

STRATEGIC PLANNING PRACTICES OF PRIVATE SECURITY FIRMS IN KENYA

BY

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DECLARATION

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

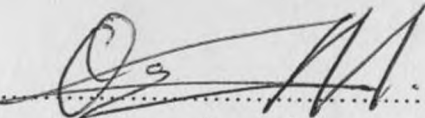
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ACKNOWLEDGEMENT

DEDICATION

I dedicate this project to my dear husband Martin Wafula, and to our unborn baby, by whom emotional support, strength and encouragement I was able to complete.

ACKNOWLEDGEMENT

This study would not have been completed without the support of the following persons, to whom I would like to acknowledge and express my sincere gratitude.

First, I am grateful to God the Almighty who has given me the strength, to finish this course.

Secondly, I would like to thank my husband who pushed me through whenever I was discouraged, stayed with me late in the night to help me finish and did all he could to see to it that I finish this course through his constant words of encouragement.

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ABSTRACT

Strategic planning has become a pillar of many business operations in the turbulent business environment. It is a common characteristic when presenting any business proposal at a forum with other organizations, to be asked to present the company profile. The basic components of a company profile being the mission statement, the vision and company objectives among others. Therefore, for any business enterprise to survive in this turbulent business environment, strategic planning can not be ignored.

The study attempted to explore the extent to which private security firms in Kenya have adopted strategic planning practices in their day-to-day business operations and, to establish the challenges they face in pursuit of their strategic planning practices.

A survey was carried out on 50 of the private security firms. The choice of the firms was based on the list of those private security firms registered by the Protective Security Industry Association and the Kenya Security Industry Association. The survey comprised of a representative sample of classified security firms registered with the Protective Security Industry Association and Kenya Security Industry Association. The target respondents comprised of the Chief Executives or top management cadre. The findings were based on the data collected from 35 respondents. Data collection was by use of questionnaires which were dropped and picked later. Data was then analyzed using descriptive statistics.

Based on the research findings, it was concluded that the private security firms in Kenya practiced some aspects of strategic planning. However, on the whole, it can be stated that the concept of formal strategic planning is not well entrenched in these private security firms.

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CHAPTER 1: INTRODUCTION

1.1. Background

In the 1950s, when response to environmental discontinuities became important, the concept of strategy entered business vocabulary. In the early days the meaning of the concept was not clear, the dictionaries did not help, since, following military usage, they still defined strategy as 'the science and art of deploying forces for battle.' At first many managers and some academics questioned the usefulness of the new concept. Having witnessed half a century of miraculous performance by American industry without the benefit of strategy, they asked why it had suddenly become necessary, and what it could do for the firm (Ansoff, 1990).

Any organization attempting to succeed in the face of an uncertain future must adjust its strategy as its environment changes, whether that organization is a business, a not-for-profit, a union, or a public agency. To manage competently and plan effectively, that organization needs environmental scanning to give its management warning in time to change course as success or even survival requires (Stoffels 1994). Strategic planning is paramount to the success of any business organization in the present turbulent business environment in which the World is experiencing a pace of change unprecedented in modern times. Commercial survival has become a key business concern and therefore understanding the forces of change is an imperative.

Strategy is the direction and scope of the organization over the long term which achieves advantage of the organization through its configuration of its resources within the changing environment, to meet the needs of markets and fulfill the expectations of the stakeholders (Johnson and Scholes 1999). An organization's strategy deals with the game plan for moving the company into an attractive business position and building a sustainable competitive advantage. A company's actual strategy usually turns out to be more or less than the planned strategy as new strategy features are added and others are deleted in response to newly emerging environmental conditions. (Thompson and Strickland 1998)

1.1.1 Strategic Planning Practices

Strategic planning deals with the futurity of current decisions. This means that strategic planning looks at the chain effect of cause and effect consequences over time of an actual or intended decision that a manager is going to make. It is a process that begins with setting of organizational aims, defines strategies and policies to achieve them, and develops detailed plans to make sure that the strategies are implemented so as to achieve the ends sought.

Strategic planning can as well be said to be an attitude, a way of life.

It necessitates dedication to acting on the basis of contemplation of the future, a determination to plan constantly and systematically as an integral part of management. Strategic planning is more of a thought process, an intellectual exercise, than a prescribed set of processes, procedures, structures, or techniques. It is the systematic and more or less formalized effort of a company to establish basic company purposes, objectives, policies, and to develop detailed plans to implement policies to achieve objectives and basic company purposes (Steiner, 1979)

Howe (1993), contents that strategic decisions should only be made and implemented after the senior management of the organization has gone through the strategic decision making process. This includes mission and objective identification, analysis of the environment, the organization analyzing its own internal capabilities, then the business evolving a particular strategy and lastly putting the chosen strategy into effect and monitoring its implementation in order to ensure the achievement of the organization's goals.

Pearce and Robinson (1991), define strategic management as 'that set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives'. Mintzberg and Water (1985) argue that strategy could be viewed as a 'pattern in a stream of decisions.' They see strategy as being deliberate or emergent

and forming two ends of a continuum along which the real world lies. They also classify strategy as being intended, realized, unrealized and emergent.

Formal strategic planning usually produces a strategic document plan. This is a comprehensive statement about the organizations mission and future direction, short term and long term performance targets and how management intends to produce the intended results to fulfill the mission given the organizations situation (Thompson and Strick land, 1993). They further advance that the strategy making function of managers consist of various tasks /practices of:- Developing a concept of the business and forming a vision of where the organization needs to be headed, in effect, infusing the organization with a sense of purpose, providing long-term direction, and establishing a mission, converting the mission to specific performance objectives, crafting a strategy to achieve the targeted performance, implementing and executing the chosen strategy efficiently and effectively and lastly evaluating performance, reviewing the situation, and initiating corrective adjustments in mission, objectives, strategy, in light of actual experience, changing conditions, new ideas, and new opportunities.

Denning and Lehr (1972), argue that the introduction of formal systematic corporate long range planning is a managerial response to two separate sets of needs of which one is strategic. They report a strong positive relationship between the introduction of long range planning and a high technological change, size of company, capital intensity and complexity. Malik and Basu, (1986) identify three kinds of plans; strategic plans, short range plans and operational plans. This appears to be the practice in most organizations. Pearce and Robinson (2002), advance that the principal duty of the Chief Executive Officer is often defined as giving long term direction to the firm. The Chief Executive Officer is ultimately responsible for the success of the business and therefore its strategic planning practices.

1.1.2 Private Security Industry in Kenya

Private security can be defined as the purchase of personal and physical protection from the threats either at individual or group level. In Kenya, the private security industry comprises of firms registered under the Protective Security industry Association (PSIA) and the Kenya Security Industry Association (KSIA). At present, the number of private security firms registered under Protective Security Industry Association is 64 while those registered under Kenya Security Industry Association is 27.

Since inception of the private security in America and Western Europe, there has been a significant evolution of private security companies. Particularly over the last 20 years resulting from the contracting out of new areas of activities and the rapid development in security technology (Weber, 2002). Private security firms in Kenya provide a wide range of services including: - guarding of domestic and industrial buildings, commercial and military installations, the guarding of persons, fire services, airport security, security of public and private events, the transportation of money and valuables.

The private security industry in Kenya has been in existence for slightly over forty years. A significant development in the local security industry occurred when Securicor, the sixty five year old British multinational firm decided to venture overseas and commenced business operations in Kenya in 1965 (Underwood, 1997). The firm's entry strategy was through acquisition of three small firms, since then, the industry has prospered and employs over 50,000 persons serving over quarter a million Kenyans (Kamenju et al, 2004). The industry faces several challenges such as ; the recent ministerial directive that extra cars be used in cash escort services, high crime rate, increasing knowledge and application of entrepreneur skills, increasing globalization on the part of multinationals, inability of the state-security to provide adequate protection, increasing threats from new entrants.

It is a prerequisite that owners of the private security firms and guard recruits are vetted by the government before being allowed to commence operations. A firm's proposed structure is also scrutinized and the approval by the director of the security intelligence

sought before its establishment. (Daily Nation 7th Jan, 2007). The first Kenya's private security college opened its doors on July 1st 2006, to train private security guards. The college offers diploma and certificate courses in security management and provide consultancy services to security firms.

Insecurity is a challenge facing almost all governments in the World. Kenya's security problem has escalated in the recent times, traditionally; insecurity had been associated with a decline in economic welfare that rides on the back of increased unemployment and social hardships. According to the Kenya Institute of Public Policy a Research and Analysis (KIPPRA) crime has continued to rise steadily defying not only the ongoing economic recovery but also increased government expenditure on security. On average (KIPPRA) estimates that firms have lost up to 10% of their market share to insecurity per year. Since every cloud, as the saying goes, has a silver lining, the only industry that appears to have enjoyed robust growth with the rise in insecurity in Kenya is the private security. Abraham and William (2005) observe that many private security firms provide similar products and services. Competition is hence quite intense. Guarding remains the bread and butter of most of them which calls for rivalry as all companies can bid for the same contracts.

1.2 The Research Problem

The role of private security has increased significantly in the recent years. These firms make an individual and indisputable contribution to the internal security of the country by providing a secure environment in which businesses can conduct their affairs, foreigners and citizens can live securely in their homes and work safely in their official premises without fear.

Presently, the Private Security industry companies have formed an umbrella, KSIA (Kenya Security Industry Association) which benefit the general public by assuring the supply of good quality security services. It also helps co-ordinate the essential linkages between private security companies and national security agencies and services. KSIA as well provides a forum for solving issues arising within the private security industry, and a

focal point between the industry and the government, the general related commercial sectors such as insurance and banking. The umbrella puts pressure on the government to provide good employment environment and better working practices. This benefits workers within the industry, enhances government tax collection, and leads to the betterment of the society as a whole.

It is with this understanding that we would believe that the current insecurity issues which have claimed over 50 lives of Kenyans since the beginning of the year 2007, including those of police officers, would be looked at seriously with a view to finding a solution to curb it. Nevertheless, the insecurity problem continues to rear its ugly head. This makes it imperative to study the private security firms and establish whether they have adopted strategic planning practices.

Aosa (1993) studied strategy formulation and implementation within large manufacturing companies. Sagwa (2002) studied strategic planning practices of local pharmaceutical manufacturing firms in Kenya. Bett (2003) studied strategic planning by tea manufacturing companies in Kenya. Sharbani (2001) studied strategic planning within hotels and restaurants in Nairobi. Kamau (2005) studied strategic planning at Kenya Amateur Athletics Association.

It can be observed that the above studies have been carried out on manufacturing sector, the hospitality and agricultural sector as well as the sports sector. None has however studied the strategic planning practices in the security industry, which is faced with its own peculiar challenges different from the later industries.

Whereas scholars have shown interest in this field of study, none have studied the strategic planning practices of the private security firms in Kenya. The research question to be addressed in this study therefore is;

What strategic planning practices have been adopted by private security firms in Kenya?

1.3 Research Objectives

1. To find out the strategic planning practices adopted by private security firms in Kenya.
2. Establish the challenges that the private security firms in Kenya face in their strategic planning.

1.4 Importance of the Study

The study will be important to the following users:-

1. The private security industry players will be able to use the findings And recommendations to develop and improve their strategic planning Practices.
2. Scholars, academicians and researchers will also find the study useful For further research, in various aspects of strategic management.
3. Other stakeholders in the industry such as the government will find the results of the research useful.

CHAPTER 2: LITERATURE REVIEW

2.1. The Concept of Strategy

The history and development of documented thinking can be traced to the 1950's in the United States of America, when accelerating and cumulating events began to change the boundaries, the structure and the dynamics of the business environment (Muhoro, 2004). Drucker (1954) called this era, 'an age of discontinuity' where firms were so far reaching; he addressed the issues of strategy and strategy formulation as and approach to managing organizations. His concern was primarily with identifying the business of an organization. It is worth noting that during this period strategic planning was increasingly adopted and the early writers are very useful.

As the competition intensified as a result of internalization of business, resources became scarce and technological innovations accelerated the approach to strategy by writers also changed. This is seen in Mintzberg (1985) definition to strategy as a pattern in a stream of decisions and actions that may be deliberate at times, emergent at other times, mixed and mostly based on management intuitions and creativity. He concludes that formal strategic planning only gave rise to deliberate strategy. Strategy is also defined as a set of decision-making rules or guidance of organizational behavior. These rules can either be; objectives, business strategy, organizational concept and operating concept (Ansoff & McDonnell, 1990)

Peters (1987) observes that strategic planning needs to be re-discovered, whereby due to acceleration of change in the environment, strategic thinking should be flexible and adaptable, hence be timely in responding to the surprises which could not be anticipated in advance. He argues that good strategic process should be open to debate which emphasis should be proactive, imaginative and risk taking. Ansoff (1965) views strategy as the common thread in an organization's business. He also defines strategy as the product/market scope of an organization. Andrew (1971) asserts that strategy is a pattern of decisions in a company that determines and reveals its objectives, purpose or goals, produces the principal policies and plans for achieving those goals that define the range

of business the company is to pursue, the kind of economic and non-economic contribution it intends to make to its shareholders and employees and communities.

The underlying concept in strategic planning is strategy. Strategy determines how the enterprise intends to carry out its business during the time horizons in which it is working (Modern, 1999). According to Johnson & Scholes (2002), the term strategy gives the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within changing environment to meet the needs of the market and fulfill stakeholders' expectations. Mintzberg (1994) defines strategy in terms of 5ps which are; Plan Perspective, Pattern, Position and Ploys, Morden (1999) adds 2ps these are; Power and Politics.

An organization's strategy forms a comprehensive plan stating how the organization will achieve its mission and objectives (David, 1986). The purpose of a selected strategy is to take the organization from its present position towards the goals it identifies for itself (Howe, 1993). Various strategies could be pursued but as no organization has unlimited resources, strategy decisions will have to eliminate some possible courses of action and allocate organizational resources to others. These strategic choices involve judgments which are often based upon subjective factors. In choosing strategies, management must examine the gap, its nature and whether or not management believes it can be reduced, as this will strongly influence the choice of some alternatives over others. The choice of strategy is made in the context of the decision situation.

Porter (1996) asserts that strategy is creating a fit among company's activities. The success of a strategy depends on doing many things well - not just a few - and integrating them. If there is no fit among activities, there is no distinctive strategy and little sustainability. The company's activities include its effective interaction with the environment in that these activities are geared towards serving the external environment.

2.2 Strategic Planning Process

The strategic planning process involves environmental analysis, a definition of the company's vision, mission statement and strategy objectives and strategy formulation and choice. Various scholars have however argued that in practice, this process is not well defined, logical and explicit as models suggest. Rather, the strategic planning process is more unintended as advanced by Mintzberg, 1978, Incremental as advanced by Lindbolm and Quin1978, and Political as advanced by Fahey 1981.

The strategic planning process can be broken down into the following main steps:- selection of the corporate mission and major corporate goals; analysis of the organization's external competitive environment to identify opportunities and threats; analysis of the organization's internal operating environment to identify the organization's strengths and weaknesses; selection of strategies that build on the organization's strengths and correct its weaknesses in order to take advantage of external opportunities and counter external threats(Hill & Jones,1999).

2.2.1 Defining the Vision and Mission

The mission statement of an organization broadly outlines organization's future course and serves as a guiding concept. Management's vision of what the organization seeks to do and to become over the long term is referred to as the organization's mission (Thompson & Strickland, 1989). Wheelan & Hunger (1995), define an organization's mission as the purpose of or a reason for the organization's existence. They go ahead to assert that a well conceived mission statement defines the fundamental unique purpose that sets a company apart and identifies the scope of the organization's operations in terms of the product offered and markets served.

Pearce & Robinson (1997), advance that the mission of a company is the unique purpose that sets it apart from other companies of its type and identifies the scope of its operations. In short, the mission describes the company's product, market, and

technological areas of emphasis in a way that reflects the values and priorities of the strategic decision makers.

Strategies are developed from the mission and the desired objectives as they are the means of achieving them. Hence a change of objectives is likely to result in changes in strategy (Cope 1989).

Thompson 1993, on other hand, says that the organization needs direction in terms of where the strategic leader wants to go, and how he or she would wish it to develop. This is really the 'mission' of the organization, a visionary statement concerning the future. This mission is likely to be stated broadly and generally, and it is unlikely that it can ever be achieved completely. Thus the organization pursues the mission, looking for new opportunities, dealing with problems and seeking to progress continually in the chosen direction. Improvements in the overall situation towards the stated mission are the appropriate measure of performance by an organization.

2.2.2 Environmental Analysis

This includes the examination of the industry, that of the stakeholders, providing a map of these stakeholders and the ways they affect or influence the organization. It should also examine other forces of the environment, such as macroeconomic conditions and technological factors. One critical task of environmental analysis is forecasting future trends (Bateman & Zeithaml, 1993).

Pearce & Robinson (1991) identifies various formal environment analyses. They include Porter's five force model, strategic group analysis, Strengths Weaknesses Opportunities and Threats analysis as well as political, economic, social, and technological aspects of the environment in relation to the external environment. Value chain analysis and functional analyses are identified as formal internal environment analyses.

The Strength Weaknesses Opportunities and Threats analysis summarizes the key issues from the business environment and the strategic capability of an organization that are most likely to impact on strategy development. It is an evaluation of an organization's

strengths and weaknesses in relation to environmental opportunities and threats. A SWOT analysis involves answering two questions; where are our opportunities and threats? And how can we capitalize on our strengths and reduce our weaknesses? (Johnson & Scholes, 2002).

The value chain analysis was developed by Michael Porter. It is a systematic way of viewing the series of activities a firm performs to provide a product to its customers. The value chain analysis disaggregates a firm into its strategically relevant activities in order to understand the behavior of a firm's cost and its existing or potential sources of differentiation. A firm gains competitive advantage by performing these strategically important activities cheaply or better than its competitors. It is a systematic way of studying the direct and support activities undertaken by a firm. From this analysis should lead to greater awareness concerning costs and the potential for lower costs and for differentiation (Porter, 1985)

Cope, 1989 argues that to understand the behavior of an organization, you must understand the context of that behavior. Organizations are inescapably bound up with the conditions of the environment. Indeed, it has been said that all organizations engage in activities which have as their logical conclusion adjustments to the environment.

Ansoff (1987) suggests that the environment should be analyzed in terms of competition and entrepreneurship or change. By attributing scores to various factors the degree of competition and entrepreneurial turbulence can be calculated. The competitive environment is affected by market structure and profitability; the intensity of competitive rivalry and the degree of differentiation; market growth; the stage in the life of the products or services in question and the frequency of new product launches; capital intensity; and economies of scale. Certain of these factors, namely the market growth, the stage in life of the product and profitability, also help to determine the extent to which the environment is entrepreneurial. Changes in structure and technology, social pressures and innovation are also influential. He goes on to say that the culture of the organization and the managerial competences should then be examined to see whether they match and

changed as appropriate if they do not. He is really arguing that the resources of the organization and values must be congruent with the needs of the environment.

2.2.3 Objective Setting

Along with strategic decision- making, objective setting is only one of the functions of the senior management in an organization. But equally, without objective setting and strategic- making, many of the other activities of senior management become pointless. Without a considered, communicated and verifiable set of objectives, positive management of the organization- including Management by Objectives- becomes impossible. Thus, every organization should commence its strategic planning process with a set of objectives incorporating financial or accounting targets which it wants to achieve and also a broad and long- term view of the product- market area(s) in which the firm is to operate. (Howe, 1993)

Thompson &Strickland (1989), advance that the act of setting formal performance objectives not only converts an organization's mission and direction into specific performance targets to be achieved but also helps protect against drift, confusion over what to accomplish, and a toleration of undemanding results. Both short-range and long-range objectives are needed. They go ahead to argue that objectives give an organization something to shoot for, something specific to achieve. And when every organization unit has a set of objectives, when these objectives are coordinated across and down the organizational pyramid, and when manager's area held accountable for achieving the objectives, the effect is to establish a results-oriented climate and to get the whole organization and its managers pointed in the desired direction.

Objectives should be set and communicated so that people know where the strategic leader wants the organization to be at some time in the future. At the same time it is essential that the objectives currently being pursued are clearly understood. Because of incremental changes in strategies the actual or implicit objectives may have changed from those which were established and made explicit sometime in the past. Objectives, therefore, establish direction, and in some cases set specific end points. They should have

time scales attached to them. The attainment of them should be measurable in some way, and ideally they will encourage and motivate people. (Thompson, 1993). He goes further to say that it is important, however, for the management to distinguish between the idea of a broad purpose and specific, measurable, milestones.

Organization's management sets specific objectives for their managers at all levels to achieve. These, logically, are quantifiable targets for sales profit, productivity or output, and performance against them is measured and evaluated. Objectives then become measurable points which indicate how the organization is making definite progress towards its broad purpose.

2.2.4 Strategic Analysis and Choice

This is where the managers consider alternative strategies and choose those that the firm will pursue. It involves the choice of a corporate-level strategy identifying the businesses that the firm will be involved in and then the choice of the competitive strategy that each of these businesses will pursue. The analysis and choice of strategy varies according to the complexity of the business involvements of the overall firm (Pearce & Robinson 1991).

Various models have been developed to aid in strategic analysis and choice. These include the BCG Growth/ share matrix and Ansoff's Product-Mission matrix. Literature on strategic decision making tends to lean more on the use of analytical techniques arguing that they stand a better chance of selecting an optimal strategy. Keith et al (1998), provides an insight into this concept that managers will still tend to use gut feeling and intuition in selecting the strategy of a firm. They argue that small firms tend to be less formal in their choices of strategy and that strong personality of the founder will tend to decrease formality in the decision making process.

2.3 Strategic Planning Practices

Some of the components of strategic planning include the determination of a firm's external opportunities and threats, establishing a company's mission, setting objectives, developing alternative strategies, analyzing these alternatives and deciding which ones to execute. Whelan & Hunger (1995) argue that strategic planning practices are a set of managerial decisions and actions that determines the long run performance of a corporation. They therefore, emphasis the monitoring and evaluating of environment opportunities and constraints, in light of a corporation's strengths and weaknesses.

The principle duty of the Chief Executive Officer is often defined as giving long-term direction to the firm. The Chief Executive Officer is ultimately responsible for the success of the business and therefore its strategic practices. Additionally, the Chief Executive Officers are often strong willed, company oriented individuals with a high sense of self esteem. As such, their personalities often prevent them from delegating substantive authority to others in strategic planning practices. The board of directors provides guidance and usually plays the role of overseers (Pearce & Robinson 2002).

Ansoff (1988) argues that strategic decisions are primarily concerned with external, rather than internal, problems of the firm and specifically with the selection of the product mix which the firm will produce and the markets to which it will sell. The strategic problem is concerned with establishing an impedance match between the firm and its environment or in more usual terms, it is the problem of deciding what businesses the firm is in and what kinds of business it seeks to enter.

Johnson & Scholes (1999) identify three ways in which deliberate and planned management intent can be explained in an organization. These are the planning view, the command view and logical incremental view. In the logical incrementalism, managers have a view of where they want the organization to be in years to come and way to make towards this by attempting to ensure the success and development of a strong, secure but flexible core business, building on the experience gained in that business to inform decisions about the development of the business and perhaps experimenting with 'side

bet' ventures. Logical incrementalism is the deliberate development of strategy by learning through doing.

In the planning view, the strategies are proposed to develop through a rational and formalized sequence of analytical and evaluative procedures. This view has several merits attributed to it such as providing a structure means of analyzing and thinking, the ability of the view to communicate intended strategy, involving employees in strategy development and hence creating a sense of ownership and also providing a means of central through which regular viewing of performance can beset and enhancing coordination in the organization.

The command view is where strategy develops through the direction of an individual or a group but not necessarily through formal planning. At the very extreme, strategy could be seen as the product of an autocratic leader who brooks no argument and sees other managers as there to implement his or her decisions. Peace and Robinson, (2002) see strategic planning as either being formal or informal. Formality in strategic planning refers to the degree to which participants, responsibilities, authority and discretion in decision making are specified. Hofer and Schendel (1978) argue that formal analytical processes are characterized by the use of analytical tools and methodologies to help managers reach a better quality of strategic decisions. Greater formality has been positively correlated with correlated success.

The informal approaches to strategy are characterized by executive bargaining and negotiation, building of coalitions and the practice of "muddling through" (Hax and Muhluf, 1996). Informal planning is usually intuitive and under the influence of a visionary leader. Thompson and Strickland (1989), report that formal strategic planning usually produces a strategic document plan. This is comprehensive statement about the organization's mission and future direction, short term and long, term performance targets and how management intends to produce the intended results to fulfill the mission given the organization's situation, Malik and Basu (1986), observe that strategic planners outperform non planners by a wide margin in almost all major financial indicators of plan efficiency.

Strategic planning has evolved over time, Research by Gluck et al (1980) proposes that, as top managers attempt to deal with their changing worlds, strategic planning within a firm evolves through four sequential phases: Phase 1: basic financial planning: seeking better operational control through the meeting of budgets. Phase 2: Forecast based planning (Long range planning): Seeking more effective planning for growth and trying to predict the future beyond the next year. Phase 3: Externally oriented planning (Strategic planning): Seeking increased responsiveness to markets and by trying to think strategically. Phase 4: Strategic management: Seeking to manage all resources to develop competitive advantage and to help create a successful future.

Ansoff & McDonnell (1990) argues that the evolution of general management is in response to the decreasing familiarity of events and the decreasing visibility of the future. In response to increasing turbulence in the environment, systems have been forced to become progressively more responsive and more complex. As the turbulence levels changed, management developed systematic approaches to the handling of the increasing unpredictability, novelty and complexity. As the future becomes more complex, novel and less foreseeable, systems become correspondingly more sophisticated, each complementing and enlarging upon the earlier ones.

2.4 Challenges of Strategic Planning

Kigundu (1989) observes that organizations in the developing countries often face a highly volatile environment with too many unknowns. Unexpected political changes, hyper inflation, high staff turnover, and international competition rate. Due to so much environmental uncertainty and complexity, managers consider almost any strategic planning practices very difficult. This causes a great challenge because organizations are expected to respond to high environmental uncertainty by utilizing strategic planning to adapt or respond to its changes, they become even more vulnerable to future environment (Kamau, 2005)

The existence of weak institutions and weak social and physical infrastructure makes it difficult for organizations to utilize strategic planning. Many reasons can explain institutional weaknesses:-

preference for strong personalized as opposed to institutionalized leadership, cultural and religious values and practices that emphasize the influence of the past on the present rather than the independent planning of the future, lack of adequate technical and administrative supports that are best advanced without rather than a clear organizations mission, lack of reliable data about strategic aspects of the environment is not conducive to effective strategic planning of organizations (Kamau, 2005).

Johnson and Scholes (2002) argue that, the political view of strategy development and its related practices is an outcome of processes of bargaining and negotiation among powerful internal or external interests groups or stakeholders. The political activity gets in the way of thorough analysis and rational thinking.

Thompson and Strickland (1998) observe that in small owner managed companies, strategy is developed informally, often never being deduced in writing but existing only in the entrepreneur's mind and in oral understanding with key subordinates. The large firms however tend to develop their strategic plans in annual cycle, complete with prescribed procedures, they include board management participation. This process usually ends up with written strategic plans.

Keith et al (1998) also share the same view and assert that because of their size small firms cannot afford strategic planning personnel that large firms possess. In their research, they defined small firms as those with less than one hundred employees' they also note that senior management in small firms usually means an individual, and not a group of managers.

Formal systems of planning, especially if linked to very tight mechanisms of control, can result in an inflexible, hierarchical organization with a resultant stifling of ideas and dampening of innovative capacity. Planning can become obsessed with the search for a definitively right strategy.

Where the Chief Executive Officer dominates the strategic planning practices the strategy advanced by this individual is normally formed on the basis of that individual's experiences, perhaps within the organization or perhaps from some other organization. The strategy advanced by a long – established Chief Executive Officer may strongly reflect or be informed by his or her organizations paradigm, and the strategy advanced by a Chief Executive Officer new to an organization may be based on a successful strategy followed in a previous organization. This may not always work and may not be owned more widely in the organization (Johnson & Scholes, 2002)

Teck (1994), asserts that in strategic planning, there is heavy reliance on specialist corporate planners which in turn removes ownership of decision from top and line managers in many cases. Somehow, the planning process does not exploit the often deep, experience based understanding of the strategic realities of their business held by top managers. He continues to argue that in rapidly changing and more uncertain environmental conditions, a plan set annually or bi-annually after very considerable expenditure of time and money could be overtaken by events in months. In such an event, close adherence to the plan could be damaging.

Ansoff (1988) advances that 'organizations do not have objectives, only people have objectives'. He says that Cyert and March asserts that while the firm may appear to have certain institutional characteristics, these can be traced back in time to the objectives and ambitions of earlier participating individuals who through a 'bargaining' process arrived at certain points of agreement. Later, these characteristics become institutionalized, because new management has either found them desirable for their own purposes or did not feel strong enough to upset them. Both these institutional characteristics and individual objectives affect decision making.

Teck (1994), argues that in strategic planning, not only are the analytical methods of strategic planning flawed, the paper-bound committee-based bureaucratic methods stunt creative thought, replacing it by safe mediocrity. They also take up unconscionable amounts of managerial time, slow decisions taking and de-motivate because of tedious

form filling. Once forms are produced, they lay down guidelines for action till the end of next planning cycle and constrain action to respond to unforeseen events.

Strategic planning adds to rigidity. Increasingly in a rapidly changing situation, plans can be seen to be out of kilter with the reality, useless and so de-motivating. This happens unless the management recognizes the benefits which can accrue from strategic planning, identify the conditions necessary to achieve them, identify the characteristics of planning systems most likely to deliver them and the excesses to avoid and then having well-crafted objectives and objective survey appropriately analyzed.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

The research problem posed was studied using the survey research design. To be able to capture a more comprehensive picture of strategic planning practices in the private security industry, a survey was more appropriate than a case study.

3.2 Population

The population of interest was all firms in the private security industry. As of end of March 2007, the private security firms registered under the Kenya Security Industry Association (KSIA) were twenty seven (27) while the private security firms registered with Protective Security Industry Association (PSIA) were 64.

3.3 Sampling

The sampling size of this study was 50 firms selected from a list of private security firms that were registered under the PSIA which had 64 members and KSIA that had 27 members. This list constituted the sampling frame. A disproportionate stratified random sampling was used taking twenty five (25) from each category giving a sample of fifty (50) security firms.

3.4 Data Collection

The study used primary data only. Primary data was collected using questionnaires (see appendix 1) addressed to each respondent and administered using the drop and pick later method. This is a modification of a mail questionnaire. Appointments were made with the respondents where further clarifications were sought. The questionnaire contained both open and closed ended questions. The respondents in the study were either the chief executives officers or top managers. This was because it

was these top managers who were most familiar with and were involved in the strategic planning practices of their companies.

3.5 Data Analysis

Descriptive statistics were used to analyze the data collected. These descriptive statistics included mean scores and proportions. Cross tabulation was used to establish interrelationships between variables. Both quantitative and qualitative data were collected. Quantitative data required the establishment of mean and percentages to get a comparison of responses. The qualitative data was analyzed by establishing the frequency of a given response to the given specific question. The frequencies were then tabulated and conclusions drawn.

CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

4.1: Introduction

This chapter seeks to analyse the data collected from the private security firms in Kenya as well as interpret this data.

It is divided into three parts; - Part one deal with the demographic information of these security firms, part two deals with findings of the first objective of the project which intends to find out whether the private security firms in Kenya carry out strategic planning practises. Part three deals with findings of the second objective of the project, which is to find out the challenges faced by the private security firms as they carry out strategic planning practises.

A total of (50) questionnaire was sent to the study population. Out of these, (35) were filled and returned, representing 70% response rate.

This was considered satisfactory.

4.2 Demographic Information

Table 4.01: Company ownership

| Ownership | Frequency | Percentages |
|--------------------------------------|-----------|-------------|
| Private company | 35 | 100% |
| Public company | 0 | 0% |
| Jointly private and government owned | 0 | 0% |
| No response | 0 | 0% |
| Total | 35 | 100% |

In table 4.01 above it can be observed that all the companies' studied are privately owned either by individuals or by corporations. There was no company that was publicly owned or had joint ownership.

Table 4.02: Age of company

| No of years in operation | Frequency | Percentage |
|--------------------------|-----------|-------------|
| 1-10 | 16 | 46% |
| 11-30 | 12 | 34% |
| 31-40 | 4 | 11% |
| Over 40 | 3 | 9% |
| Totals | 35 | 100% |

A large percentage of the companies studied were between 1-10 years in age at 46% followed by 34% of the companies which were between 11-30 years since their inception. Those companies that can be classified as old, (over 40 years old) were only a 9% of the companies studied and those that had been in operation for a period of between 31-40 years stood at 11%.

Table 4.03: Company size (number of permanent employees)

| No of permanent employees | Frequency | Percentages |
|---------------------------|-----------|-------------|
| 0-25 | 2 | 6% |
| 26-50 | 3 | 9% |
| 51-75 | 11 | 31% |
| 76-100 | 5 | 14% |
| Over 100 | 14 | 40% |
| Totals | 35 | 100% |

In table 4.03 above, it can be observed that a larger percentage of the companies studied had over 100 permanent employees which stood at 40% of the study. 31% had between 51-75 numbers of permanent employees in their organizations. Therefore we can conclude that most of these companies are relatively large.

Table 4.04: Sales turnover per annum

| Sales turnover per annum in million shillings | Frequency | Percentages |
|--|-----------|-------------|
| Less than 25 | 15 | 43% |
| 26-50 | 6 | 17% |
| 51-75 | 5 | 14% |
| Over 100 | 9 | 26% |
| Total | 35 | 100% |

Of the companies studied, 43% of them had their sales turn-over of less than 25 million shillings and 26% of them had an annual turnover of over 100 million shillings. The firms with an annual turn-over of over 100 million shillings are those that are relatively big with permanent employees of over 100, while those with a sales turn-over of less than 25 million are those with permanent employees of between 51- 75 persons

Table 4.05: The predominant calibre of the senior management staff

| Calibre of senior management | Frequency | Percentages |
|---|-----------|-------------|
| Technical specialists with no management training but with job experience | 7 | 20% |
| Technical specialists with business and management training | 9 | 25% |
| Professional managers with business and management training | 17 | 49% |
| No technical and management training | 2 | 6% |
| Total | 35 | 100% |

The predominant calibre of the senior management in the firms studied is 49% which is the practice of having professional managers with business and management training tasked with the management of the companies. Other companies, 25% employ their senior managers who are technical specialists with business and management training, while 20% of the companies have technical specialists with no management training but with job experience.

4.3 Strategic Planning Practices

4.3.1 Analysis of the Environment

Table 4.06: How information is collected on the various aspects of the business environment

| Method used | Frequency | Percentage |
|---|-----------|------------|
| Search for information from both verbal and written sources | 30 | 41% |
| Competitor spying | 15 | 20% |
| Forecasting | 10 | 14% |
| Use of formal studies | 15 | 20% |
| No response | 4 | 5% |
| Total | 74 | 100% |

In Table 4.06 above, 41% of the companies studied search for information on the various aspects of the business environment using both verbal and written sources. This finding is similar to an observation by Jaunch and Glueck (1998) that firms can use both formal and informal sources in analysing the environment it can also be observed that these companies also collect information on the various aspects of the business environment through competitor spying as well as through use of formal studies which is both at 20%.

Table 4.07: Responsibility for collecting information on various aspects of the business environment.

| Responsibility | Frequency | Percentage |
|--------------------------------------|-----------|-------------|
| The corporate planning department | 11 | 24% |
| Market research/Marketing department | 13 | 28% |
| All department | 8 | 17% |
| Market research company | 3 | 7% |
| Hired consultant | 4 | 9% |
| A specially designate individuals | 5 | 11% |
| No one | 0 | 0 |
| No response | 2 | 4% |
| Total | 46 | 100% |

In these firms, either the marketing department (28%) or the entire corporate planning department (24%) were largely in charge of collecting information on the various aspects of the business environment. However, all the departments (17%) and specially designated individuals (11%) also take part in this.

Table 4.08: Competitor analysis

| Competitor analysis | Frequency | Percentage |
|---------------------|-----------|-------------|
| Yes | 26 | 74% |
| No | 9 | 26% |
| No response | 0 | 0 |
| Total | 35 | 100% |

It can be observed from the table above that 74% of the firms reported to carry out competitor analysis probably because competition was considered a key factor in their strategic planning.

Table 4.09: Approaches used to analyze competitor performance

| Approach | Frequency | Percentage |
|--------------------------|-----------|------------|
| Absolute sales turnover | 16 | 20% |
| Market share analysis | 19 | 24% |
| Price comparisons | 20 | 25% |
| Cost analysis | 8 | 10% |
| Strategic group analysis | 12 | 15% |
| No response | 5 | 6% |
| Total | 80 | 100% |

The most popular approaches used in analyzing competitor performance were price comparisons by 25% of the firms and market share analysis by 24% of the firms and absolute sales turnover by 20% of the firms. This is probably due to the relative ease of these approaches. The use of strategic group analysis was low (by 15% of the firms) perhaps because most of the managers were not familiar with the technique.

Table 4.10: Who undertakes environmental scanning and analysis for your company?

| Who | Frequency | Percentage |
|---------------------------------|-----------|-------------|
| A specially assigned department | 14 | 35% |
| A hired consultant | 10 | 25% |
| Market research company | 0 | 0 |
| Individual department heads | 8 | 20% |
| No response | 8 | 20% |
| Total | 40 | 100% |

A specially assigned department in 35% of the companies carry out environmental scanning and analysis. In 25% of the firms, they use a hired consultants, while, in 20% of the others, they use individual departmental heads. Still, in another 20% of the firms do not undertake the activity.

Table 4.11: Tools and techniques used in strategic forecasting

| Tool/Technique | Frequency | Percentage |
|---|-----------|-------------|
| Using qualitative subjective methods like brainstorming and focus groups | 16 | 46% |
| Using qualitative methods like trend extrapolation, regression analysis and simulations | 9 | 26% |
| No response | 10 | 28% |
| Total | 35 | 100% |

Almost half (46%), of the firms use qualitative subjective methods like brainstorming and focus groups in their strategic forecasting. In 26% of these firms, they use qualitative methods like regression analysis and simulations, while 28% of the firms had no response.

4.3.2 Defining Corporate Vision, Mission and Strategic Objectives

Table 4.12: Presence of strategic planning department

| Present | Frequency | Percentages |
|---------|-----------|-------------|
| Yes | 22 | 63% |
| No | 13 | 37% |
| Total | 35 | 100% |

According to the findings in table 4.12, 37% of the firms studied do not have a strategic planning department perhaps because they are they are small hence cannot afford to have such a department. This is not a peculiar finding. Namburi and Saiyadan (1978) found that long term planning was not well developed in developing countries. But a larger percentage of 63% of the firms have a strategic planning department.

Table 4.13: Nature of strategic planning

| Nature | Frequency | Percentages |
|-----------------------------|-----------|-------------|
| No strategic planning | 10 | 29% |
| Formal strategic planning | 21 | 60% |
| Informal strategic planning | 4 | 11% |
| Total | 35 | 100% |

The table above shows that 60% of the firms have formal strategic planning, 29% do not have strategic planning and 11% of the firms employ informal strategic planning. Strategic planning is seen to be a continuum from informal to formal approach as advanced by Mintzberg (1985).

Table 4.14: Presence of a mission statement

| Present | Frequency | Percentages |
|-----------------------|-----------|-------------|
| Yes, a written one | 27 | 77% |
| Yes, an unwritten one | 7 | 20% |
| No | 1 | 3% |
| Total | 35 | 100% |

Most of the firms studied 77% reported to have written mission statements, while 20 % of the firms have unwritten mission statements, and 3% have none. As cited in literature, firms can either have written or unwritten mission statements

Table 4.15: Planning horizon

| Horizon | Frequency | Percentages |
|-------------------|-----------|-------------|
| Less than 3 years | 4 | 11% |
| 3-5 years | 18 | 51% |
| Over 5 years | 3 | 9% |
| No response | 10 | 29% |
| Total | 35 | 100% |

The predominant planning horizon is between 3-5 years, as practiced by 51% of the security firms studied. This is a good enough period to allow the management of any given firm to project into the foreseeable future. However, 11% of the firms have a planning horizon of less than three years whereas 29% had no response, probably because they don't have any strategic planning.

Table 4.16: Frequency of revision of strategic plans

| Frequency | Number | Percentages |
|---------------------------|-----------|-------------|
| Annually | 5 | 14% |
| 2-3 years | 8 | 23% |
| Above 5 years | 9 | 26% |
| As frequently as possible | 1 | 3% |
| No response | 12 | 34% |
| Total | 35 | 100% |

Most of the firms studied (26%) revise their strategic plans after five years, followed by between two to three years, which is practiced by 23% of the firms and then annually by 14% of the firms studied.

Table 4.17: Responsibility of strategic planning in the organization

| Responsibility | Frequency | Percentage |
|-------------------------|-----------|-------------|
| Board of directors | 14 | 38% |
| Senior managers | 11 | 30% |
| Consultants | 1 | 2% |
| Chief executive officer | 0 | 0 |
| No response | 11 | 30% |
| Total | 37 | 100% |

In 68% of the firms, either the board of directors (38%) or senior managers (30%) are responsible for strategic planning. This is expected because they constitute the strategic apex of the company, hence are responsible for the major decisions of the company such as strategic planning.

Table 4.18: Order of performance of the various tasks of the strategic planning process

| Order | Frequency | Percentages |
|--------------|-----------|-------------|
| 1,2,3,4 | 1 | 3% |
| 1,2,4,3 | 2 | 6% |
| 1,4,2,3 | 3 | 9% |
| 1,4,3,2 | 1 | 3% |
| 2,1,3,4 | 5 | 14% |
| 2,1,4,3 | 2 | 6% |
| 3,4,2,1 | 3 | 9% |
| 3,2,1,4 | 3 | 9% |
| 4,3,2,1 | 1 | 3% |
| No response | 13 | 37% |
| Total | 35 | 100% |

- KEY: 1-Analysis of the external environment
2-Analysis of the internal organizational environment
3-Defining or revising the company’s mission and strategic objectives
4-Developing strategies to achieve the strategic objectives of the company,
and choosing the appropriate strategy.

From table 4.19 above, it can be seen that 14% of the firms start their strategic planning process by initially analyzing their internal environment, then followed by the external environment. This approach agrees with the literature, which states that strategic planning stats with environmental analysis, although in practice there exists variations, for example, whether to start with the analysis of the internal environment or external environment. 9% of these firms perform the strategic planning process in the following order: analysis of the external environment, developing strategies to achieve the strategic objectives of the company, analysis of the internal organizational environment and then followed by the defining or revising the company’s mission and strategic objectives. However, it should be noted that there were other companies that follow other

approaches. The variations in the order of performance of various tasks of strategic planning agree with Ginter et al (1985), who stipulate that strategic planning is not a well-defined logical and explicit process as models suggest.

Hence, there are variations in the actual practice in the approaches adopted by managers in the way they undertake the different components of the strategic planning process.

Table 4.19: Constituencies to which strategy is communicated

| Constituent | Frequency | Percentages |
|---|-----------|-------------|
| Internally in the organization | 19 | 42% |
| Externally to the relevant constituencies | 5 | 11% |
| Both internally and externally | 15 | 34% |
| No response | 6 | 13% |
| Total | 45 | 100% |

In table 4.19 above, it can be seen that 47% of the firms studied communicate their strategy internally, while 34% communicate both internally and externally, and 11% communicate their strategies externally to the relevant constituencies such as financiers, creditors and suppliers.

Table 4.20: Participants in the setting of corporate objectives

| Participants | Frequency | Percentages |
|-------------------------|-----------|-------------|
| Board of directors | 16 | 32% |
| Chief Executive Officer | 3 | 6% |
| Senior managers | 25 | 50% |
| No response | 4 | 8% |
| Consultants | 2 | 4% |
| Total | 50 | 100% |

In table 4.20 above in 82% of the firms, the board of directors (32%) and the senior managers (50%) participate in the setting of the corporate objectives of the firms. According to Hambrick (1987), top management teams are important in the strategic success of the organization, hence should be involved in strategy formulation.

In addition, depending on the size of the firm, senior managers could also be responsible for strategy formulation in the firm. Infact, Thakur (1998), who studied fifty-six medium sized American based manufacturing firms, concluded that strategy making should not be the job of an elitist group alone. Middle level managers need to be involved too.

Table 4.21: Features that characterize the strategic planning process

| Feature | Frequency | Percentages |
|--|-----------|-------------|
| Formal meetings | 30 | 30% |
| Informal planning interactions | 20 | 20% |
| Time-tables for plan preparations | 15 | 15% |
| Clearly assigned responsibilities for planning | 18 | 18% |
| Have a planning department | 16 | 17% |
| No response | 1 | 1% |
| Total | 100 | 100% |

From the findings in table 4.21 above, 30% of the firms studied characterized their strategic planning process as formal, while 20% characterized it as informal. This shows that a greater proportion of the firms studied use formal approaches to strategic planning practices.

Table 4.22: Tools used in strategic planning

| Tool | Frequency | Percentages |
|------------------------|-----------|-------------|
| SWOT analysis | 18 | 40% |
| Strategic gap analysis | 6 | 13% |
| PEST analysis | 11 | 24% |
| Portfolio matrices | 2 | 5% |
| No response | 8 | 18% |
| Total | 45 | 100% |

Of the firm studied, 40% indicated to use SWOT analysis as a tool in their strategic planning .This could be due to the probability that it is a well- known tool amongst managers. 24% of the firms used PEST analysis in their strategic planning and 13% of them indicated that they used strategic gap analysis.

4.3.3 Strategic Analysis and Choice

Table 4.23: Approaches used in selecting appropriate strategy

| Approach | Frequency | Percentages |
|---|-----------|-------------|
| Using intuition and gut feeling | 9 | 29% |
| Using rational and analytical decision making process | 17 | 40% |
| Negotiations with stakeholders | 12 | 28% |
| No response | 5 | 11% |
| Total | 43 | 100% |

The results in the table above indicate that 40% of the firms use rational and analytical decision making processes when selecting appropriate strategy, 28% of the companies use negotiations with stakeholders as an approach in selecting appropriate strategy, while 29% of them use intuition and gut feeling. Keith et al (1998) have indicated that despite extensive analysis and discussion, managers tend to use gut feeling in selecting the appropriate strategy of the company. They also argue that in small firms, strategic managers tend to be the founders of the company, thus usually provide a vision, which is difficult to dislodge. Small company managers may therefore be less rational in their strategic decision making.

4.4 Challenges Faced by the Private Security Firms in their Strategic Planning Practices

Literature suggests the following four factors as influencing the strategic planning practices of a firm. These are company size, the characteristics of the company’s management, company ownership, company age, among other factors.

In this section, I have attempted to establish whether these factors and others affect the strategic planning practices of the private security companies in Kenya. Towards this end, cross-tabulation of the various variables was used, which yielded the following results.

Table 4.24: Company size, (number of permanent employees) and the presence of a strategic planning department.

| No. of permanent employees | Classification | Present | Absent | Total |
|----------------------------|----------------|---------|--------|-------|
| 0-25 | small | 2 | 0 | 2 |
| 26-75 | medium | 5 | 8 | 13 |
| 76 and more | large | 15 | 5 | 20 |
| Total | | 22 | 13 | 35 |

A pattern was noted between company size, as determined by the number of permanent employees and the strategic planning in the company. 60% of the total private security companies studied had a strategic planning department, while only 2 small companies have strategic planning departments.

Out of the 13 companies that didn't have a strategic planning department, 8 or 62% were medium in size and 5 or 38% were large. One would have expected that all the large companies had a strategic planning department. However, this wasn't the case because the approach used to categorize them into various sizes was relative and not absolute.

Gilmore, (1971) noted that small and medium sized companies do not have the benefit of planning departments and such firms therefore need a simple, practical approach to strategy formulation.

Table 4.25: Company size, (number of permanent employees) and nature of strategic planning.

| No. of permanent employees | Classification | Formal | Informal | No strategic planning | Totals |
|----------------------------|----------------|--------|----------|-----------------------|--------|
| 0-25 | Small | 0 | 2 | 0 | 2 |
| 26-75 | Medium | 4 | 3 | 6 | 13 |
| Over 76 | Large | 15 | 1 | 4 | 20 |
| Total | | 21 | 4 | 10 | 35 |

In the large companies studied, we can observe that they have formal strategic planning as indicated by 71% of the companies studied. The medium and small companies on the other hand, either have no strategic planning or have informal strategic planning in their companies.

Thompson and Strickland (1989), argue that in small companies, strategy making is developed informally, often never being deduced to writing but existing in the entrepreneur's mind and in an oral understanding with key subordinates.

Table 4.26: Company ownership and responsibility for strategic planning.

| Ownership | Board of Directors | Chief Executive Officer | Senior Managers | Others | Total |
|-----------|--------------------|-------------------------|-----------------|--------|-------|
| Private | 14 | 0 | 11 | 12 | 37 |
| Public | 0 | 0 | 0 | 0 | 0 |
| Total | 14 | 0 | 11 | 12 | 37 |

All the companies studied were privately owned, and hence the board of directors would be the most responsible for the strategic planning of the companies, assisted by the senior managers. As reflected by 68% of the companies studied.

Table 4.27: Calibre of senior managers and tools used in strategic forecasting

| Calibre of senior managers | Qualitative | Quantitative | Both | No response | Total |
|---|-------------|--------------|----------|-------------|-----------|
| No technical and management training | 0 | 0 | 0 | 2 | 2 |
| Technical specialists without management training | 3 | 0 | 0 | 4 | 7 |
| Technical specialists with management training | 3 | 2 | 0 | 4 | 9 |
| Professionals | 10 | 7 | 0 | 0 | 0 |
| Total | 16 | 9 | 0 | 10 | 35 |

In companies managed by senior managers with no business and management training, the do not use any of the advanced tools and techniques to carry out strategic forecasting. This could be attributed to the fact that they do not carry out strategic forecasting at all. Those companies managed by professional managers with management training apply both qualitative and quantitative tools and techniques, while carrying out strategic forecasting of their business environment. This is because the business management training they acquire enables them to be armed with the skills necessary to effectively process and interpret information, that forms vital input in the strategic decision making process.

Table 4.28: Responsibility for environmental scanning and company size (number of permanent employees).

| No. of permanent employees | Classification | A specially assigned department | A hired consultant | Individual departmental heads | Others | Total |
|----------------------------|----------------|---------------------------------|--------------------|-------------------------------|----------|-----------|
| 0-25 | Small | 2 | 0 | 0 | 0 | 2 |
| 26-75 | Medium | 3 | 2 | 1 | 6 | 12 |
| Over 76 | Large | 9 | 8 | 7 | 0 | 24 |
| Total | | 14 | 10 | 8 | 6 | 38 |

In small companies (0-25 permanent employees) environmental scanning is only done by a specially assigned department as represented by 5% of the companies studied. On the other hand, the large companies (over 76 permanent employees) use a variety of departments to carry out environmental scanning.

Table 4.29: Company ownership and participants in the setting of the corporate objectives

| Ownership | Board of Directors | Senior managers | Chief Executive Officer | Consultant | No response | Total |
|--------------|--------------------|-----------------|-------------------------|------------|-------------|-----------|
| Private | 16 | 20 | 3 | 2 | 4 | 45 |
| Public | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 16 | 20 | 3 | 2 | 4 | 45 |

In the 80% of the companies studied, the board of directors (36%) and the senior managers (44%) actively and largely participate in the setting of the company's corporate objectives.

Table 4.30: Nature of strategic planning and how information on the various aspects of business environment is collected

| How information is collected | No strategic planning | Formal strategic planning | Informal strategic planning | Total |
|---|-----------------------|---------------------------|-----------------------------|-----------|
| Search for information from both verbal and no verbal sources | 7 | 21 | 3 | 31 |
| Competitor spying | 4 | 11 | 1 | 16 |
| Forecasting | 1 | 7 | 0 | 8 |
| Formal studies | 0 | 15 | 0 | 15 |
| Others | 1 | 2 | 2 | 5 |
| Total | 13 | 56 | 6 | 75 |

Companies with formal strategic planning, which are represented by 75% of the companies studied, predominantly search for information using both verbal and written sources.

Table 4.31: Calibre of senior managers and the tools used in strategic planning

| Calibre of senior managers | SWOT analysis | PEST analysis | Strategic gap analysis | Portfolio matrices | Others | Total |
|--|---------------|---------------|------------------------|--------------------|----------|-----------|
| No technical or mgt training | 0 | 0 | 0 | 0 | 2 | 2 |
| Technical specialists with no mgt training | 3 | 1 | 1 | 0 | 3 | 8 |
| Technical specialists with mgt training | 3 | 2 | 1 | 0 | 3 | 9 |
| Professional managers | 12 | 8 | 4 | 2 | 0 | 26 |
| Total | 18 | 11 | 6 | 2 | 8 | 45 |

Companies whose senior managers have management training use SWOT analysis predominantly. The companies that are managed by professionals use all the variety of the tools of strategic planning including PEST analysis, SWOT analysis, and even strategic gap analysis.

CHAPTER 5: SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Summary, Discussions and Conclusions

The first objective of this research was to find out the strategic planning practices adopted by the private security firms in Kenya. The following practices were identified, 41% of the companies studied were found to search for information on the various aspects of the business environment using both verbal and written sources. In 52% of the companies, collection of information on the various aspects of the business environment was the responsibility of either the marketing department or the entire corporate planning department in the organization. 46% use qualitative subjective methods like brainstorming and focus groups of strategic forecasting. 74% of the firms carry out competitor analysis.

It was found that 63% of the companies studied had strategic planning department. In 60% of these firms they practiced formal strategic planning. A large percentage (77%) of the firms reported to have a written mission statement. In addition, 51% of the firms have a strategic planning horizon of between three to five years. In 68% of the companies, either the board of directors (38%) or the senior managers (30%) were responsible for strategic planning. In 82% of these companies, the board of directors (32%) and senior managers (50%) participate in the setting of the corporate objectives for the firm.

Again in 42% of these firms, once a strategy has been formulated, they communicate these strategies internally in the organization, while 34% of the firms communicate their strategies both internally and externally. In addition, 30% of the firms have formal meetings characterizing their strategic planning process and 20% of them have their strategic planning process characterized by informal planning interactions. 40% of them use SWOT analysis as a tool in their strategic planning, while 24% use PEST analysis. In 40% of the companies, the managers use rational and analytical decision making processes while 29% use intuition and gut feeling when selecting appropriate strategies for their companies.

Peter and Certo, (1993), cite numerous sources of information that managers can use, like journals, reports, professional meetings, conferences, consultants and employees. In addition, Jauch and Glueck, (1998), state that a firm can use both formal and informal sources in analyzing the environment. We also observe that there are various ways of doing competitor analysis as advanced by Koch, (1995) who says that relative market share or relative price position can be used. The most common approach used by these firms was price comparisons. It would be more desirable if all the firms had written mission statement to which all the stakeholders could refer to. This is not the case here.

In order to ensure a smooth seamless strategic planning process in the organization, the responsibility for strategic planning should be clearly assigned. Here it is largely done by the board of directors. This is an expected finding as they are at the apex of the organization, from where strategic direction and policy is set (Mintzberg, 1983). More firms prefer formality in their strategic planning. It appears that the management of these firms largely uses SWOT analysis as a tool in their strategic planning.

In conclusion, these firms are wholly private owned entities and predominantly employ formal approaches to strategic planning which is also the responsibility of the board of directors and the senior managers. There are variations in the way the companies undertake the various tasks of strategic planning process.

The second objective was to establish the challenges that the Private Security Firms in Kenya face in their strategic planning. The following were found to be the factors presenting a challenge to these firms; Company size, company ownership, characteristics or caliber of the top management, the age of the company and the stability of the business environment.

The larger companies tended to have either strategic planning departments or strategic planning function, and were found to employ more formal approaches to strategic planning. The 77% of the companies that had written mission statements most of them were large firms that had been in operation relatively for longer period of time. Those companies whose senior managers were professionals apply more rational and formal

approaches to strategic planning and choice as observed in 67% of the firms studied, while those with no training tend to have no idea on the tools of strategic planning to use in their strategic management.

In conclusion, the strategic planning practices are influenced by factors which are both internal and external to the organization. This means that an organization's strategy is influenced and shaped by factors that are both within and without the organization. The internal factors are particularly more amenable to manipulate than the external factors, hence the firm's management should focus keenly on them, when shaping their strategies.

One would have expected a great variation in the way managers go about the various aspects of the strategic planning practices within the prepositions advanced by the strategic management theorists, especially given that the private security firms in Kenya operate in a struggling economy, with dynamic changes in the business environment. Indeed, the strategic planning practices of these firms were found to be very similar to those quoted in literature in studies done in other parts of the world, either in similar or different industries. Therefore, we can safely say that the practices of strategy formulation are in congruence with theoretical propositions.

5.2 Limitations of the Study

There was one major limitation in this study that is worth noting, this is the reluctance of the respondents to provide information citing lack of time and that they were too busy to fill the questionnaires.

The second limitation was that the researcher presumed that all the firms under study had formal approaches to strategic planning. This turned out to be different. Some of the security firms had very informal approaches to strategy formulation, hence found the questionnaire not applicable to them in some areas.

The third limitation of the study is that the researcher concentrated on external environmental analysis as opposed to both external and internal analysis. Therefore the information on how the companies undertake internal environmental analysis is rather limited.

5.3 Recommendations for Further Research

Other aspects of strategic management like strategy implementation and strategy control can also be researched into in the same industry of the private security firms, so as to obtain further insight about strategic management in the private security industry.

Other than corporate strategy, one could look at the competitive strategies used by firms in the private security firms. The same study could be replicated to the other sectors or industries for comparisons and contrasts.

5.4 Implications for Policy and Practice

The finding of this study indicates that Private Security Firms in Kenya practice some aspects of strategic planning. However, on the whole, it can be stated that the concept of formal strategic planning is not well entrenched in the private security firms. This assertion can be made because of the following reasons; 37% of the firms studied have no strategic planning department, the responsibility for strategic planning is not assigned to a specific planning unit, since 32% of these companies either do not carry out this activity or they assign it to consultants.

The mission statements are not well articulated and communicated to the relevant stakeholders. The managers largely use simplistic techniques in their strategic forecasting. We also find a great variation in the pattern followed in the strategic planning process. And 26% of these companies do not carry out any competitor analysis.

The concept of strategic planning, therefore, needs to be adopted by all the private security companies in Kenya irrespective of the company size, ownership of the company, because of the positive contribution that formal strategy can and does impact on the performance of a company. Given the numerous challenges posed by the business environment, the firms need to streamline their strategic planning functions and practices to ensure that they are constantly aligned and are relevant to the environmental conditions.

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APPENDICES

Appendix (i)

Letter of Introduction to Respondents.

University of Nairobi
School of Business
Department of Business Administration
P.O. Box 30197
Nairobi
August, 2007

Dear Respondent,

RE: Collection of Survey Data

I am a postgraduate student at the University of Nairobi, School of Business. In order to fulfill the degree requirement, I am undertaking a management research project on the strategic planning practices of private security firms in Kenya.

You have been selected to form part of this study. This is kindly to request you to fill the attached questionnaire, which I will collect later.

The information collected will be exclusively used for academic purposes and will be treated with strict confidence. At no one time shall your company's name appear in the report. The findings of this research can be availed to you upon request.

I thank you for your cooperation.

Yours faithfully

M.N. Okindah
MBA Student
University of Nairobi.

Dr. Martin Ogutu
Lecturer/Project Supervisor
University of Nairobi.

Appendix: (ii)

Questionnaire

This questionnaire seeks to establish strategic planning practices within private security firms in Kenya. The information obtained will be treated in utmost confidence and used for only academic purposes. Your assistance in completing this questionnaire will be highly appreciated.

The questionnaire is in three parts, A, B and C.
Part A consists of questions aimed at obtaining information about your organization.
Part B seeks information on the strategic planning practices of your firm.
Part C seeks to find out whether there are any challenges faced.

Date..... Questionnaire

No.....

Part A: Background Information.

- 1. Ownership (please tick the appropriate one)
 - ☐ Private company.
 - ☐ Public company.
 - ☐ Jointly privately and government owned.
 - ☐ Other (please specify).....
- 2. How many years has the company been in operation?
_____ Years.
- 3. Do you have strategic planning department? (Tick)
 - ☐ Yes.
 - ☐ No.
- 4. How many employees do you have? (Please tick accordingly).

| <u>Permanent</u> | <u>Temporary</u> |
|------------------|------------------|
| 0-25 | 0-100 |
| 26-50 | 100-200 |
| 51-75 | 200-300 |
| 76-100 | 300-400 |
| Over 100 | Over 400 |

5. What is your sales turnover per annum?
 - ☐ Less than 25 million.
 - ☐ 26-50 million
 - ☐ 51-75 million
 - ☐ Over 100 million.

6. Which of the following best describes the predominant caliber of the senior management staff (From Heads of departments to the C.E.O) in your organization?
 - ☐ No technical and management training.
 - ☐ Technical specialists with no management training but with the job experience.
 - ☐ Technical specialist with management training.
 - ☐ Professional managers with business and management training
 - ☐ Other (please specify).....

Part B: Strategic Planning Practices

1. Do you have a mission statement?
 - ☐ Yes, a written one.
 - ☐ Yes, an unwritten one.
 - ☐ No.

2. Please indicate below the nature of strategic planning.
 - ☐ No strategic planning.
 - ☐ Formal strategic planning
 - ☐ Informal strategic planning
 - ☐ Other (please specify).....

3. Indicate the year when strategic planning was first developed in your organization

.....

4. What is the time horizon of your plans?
 - ☐ Less than 3 years
 - ☐ 3-5 years
 - ☐ Over five years

5. How often do you revise your strategic plans?

.....times everyyears.

6. Who is responsible for strategic planning in your organization?
 - ☐ Board of directors.

- ☐ Chief executive officer.
- ☐ Senior managers.
- ☐ Consultant.
- ☐ Other (please specify).....

7. State any three of your co-operate strategic objectives.

- a).....
- b).....
- c).....

8. Which of the following do you use in your strategic planning?

- ☐ Brainstorming and focus groups.
- ☐ Mathematical methods like trend extrapolation, regression analysis and simulations.
- ☐ Other (please specify).....

9. Which of the following steps do you undertake in strategic planning process in your organization? (Tick all those that you undertake)

- ☐ Analysis of the external environment.
- ☐ Analysis of internal organizational environment.
- ☐ Defining or revising the company's mission statement and strategic objectives.
- ☐ Developing strategies to achieve the strategic objectives of the company.
- ☐ Choosing the appropriate strategy.
- ☐ Other (please specify).....

10. When you have a strategy, to which of the following do you communicate;

- ☐ Internally in the organization.
- ☐ Externally to the relevant constituencies (Financers, Customers, Business partners)
- ☐ Both internally and externally

11. Who undertakes environmental scanning and analysis for your company?

- ☐ A specially assigned department
- ☐ A hired consultant.
- ☐ Market resources companies
- ☐ Individual department heads
- ☐ Other (please specify).....

12. Indicate in the boxes provided by numbering appropriately the order in which you perform the various tasks of the strategic planning process indicate below.

- ☐ Analysis of the external environment.
- ☐ Analysis of internal organizational environment.
- ☐ Defining or revising the company's mission statement and strategic objectives.

- ☐ Developing strategies to achieve the strategic objectives of the company choosing the appropriate strategy.
13. Who participates in setting the company's objectives?
- ☐ Board of directors
 - ☐ Chief executive officer
 - ☐ Senior managers
 - ☐ Consultants
 - ☐ Others (please specify).....
14. Indicate whether the following features characterize your planning process. (Tick all those that apply)
- ☐ Formal meetings
 - ☐ Informal planning interactions.
 - ☐ Time-tables for plan preparations.
 - ☐ Clearly assigned responsibilities for planning.
 - ☐ Have a planning department.
 - ☐ Other (please specify).....
15. How do you collect information on the various aspects of your business environment?
- ☐ Search for information from both verbal and written sources
 - ☐ Competitor spying
 - ☐ Forecasting
 - ☐ Use of formal studies
 - ☐ Others (please specify).....
16. Who is in charge of this activity (in 15 above)? Please tick or add accordingly.
- ☐ The corporate planning department
 - ☐ The market research/marketing department
 - ☐ All departments
 - ☐ Market research Company.
 - ☐ Hired consultant
 - ☐ A specifically designate individual
 - ☐ No one
 - ☐ Others (please specify).....
17. (a) Do you carry out any form of competitor analysis?
- ☐ Yes
 - ☐ No
- (b) If so, what approaches are used by your firm to analyze competitor Performance?

- ☐ Absolute sales turnover.
- ☐ Market share analysis
- ☐ Price comparisons
- ☐ Cost analysis
- ☐ Strategic group analysis. (Analysis of business rival firms with similar competitive approaches and market positions).
- ☐ Others (please specify).....

18. There are various approaches to selecting an appropriate strategy once strategic options have been developed. Which of the approaches below best describes the approach used by your company?

- ☐ Using intuition and gut feel
- ☐ Using rational and analytical decision making processes
- ☐ Though the process of negotiation with key stakeholders (The Board, Management, Financiers)
- ☐ Other (please specify).....

19. Which of the following tools do you use in strategic planning? Please tick accordingly

- ☐ SWOT analysis (analysis of strengths, weaknesses, opportunities and threats)
- ☐ Strategic gap analysis
- ☐ PEST analysis (analysis of Political, economic, social and Technological factors)
- ☐ Portfolio matrices (BCG, General Electric, Ansoff's Market/ Product etc)
- ☐ Others (please specify)

Part C: Challenges.

1. Indicate in the boxes provided by numbering appropriately in order of how difficult or challenging it is to your company to perform the various tasks of the strategic planning process indicated below.(where 1= not at all difficult and 5=extremely difficult)

- ☐ Analysis of the external environment.
- ☐ Analysis of internal organizational environment.
- ☐ Defining or revising the company's mission statement and strategic objectives.
- ☐ Developing strategies to achieve the strategic objectives of the company choosing the appropriate strategy.

2. To what extent is each of the following factors a challenge in your strategic planning? Use a five pointer scale where; 1=not at all and 5=very great extent. Circle accordingly

| | | | | | |
|--|---|---|---|---|---|
| Political and legal developments | 1 | 2 | 3 | 4 | 5 |
| General economic trends | 1 | 2 | 3 | 4 | 5 |
| Competitors | 1 | 2 | 3 | 4 | 5 |
| Market trends | 1 | 2 | 3 | 4 | 5 |
| Technological changes | 1 | 2 | 3 | 4 | 5 |
| Social and cultural trends | 1 | 2 | 3 | 4 | 5 |
| Organization's internal resources | 1 | 2 | 3 | 4 | 5 |
| Regional markets | 1 | 2 | 3 | 4 | 5 |
| Globalization | 1 | 2 | 3 | 4 | 5 |
| Customers and consumer pressure groups | 1 | 2 | 3 | 4 | 5 |
| Threat of new entrants | 1 | 2 | 3 | 4 | 5 |
| Degree of rivalry | 1 | 2 | 3 | 4 | 5 |
| Predominant management styles | 1 | 2 | 3 | 4 | 5 |
| Size of the organization | 1 | 2 | 3 | 4 | 5 |
| Others (please specify) | | | | | |

Filed by_____

Designation_____

Thank you very much for your co-operation

Appendix: (iii)

List of Security Firms

1. Wells Fargo Limited
2. Tanar Technical Consultants Limited
3. Bob Morgan Systems limited
4. Collindale Security
5. Bob Morgan Services Limited
6. Kenya Secularms Ltd
7. Ultimate Security Ltd
8. Security Guards Services Ltd
9. Ultimate Management Ltd
10. G4S Security Services Kenya Limited
11. EARS Group
12. Falcon Security
13. Fidelity Security Services
14. Instarect
15. KK Security
16. Magnum Allied Systems Ltd
17. Pinkerton's
18. Riley Services Limited
19. Securex Agencies Kenya Ltd
20. Security Group of Companies Ltd
21. Knight Support
22. Radar
23. Tracker Group
24. Glen Edmunds Performance Driving School
25. Satellite Tracking (K) Ltd
26. Delight Security Services Ltd
27. Patriotic Guard Ltd.
28. Beta Security
29. Cornerstone Security
30. Cossymobile Security
31. Davkos Security
32. Delmas Security
33. Delta Guards
34. Dew Security
35. Edlys Security
36. Gillys Security
37. Hatari Security
38. Interlude Security
39. Intersecurity
40. Jakamu Agencies
41. Jojas Usalama
42. JRS Group
43. Kali Security
44. Kamaliza Security

45. Kenya Shield
46. Kisii Security
47. Kleen Homes Security
48. Malindi Security
49. Marco Security
50. Maxicare Guards
51. Milimani Security
52. Mode 1996 Security
53. Mode Security
54. Overall Security
55. Pada Security
56. Parklands Security
57. Peak Security
58. Perimeter Protection
59. Petered Security
60. Protective Security
61. Prowler Security
62. Race Guards
63. Rescue Guards
64. Riley Falcon
65. Riverside Security
66. Safe and Secure
67. Sak Security
68. Secure Homes
69. Security Seven
70. Shunza Security
71. Spur Security
72. Total Security
73. Vogue Security
74. Winstar Security
75. Witerose Security
76. Babs Security
77. Sky Hawk Security
78. Apex Security
79. Sentry and Patrols
80. Lavington Security
81. Metro Guardian & Consultants
82. Sunrise Security
83. Samo Security
84. Cavalier Security
85. Bedrock Security
86. Brinks Security
87. Eagle Watch
88. Eveready Security
89. Shika Shika Security
90. New Simba Security
91. Dynasty Security