave. Behavior of consumers directly affect operations of an organization, for example, consumers choosing to improve their health by way of walking or biking to work would result in less sales in firms that sell automobiles, fuel, etc. Political factors include changes in government policies and spending that in turn affects businesses.

1.1.3 Organization performance

Organizational performance is the actual output or results of a firm as compared to ther set goals. According to Ricardo et al. (2009) performance has three aspects which are; financial performance product market performance and shareholders return. Organizational performance is a primary concern in practice and research of strategic management. March & Sutton (1997). Budiman, Lin, & Singham (2009) are of the view that, for an organization to perform well , its structures, strategies, systems, shared values, skills, staff as well as styles need careful alignment and mutual reinforcing. Organizations in a competitive environment work to outwit, outsmart, outmaneuver as well as outperform their rivals (Lefort, McMurray & Tesvic, 2015). Organizational performance shows how resources are employed in a firm to achieve its corporate strategy. Organizational performance keeps the firm afloat and also brings about better vision for opportunities in the future (Hoskisson et al., 1994). Organization performance relates to efficiency, effectiveness, relevance and financial viability. Effectiveness of a firm brings about the peculiar activities which a firm must embrace in attaining their mission. Efficiency is the unit cost of output which is normally much less than the input therefore ensuring no chance to reduce the input for the same amount of output (Machuki & Aosa, 2011).

Performance sets organizations apart. Better performing organizations become the cream of their particular field and even workers will struggle to work for such organizations. Ricardo et al. (2001) terms performance as the ability of an organization to maximize strengths and overcome its weaknesses to neutralize its threats and take advantage of opportunities. Awino (2011) states that, no single variable can effectively influence the performance of a firm. Organizational performance is a recurrent idea of so much interest to academic scholars and practicing managers Venkatraman, & Ramanujam, (1987). It is the outcome that is most sought and common denominator across all organizations (Ongeti, 2014). Performance is however is a contentious subject among researchers in organizations in regard to definitions and measurements (Chakravathy, 1986; Machuki & Aosa, 2011) as different scholars have different views of organization performance

1.1.4 Savings and Credit Co-operative Societies (SACCOS) in Kenya.

Savings and Credit Co-operative societies (SACCOS) have become a common phenomenon in Kenya in the recent past. They have increased in numbers so much that, competition within the industry is evident. This has necessitated the each of them to carefully look into their micro and macro environment, in pursuit of excellence and deriving competitive advantage. As a result, SACCOS have a need to lay good strategies of operation to survive in the industry. At the same time, it goes without saying that, just like all other organizations, SACCOS have a need to consider the environment in which they operate in laying down their strategic plans. This is because, they are expected to react accordingly with any changes in their environment. It is therefore imperative for management of SACCOS to keep scanning the environment with a view to take advantage of opportunities that arise as well as deal with challenges that they encounter from the environment.

There are 162 SACCOS that were registered as at 2018. These SACCOS are democratic, unique member driven, self-help co-operative. They are owned, governed and managed by its own members who have a common bond, for instance, people working for a common employer, people belonging to the same church, social fraternity, labour union or working or living in the same community. SACCOS are regulated by the Sacco Societies Regulatory Authority(SASRA). The five top saccos boast Ksh 149billion savings and assets. These are Mwalimu sacco, Harambee, Stima, Kenya police and Afya saccos. They have became Kenya's top lenders(Business Daily).

1.2 Research Problem

There are many studies that have been carried out linking strategic planning in organizations to organizational performance. (Phillips & Moutinho, 1999; Dusenbury, 2000; Martin, 2012, Andrew et al, 2009). They all are of the view that strategic planning positively influences organizational performance. On the other hand, some scholars are of a very different opinion from this. Poister et al (2013) concluded that strategic planning has zero effect on the efficiency or effectiveness of an organization. It's the environment in which an organization operates on that present threats and opportunities. Environmental factors greatly affect operations of an organization. Managers have to pay keen attention to what is happening around their organizations and quickly adjust their strategies to adapt to the prevailing conditions of the environment. Drucker (1954) stipulates that strategy is analyzing the present situation and making changes where necessary. Johnson & Whittington (2008) postulate that, strategy is the direction and scope of a firm over the long term, which achieves advantage in a changing environment through configuring its resources and competencies with the aim of fulfilling shareholder expectations".

Managers need to constantly scan their environment in order to be in a position to take advantage of emerging opportunities at the same time, deal with any threats that would pose danger to their business. This results into competitive advantage for the organization and ensures the organization survives through good and bad situations. Organizations are embracing strategic planning with an aim of improving their performance, Awuor (2014). This research is aimed at scrutinizing the link between strategic planning, external environment and performance of SACCOS in Kenya. There has been several environmental changes that have taken place in the recent past, which have in turn affected the operations of SACCOS in Kenya. This is for example, the turbulence that was witnessed caused by political crisis in the country, whereby, violence was witnessed and people lost their property, livelihood and much more. This made it hard for saccos to get money in form of savings from its members as businesses were destroyed and those that remained were no longer being operated for fear of attacks.

There has also been the issue of capping interest rates by the government. All banking institutions were given orders to cap their interest rates at 14% recently. This has made banks look for alternative ways of making money and gone slow on lending as it is not profitable anymore. Consequently, more customers are borrowing from SACCOS as they are even more lenient in offering funding than banks. Inflation has not been left behind whereby, the shilling has lost value to the dollar and this has had an effect on SACCOS as they are also in the money business. Technology has evolved and made work easier in many organizations. Most operations are now automated and this has really improved efficiency. SACCOS have not been left behind as some are already using the new technology in disbursing loans, keeping their records, etc. Social class also has had an effect on SACCOS whereby, people have formed SACCOS according to their professions, according to their preferences and likings, etc. This therefore clearly shows that there is great need of looking for means and ways of how SACCOS can survive in rapidly changing and unpredictable external environment. The study seeks to find out effects of business external forces on the organizational performance in SACCOS and the strategies that SACCOS should apply to maintain competitive advantage for survival in the turbulent environment.

There are several other studies that have been carried out on the same. This include, Burugu (2018) researched the influence strategic planning has on performance of Naivas limited in Kenya, Golicha (2012)researched on how strategic planning can relate with financial success of firms within the ICT sector in Kenya. Abdi(2014) researched on strategic planning and performance of Banks in Kenya: A case study of National Bank of Kenya, Njoki(2012) researched on the factors that affect implementation of strategic plans: The case study of Caritas, Nyeri Archdiocese. Okwako(2013) researched on Strategic planning and success of public secondary schools in Rarieda District, Kenya. No study has been done on the connection between strategic planning, external environment and performance of organization and particularly saccos in Kenya. This has created a research gap.

This research aimed at bringing insight to the following research questions; What is the relationship between strategic planning and organizational performance? What is the relationship between strategic planning, external environment and organizational performance?

1.3 Research objectives

The objectives of the study are; to determine the influence that strategic planning has on organizational performance in saccos in Kenya. The second objective was to establish the connection between strategic planning, external environment and organizational performance.

1.4 Value of the Study

This study helped to support existing theories of strategic planning, environmental factors and those of organizational performance. This was so as the study come up with new dimension in which the theories could be viewed and therefore increased knowledge. The study also formed a foundation for additional research. The findings can either nullify or support a hypothesis and this also resulted in additional knowledge. The study was also useful in academics, since it can be used by researchers, academicians, executives and also students can use it as a source of secondary source of information as they go about their studies. Authors can also use the findings as a reference in writing books, journals and other research papers in academics.

In practice, the study was of great use to managers in aligning organizations' vision and mission with the prevailing external factors and this will ensure survival and profitability of organizations. Managers must take keen interest in external factors affecting their organizations and use the information they derive from scanning the environment to formulate strategies in organizations. Information from scanning the environment helped managers match strategies with the environment and also enable them predict the future of an organization in order to develop the right trajectory measures for the future.

In policy making, the study was useful as well. When organizations scan the environment, they can then formulate and implement the best policies for the land. These policies were favorable to organizations operating on the land. The study also help SACCOS in Kenya to be run effectively and efficiently, taking note of the prevailing conditions, and hence improving their performance and chances of survival in turbulent conditions.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical foundations guiding the Study. It gave a summary of all the written sources that are relevant to the Study, both theoretical and empirical. It also entails discussion on research gap and the conceptual framework.

2.2 Theoretical Foundation of the Study

This is the foundation from where all the knowledge is constructed in a study. Existing theories and models are collected together from literature to serve as structure and support for the study, the problem statement, the significance, the purpose and the research questions, determining the design to be used and the analysis plan for the study. It is a very important aspect in research. Lysaght (2011) insisted on the need to have a theoretical foundation in a study. Over the last 30years, there has been an increasing trend to include a theoretical framework in the dissertation (Melendz, 2002). This study was guided by Resource Based View Theory(RBV) supported by Resource dependency theory and Dynamic capability theory.

2.2.1 Resource Based Theory

Resource Based view (RBV) is a management idea in organization that is used to find out the strategic resources that a firm can use to achieve competitive advantage that is sustainable. One of the most widely cited works in the emergence of the theory as a pivotal work is Barney (1991) “Firm Resources and Sustained Competitive Advantage”. There are scholars who however postulate that from 1930s there was an indicator of a fragmentary Resource based theory. RBV says that organizations are heterogeneous as they have heterogeneous resources. Meaning, firms formulate varied strategies as they also have varied Resource mixes. The RBV guides management on how to use their resources from within as well as note the assets, abilities and competencies of an organization, in order to be better than the rest. The RBV of an organization is common in strategic planning. RBV is different from the positioning school which focused majors on external factors, especially industry structure.

Some scholars suggest that RBV represents a new paradigm, albeit with roots in "Ricardian and Penrosian economic theories according to which, firms can earn sustainable supernormal returns, if and only if they have superior resources and those resources are protected by some form of isolating mechanism precluding their diffusion throughout the industry". Edith Penrose's 1959 book 'The Theory of the Growth of the firm', is quoted by two strategy scholars in giving ideas that later affected the modern RBV. This view is interdisciplinary and is used within economics, law, ethics, management, marketing, supply chain management and general business.

Barney postulated that, for resources to have ability to be sources of competitive advantage in an organization, they should be valuable, rare, imperfectly imitable and not substitutable. This is known as VRIN criteria. RBV suggests that firms must have unique, firm-specific core competencies to outperform competitors by differently doing their things.

Firms resources are legal, human, financial, organizational, informational and rational; resources are imperfectly mobile and heterogeneous. Management's key task is to understand and organize resources for sustainable competitive advantage.

2.2.2 Resource Dependency Theory

Resource Dependency Theory studies how external resources of an organization affects its behavior. Every company needs external resources in its strategic and tactical management. The theory is concerned with how the behavior of an organization is affected by the external resources that it uses, for example, raw materials, workers or even funding. This theory is very important because, the ability of an organization to gather, alter and exploit raw materials faster than other firms competing with it, can lead to fundamental success and give advantage over them. Customers are also viewed as a scarce resource. This theory's origin is 1970s with the publication of 'The external control of organizations: A resource dependence perspective', by Jeffrey Pfeffer and Gerald R. Salancik.

RDT is guided by the concept of resources being important for any organization to succeed and that their access and control is a basis of power. Often times, resources are controlled by organizations different from the organizations needing them, this therefore means that there must be strategies put in place to maintain open access to resources. they could also be controlled by the government. Resources are scarce, sometimes not readily available, they may also be in control of uncooperative actors, due to these reasons, the unequal exchanges result to differences in power and authority, and also access to further resources.

Organizations develop strategies as well as internal structures to enhance their bargaining position in transactions related to resources. These strategies may include among others, taking political action, increasing the scale of production of the organization, diversifying, and creating connections to other organizations. Other strategies include diversifying product lines in order to lessen a firm's dependence on other businesses, improving its power and leverage. Companies always adjust their strategies to adapt to changes in relationships of power with others. One assumption of RDT is that, uncertainty clouds the control of resources of an organization and makes an organization's choice of dependence-lessening strategies imperative. As uncertainties and dependencies increase, there is increased need for links to other organizations. For example, profits declining may lead to expanded business activity through diversification and strategic alliances with other organizations.

Organizations have sought ways of adapting to dependencies. For example, by aligning internal elements of an organization with environmental pressures. At the same time, organizations also react by attempting to alter their environment.

2.2.3 Dynamic capability Theory

Dynamic capability is the capability of an organization to adapt a resource base with a purpose. This was defined by David Treece, Gary Pisano an Amy shuen in a paper in 1997, Dynamic capabilities and strategic management as "the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments". A combination of multiple capabilities is required in order for an organization to react to external changes timely and adequately. The theory assumes that, the basic competencies of an Organization should be used to create short term wins then compounded to an even greater win in the long term.

Gathungu and Mwangi(2012) in DBA Africa Management Review, are of the view that, as there is increase in level of business environment dynamics, success is achieved by developing strategies that differenciates the firm from its competitors. Douma and Sheuder term dynamic capabilities as a bridge between the economics-based strategy literature and the evolutionary approach to organizations. This theory expects senior managers of firms that are successful to adapt to radical discontinuous change at the same time maintaining minimum capability standards for competitive survival. The theory insists on internal capability changes rather than just looking into the external business.

2.3 Strategic planning and performance

The purpose here is to explore the relationship between strategic planning and organizational performance (SP-OP)

We can term performance as continuous progress in impacting the key indicators of a business positively. The key positive indicators of a business may include; successful projects or programs that have been carried out in the organization, success in market share growth, products success, loyalty of the clients etc. Performance also encompasses the measure of what has already been achieved by the organization compared to the goals the organization was set to achieve. Organizations want to ensure greater performance than their competitors.

Strategic planning on the other hand involves setting the said goals, defining the direction that an organization should take, carrying out activities that should help to get to the position the organization envisions itself, and putting in place control measures to ensure that the set goals are achieved efficiently. It also involves making decisions on allocation of scarce resources of an organization even as it tries to achieve the set goal. Strategic planning provides the basis of identifying the key indicators of the firm i.e., the vision of the firm, the mission, the goals etc. It is a guide to what is to be done, how it is to be done and what is to be used in order to get the expected results.

Strategic plan and the planning process are the tools required to deliver performance management. It shows the changes needed to be made to positively impact on the key indicators and give reasons as to why the changes are necessary. Without a clear strategy, different units in the organization will come up with their own agenda, which will bring confusion, lack of coordination, efforts for improvement will be unfocused. It is therefore imperative that efforts geared towards success of the firm, be coordinated in the different departments in the organization.

The extent to which strategic planning affects the performance of an organization clearly indicates the success of the strategic planning process. For success to be achieved, an organization has to foresee the future it would want and then put measures in place to help them get there. The plan will be achieved by coming up with procedures and tasks that will lead to achieving of the set goals for the future. Strategic planning involves manipulating a situation to give positive outcome for the organization. Organizations that embrace strategic planning may have a better chance to get better outcomes compared to the ones that don't. This could be so because they already know what they are aiming at and so it becomes easier to focus.

2.4 Strategic planning, external environment and performance

Strategic planning gives the direction of the firm in their operations. Strategic plan and the planning process are the tools required to deliver positive performance in organizations. Strategic planning shows the changes needed to be made to positively impact on the key indicators and give reasons as to why the changes are necessary. Successful strategic planning leads to great performance in organizations. When an organization knows exactly what it wants to achieve, at what time and clearly knows what exactly it needs to do what is required, then it becomes very easy to carry out the process.

External factors are the factors that affect how a firm operates. They are exogenous to the firm but possess potential to affect its performance. External environment includes all the outside influences that affect the operation of a business. All organizations are open systems hence, environment-serving organizations. This is because, organizations get their inputs from the environment and also send back their output to the same environment. Due to this reason, external environmental factors play an important role in formation and implementation of business strategy and hence external environment cannot be ignored in the search of positive organizational performance.

There are many theories trying to explain the relationship between strategic planning, external environment and performance of an organization. Scholars who have looked into this relationship include Lenz (1980) who concluded that neither environment nor strategy could independently and adequately explain changes in performance. Organizations exist and evolve with the prevailing environment and so, it's hard to separate them Brooks & Weatherston (1997). Organizations face turbulent and very rapidly changing environment. These are translated into complex, multifaceted and interlinked streams of ideas. Turbulence has an effect on work, structures, organizational designs, resource allocation thus resulting into variations in performance (Messah & Kariuki, 2011). Delays in resource availability, political interference and economic variations have been attributed to poor performance (Kobia & Mohamed, 2006) even with the presence of a well formulated strategy.

Proponents of organization theory emphasize that organizations must adapt to their environment if they have to survive Machuki & Aosa (2011). Bagire and Namada (2013) are of the opinion that outcomes of organizations partly caused by the manifestations of the environment. Good performance by an organization is achieved when its reaction of its strategy is at par with the changes in the environment Ansoff & Sullivan, (1993).

Therefore, external environment is an important part of strategic management. Thus it is very clear that the external environment is a great contributor to the performance of an organization. Organizations need to consider their external environment in formulating their strategic plans in order to experience great performance. Scanning the environment before laying strategic plans ensures that there is relevance even as times change.

2.1 Summary of empirical Review and Knowledge Gaps

The table below shows the knowledge gap that gave rise to the need to carry out the research of the effect that strategic planning and the external environment has in performance of SACCOS in Kenya.

The research done by other different researchers were clearly shown below and the challenges that they encountered in their research. This also gave the research methodologies they used and their conclusions.

Table 2. 1: Summary of empirical Review and Knowledge Gaps

Study	Methodology	Findings Conclusions	Research Gap	Focus of the current study
Influence of strategic planning on performance of Naivas Limited in Kenya. Burugu Mercy N (2018)	Case study	Strategic planning and corporate governance has a positive effect on performance	Number of respondents was inadequate. Study was done on only one organization and views generalized.	The current study seeks to establish the role of strategic planning in organizational performance.
The relationship between strategic planning and financial performance of firms within the ICT sector in Kenya. Bulle Golicha Jarso(2012)	Survey questionnaire	Many ICT firms in Kenya undertake strategic planning. Strategic planning practices are positively related to performance in ICT fims in Kenya	Limited time and therefore limited number of organizations was involved Research relied on primary data which was not available.	The current study seeks to use survey method in collecting data.
Strategic planning and performance of Banks in Kenya: a case study of National Bank of Kenya. Adan Salah Abdi(2014)	Case study	Effective strategic planning practices have a direct influence on administrative and operational activities and are vitally important to the long term health of an organization	Research was conducted on only one organization. There was a limited number of respondents	The current study seeks to conduct research on more than one organization.
Factors influencing implementation of strategic plans: The case	Descriptive survey	Qualified experienced leaders are important part of strategy	There should be more research done on other Catholic church	The current study will use a quantitative research design

Table 2.1: Continuation

of Caritas, Nyeri Archdiocese. Kimani Jane Njoki(2012)			Archdioceses and other church based organizations. Use of a quantitative design in a different study.	
Strategic planning and performance of public secondary schools in Rarieda District, Kenya Okwako awinja Damary(2013)	Cross-sectional descriptive survey	Strategic planning is poditively related to performance	Challenges of strategy implementation. Significance of stakeholders' involvement in strategic planning. Significance of environmental analysis in strategic planning,	The current study will use external environment as the moderating variable

Source: (Researcher 2019)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design to be used, the targeted population and selection of a sample. It also presents the methods and processes to be used in data collection and techniques used in analysis of collected data.

3.2 Research Design

A research design is the general research procedure to be used in a particular study (Cooper and Schindler 2008). Research design forms the heart of planning which is vital in research. It is a systematic plan in the study of the problem in question (Yin 2003). In this study, we adopt Descriptive survey. Descriptive study design is most prefered as it incorporates quantitative data. It is well structured to scrutinize a range of units and subunits in and within an organization Kothari (2014). Descriptive design helps to understand better the research framework as well as the enactment method. It also allows an in-depth comprehension of the correlation between strategic planning, external environment and performance of saccos in Kenya. The design method has been effectively used by other scholars in related studies in the past hence making it appropriate for this study.

3.3 Population

Population is the total collection of elements with common observable features whereby, from them, findings, interpretation or conclusions can be made. Population targeted for this study were good number of SACCOs in Kenya. This population was best suited to respond to the questions because some SACCOs have used strategic planning in their operations, while others have not.

3.4 Sampling Design

The sampling frame was obtained from the registered SACCOs in Kenya. Sampling technique used for this study was purposive sampling. This enabled researcher to have the right representation in the study. A sample size of 80 SACCOS was involved being half of the population under study.

3.5 Data Collection

This involves systematically and orderly gathering data on the research objective. Data can be gathered from both primary and secondary data sources. Secondary data from books, journals, newspapers, annual reports and previous research papers submitted by other students. Primary data is collected using a questionnaire, interviews, schedules and available records (Saunders, Lewis & Thornhill, 2007). This study relied on primary data collected by administering a questionnaire. Respondents were targeted as the primary source of data.

A questionnaire allowed the collection of data over a large sample (Kombo 2006). This is known to save time and minimize chances of being biased as it’s in written format. We administered the questtionaires to finance managers, administration mangers and marketing managers as they are the ones involved with the process of formulation and evaluation of strategies in SACCOs.

3.6 Data Analysis

Data analysis involved carefully looking into the collected information and making deductions. This research used descriptive statistics and Content analysis as the preferred data analysis method. Descriptive statistics. It involved summarizing of the qualitative data into frequencies and sums that can be easily understood. Descriptive statistics can use frequency charts, graphs and pie charts to tabulate mean, frequencies, standard deviation and percentages. Correlation and regression are used to show the connection between both dependent and independent variables. Content analysis is studying written documentation and survey response data, making objective inferences on the strategic management practices.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, presentation and interpretation of study findings on strategic planning, external environment and performance of savings and credit co-operative societies (SACCOS) in Kenya. The section is thus structured into data analysis, presentation, and interpretation of the study results.

Table 4. 1: Study Response Rate

	Sample Size	Response	Response Rate
Top Level Managers	35	25	71.43
Middle Level Managers	45	33	73.33
Total	**80**	**58**	**72.50**

Source: Field data (2019)

Table 4.1 presents the targeted population in this study were 80 top-level and middle-level managers from 80 SACCOS in Kenya. However, out of the 80 targeted respondents in this study, the researcher was only able to get fully responses from 58 respondents, thus, representing a total response rate of 72.50% of the total targeted population. For the purpose of undertaking the analysis, the response rate obtained was deemed reliable as Mugenda and Mugenda (2003) pointed that for generalization a response rate of 50% is adequate for analysis and reporting, 60% is good and a response rate of 70% and over is excellent. The excellent response rate was accredited to the data collection procedure, where the researcher in person administered the questionnaires after briefing the respondents on the actual purpose of the study.

4.2 Data Validity

Validity is considered as the best available approximation to the truth or falsity of a given inference, proposition or conclusion. In research, a test is perceived to be valid in the event where it is able to measure what it’s supposed to measure. According to Kombo and Tromp (2006), validity refers to the accuracy and meaningfulness of deductions as per research. In this study, the researcher first ascertained content validity of the data collection instrument in order to ensure that all sample-populations were well represented. To achieve this, the researcher carried out a pilot study that targeted 8 senior managers drawn from SACCOS around Nairobi County. The population used in pilot study constituted 10% of the total targeted population. The study results of the pilot test of were not included in the final study.

4.3 Descriptive Statistics

4.3.1 Strategic Planning and Organizational Performance

Respondents were requested to indicate whether they agreed with the statement that strategic planning affects performance of SACCOS in Kenya. To indicate this, a three-point Likert scale constituting of Yes (3), Not Sure (2) and No (1) were utilized. Researcher expressed the results in the form of mean, standard deviation and coefficient of variation as presented in Table 4.2.

Table 4. 2: Strategic Planning and Organizational Performance

	N	Mean	Std. Deviation	The coefficient of Variation (%)
Does your organization have a strategy/corporate plan	58	3.94	0.89	22.59
Does your organization provide resources (time, money, staff support) specifically earmarked for strategic planning	58	3.55	0.83	23.38
Does your organization have a written vision and mission statement	58	3.73	0.92	24.66
Does your organization periodically gather and analyse data about the market and other external factors that affect the business	58	3.00	0.52	17.33
Do your management and higher-level staff participate in setting goals and objectives	58	3.32	1.08	32.53
Do your management and higher-level staff participate in setting goals and objectives	58	4.02	1.42	35.32
Does your organization assess the sector as a whole in terms of new competitors and concepts, new technologies, trends, labour practices	58	3.93	1.02	25.95
Does your organization have a monitoring and evaluation system to track performance	58	3.68	0.41	11.10
Does your organization have written goals (short or long term	58	4.32	1.35	31.25
Are the written goals quantified with measurable targets	58	4.23	1.56	36.88
Does your institution follow a defined set of procedures during strategic planning process	58	3.97	1.23	30.98
Average	**58**	**3.79**	**1.02**	**26.54**

Source: Field data (2019)

Table 4.2 presents the mean,standard deviation and the coeffiecient of varioation. The mean obtained ranged between 1to 5 the same as the Likert scale used in the questionnaire. In this case, the mean of the date is the is the central value (average value) of the study data. Specifically, the mean was obtained by dividing the total the sum of the study values as per each statement divided by the number of values. In this case, the higher the mean the more effective a statement relating to strategic planning and performance of SACCOS was rated and vice versa. On the other hand, researcher utilized standard deviation in order to measure the amount of variation or dispersion of study data. In this case, a low standard deviation indicates that the values tend to be close to the mean of the set, while a high standard deviation indicates that the values are spread out over a wider range and it ranged from zero (no dispersal at all) to 1.56 (highest dispersal). The researcher further computed coefficient of variation (CV) in percentage in order to establish the prevalence of each factor. To achieve this, the researcher divided the standard deviation by mean scores. CV is specifically valuable when one wants to compare outcomes from two distinct surveys or tests that have different measures or values. This is key because the standard deviation is understood in the context of the mean of the collected data. The lower the value of the coefficient of variation, the more precise the estimate and thus the more prevalent a variable is.

According to the study results illustrated in Table 4.2, it was established that, the statement with the highest coefficient of variation indicated are the written goals quantified with measurable targets (CV36.88%), next was do your management and higher-level staff participate in setting goals and objectives (CV 35.22%), this was followed by do your management and higher-level staff participate in setting goals and objectives (CV 32.53%), followed by does your organization have written goals (short or long term) (CV 31.25%), which was followed at close range by does your institution follow a defined set of procedures during strategic planning process (CV 30.98%). This was further followed by does your organization assess the sector as a whole in terms of new competitors and concepts, new technologies, trends, labour practices (CV 25.95%), then it was followed by does your organization have a written vision and mission statement (CV 24.66%), followed by does your organization provide resources (time, money, staff support) specifically earmarked for strategic planning (CV 23.38%), then followed by does your organization have a strategy/corporate plan (CV 22.59), this was followed not at a close distance by does your organization periodically gather and analyse data about the market and other external factors that affect the business (CV 17.33), then it was lastly followed by does your organization have a monitoring and evaluation system to track performance (CV 11.10%). The average coefficient of variation was determined as 26.54% which is an indication that strategic planning tend to affect performance of SACCOS by 26.54%.

4.3.2 Length of Time Strategic Plan Covers

Respondents who indicated that their organizations had strategic plan were requested to indicate the length of time the strategic plan covered.

Table 4. 3: Length of Time Strategic Plan Covers

Number of Years	Total	Percentage
Less than 2 Years	4	6.9
3-5 Years	31	53.4
More than 5 Years	11	19
Don’t Know	12	20.7
Total	**58**	**100**

Source: Field data (2019)

Table 4.3presents that majority, 53.4% of respondents indicated that their organizational strategic plan covers between 3-5 years, 30.7% indicated that they didn’t know the length of time their organizational plan covered, 19% indicated more than 5 years while the least indicated that their organizational plan covered less than 2 years.

4.3.2 How Well the Organization is Doing in Achieving its Goals

Respondents were further requested by the researcher to indicate how well their organizations were doing in achieving their organizational goals. Results are as presented in Table 4.4.

Table 4. 4: How Well the Organization is Doing in Achieving its Goals

	Total	**Percentage**
Excellent	7	12.1
Very Good	20	34.5
Good	23	39.6
Fair	8	13.8
Total	**58**	**100**

Source field data (2019)

Table 4.4 presents that, 39.6% of respondents indicated that their organizations were doing good in achieving their organizational goals, 34.5% very good, 13.8% indicated fair while 12.1% indicated that their organizations were doing excellent in achieving their organizational goals.

4.4 External Environment and Performance

To measure how external environment influenced performance of SACCOS, the researcher asked respondnets to indicate the extent to which they agreed with the following statements regarding external environment and performance of SACCOS. To achieve this, researcher utilized a 5-point Likert-type in which case 5 represented strongly agree while 1 represented strongly disagree. Researcher expressed the results in the form of mean, standard deviation and coefficient of variation as presented in Table 4.5.

Table 4. 5: External Environment and Performance

	Total	Mean	Std. Dev	The coefficient of Variation (%)
Environmental factors (political, economic, social, technology, environment and legal) affect performance	58	4.26	1.67	39.24
Strategic planning being a top priority activity, performed on a regular basis, e.g., each year improves organizational performance.	58	4.19	1.71	40.81
Use of situational diagnosis to formulate strategic plan options improves organizational performance	58	4.34	1.48	34.06
Identification of key threats & opportunities during market analysis improves organizational performance	58	4.47	1.50	33.59
Periodically gathering and analysing data about market and other external factors which affect the business improves organizational performance	58	3.75	1.12	29.87
Provision of resources (time, money, staff support, etc.) earmarked specifically for strategic planning improves organizational performance	58	4.38	1.56	35.62
Comparison of the organization’s performance and operational characteristics with those of competitors improves organizational performance	58	4.29	1.75	40.76
Strategy is guided by the external environment aspects	58	3.83	0.73	19.04
The competition makes part of environment	58	4.14	1.08	26.18
The organization has a dynamic environment that is hard to deal with	58	3.67	0.66	17.95
Resource commitment is guided by environmental variable	58	3.91	0.98	25.04
Service delivery uniqueness is driven by external environment	58	3.72	1.45	38.94
Marketplace price competitiveness is determined by external environment	58	4.34	1.87	43.04

Having knowledge of and access to sources of information about the sector, markets, and other external factors improves organizational performance	58	4.81	1.40	29.10
systematically measuring actual performance vs. goals set improves organizational performance	58	4.83	0.38	7.89
AVERAGE		**4.20**	**1.29**	**30.74**

Source: field data (2019)

Table 4.5presents that the mean obtained ranged between 1to 5 the same as the Likert scale used in the questionnaire. In this case, the mean of the date is the is the central value (average value) of the study data. Specifically, the mean was obtained by dividing the total the sum of the study values as per each statement divided by the number of values. In this case, the higher the mean the more effective a statement relating to external factors and organizational performance of SACCOS was rated and vice versa. On the other hand, researcher utilized standard deviation in order to measure the amount of variation or dispersion of study data. In this case, a low standard deviation indicates that the values tend to be close to the mean of the set, while a high standard deviation indicates that the values are spread out over a wider range and it ranged from zero (no dispersal at all) to 1.75 (highest dispersal). The researcher further computed coefficient of variation (CV) in percentage in order to establish the prevalence of each factor. To achieve this, the researcher divided the standard deviation by mean scores. CV is specifically valuable when one wants to compare outcomes from two distinct surveys or tests that have different measures or values. This is key because the standard deviation is understood in the context of the mean of the collected data. The lower the value of the coefficient of variation, the more precise the estimate and thus the more prevalent a variable is.

As Illustrated in Table 4.5, the key external factor that influenced performance of SACCOS was established to be marketplace price competitiveness is determined by external environment (CV=43.04) which was followed by followed closely by strategic planning being a top priority activity, performed on a regular basis, e.g., each year improves organizational performance (CV=40.81), followed closely by comparison of the organization's performance and operational characteristics with those of competitors improves organizational performance (CV=40.76. Environmental factors (political, economic, social, technology, environment and legal) affect performance (CV=39.24) which was closely followed by service delivery uniqueness is driven by external environment (CV=38.94). Next was provision of resources (time, money, staff support, etc.) earmarked specifically for strategic planning improves organizational performance (CV=35.62) which was followed closely by use of situational diagnosis to formulate strategic plan options improves organizational performance (CV=34.06) followed by identification of key threats & opportunities during market analysis improves organizational performance (CV=33.59). Followed was periodically gathering and analyzing data about market and other external factors which affect the business improves organizational performance (CV=29.87) followed next by having knowledge of and access to sources of information about the sector, markets, and other external factors improves organizational performance (CV=29.10), again followed by competition makes part of environment (CV=26.18) which was closely followed by resource commitment is guided by environmental variable (CV=25.04. The least was strategy is guided by the external environment aspects (CV=19.04) followed by organization has a dynamic environment that is hard to deal with (CV=17.95), and lastly by systematically measuring actual performance vs. goals set improves organizational performance (CV=7.89). The average coefficient of variation was determined as 30.74% which is an indication that external environment tend to affect performance of SACCOS by 30.74%.

4.5 Organizational Performance

To measure organizational performance of SACCOS, the researcher asked respondnets to indicate the extent to which they agreed with the following statements regarding organizational performance of SACCOS. To achieve this, researcher utilized a 5-point Likert-type in which case 5 represented strongly agree while 1 represented strongly disagree. Researcher expressed the results in the form of mean, standard deviation and coefficient of variation as presented in Table 4.6.

Table 4. 6: Organizational Performance

	N	Mean	Std. Deviation	Coefficient of Variation (%)
Delivery of service to customers	58	4.19	2.13	50.84
Quality of products and services offered to customers	58	4.50	2.62	58.22
Customer satisfaction rate	58	4.10	2.33	56.78
Market share	58	3.81	1.59	41.73
Customer retention rate	58	4.14	2.41	58.24
Average	**58**	**4.15**	**2.22**	**53.16**

Source: field study 2019

Table 4.5presents that the mean obtained ranged between 1to 5 the same as the Likert scale used in the questionnaire. In this case, the mean of the date is the is the central value (average value) of the study data. Specifically, the mean was obtained by dividing the total the sum of the study values as per each statement divided by the number of values. In this case, the higher the mean the more effective a statement relating to organizational performance of SACCOS was rated and vice versa. On the other hand, researcher utilized standard deviation in order to measure the amount of variation or dispersion of study data. In this case, a low standard deviation indicates that the values tend to be close to the mean of the set, while a high standard deviation indicates that the values are spread out over a wider range and it ranged from zero (no dispersal at all) to 2.62 (highest dispersal). The researcher further computed coefficient of variation (CV) in percentage in order to establish the prevalence of each factor. To achieve this, the researcher divided the standard deviation by mean scores. CV is specifically valuable when one wants to compare outcomes from two distinct surveys or tests that have different measures or values. This is key because the standard deviation is understood in the context of the mean of the collected data. The lower the value of the coefficient of variation, the more precise the estimate and thus the more prevalent a variable is.

As illustrated in Table 4.7, the study results established that the highest measure of organizational performance was customer retention rate (CV=58.24), followed closely by quality of products and services offered to customers (CV=58.22). It was followed by customer retention rate (CV=56.78), followed at a distance by delivery of service to customers (CV=50.84) and was lastly followed by market share (CV=41.73). The average coefficient of variation was determined as 53.16% which is an indication that factors under consideration influence organizational performance of SACCOS by 53.16%.

4.5.1 Strategic Planning and Organizational Performance

To measure the extent to which strategic planning influence organizational performance of SACCOS, the researcher asked respondnets to indicate the extent to which they agreed with the following statements regarding strategic planning and organizational performance of

SACCOS. To achieve this, researcher utilized a 5-point Likert-type in which case 5 represented strongly agree while 1 represented strongly disagree. Researcher expressed the results in the form of mean, standard deviation and coefficient of variation as presented in Table 4.7

Table 4. 7: Strategic Planning and Organizational Performance

	TOTAL	Mean	Std. Deviation	Coefficient of Variation (%)
Your organization strategy achieves direction and control	58	3.21	1.56	48.60
Organization strategy achieve sustainable competitive advantage	58	3.38	1.63	48.23
Organization strategy achieve organizations-environment match	58	3.78	1.77	46.88
Organization strategy achieve efficiency in the allocation of resources	58	4.07	2.53	62.18
Organization strategy achieve improved innovation and creativity	58	4.19	2.16	51.56
AVERAGE		**3.72**	**1.93**	**51.49**

Source: field data (2019)

Table 4.7 presennted that the mean obtained ranged between 1to 5 the same as the Likert scale used in the questionnaire. In this case, the mean of the data is the is the central value (average value) of the study data. Specifically, the mean was obtained by dividing the total the sum of the study values as per each statement divided by the number of values. On the other hand, researcher utilized standard deviation in order to measure the amount of variation or dispersion of study data. In this case, a low standard deviation indicates that the values tend to be close to the mean of the set, while a high standard deviation indicates that the values are spread out over a wider range and it ranged from zero (no dispersal at all) to 2.62 (highest dispersal). The researcher further computed coefficient of variation (CV) in percentage in order to establish the prevalence of each factor. To achieve this, the researcher divided the standard deviation by mean scores. The lower the value of the coefficient of variation, the more precise the estimate and thus the more prevalent a variable is.

As illustrated from Table 4.7, it was established that organization strategy achieve efficiency in the allocation of resources (CV=62.18), followed at a distance by organization strategy achieve improved innovation and creativity (CV=51.56. It was also established that organization strategy achieves direction and control (CV=48.60), followed closely by organization strategy achieve sustainable competitive advantage (CV=48.23) and lastly by organization strategy achieve organizations-environment match (CV=46.88).

4.6 Inferential Statistics

In order to deduce the properties of the underlying probality distribution we wi analyse the data from the field using Correlation Analysis, Analysis of Variance (ANOVA), Regression Analysis as shown below.

4.6.1 Model summary

The coefficient of determination (r^2) was carried out to measure how well the statistical model was likely to predict future outcomes. The coefficient of determination, (r^2) is the square of the sample correlation coefficient between outcomes and predicted values. As such it explains the contribution of the independent variables to the dependent variable.

Table 4. 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.738	0.545	0.214	0.160
	Predictors: (Constant), strategic planning, external environment			

Source: Survey Data (2019)

The two independent variables that were studied (strategic planning and external environment), explain 54.5% of organizational performance of SACCOS in Kenya as depicted by the adjusted R^2. This therefore means that other factors not studied in this research contribute 45.5% of organizational performance of SACCOS in Kenya which can be attributed to other factors not investigated in this study.

4.6.2 Correlation Analysis

The researcher computed Karl Pearson's correlation of coefficient (r) in order to establish the relationship between the various research variables as well as their findings. For the purpode of this study, the researcher carried out correlation analysis (R) in order to establish the strength of the relationship which exists between dependent and independent variables. Pearson correlation varie from -1.00 to +1.00 with positive values indicating positive relations while negative values suggest negative relations among study variables.

Table 4. 9: Coefficient of Correlation Analysis

		Organizational Performance	Strategic Planning	External Environment
Organizational Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
Strategic Planning	Pearson Correlation	0.532	1	
	Sig. (2-tailed)	0.086		
External Environment	Pearson Correlation	0.624	0.276	1
	Sig. (2-tailed)	0.037	0.0458	
	Sig. (2-tailed)	0.023	0.4300	0.07146
	Sig. (2-tailed)	0.042	0.0925	0.7347

Source: Survey Data (2019)

Based on the findings of the study, it was clear that there was a positive correlation between organizational performance and strategic planning as depicted by the correlation figure of 0.532. Additionally, it was also clear that there was a positive correlation between organizational performance and external environment factors as depicted by the correlation figure of 0.624. Therefore, it was overall established that a positive correlation (r) existed between organizational performance and strategic planning and external environmental factors.

4.6.3 Analysis of Variance (ANOVA)

The analysis of variance obtained from the study are as depicted by Table 4.10 below.

Table 4.10: Analysis of Variance

Model		**Sum of Squares**	**DF**	**Mean Square**	**F**	**Sig.**
1	Regression	.026	3	.009	3.409	. 0.015[b]
	Residual	.958	46	.021		
	Total	.984	49			
a. Dependent Variable: ROA						
b. Predictors: (Constant), Equity to Debt Ratio, Debt Ratio, Equity Ratio						

Source: Survey Data (2019)

The analysis of variance results obtained revealed that all variables under study were significant as since their overall significance levels (0.015) which is less than 5%. All independent variables were regressed against the main dependent variable (financial performance) in order to establish the overall variance. According to the variance results obtained, it was found out that, the F-statistic of the model was 3.409 which was statistically significant at 0.1470.% confidence level. The study finding is an indication that the overall model is significant and can thus be utilized for the purposes of making predictions at 5% level of significance.

4.6.4 Regression Analysis

This is to estimate the relationship between strategic planning,environment and performance of SACCOs in Kenya.

Table 4. 11: Regression Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.101	0.243		0.415	0.001
Strategic Planning	0.613	0.813	0.185	0.754	0.455
External Environment	0.456	0.009	0.076	0.303	0.763

Source: Survey Data (2019)

Table 4. 11 presents the findings showing the statistically significant test of the predictor variables in the study model. It shows the estimation of the independent variables, standard error and the t-ratios. According to the regression model shown above, the organizational performance of SACCOS in Kenya is 0.101 provided strategic planning and external environment are held constant at zero value. A unit change in strategic planning of SACCOS will result to a 0.613 increase in organizational performance of SACCOS in Kenya while a unit change in external environment will result into a 0.456 change in organizational performance of SACCOS in Kenya.

Therefore, the study regression model can be expresses as follows:

$\mathbf{Y= 0.101+0.163X_1+0.456}$

Where: **X1** represents Strategic Planning

X2 represent External Environment

X3 represent Equity to Debt Ratio.

4.8 Discussion of Results

This chapter discuses the findings of the research carried out in SACCOs in Kenya.

4.8.1 Influence of Strategic Planning on Organizational Performance of SACCOS in Kenya

The first objective of the study was to determine the influence that strategic planning has on organizational performance in SACCOS in Kenya. Based on the study results, it was established that the major influence of strategic planning on organizational performance of SACCOS in Kenya is that by utilizing strategic planning tools, SACCOS in Kenya are able to establish sets of written goals that are specifically quantified with measurable targets that SACCOS intends to achieve. It was also established that, by employing strategic planning strategies, managers as well as higher ranking staffs in SACCOS are able to be involved in setting organizational goals as well as making sure that the objectives set are achievable in the long run to improve organizational performance. The study results are in agreement with Bryson (1989) who indicate that involving employees in strategic planning helps in providing the direction so staff members are aware of the results expected by the organization and where to exert their efforts. The reason why SACCOS in Kenya are involving their managers and higher-level staffs in goal and objective setting is because the outcomes from the decisions made can greatly affect both the company's health and its employees. Therefore, bringing managers and higher-level staffs onboard when making decisions about the company's future helps strengthen its relationship with each employee. This in turn allows companies to gain respect from their staffs and instill a sense of responsibility in their workforce when they allow their staffs to participate in goal and objectives settings.

The study further established that respondents indicated that their organizations have in place written goals constituting of both short-term and long-term goals. Setting goals is very essential to an organization as it helps in making it clear to everyone within the company as to what firm's priorities are. For SACCOS, the key aim of having written goals in place is to show employees what they need to focus on the most while undertaking their duties which then helps them to be able to prioritize their tasks.

The study in addition found out that respondents indicated that their organization followed a defined set of procedures during strategic planning process. This finding conforms with Young (2003) who defines strategic planning, as a formal yet flexible process to determine where an organization currently is and where it should be in the future. This therefore means that it is very essential for organizations to ensure that they follow strategic planning process so as to ensure that all the strategic plans being set are effective and capable of allowing an organization to achieve its operational objectives. Respondents further indicated that their organization provide resources (time, money, staff support) specifically earmarked for strategic planning. This is in agreement with Phillips & Moutinho (1999) who assert that the sole purpose of strategic planning is to improve strategic performance.

4.8.2 To Establish the Connection Between Strategic Planning, External Environment and Organizational Performance

The second objective of the study was to determine the connection that existed between strategic planning, external environment and organizational performance. The study results established that marketplace price competitiveness is determined by external environment. SACCOS in

Kenya utilize market price competitiveness strategy once a price for their products and service have reached a level of equilibrium, which occurs when a product has been on the market for a long time and there are many substitutes. This can be due to the fact that there are many SACCOS in Kenya offering the same products particularly loans and other banking services. The study in addition established that strategic planning being a top priority activity, performed on a regular basis, e.g., each year improves organizational performance. Further, it was established that environmental factors particularly political, economic, social, technology, environment and legal affect performance. The study results are in agreement with the findings of Kobia & Mohamed, (2006) who established that delays in resource availability, political interference and economic variations have been attributed to poor performance even with the presence of a well formulated strategy. Therefore, external environment is an important part of strategic management. Thus, it is very clear that the external environment is a great contributor to the performance of an organization. Organizations need to consider their external environment in formulating their strategic plans in order to experience great performance. Due to this reason, external environmental factors play an important role in formation and implementation of business strategy and hence external environment cannot be ignored in the search of positive organizational performance.

The study in addition established that respondents were of the opinion that periodically gathering and analyzing data about market and other external factors which affect the business improves organizational performance. Also, respondents indicated that having knowledge of and access to sources of information about the sector, markets, and other external factors improves organizational performance. The study finding in this case agrees with Messah & Kariuki, (2011) who posit that Organizations face turbulent and very rapidly changing environment. These are translated into complex, multifaceted and interlinked streams of ideas. Turbulence has an effect on work, structures, organizational designs, resource allocation thus resulting into variations in performance. Bagire and Namada (2013) are of the opinion that outcomes of organizations partly caused by the manifestations of the environment. Good performance by an organization is achieved when its reaction of its strategy is at par with the changes in the environment (Ansoff & Sullivan, 1993).

The study in addition found out that respondents indicated that the highest measure of organizational performance was customer retention rate as well as the quality of products and services offered to customers. This can be attributed to the fact that retaining customers allows an organization to save on its marketing costs which is normally very high in trying to acquire new customers. For SACCOS, retaining a customer means that the organization is operating at a higher level than the one which has lost its customers.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the study findings, conclusion, recommendations made and finally the limitations of the study on the strategic planning, external environment and performance of savings and credit co-operative societies (SACCOS) in Kenya.

5.2 Summary of the Study

Based on the study results, it was established that majority of respondents indicated that their organizations had written goals quantified with measurable targets and also that management and higher-level staff are usually engaged in setting goals and objectives. that are specifically quantified with measurable targets that SACCOS intends to achieve. It was also established that, by employing strategic planning strategies, managers as well as higher ranking staffs in SACCOS are able to be involved in setting organizational goals as well as making sure that the objectives set are achievable in the long run to improve organizational performance.

The study in addition found out that respondents indicated that their organization followed a defined set of procedures during strategic planning process. This therefore means that it is very essential for organizations to ensure that they follow strategic planning process so as to ensure that all the strategic plans being set are effective and capable of allowing an organization to achieve its operational objectives. The study in addition established that SACCOS tends to assess the sector as a whole in terms of new competitors and concepts, new technologies, trends, labour practices in order to establish the existing trends in their sector of operations as this will ultimately enable them to compete more effectively. In addition, it was found out that SACCOS periodically gather and analyse data about the market and other external factors that affect the business.

Further, it was established that, majority of SACCOS strategic plans in Kenya covers between 3-5 years. This strategic plan time frame by SACCOS in Kenya is very essential about planning for the future in the medium and long term. This is due to the fact that a strategic planning for timeframe over 5 years can be problematical because it is difficult to see that far into the future.

The study results also established that marketplace price competitiveness is determined by external environment of an organization since it must offer its products and services based on the prevailing market price. With this concern, SACCOS must make sure that they offer their loans which is basically their key product based on the prevailing interest rate in the market. In addition, the study established that, strategic planning being a top priority activity by SACCOS in Kenya is performed on a regular basis which in turn improves their overall performance. Furthermore, the study established that SACCOS do undertake regular comparison of their overall performance and operational characteristics with those of competitors operating in the financial market so as to improve their performance and also that environmental factors (political, economic, social, technology, environment and legal) affect performance of SACCOS. This is attributed to the fact that SACCOS don’t have any control over these external factors which means that if proper mitigating factors are not instituted, they might affect their performance. In Kenya, a number of prevailing external environmental factors especially political and economic factors have been significantly impacting the operations of SACCOS.

It was further established that SACCOS in Kenya operate in dynamic environment that is hard to deal with due to unpredicted environmental factors especially political, economic and technological factors. In addition, it was established that the highest measure of organizational performance was customer retention rate, quality of products and services offered to customers, customer retention rate, and market share. All these measures of SACCO performance are very essential since they determine the efficiency with which they are able to serve their customers given that financial sector in which they operate is a service sector which is very sensitive to operate in.

5.3 Conclusion of the Study

Based on the study results, it was concluded that the major influence of strategic planning on organizational performance of SACCOS in Kenya is that by utilizing strategic planning tools, SACCOS in Kenya are able to establish sets of written goals that are specifically quantified with measurable targets that SACCOS intends to achieve. In addition, the study concluded that by employing strategic planning strategies, managers as well as higher ranking staffs in SACCOS are able to be involved in setting organizational goals as well as making sure that the objectives set are achievable in the long run to improve organizational performance.

The study also concluded that the reason why SACCOS in Kenya are involving their managers and higher-level staffs in goal and objective setting is because the outcomes from the decisions made can greatly affect both the company's health and its employees. In addition, the study concluded that for SACCOS, the key aim of having written goals in place is to show employees what they need to focus on the most while undertaking their duties which then helps them to be able to prioritize their tasks.

The study further concluded that marketplace price competitiveness is determined by external environment. SACCOS in Kenya utilize market price competitiveness strategy once a price for their products and service have reached a level of equilibrium, which occurs when a product has been on the market for a long time and there are many substitutes. This can be due to the fact that there are many SACCOS in Kenya offering the same products particularly loans and other banking services. In addition, the study concluded that strategic planning being a top priority activity, performed on a regular basis, e.g., each year improves organizational performance of SACCOS. Further, it was concluded that environmental factors particularly political, economic, social, technology, environment and legal affect performance. Thus, it is very clear that the external environment is a great contributor to the performance of an organization. Organizations need to consider their external environment in formulating their strategic plans in order to experience great performance. Due to this reason, external environmental factors play an important role in formation and implementation of business strategy and hence external environment cannot be ignored in the search of positive organizational performance.

Further, the study concluded that the highest measure of organizational performance was customer retention rate, quality of products and services offered to customers, customer retention rate, and market share. All these measures of SACCO performance are very essential since they determine the efficiency with which they are able to serve their customers given that financial sector in which they operate is a service sector which is very sensitive to operate in.

5.4 Recommendation of the Study

1. To improve their performance, SACCOS in Kenya should focus towards developing effective strategic plans that will ensure that appropriate monitoring of the external environment in which they operate is carried out so as to ensure that SACCOS are able to continuously address the needs of their customers better than their competitors.
2. SACCOS in Kenya should further their external environment, strategic plans, values, culture, goals and mission to ensure that both corporate and functional strategies are strengthened and made known to all employees across the organization. To succeed in building a sustainable financial performance, SACCOS should try to provide what customers perceive as of superior value which means continuous study of customer's needs must be used to a great extent.
3. SACCOS should ensure that they diverse their strategic plans in order to increase their market share. SACCOS needs to consider strategic plans involving teaming up with some of their competitors where possible in order to reduce the impact of the threat of competition which will ultimately enhance their organizational performance.

5.5 Implication of the Study

The study has great value aand impact to knowledge, practice and policy making.

Implication to knowledge

This study helped to support existing theories of strategic planning, environmental factors and those of organizational performance. This was so as the study come up with new dimension in which the theories could be viewed and therefore increased knowledge. The study also formed a foundation for additional research. The findings can either nullify or support a hypothesis and this also resulted in additional knowledge. The study was also useful in academics, since it can be used by researchers, academicians, executives and also students can use it as a source of secondary source of information as they go about their studies. Authors can also use the findings as a reference in writing books, journals and other research papers in academics.

Implication to practice

In practice, the study was of great use to managers in aligning organizations' vision and mission with the prevailing external factors and this will ensure survival and profitability of organizations. Managers must take keen interest in external factors affecting their organizations and use the information they derive from scanning the environment to formulate strategies in organizations. Information from scanning the environment helped managers match strategies with the environment and also enable them predict the future of an organization in order to develop the right trajectory measures for the future.

Implication to policies

In policy making, the study was useful as well. When organizations scan the environment, they can then formulate and implement the best policies for the land. These policies were favorable to organizations operating on the land. The study also help SACCOS in Kenya to be run effectively and efficiently, taking note of the prevailing conditions, and hence improving their performance and chances of survival in turbulent conditions.

5.6 Limitations of the Study

While undertaking this study, there are a number of limitations that the researcher faced. The first limitation that was faced while undertaking this study is that a number of respondents were reluctant to provide the information the study sought to establish as they considered it very sensitive to disclose. To solve this limitation, the researcher assured respondents that the information they were providing was to be used strictly for academic purpose and the highest level of confidentiality was to be maintained. In addition, respondents were assured that their names or related information was not to appear anywhere in the questionnaires. Further, researcher promised to keep the questionnaires under key and lock so as to prevent the data from being accessed by unauthorized individuals.

Another limitation faced in this study was time constraint. This was occasioned by the fact that researcher had to collect data from 80 SACCOS across Kenya which required a lot of time to administer questionnaire. However, to mitigate this, researcher involved the services of two research assistants who were trained and assisted in administering of the questionnaire.

5.6 Areas suggested for Further Studies

The key objective of this study was to examine the influence of strategic planning, external environment and performance of SACCOS in Kenya. The study therefore suggests that, an additional study need to be undertaken to examine how strategic planning and external environment influence the performance of commercial banks in Kenya. This is because the current study was carried among SACCOS, hence, the results could not be used for generalization of the entire financial sector in Kenya.

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LIST OF APPENDICES

Appendix I: letter of introduction

Dear Sir/Madam,

RE: Research Information

I am a postgraduate student at the University of Nairobi pursuing Master of Business Administration in School of Business. As part of the course requirements, I am undertaking a research proposal to establish the contribution of strategic planning and environment towards performance of organizations.

To fulfill information requirements for the study, I intend to collect data from your institution. The information being requested is purely for academic purposes and will be treated in strict confidence, and will not be used for any purposes other than for my research.

I would really appreciate if you would allow me to access all the relevant information for the research proposal. Any additional information you might consider useful for the study is most welcome.

Thank you.

Christine Muguru Muchoki

Appendix II: Letter of Introduction UON

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone: 020-8095398
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsities

Tel: 020 8095398
Nairobi, Kenya

DATE: 11/10/2019

TO WHOM IT MAY CONCERN

The bearer of this letter CHRISTINE MUGURU M of Registration Number D61/85684/2019 is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report
We would, therefore, appreciate if you assist him/her by allowing him/her to collect data within your organization for the research.

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
03 OCT 2019
P.O. Box 30197 – 00100, NAIROBI

for **PROF.JAMES NJIHIA**
DEAN, SCHOOL OF BUSINESS

Appendix III: questionnaire

APPENDIX II: QUESTIONNAIRE

The questionnaire is designed to collect data from SACCOs in Kenya to be used in evaluating the relationship between strategic planning, external environment and organization performance. The data shall be used for academic purposes only and will be treated with strict confidence. Your participation in facilitating the study is highly appreciated

SECTION A: DEMOGRAPHIC DATA

1) Within which Age bracket do you fall? (Tick where applicable)

21-30 years [ ]   31-40 years [ ]   41-50 years [ ]
51- 60 years [ ]   Over 60 years [ ]

2) What is your highest achieved level of education? (Tick where applicable)

Primary [ ]   Secondary [ ]   College [ ]   University [ ]

3) Which position are you in your organization?

Top Level Management [ ]

Middle Level employees [ ]

4) How long have you been working with your organization?

5) Years or less [ ]   5-10 years [ ]   10 years and above [ ]

SECTION B: STRATEGIC PLANNING

6). For each question below, tick in the indicated box YES (if in agreement with the statement) or NO (if disagreeing with the statement) or NOT SURE

No.	Statement	Yes	Not sure	No
1	Does your organization have a strategy/corporate plan?			
2	Does your organization provide resources (time, money, staff support) specifically earmarked for strategic planning?			
3	Does your organization have a written vision and mission statement?			
4	Does your organization periodically gather and analyse data about the market and other external factors that affect the business?			
5	Do your management and higher-level staff participate in setting goals and objectives?			
6	Do your management and higher-level staff participate in setting goals and objectives?			
7	Does your organization assess the sector as a whole in terms of new competitors and concepts, new technologies, trends, labour practices?			
8	Does your organization have a monitoring and evaluation system to track performance?			
9	Does your organization have written goals (short or long term)?			
10	Are the written goals quantified with measurable targets			
11	Does your institution follow a defined set of procedures during strategic planning process?			

7. If your organization has a strategic plan, what length of time does it cover?

Less than 2yrs [ ]

3-5 yrs. [ ]

More than 5yrs [ ]

Don’t know [ ]

8. Overall, how well is the organization doing in achieving its goals?

Excellent [ ]

Very good [ ]

Good [ ]

Fair [ ]

Poor [ ]

SECTION C: EXTERNAL ENVIRONMENT

9) For each statement below, indicate the extent to which you agree or disagree with the statement according to your organization. Whereby (5) is Strongly Agree, (4) is Agree, (3) is Neutral (2) is Disagree and (1) is Strongly Disagree

No	**Statement**	**1**	**2**	**3**	**4**	**5**
1	Environmental factors (political, economic, social, technology, environment and legal) affect performance					
2	Strategic planning being a top priority activity, performed on a regular basis, e.g., each year improves organizational performance.					
3	Use of situational diagnosis to formulate strategic plan options improves organizational performance.					
4	Identification of key threats & opportunities during market analysis improves organizational performance.					
5	Periodically gathering and analysing data about market and other external factors which affect the business improves organizational performance					
6	Provision of resources (time, money, staff support, etc.) earmarked specifically for strategic planning improves organizational performance					
7	Comparison of the organization’s performance and operational characteristics with those of competitors improves organizational performance.					
8	Strategy is guided by the external environment aspects					
9	The competition makes part of environment					
10	The organization has a dynamic environment that is hard to deal with					
11	Resource commitment is guided by environmental variable					

12	Service delivery uniqueness is driven by external environment					
13	Marketplace price competitiveness is determined by external environment					
14	Having knowledge of and access to sources of information about the sector, markets, and other external factors improves organizational performance.					
15	systematically measuring actual performance vs. goals set improves organizational performance					

10. Kindly use a scale of 1 to 5 where 5 is to very large extent,4 to large extent, 3 to moderate extent, 4 to small extent and 5 to very small extent to rate the following statements.

No.	Statement	(5)	(4)	(3)	(2)	(1)
1	**Political factors** such as political climate, tax policy, labor law, environmental law, trade restrictions, tariffs, and political stability					
2	**Economic factors** such as economic growth, interest rates, exchange rates and the inflation rate					
3	**Socio-Cultural factors** including lifestyle and preferences, population growth rate, age distribution, career attitudes and social norms that impact the decision making					
4	**Technological factors** including ecological and environmental aspects, such as research and design activity, automation, technology incentives and the rate of technological change and development.					
5	**Environmental factors** such as physical conditions and infrastructure, geographical location and climate					
6	**Legal factors** which include discrimination law, consumer law, antitrust law, employment law, and health and safety law.					
7	Rivalry and industry competition					

SECTION D: ORGANIZATIONAL PERFORMANCE

11) Organizational performance; Please tick using the key provided what best describes your organization on of the following measures of performance whereby 5-very high, 4-high, 3-moderate, 2-low, 1-very low

No	**Statement**	**(5)**	(4)	**(3)**	**(2)**	**(1)**
1	Delivery of service to customers					
2	Quality of products and services offered to customers					
3	Customer satisfaction rate					
4	Market share					
5	Customer retention rate					

12) Indicate the extent to which the extent of strategic planning results affected the following on a scale of 1 to 5 where (5) Very great extent (4) Great extent (3): Moderate extent (2) Little extent Not at all (1)

No	**Statement**	**(5)**	**(4)**	**(3)**	**(2)**	**(1)**
1	Your organization strategy achieve direction and control?					
2	Organization strategy achieve sustainable competitive advantage?					
3	Organization strategy achieve organizations-environment match?					
4	Organization strategy achieve efficiency in the allocation of resources?					
5	Organization strategy achieve improved innovation and creativity.					