# STRATEGIC PLANNING PRACTICES AND PERFORMANCE OF SELECTED COLLEGES OFFERING PROFESSIONAL PROGRAMMES



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

2006



#### DECLARATION

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

Signed.....

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D61/P/8474/03

Date. 25 October 2006.

The project has been submitted for examination with my approval as the university supervisor.

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#### DEDICATION

To my mum and dad who are a great source of encouragement.

#### **ACKNOWLEDGEMENT**

I am heavily indebted to my heavenly Father for surrounding me with his love and for providing me with all the resources that made it possible for me to complete this project.

My sincere gratitude goes to my parents and siblings who were there encouraging me. Without my mum and dad this project would not have been a success, they constantly encouraged me and gave me the full support so as to complete this course and the project.

I especially want to thank my supervisor Dr. Martin Ogutu who was able to avail his time and made it sure that I completed my project within the relevant time period.

I would also like to mention my study group friends; Sophie, Ann, Angie, Jenn and Esther. I appreciate the constant group discussions that we had together that made it possible for me to complete my course work and to be able to embark on my project.

Special gratitude goes to my former colleagues Muriungi, Emily and Stella. They constantly inspired me and gave the relevant information that I needed to help complete the course.

Special thanks to all those who took time to help complete the questionnaire.

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### **ABSTRACT**

There are a number of institutions that are coming up and offering a wide range of professional programmes.

This study looked at a number of colleges, the programmes that they offer and it hoped to find if there is a relationship between strategic planning practices and performance.

The findings revealed that a number of the institutions practiced strategic planning though some of the institutions were not fully aware of exactly what these strategic planning practices were, and if they even practiced them at all!

The findings further revealed that institutions are now becoming more and more aware of strategic planning and the practices in this area. The institution are even establishing offices and positions to manage their strategic planning practices.

The research objectives was to one identify strategic planning practices adopted by colleges and to determine whether strategic planning practices adopted by colleges influence the performance of such institutions.

The study was conducted by administering questionnaires to departmental heads of the institutions. This questionnaire sought to find out the general information on each institution, how they go about in planning or implementing their strategic planning practices and what sort of performance indicators that they use within the institutions.

From these findings it was recommended that institutions should allocate a higher budget for the strategic planning practices and that institutions should constantly monitor the environment when formulating their practices and they should try and involve more stakeholders while coming up with the practices.

### CHAPTER ONE

### INTRODUCTION

#### 1.1 Background

This background highlights the concepts of strategic planning practices and how it can be important in the performance of colleges in Kenya.

### 1.1.1 Strategic Planning Practices and Performance

Strategic planning's roots are in the arena of large-scale military operations and it can be defined as the fit between an organisation and its environment.

Strategy is about winning (Grant, 1998) and will help by giving coherence and direction to both individuals and organizations by specifying the resources that are required to achieve an objective.

Johnson and Scholes (2002) defines strategy as 'direction and scope of an organization over the long term which achieves advantage for the organisation through its configuration of resources within a changing environment to meet the needs of markets and to fulfill stakeholders' expectations'.

In an organization strategy can be applied at the following three levels:

- i) Corporate: it looks at the general direction of the whole organization
- ii) Business: it looks at how the organization or its strategic business units (SBU) tackle particular markets
- iii) Functional: it looks at specific strategies for different departments of the business.

Strategic planning is thus the process adopted in identifying a strategy that best matches organizational capability with the environment. Strategic planning will enable an organization to identify the prevailing environmental opportunities and threats, and also to figure out or estimate the organization's resources capabilities taking into account the strengths and weaknesses of its resources so as to align itself accordingly to battle with the environmental challenges.

As much as strategic planning is important, what is of more importance is how it is practiced in the different institutions. It is no wonder to find institutions going for seminars, workshops and even involving consultants to help these institutions to formulate strategies!

The main aspects of strategic planning will be in its formulation, implementation and the evaluation of the strategy and the objectives. Institutions can thus be seen to practice strategic planning in some of the following ways:

The way they do the situation analysis where they address the question 'where are we now?' How they come up with the mission and vision for the institution, and the question addressed is 'where do we want to be?' What the institution hopes to do to get where they would want to be. This will be addressed by having strategic objectives.

The practices effected by an institution are likely to affect its performance. To create performance measures, it is important to first reconnect with the institution's mission and stakeholder expectations, and consider what results are being measured and rewarded in the institution. Once the current measures are identified, consider how those measures might be changed to provide a clearer picture of the results achieved, and how those results relate to the mission and stakeholder expectations.

Performance of an institution can be measured in terms that are both relative and absolute. Strategic planning practices will therefore aid an institution in its performance. Performance can thus be seen as the manner in which an institution carries out its duties.

Some years back, performance was taken for granted, it is until recently that institutions have seen the need, the importance and value of strategic planning practices. Some of these institutions are adopting these practices, but how they do it is still not clear. This study thus hopes to see how the strategic planning practices adopted by colleges relates to performance in these institutions.

# 1.1.2 Colleges Offering Professional Programmes In Kenya

Education encompasses our lives; it is the foundation of our society. Education helps to stimulate our minds and mold inquisitive minds into intellectuals. Higher learning takes the intellect to the next level, providing a deeper understanding of the world around us. Higher Learning is defined as education or academic accomplishment at the college or university level.

Strategic planning is a formal process designed to help a higher learning institution identify and maintain an optimal alignment with the most important elements, the environment within which the learning institution resides. This environment consists of the political, social, economic, technological, and educational ecosystem, both internal and external to the university (Rowley, Lujan, Dolence, 1997, p. 14-15).

In Kenya, the body governed with quality assurance for higher learning institutions is Commission of Higher Education (*CHE*). This body was established by the Kenya Government through an Act of Parliament, the Universities Act CAP 210B, in 1985. One of the functions of CHE is co-ordination of post secondary education and training for the purpose of higher education and university admission.

The commission co-ordinates the overall planning and programming of public universities. Joint with the universities, the commission has prepared a 3year Medium Term Expenditure Framework (MTEF) and strategic plans for physical infrastructure.

The commission has the mandate of accrediting universities. Accreditation refers to a process of quality control and assurance in higher education, whereby as a result of inspection or assessment or both, an institution or its programmes are recognized as meeting minimum acceptable standards.

Kenya has both public and private universities. Public universities are 6 in total, whereas the private universities have been categorized into 3 groups. These groups are: (1) Chartered Universities; and these universities are those that have been fully accredited by the commission. They are six in total. (2) Universities with Letters of Interim Authority, these are five. (3) Universities with Certificates of Registration, and they are six in total. These are the universities that existed before the commission was established.

The other categories of higher learning institutions include the post secondary education and training. These are institutions that will offer courses from certificate level to higher diploma.

Colleges are faced by a number of challenges. Some of these challenges that these institutions face is competition from within the country and also competition from other learning institutions outside the country. Other challenges include the turbulent environment, in which technology keeps on changing. These institutions therefore have to keep abreast with the changing technology in order to be competitive in the market.

The colleges are also forced to adhere with the Commission of Higher Education's (*CHE*) rules and regulations. One of the institutions, Newport International University was closed down after failing to adhere to the CHE's rules and regulations. Another great challenge that institutions are facing is that they do not have enough capacity to accommodate the growing student population. It is not a wander to find students going to study abroad. For example there are a number of students who are doing their studies in Uganda. These students even claim that education is cheaper there as opposed to hear in Kenya and there are minimal strikes in those institutions as compared to these institutions in Kenya.

These then brings us to the problem of strikes in most of institutions particularly the public institutions. Higher learning institutions are known for having strikes within the institutions thus forcing closure of them. These closures can run from as 2 weeks to 1 year. This is a major challenge as students lose out on time, thus sometimes they are not able to complete the syllabus on time or even if they finish, the syllabus is rushed through.

#### 1.2 Statement of The Problem

Strategic planning practices will act as a guide to colleges in defining the nature of their business and thus affecting the performance of these institutions. How these institutions cope up with the challenges that they face will depend on how these institutions carry strategic management.

As much as the strategic planning practices are quite clear and specific, there is no one clear one way advocated by scholars on how institutions should go about in conducting or practicing its strategic planning. Different authors and scholars have advanced that strategies can be formed implicitly as well as be formulated explicitly. (Mintzberg 1991, Johnson and Scholes 1993)

The government has been able to identify the importance of higher learning institutions. In his speech, Honorable Stephen Kalonzo Musyoka, the then Minister of Education in 1998 said that higher education defines the society that we want to live in. Higher Education defines the ability of the society to respond to change and equips man for adaptation to various environments.

The importance of good strategic planning is recognized throughout higher education. All universities and colleges understand the need to clearly identify their mission and objectives, their priorities and targets for improvement, and the action to be taken to achieve them. Good progress has been made over a long period to improve the rigor of strategic planning. As strategic management is context specific, this study will be studying specific colleges that offer courses in Accounts, Information Technology and Insurance.

This study therefore hopes to address the following questions:

- i) What strategic planning practices are adopted in colleges?
- ii) Do strategic planning practices adopted affect the performance of colleges?

### 1.3 The Research Objectives

The research objectives are:

- i) Identify strategic planning practices adopted by colleges
- ii) To determine whether strategic planning practices adopted by colleges influence the performance of such institutions.

### 1.4 Significance of the Study

The findings of this study will be of importance to the colleges in its understanding of strategic planning practices and how these practices will affect the institutions' performance.

The various stakeholders of the Institutions will also gain information on how these institutions are managed as a result of having strong strategic planning practices.

Scholars and academicians will also use this study as a source for further research.

# **CHAPTER TWO**

# LITERATURE REVIEW

#### 2.1 Concept of Strategy

Strategy can be seen as a multi-dimensional concept. As to where strategy comes from and how it operates are contentious issues in management theory, as witnessed by the volumes of writing on the subject. Mintzberg and Lampel (1999) identified ten schools of strategy formation.

Some concepts, which float up to the surface in the murky waters of strategy theory, are relevant to the strategy debate in local government. Peters and Waterman (1982) added a dimension to the conception of strategy with the edict that a successful company needs to 'stick to the knitting', outsourcing anything other than core functions or operations.

Institutions should have echelons of grand theatre, area, battle and artillery strategies. The essence of strategy, whether military, diplomatic, institutional is to be able to build a posture that is so strong in selective ways that an institution can achieve its goals despite the unforeseeable ways external forces may actually interact when the time comes.

Effective strategies are known to develop around a few key concepts and thrusts which give them cohesion, balance and focus. Some of these thrusts are temporary while others are carried through to the end of the strategy.

A strategy can deal with what is not predicted, what is unknown and in such cases, there is no analyst who can predict the precise ways in which all impinging forces could interact with each other be distorted by nature or human emotions or be modified by the imaginations and purposeful counteractions of intelligent opponents (Braybrooke & Lindblom, 1963).

A definition of strategy, which encapsulates the ethos of much of the thinking beyond the "classical" planned top-down model, is offered by Quinn (1982,) which posits that, the validity of a strategy lies not in its pristine clarity or rigorously maintained structure, but in its capacity to capture the initiative, to deal with unknowable events, to redeploy and concentrate resources as new opportunities and thrusts emerge, and thus to use resources most effectively toward selected goals.

Strategy is a multi dimensional concept and various authors have defined strategy in different ways. Strategy is the match between an organization's resources and skills and the environmental opportunities and risks it faces and the purposes it wishes to accomplish (Schendel & Hofer, 1979). Strategy is meant to provide guidance and direction for the activities of the organization. Since strategic decisions influence the way organizations respond to their environment, it is very important for a firm to make strategic plans and define strategy in terms of it function to the environment (Schendel & Hofer, (1979).

The purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Schendel & Hofer, 1979). Ansoff (1965) views strategy in terms of market and product choices. According to his view, strategy is the "common thread" among an organization's activities and the market. Johnson & Scholes (1984) defines strategy as the direction and scope of an organization that ideally matches the results of it's changing environment and in particular its markets and customers so as to meet stakeholder expectation.

According to Jauch and Glueck (1984), strategy is a unified and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization.

Henry Mintzberg came up with the five Ps for strategy. These are Strategy as a *Plan*, as a *Ploy*, as a *Pattern*, as a *Position*, and *as* a *Perspective*. Strategy as a plan looks at strategy as some intended course of action that deals with a situation. Strategies will thus be seen to be made in advance of the action to which they apply and these strategies are developed consciously and purposefully. Strategy as a ploy is where a strategy is seen as a manoeuvre that is intended to outwit an opponent or a competitor. Strategy as a pattern is where strategy is consistency in behaviour whether intended or not. Strategy as a position is means of locating an organization in an environment. Strategy will thus become the mediating force or match between the organization and the environment according to Hofer and Schendel (1978: 4). Strategy as a perspective is where the content consists of an ingrained way of perceiving the world. This definition of strategy as a perspective suggests that strategy is a concept and the implication is that all strategies are abstractions, which exist only in the minds of interested parties. This perspective is shared by the members of the institution!

Porter (1996) has defined strategy as a creation of a unique and vulnerable position of tradeoffs in competing, involving a set of activities that neatly fit together, that are simply consistent, reinforce each other and ensure optimization of effort. Pearce and Robinson (1977) defines strategy as the company's "game plan" which results in future oriented plans interacting with the competitive environment to achieve the company's objectives. This definition of strategy is important in this study as it reflects competitiveness in the environment and the game plan aspects which institutions put into place to be able to compete effectively. Thompson et al (1993) states that managers develop strategies to guide how an organization conducts its business and how it will achieve its objectives.

The major tasks of managers is to assure success (and therefore) survival of the companies they manage. Strategy is useful in helping managers tackle the potential problems that face their companies (Aosa, 1998). Strategy is a tool that offers significant help for coping with turbulence confronted by firms. It is therefore very important for managers to pay serious attention to strategy as a managerial tool. If the concept of strategy is to be of value, correct strategies have to be formulated and implemented; a process known as strategic management.

### 2.2 Approaches to Strategy

Approaches to strategy can be classified into two groups. These are analytical and behavioral. These approaches are based on their view of dominant variables in strategy development. The analytical approach emphasizes the importance of analysis in strategy development. This approach focuses on techniques like portfolio planning, forecasting, competitor analysis and environment scanning. With the rational analytical view to strategy formulation, strategy is seen as a formal, deliberate, disciplined and rational process (Ansoff, 1984).

The behavioral approach lays its emphasis on the behavior of the people in the organization. This process states that strategy is influenced by the power relationships and behavioral factors in a firm (Mintzberg, 1987). The emphasis is on multiple goals of the organization as well as the political aspects of strategic decisions and the importance of bargaining and negotiation and the role of coalitions in the strategy making process.

Mintzberg points out that not all intended strategies are realized and not all realized strategies are intended. Realized strategy is often emergent in nature. It is based on responses to emerging opportunities and threats (Mintzberg, 1987). They are a result of deliberate decisions to focus resources in order to pursue a new direction whilst modifying and some aspects of earlier strategic intent.

Deliberate strategy is as a result of the actions of people, working in ignorance of the strategy or of how they contribute to its implementation. It is as a result of the actions of people throughout the organization rather than the intentions of a few at the top. It modifies the outcomes of earlier strategic intent without 'knowing, deliberate actions'. It rarely becomes formalized as strategy.

# 2.3 Strategic Planning Practices

The extent to which the emphasis of strategy planning is dominated by top management reflects the military roots of strategy with its imagery of generals clustered around a map table with their staff plotting out a strategy for defeating the enemy. This imagery has been propagated in the business literature by a number of writers, who have emphasized that strategy is the outcome of a formal planning process and that top management plays the most important role in this process.

An organization operates within a dynamic and volatile environment and it depends on this environment for its inputs and outputs. The success of the organization will depend on how the organization relates with its environment. The organization has to take a position that will be vital to its success within the environment. The position thus taken by the environment is presented by the organization's strategy and may be defined as; 'What a company does and how it actually positions itself commercially and conducts the competitive battle, (Koch Richard)'.

Taking a good position will require strategic planning. The firm must engage in strategic planning that clearly defines objectives and assesses both the internal and external situation to formulate strategy, implement the strategy, evaluate the progress, and make adjustments as necessary to stay on track (Bradford, Robert W. Duncan, Peter J., Tarcy and Brian 1999).

Strategic planning is the process adopted in identifying a strategy that best matches organizational capability with the environment. Strategic planning enables an organization to identify prevailing environmental opportunities and threats and also to figure out its resources capability taking into account the strengths and weaknesses of its resources so as to align itself accordingly to battle with the environmental challenges.

The strategic management model depicts the relationships of the major components of the strategic management area. These components are: (a) company mission (b) company objectives (c) internal analysis (d) external environmental scanning (e) industry analysis (f) competitor analysis (g) strategy selection (h) strategy implementation (i) strategic control and continuous evaluation.

#### Vision and Mission

The vision is incorporated in the firm's mission document. Vision refers to what the firm is trying to do or to be in the future. The vision can be seen as the firm's ideal future and will address the question, 'where do we want to be?'A vision must determine the basic goals and philosophies that will shape the firm's strategic posture (Glueck & Jauch 1988; Pierce & Robinson, 1997).

A mission statement is concerned with the present unlike the vision statement which is concerned with the future. The mission statement must thus be formulated carefully if the vision is to be realized, thus a mission operationalizes how the institution will endeavor to attain the vision.

### **Situation Analysis**

This includes the external and internal analysis and will address the question, 'where are we now?' The internal analysis can identify the firm's strengths and weaknesses and the external analysis reveals opportunities and threats (Bradford, Robert W., Duncan, Peter J., Tarcy and Brian, 1999). A profile of the strengths, weaknesses, opportunities, and threats is generated by means of a SWOT analysis.

The purpose of the situation analysis is to understand the organizational's present situation and to some extent its background. A situation analysis document will include, (a) past changes and institutions responses (b) key achievements and failures (c) key constraints (d) audit of current strategic plan and (e) key issues for future action. External analysis will include, (a) environmental scanning (b) industry analysis (c) competitive analysis and (d) market / customer analysis.

The purpose of the industry analysis is to identify opportunities and threats posed by the state of the industry so as to match strategy to industry conditions. An industry analysis can be performed using a framework developed by Michael Porter known as Porter's five forces. This framework evaluates entry barriers, suppliers, customers, substitute, products, and industry rivalry. The competitors in an industry refers to those firms that sell the same product, or those firms that sell a different product but which can substitute for the industry's product.

# Strategic Objectives

This is the process by which a strategy is created. The process defines the steps to take to formulate what will hopefully be the optimal strategy or solution results in the plan or solution that is to be implemented. Given the information from the environmental scan, the firm should match its strengths to the opportunities that it has identified, while addressing its weaknesses and external threats. Objectives are statements indicating among others the specific performance targets which the organization aims at achieving and the competitive position the organization seeks to occupy in the market place (Glueck and Juach, 1988).

# Strategic Analysis and Choice

The strategic options generated during strategic analysis must be evaluated in order to select the best option(s). Strategic analysis and choice are done at two levels, corporate and business levels. It is thus important that there should be effectiveness in realizing organizational goals. Strategy analysis aims at identifying and generating strategic options for the corporate and business strategic objectives.

Strategic choice will be concerned with the evaluation of the strategic options and selection of the most appropriate options for achieving the objective. Several techniques have been developed to enable managers generate and compare strategy alternatives (Aosa 1992). Some of the techniques include the Growth–Share matrix, the 3\*3 matrix and the Product–Market matrix.

#### **Strategy Implementation**

The selected strategy is implemented by means of programs, budgets, and procedures. (Bradford, Robert W., Duncan, Peter J., Tarcy and Brian, 1999). Implementation involves organization of the firm's resources and motivation of the staff to achieve objectives. The way in which the strategy is implemented can have a significant impact on whether it will be successful.

The people implementing the strategy are likely to be different people from those who formulated it. For this reason, care must be taken to communicate the strategy and the reasoning behind it. Otherwise, the implementation might not succeed if the strategy is misunderstood or if lower-level managers resist its implementation because they do not understand why the particular strategy was selected.

#### **Evaluation and Control**

This is the phase where the managers try to assure that the strategy chosen is properly formulated and is meeting the objectives of the firm. Evaluation and control processes are set up to be sure that the gap between expected and desired objectives will be closed according to the strategy (Pierce and Robinson, 1997). The implementation of the strategy must be monitored and adjustments made as needed. Evaluation and control consists of the following steps: (a) define parameters to be measured, (b) define target values for those parameters (c) performing measurements, (d) comparing measured results to the defined standard and (e) making necessary changes (Bradford, Robert W., Peter J., Tarcy and Brian).

### 2.4 Strategic Planning in Kenya

There are various studies done in the field of Strategic Management in Kenya. There are fundamental changes that have taken place in the Kenyan economic scene over the last few ears. The most notable is the liberalization which has established a free market and increased competition in the economic scene in Kenya. The business scene in Kenya has therefore changed in the last decade. This means that what was working for firms before may have become obsolete and there is need to rethink their strategies.

Some of the studies done in the field of Strategic Planning include that done by Aosa (1992). He carried out a study on strategy practices among large manufacturing companies in Kenya. The results of the study established that foreign companies differ significantly from Kenyan companies in Kenya. The foreign companies were found to be more formal. This was attributed to the influence of their parent companies, access to managerial resources, formal organizational structures and professional managerial approaches. Karemu (1993) looked at strategic management aspects in the large-scale retail sector. The study done, established that supermarkets practice minimum budgetary forms of strategic management.

Planning characteristics included reliance on intuition and ability to pursue long-term goals, prevalence of budgets and large informal planning activities. Shimba (1993) studied the Kenyan financial sector and established both variations and similarities between the companies with respect to strategy practices. The variations were based on size, ownership and strategic orientation. Foreign companies had a longer planning horizon than their local counterparts and therefore were inclined to develop strategic plans. Mbayah (2000) looked at strategic practices among the Internet Service Providers. These studies done in Kenya focused on strategy practices in the different industries that they are based at. As a result they made contributions in the area of strategy implementation in different industries.

# 2.5 Strategic Planning in Higher Learning Institutions- Colleges

Formal planning systems helps institutions make better strategic decisions. A study analyzed in details the results of 26 previously published studies of the relationship between strategic planning and company performance. The study came to the conclusion that on average, strategic planning does indeed have a positive impact on company performance, suggesting that strategic planning is a valuable activity.

Mintzberg argues that business history is filled with examples of companies that have made poor decisions on the basis of supposedly comprehensive strategic planning. For example, Exxon's decisions to diversify into electrical equipment and office automation and to offset shrinking U.S oil reserves that was overly pessimistic about the demand for oil based products. Exxon foresaw even higher prices for oil and predicted sharp falls in demand as a result. But oil prices actually tumbled during the 1980s, invalidating one of the basic assumptions of Exxon's plan. In addition, Exxon's diversification failed because of poor acquisitions and management problems in office automation.

Effective strategic planning can accrue many benefits to the organization. First, it enables the organization to be proactive and to actively shape its own destiny. Because the process requires attention to trends and external developments, a higher learning institution or department is less likely to be taken by surprise by a new problem or development.

Strategic planning is a means of establishing major directions for the higher learning institutions. Through strategic planning, resources are concentrated in a limited number of major directions in order to maximize benefits to stakeholders. In colleges, the stakeholders include students, employers of graduates, funding agencies, and society, as well as internal stakeholders such as faculty and staff. Strategic planning is a structured approach to anticipating the future and 'exploiting the inevitable'. The strategic plan should chart the broad course for the entire institution for at least next five years. Strategic planning is not just a plan for growth and expansion. A strategic plan can and often does guide retrenchment and reallocation.

McConkey (1981) said that the essence of strategy is differentiation. What makes this university or college or department different from any other? Educational institutions, like other service organizations, can differentiate themselves based on types of programmes, delivery systems, student clientele, location, and the like. Similarly, a department or administrative unit involved in strategic planning will identify its unique niche in the larger institution community and focus its resources on a limited number of strategic efforts, abandoning activities that could be, should be, or are being done by others.

# 2.6 Benefits of Strategic Planning to Higher Learning Institution - Colleges

Effective strategic planning can accrue many benefits to the organization. First, it enables the organization to be proactive and to actively shape its own destiny. Because the process requires attention to trends and external developments, an educational institution or department is less likely to be taken by surprise by a new problem or development.

Stakeholders are also involved in the planning process. Thus the institution or department receives valuable feedback both on successful efforts and on areas where improvements should be made. Representatives from faculty, academic staff, and classified staff should be involved as each group brings a unique perspective to the process. This involvement throughout the process helps ensure that those who have major responsibilities to carry out the plan understand the plan and the reasons behind it. Being involved in the planning process can contribute greatly to employees' commitment to mutual goals and a sense of organizational unity.

Similarly, the active involvement of stakeholders in the planning process creates external advocacy for the organization. Employers, for example, are much more likely to support an educational initiative such as a new course or a revamped curriculum if they have a first-hand role in a well-designed planning process. Note that the term is 'active involvement'. External stakeholders have traditionally served in advisory capacities to the educational enterprise. Involvement in strategic planning is much more substantive than the advisory role. Their involvement essentially lays the groundwork for continuing support and participation by those stakeholders.

A major benefit of strategic planning in higher educational institutions is that it can lend stability to the organization in spite of increasingly frequent leadership changes. Simmons and Pohl (1994) found that from 1980 to 1994 at the University of Wisconsin-Madison, the average dean's tenure was five years. They further noted that the average length of leadership tenure was declining sharply with each year. Their observation was that 'Strategic planning creates a broad decision-making group by actively involving middle and operational levels of management. By pushing decision-making down, a system for strategic planning can help the organization maintain a core purpose during times of changing leadership'. (p. 2)

Simmons and Pohl (1994) also pointed out that a broadly based participative strategic planning process can actually make the most of the frequent leadership changes by coupling a new leader's external perspective with a stable core internal group that is committed to mutual goals and a shared vision of a successful future.

# 2.7 Relationship of Strategic Planning to Continuous Quality Improvement

Quality may be defined as meeting the needs and exceeding the expectations of stakeholders. It is difficult to imagine an organization dedicated to continuously improving its services or products that does not have a strategic plan. One of W. Edwards Deming's basic requirements for continuous quality improvement is constancy of purpose (Gabor, 1990). It is significant that virtually all strategic planning models begin with reviewing, refining or creating the mission statement based on stakeholders and their needs. The mission statement then becomes the foundation upon which all-subsequent planning builds.

Strategic planning is a process of identifying some common directions for the department, division, school or college based on needs of the external and internal stakeholders. In a quality environment, all employees share some common understandings and commitments relative to what they wish to accomplish together for their stakeholders. This does not mean that entrepreneurial activity cannot take place, but it does mean that there is some minimal level of shared effort and some common directions. Greater collaboration can yield enormous benefits for the individuals in the department or organization.

Quality tools are used to improve processes and subprocesses within the organization, whereas strategic planning serves to focus the efforts of the organization as a whole. Thus, an effective strategic planning process provides a framework within which quality tools and processes can be utilized (Gibson, 1994). Taken together, strategic planning and continuous quality improvement can dramatically improve the ability of the organization to meet the needs of its internal and external stakeholders.

# 2.8 The Concept of Performance

The concept of performance management has been one of the most important and positive developments in the sphere of human resource management in the recent past. Performance is critical for excellence and survival of a company. Performance is how well an individual fulfils the requirements on their jobs (Kariuki, 2005). According to Kariuki, in understanding the concept of performance, it is important to be more concerned with the amount of effort that has been put in an activity and the ability that might have been used.

Performance is concerned with how well an individual fulfils the requirements of their jobs. It is also viewed from the perspective of how well objectives of a particular task are met. A more comprehensive view of performance is achieved if it is defined as embracing both behavior and outcomes. Performance is also greatly influenced by individual's ability to do a task and his / her perception of what is required of him / her. Managing performance of teams and individuals both behavior and results need to be considered. This is viewed as the 'mixed model' of performance management by Hatle (1995). Donnelly et al (1992), indicate that performance must be measured accurately and systematically so that rewards can be distributed equitably. If they are not distributed fairly, expanding the necessary effort to the job seems meaningless to employees.

Indeed companies listed in the Nairobi Stock Exchange (NSE) are expected to meet certain minimum performance standards such as the levels of profitability and total capacity employed. Besides, quotation on the stock exchange enables them not only prestige but also raise capital through sales of shares to the public (NSE, 2005).

Corporate performance research is active in terms of empirical studies but face critisms regarding its limited theoretical foundation and it is narrow focused. The works collected in Harvard Business Review in measuring corporate performance, including the three ground breaking articles on the balanced score card offer managers practical guidance for measuring their intangible assets (customer relationships, internal business process and employee learning) and aligning corporate strategy accordingly. The balanced scorecard offers the most complete purpose-built application fro managing business performance in today's complex and rapidly changing business environment. Unlike business intelligence, score carding, and desktop tools, it combines performance metrics, initiative management, budgeting and planning, and reporting in a single, structured environment (Stollsteimert 2000).

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# **CHAPTER THREE**

# RESEARCH METHODOLOGY

#### 3.1 Research Design

This is a case study of selected colleges in Kenya. The institutions to be studied include College of Insurance, Visions Institute of Professionals, Star College, Kenya College of Accountancy and School of Monetary Studies. These colleges are very popular in Nairobi, where they are known to train very many students. Some of these institutions, notably, College of Insurance are known to train unique courses that are not widely offered in the region.

#### 3.2 Data Collection Method

This study will rely on both primary and secondary data. The primary data will be collected by means of questionnaire (see Appendix 1). The respondents will be responding according to their own views and opinions. This will also be based on facts that are within their institutions. The questionnaire will be administered by the researcher.

The respondent of the questionnaire will be the managers in the institution. This is because the managers are involved in the formulation of strategic plans in their respective organizations. The manager will therefore be in a position to give responses in line with the objectives of the study

### 3.3 Data Analysis

The data collected will be cross tabulated. The cross tables will consider the planning horizons of the different institutions. For open ended questions content analysis will be used whereas for the closed ended questions, descriptive statistics shall be used to describe the basic data.

# **CHAPTER FOUR**

# DATA ANALYSIS AND FINDINGS

#### 4.1 Introduction

The chapter presents the data analysis and findings of the study. The findings are presented in the order of the objectives of the study. The first objective is to identify strategic planning practices adopted by colleges and the second objective is to determine whether strategic planning practices adopted by colleges influence the performance of such institutions. This is followed by the analysis on strategic planning practices and performance.

#### 4.2 General Information

The first part of the questionnaire sought to find out the general information about the institutions. Such information was the duration of the existence of the institutions, ownership of the institutions, number of employees in the institutions and any expansion programmes that the institutions have engaged in. The questionnaire was administered to a sample of 6 institutions and all the institutions responded. The results are as shown in the tables below.

Table 1: Duration of institution existence in Kenya

Duration (in years)	Frequency	Percent
0-2 yrs	1	16.7
2-5 yrs	2	33.3
5-10 yrs	2	33.3
Above 10 yrs	1	16.7
Total	6	100.0

From the analysis it was noted that 33.3% of the institutions were in existence for 2-5 years, 33% of the institutions were in existence for 5-10 years. Whereas only 16.7% were in existence for as from 0-2 years and 16.7% had been in existence for more than 10 years.

Table 2: Classification of Ownership

Ownership	Frequency	Percent
Predominantly local	5	83.3
Predominantly foreign	1	16.7
Total	6	100.0

It was noted that 83.3% of the institutions were owned locally whereas only 16.7% were predominantly foreign.

Table 3: Number of Employees institution

Number of employees	Frequency	Percent
1-5	fabove 407.1	16.7
Above 30	5	83.3
Total	6	100.0

A number of the institutions i.e 83.3% had more than 30 employees, whereas only 16.7% of the institutions had between 1-5 employees.

# 4.3 Strategic Planning Practices

The first objective of the study was to identify strategic planning practices adopted by colleges. The study focused on practices relating to the budget set aside for strategic planning, factors considered when formulating institutions' objectives, units that participate in the strategic planning process, extent to which the various stakeholders participate in the strategic planning process and the influence of the environmental factors on the strategic practices.

Table 4: Percentage of budget set aside for strategic planning

Percentage of budget set aside	Frequency	Percent
0-10%	1	16.7
11-20%	1	16.7
21-30%	1	16.7
31-40%	2	33.3
Above 40%	1	16.7
Total	6	100.0

Most of the institutions that is 50% had a budget of between 0-30% set aside for strategic planning; 33.3% of the institutions had set a budget of between 31-40%. And only 16.7% of the institutions had a budget of above 40%

Table 5: Factors considered when formulating institution's objectives

Factor considered	Number of respondents
Competitors products	2
Market trends and competitors services	4
Marketing trends and technology	3
Mission statement	5
Mission statement and training needs	3
Training needs and market factors	100.04

n = 6

For this question each respondent had a different answer though some of the respondents had more than one factor they considered when formulating the company's objectives. Mission statement was one of the factors that was considered when formulating company's objective. It had 5 of the respondents filling to it.

Table 6: Extent to which finance unit participates in the strategic planning process

Extent finance unit participates	Frequency	Percent
Average	2	33.3
Great extent	1	16.7
Very great extent	3	50.0
Total	6	100.0

For the institutions it was noted that a majority of them had the finance department participating a very great extent in the strategic planning process. This was a percentage of 50%, for those institutions that the finance department participated to a very great extent, 16.7% of the institutions had the finance department participating to a great extent and 33.3% of the institutions had the finance department participating on an average basis.

Table 7: Extent to which marketing unit participates in the strategic planning process

Extent marketing unit participates	Frequency	Percent
Not at all	1	16.7
Average	2	33.3
Great extent	1	16.7
Very great extent	2	33.3
Total	6	100.0

The marketing department did not play a major role in participating in the strategic planning process. This was attributed due to the fact that a number of the institutions did not have a well-defined marketing unit. 16.7% of the respondents said that the marketing unit did not participate in the strategic planning process, whereas 33.3% said that the marketing unit participated on an average in the strategic planning process. Another 33.3% of the institutions felt that the marketing department participated to a very great extent.

Table 8: Extent to which board of directors are involved in the strategic planning process

Extent board of directors participates	Frequency	Percent
Not at all	0	0.00
Average	1	16.7
Great extent	1	16.7
Very great extent	4	66.7
Total	6	100.0

The board of directors was involved to a very great extent in the strategic planning process. 66.7% of the respondents said that the board of directors is involved to a very great extent in the strategic planning process, 16.7% said they are involved to a great extent and another 16.7% said they are involved on an average extent.

Table 9: Extent external parties are involved in strategic planning process

Extent external parties are involved	Frequency	Percent
Not at all	2	33.3
Average	-2	33.3
Great extent	1	16.7
Very great extent	1	16.7
Total	6	100.0

The external parties were not heavily involved in the strategic planning process. 33.3% of the respondents said that external parties were not involved in the strategic planning process, another 33.3% also said that the external parties were only involved to an average extent, whereas only 16.7% were involved to a very great extent in the strategic planning process.

Table 10: Difficulties encountered in accomplishing strategic plans

Difficulty encountered	Number of respondents
Budget is not enough	resignation of such insi5
Competition	and the state of students 4
High staff turnover	3
Inaccessibility	3
Technological changes	dents and budget Ame 4

The greatest difficulty encountered by the institutions was that the budget set aside for strategic plans was not enough. 5 out of 6 of the institutions felt that this was the biggest challenge. High staff turnover and inaccessibility to the institutions were the least difficulties encountered by the institutions. 3 out of the 6 institutions felt that the high staff turnover and inaccessibility were the less difficulties encountered.

Table 11: Critical evaluation of the environmental factors before formulating strategic plans

Response	Number of respondents
No	. 3
Yes	3
Total	mber of Graduants in 6

This question had a 50-50 response where the half of the respondents felt that the institution did not do a critical evaluation of the environmental factors before formulating strategic plans whereas the other 50% felt that the institution did a critical evaluation of the environmental factors.

# 4.4 Strategic Planning Practices and Performance

The second objective of the study was to determine whether strategic planning practices adopted by colleges influence the performance of such institutions. Performance was measured by looking at the students' population, number of students that graduate, students awarded prizes in external exams, the average revenues earned by the institutions in a year and the role of the placement office. The results are as shown:

Table 12: Population of Students and Budget Allocation

Strategic practice:	Average po	pulation of sti	ıdents per year		
Percentage of budget set aside for strategic planning	0 – 500	501 – 1000	1001 – 1500	1501 – 2000	Total
0-10%	1 (100%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)
11-20%	0 (0%)	1 (100%)	0 (0%)	0 (0%)	1 (100%)
21-30%	0 (0%)	0 (0%)	1 (100%)	0 (0%)	1 (100%)
31-40%	0 (0%)	0 (0%)	1 (50%)	1 (50%)	2 (100%)
Above 40%	0 (0%)	0 (0%)	1 (100%)	0 (0%)	1 (100%)

From table 12, we can infer that the more the budget allocation the higher the student enrollment. This is clearly evidenced by the institutions that had set a budget of between 31-40% had a student population of above 1001.

Table 13: Number of Graduants in a Year and Extent of Participation of Students Affair Office in Strategic Planning

Strategic practice:	Number of stu	Number of students that graduate in a year				
Participation of students affai	r 0-200	201 – 400	Above 400	Total		
office in strategic planning	1(00)	126	0 1867	1,(100%		
Average	0 (0%)	1 (100%)	0 (0%)	1 (100%)		
Great extent	1 (33.3%)	0 (0%)	2 (66.7%	3 (100%)		
Very great extent	0 (0%)	1 (50%)	1 (50%)	2 (100%)		

This table is an indicator that the greater the students' affair office participates in the strategic planning the higher the number of graduants. For those institutions that the student's affair office participated to a great extent, had 66.7% of above 400 students graduating, whereas where the students' affair office participated to an average extent, it had only between 201 - 400 students graduating.

Table 14: Number of Students Awarded with Prizes and Reviewing of Strategic Plans

Strategic practice:	Number of students that graduate in a year					
regularity of strategic	0-5	6-10	11 – 15	Above 16	Total	
No	2 (66.7%)	0 (0%)	1 (33.3%)	0 (0%)	3 (100%)	
Yes	0 (0%)	1 (33.3%)	0 (0%)	2 (66.7%)	3 (100%)	

Table 14 shows that for those institutions that reviewed their strategic plans regularly had a 66.7% of above 16 students being awarded with prize winning awards. These prize winning awards were awarded by external examiners such as Kenya Accountants and Secretaries National Examinations (*KASNEB*), Association of Chartered Certified Accountants (*ACCA*) and The Chartered Insurance Institute (*CII*).

Table 15: Average Revenue Earned in a Year and Percentage of Budget Set Aside for Strategic Planning

Strategic practice:	Average reven	Average revenue earned by the institution in a year				
Percentage of budget set aside for strategic planning	0 – 500,000 Kshs	500,001- 1 million Kshs	Above 1 million shillings	Total		
0-10%	0 (0%)	1 (100%)	0 (0%)	1 (100%)		
11-20%	0 (0%)	0 (0%)	1 (100%)	1 (100%)		
21-30%	0 (0%)	1 (100%)	0 (0%)	1 (100%)		
31-40%	0 (0%)	0 (0%)	2 (100%)	2 (100%)		
Above 40%	0 (0%)	0 (0%)	1 (100%)	1 (100%)		

Table 15 shows that for those institutions that had set a budget of above 40% for its strategic planning, the average revenue per year was above 1 million shillings. Those institutions with a budget of 0-10% allocated for its strategic planning, the average revenue was between 500,001 – 1 million shillings per year.

Table 16: Availability of Placement Office and Reviewing of Strategic Plans

Strategic practice: regularity of	Availability of placement office			
strategic plan reviews	Yes	No	Total	
No	2 (66.7%)	1 (33.3%)	3 (100%)	
Yes	1 (33.3%)	2 (66.7%)	3 (100%)	

Table 16 shows the availability of a placement office in the institutions in relation to reviewing of the strategic plans. 3 out of 6 of the institutions reviewed their strategic plans regularly. Out of this 3, only one of the institutions had a placement office. For those institutions that did not review their strategic plans regularly, 2 of them had a placement office.

### **CHAPTER FIVE**

# CONCLUSION

#### 5.1 Introduction

In this chapter, a summary of results is presented, discussed and conclusions are drawn. This chapter also provides the limitations of the study suggestions for further research as well as recommendations for policy and practice.

### 5.2 Summary, discussions and conclusions

In this section, the results are summarized, discussed and conclusions are draw in order of the objectives. The first objective serves to identify strategic planning practices adopted by colleges. From the analysis it can be noted that a number of the institutions have strategic planning practices in their organizations though some are not aware of these strategic planning practices. A majority of the institutions have allocated a budget of between 31-40% for their strategic planning. The other firms did not set a large budget for their strategic planning.

Majority of the institutions considered the mission statement as one of the important factors to consider while formulating the company's objectives. This can be seen to be in order as institutions normally come up with their mission statements and from these statements they formulate their objectives. Some of the institutions also considered market trends and training need as an important factor to consider while coming up with the institution's objectives. The training conducted by the institutions involves identifying a training gap. This means that for the institutions to formulate their objectives they would therefore have to implement a practice where they analyze the training gap and come up with a relevant objective for the institution.

The role that the finance unit plays in institutions can clearly be evidenced by the respondents' answers. The finance unit is a very important unit in most institutions and is heavily involved in the strategic planning process. This can be attributed to the fact that this unit is in charge of the financial resources that are needed to have the strategic planning process run in order. The finance unit will allocate the budget to the process, that is determine how much will be used to carry out the strategic planning process.

Unfortunately the same sentiments are not expressed for the marketing unit. Most of the institutions do not have a clearly defined marketing unit, and because of this the respondents felt that the marketing unit was not a major participator in the strategic planning process. The institutions also encountered a number of problems in accomplishing strategic plans. The major problem was that the budget allocated for strategic planning was not enough. This resulted in having either informal practices, or practices that were not able to achieve the institution's objectives. Institutions should consider increasing the budget allocated for strategic planning practices if they want their performance to be outstanding.

From the abovementioned discussion various conclusions can be drawn. It can be noted that performance of learning institutions is greatly affected by the type of strategic planning practices that an institution has adopted. For good strategic planning practices, all the stakeholders need to be involved in them so as to have a positive performance. Institutions will also need to invest in terms of manpower resources, financial resources and time resources so as to have good performance measures attributable to the institution.

The second objective of the study was to determine whether strategic planning practices adopted by colleges influence the performance of such institutions. The performance of the institutions was measured against the different strategic planning practices. Most of the institutions considered population of students and the average revenue earned to be among the important performance measures. Institutions that had set a large budget for strategic planning practices had a big population in terms of the student population. This can be attributed to the fact that these institutions have put aside enough financial resources that will help them to achieve their objectives. These institutions also were able to produce students who receive awards from recognizable organizations such as Kenya Accountants and Secretaries National Examinations (KASNEB), Association of Chartered Certified Accountants (ACCA) and The Chartered Insurance Institute (CII).

From the above it can be concluded that institutions that are able to have strategic planning practices that are aligned with their environment will tend to have good results. This may not always be the case. Some of the institutions did not have proper strategic planning practices but their performance was still outstanding. However, these institutions will need to note that this good performance may be short relieved if they carry on not having strategic planning practices in place and it would even be advisable if they formalized some of the practices.

## 5.3 Limitations of the Study

Some of the organizations could not disclose all the details of its operations because they felt it was confidential and thus were not comfortable giving out the information to another party. Information such as revenue earned in a year was considered to be sensitive by some of the organizations and the respondents were reluctant with providing detailed information as regards to the revenue earned. Another major limitation was that there was limited access to the different concerned heads, either they were too busy to provide with the relevant data or some of the data was not easily and readily available as at the time the questionnaire was administered to the respondents.

The time available for the research was short. The scope and depth of the study may therefore not have been thorough. The people interviewed were departmental heads in the key relevant areas and they felt that they are the voice of the organization hence represented the organization's view. Some of their views were not a good representation of the other employees. Some of the respondents manipulated the data for the sake of safeguarding the confidentiality of some of the information. The extent of these manipulations is not clear and it is difficult to know whether respondents withheld some important information from the researcher.

## 5.4 Suggestions for further research

The study was done by collecting data from departmental heads. It would have been important to get the views of other stakeholders such as the other employees and students. Another study could therefore focus specifically on the response of other stakeholders in higher learning institutions. The study concluded that strategic planning practices greatly influence performance. Another further research can be done to find out exactly which strategic planning practices greatly influence performance of institutions and to what level they affect the degree of performance in institutions.

## 5.5 Recommendations for policy and practice

The relevant body in the learning institutions can use this study to find out the important strategic planning practices that institutions can adopt so as to better themselves and to improve performance of the institutions. Based on these findings it would be best if higher learning institutions adopted good strategic planning practices so as to greatly improve on their performances. The relevant body of higher learning institutions should consider funding the institutions so as to be able to upgrade on their strategic practices. These would include offering them with the relevant training and any financial support if need be.

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## APPENDIX I: LETTER OF INTRODUCTION

#### LETTER OF INTRODUCTION TO THE RESPONDENTS

Joan Ndung'u School of Business University of Nairobi 28/08/06

Dear Respondent,

# RE: STRATEGIC PLANNING PRACTICES AND PERFORMANCE OF SELECTED COLLEGES OFFERING PROFESSIONAL PROGRAMMES

I am an MBA student at the University of Nairobi currently carrying out a study on the above subject.

The objectives of my research are to:

- 1. Identify strategic planning practices adopted by colleges
- 2. To determine whether strategic planning practices adopted by colleges influence the performance of such institutions.

I am therefore requesting you to assist me in gathering information to present a representative finding of the strategic planning practices and performance of institutions. Please be assured that this information is sought for research purposes only and your responses will be strictly confidential. The identity of persons responding will not be published or released to anyone.

Any queries regarding the questionnaire or the overall study can be directed to the undersigned.

Sincerely

Joan Ndung'u

## APPENDIX II: QUESTIONNAIRE

## SECTION A: GENERAL INFORMATION

1.	How	long	has yo	our	institution	been	in	existence	(in	Kenya)	?
----	-----	------	--------	-----	-------------	------	----	-----------	-----	--------	---

	0-2 years
	2 – 5 years
Kind	5 – 10 years
	Above 10 years

2	How do	vou classif	v the	ownership	of	vour	institution?
4.	TION GO	you clubbil	J tile	O TITLE DILLE	OI	Jour	IIID CI COLCI CII.

Predominantly Local Predominantly Foreign
About how many employees are there in your institution?
For how long have you been working with the institution?
How many years of experience do you have in the industry?
Kindly indicate the services you offer to the Kenyan public.



WIVERSITY OF NAIROE

## SECTION B: STRATEGIC PLANNING PRACTICES.

1. a) What percentage of your budget is set aside (allocated) for Strategic planning?

	0% - 10%
	11% - 20%
o de labela	21% - 30%
	31% - 40 %
1 sesson	Above 40%

- b) Kindly indicate how the above allocation influences the institution's achievement of its objective?
- 2. What factors does your institution consider when formulating its objectives?
- 3. Are objectives set by top management alone or they solicitous views of the different functional units of the institution?
- 4. To what extent do the following units participate in the strategic planning process?

  Use a 5 point scale where:
  - 1 = not at all
  - 2 = little
  - 3 = average
  - 4 = great extent
  - 5 = very great extent

Finance	
Marketing	
Students affair office or its equivalent like the deans office	
Human resources	
Others departments (specify)	

5. How are strategic plans communicated across the institution?

Communicated verbally
Written down and circulated
Stressed upon during meetings
Others (kindly specify below)

1 = not at all
2 = little
3 = average
4 = great extent
5 = very great extent
None of the players play a significant role to the institution's strategic planning
Board of directors
Top management
Functional departments
The chief executive officer
Lower management
External parties
omere (many -f - 5)
External parties Others (kindly specify)

	his so	ection, kindly indicate YES if you agree with the statement, NO if you don't agree with
		ers of the strategic planning practice  All the key players play a significant role in the institution's strategic planning process
	b.	Only a few of the players play a significant role in the institution's strategic planning process
	c.	None of the players play a significant role in the institution's strategic planning process.
2.	Evai	luation of the environmental factors
	a.	The institution always does a critical evaluation of the environmental factors before
		formulating strategic plans
	b.	The institution never does a critical evaluation of the environmental factors before
		formulating strategic plans
	c.	The institution regularly does a critical evaluation of the environmental factors before
		formulating strategic plans
3.	Rea	action to the environment
	a.	The institution reacts pro-actively to changes in the environment
4.	Rev	viewing of the strategic plans
	a.	Strategic plans are reviewed if the need arises
	b.	Strategic plans are never reviewed
	c.	Strategic plans are regularly reviewed

The institution's strategic plans are clear and flexible.....

5. Clarity of the strategic plans

a.

38

6.	Open	ness and articulation of the strategic planning practices
	a.	Strategic planning practices are open and well articulated
7.	Most	important player of the strategic planning practices
	a.	The board of directors plays the most crucial role in the strategic planning
		process
	b.	All the stakeholders play a role in the strategic planning process
Ki	ndly g	give suggestions on how to improve the strategic planning practices of your institution.
	For	prize whening awards e.g best student in Kenya Accountants and Sacretories Nations

SECTION	C.	PERFORMANCE.
SECTION	· .	I LINI OINITATICE

1.	What is the average	population	of students	per	year?	
----	---------------------	------------	-------------	-----	-------	--

2. On average how many students graduate in a year?

3. What is the total number of students that has graduated in the last 5 years?

4. On average, what is the income generated by your institution?

0 – 500,000 Kshs	
500,001 – 1million Kshs	
Above I million Kshs	

5. For prize winning awards e.g best student in Kenya Accountants and Secretaries National Examinations (*KASNEB*), Association of Chartered Certified Accountants (*ACCA*) and The Chartered Insurance Institute (*CII*)

a. The last one year?

b. The last five years?

6. Does your institution have a placement office?

7. How many students has your institution placed in the last 5 years?

THANK YOU VERY MUCH FOR YOUR ASSISTENCE IN FILLING THE QUESTIONAIRE.

