

**STRATEGIC PLANNING AND PERFORMANCE OF AUDIT FIRMS IN  
NAIROBI COUNTY, KENYA**

**BY  
FRIDAH MUSYA**

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

**OCTOBER 2013**

## **Declaration**

This research project is my original work and has not been presented for a degree in any other University or any other award. No part of this work should be reproduced without the prior permission of the author and/or University of Nairobi.

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**Fridah Mukai Musya (D61/68969/2011)**

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**Date**

The research project has been submitted for examination with my approval as the University Supervisor.

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**Dr. Zachary Bolo. Awino, PhD**

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**Date**

Department of Business Administration

School of Business

University of Nairobi,

## **Acknowledgements**

Honour and glory be to God for giving me strength, wisdom, motivation, health of body and mind, patience and peace throughout my studies without which it could be impossible.

I take this opportunity to express my indebtedness to those who assisted me in one way or the other to complete this project. I am very thankful to my supervisors Dr. Zachary Bolo Awino and Dr. Vincent Machuki, for never saying no whenever I needed their help and for their sincere, innumerable and invaluable assistance throughout the entire period of my study.

Their guidance, constant advice and encouragement saw me come this far by being available to me literally all the times that I needed them most. Long live Dr. Zachary Bolo Awino and Dr. Vincent Machuki for having made sure that I completed in good time. I am in deed proud to be associated with you.

I owe a lot of thanks to the management of the 18 Audit firms in Nairobi County who allowed to me interview their employees. Last but not least, I would like to thank all the employees in the respective Audit firms for sparing some time to participate in the study despite their busy schedules. Without their involvement and their willingness to speak openly about their experiences, the research reported here could never have been completed.

## **Dedication**

This project is dedicated to:

First and foremost with love and gratitude always to my dear husband Mr. Lawrence Nduva, for supporting me all the way from the start of the course to its completion, to my lovely daughters, Mercy Koki and Stephanie Mbatha and to my lovely son Martin Great house Munyaka for bearing without mummy most of the times while toiling at the University in the world of academia.

Second, to my classmates, lectures and the University of Nairobi family who in one way or another supported me during the entire stay at the University.

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## **Abstract**

The study sought to examine the strategic planning and performance in Audit Firms in Nairobi County. The study was guided by the following objectives; to investigate the strategic planning practices in Audit firms in Nairobi County and to analyse the performance measures employed by audit firms in Nairobi County. A review of the relevant literature was undertaken in order to eliminate duplication of what has been done and provide a clear understanding of existing knowledge base in the problem area. Regression and correlation analysis were used. The regression analysis was used to describe the relationship between strategic planning and performance while the correlation was used to test the statistical significance of the association. The findings showed that, proper strategic planning leads to better performance in Audit firms in Nairobi County. It was recommended that for a good performance, decision makers in organizations should employ strategic planning best practices as a guide to a better future performance. For future research, researches should look into challenges facing strategic planning process and performance assessment in Audit firms.



# **CHAPTER ONE: INTRODUCTION**

## **1.1 Background of the Study**

Strategic planning in organizations originated in the 1950s and was very popular and widespread between mid-1960s to mid-1970s, when then people believed it was the answer for all problems. It is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy. In order to determine the direction of the organization, it is necessary to understand its current position and the possible avenues through which it can pursue a particular course of action (Phillip Blackerby 1994)

Strategic planning can also be referred as a tool for organizing the present on the basis of the projections of the desired future. The purpose of strategic or long-range planning is to assist an organization in establishing priorities and to better serve the needs of its constituency (Haines, 2004). The strategic plan defines the performance to be measured, while performance measurement provides the feedback that keeps the strategic plan on target (Lorenzen, 2006).

There are many theories that are used to describe how organizations view the strategic planning and management. Some of these theories include; the Resource-Based View (RBV) theory which argues that firms possess resources, a subset of which enables them to achieve competitive advantage, and a subset of those that lead to superior long-term performance.

Resources that are valuable and rare can lead to the creation of competitive advantage. That advantage can be sustained over longer time periods to the extent that the firm is able to protect against resource imitation, transfer or substitution (Barney, J. 1991) The theory of the firm however states that firms (corporations) exist and make decisions in order to maximize profits hence the Audit firms strategically plan in order to gain high profits/revenues compared to their competitors while the Theory of Change defines all building blocks required to bring about a given long-term goal in any organization (Penrose, E. 1959).

Audit firms (big or small) in Nairobi County have been in constant development as a result of their different methods of approach to the market for more than fifty years. Factors such as the volume of transactions, information technology, globalisation and the constant increase in the complexity and number of laws, regulations and standards governing entities and their auditors have all impacted drastically on the evolving role of the registered auditing profession.

A major challenge facing the Audit firms in Nairobi County is the fact that Worse they operate in a free market where there is plenty of choice, mainly based on client's needs and expectations. Both big and small Audit firms compete for the same clients both in the private and public sectors. It is in line with this competition that the firms need to position themselves in a way that they win majority of the clients in the market. Therefore, the main aim of this study is to analyze whether proper strategic planning in Audit firms in Nairobi County translates into better performance.

### **1.1.1 Strategic Planning**

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy. It is also defined by Ducker (1993) as the continuous process of making entrepreneurial decisions systematically and with the greatest knowledge of their futurity, organizing systematically the efforts to carry out these decisions and measuring the results against the expectations through organized feedback.

According to Taiwo and Idunnu, 2007 strategic planning consists of a set of underlying processes that are intended to create or manipulate a situation to create a more favourable outcome for a company. This is quite different from tradition tactical planning that is more defensive based and depends on the move of competition to drive the company's move. In business, strategic planning provides overall direction for specific units such as financial focuses, projects, human resources and marketing. Strategic planning may be conducive to productivity improvement when there is consensus about mission and when most work procedures depend on technical or technological considerations.

In other words, strategic planning is concerned with identifying foreseeable thrusts and weaknesses to avoid and strengths and opportunities to pursue. Strategic planning is the effective application of the best alternative information to decisions that have to be made to ensure a secure future (Day, 1997).

However, around 1999, empirical researchers began to examine the performance and consequences of formal strategic planning, Thune and House, 1999; Ansoff (2000); Herold, (2001) and over 40 planning-performance studies have appeared since that time. Development planning is principally an act of deciding ahead of time the what, the how, the when, and the who of identifying and determining development goals, policies and plans; and serious setting of alternative courses of action, procedures and strategies needed to achieve the purposes of government institutions (NEDA, 1985).

Strategic planning has also been said as the process of using systematic criteria and rigorous investigation to formulate, implement and control strategy and formally document organizational expectations (Higgins and Vincze, 1993; Mintzberg, 1994; Pearce and Robinson, 1994). It is a process by which organizations can envision the future and develop the necessary procedures and operations to influence and achieve that future.

### **1.1.2 Organizational Performance**

Organizational Performance has been defined as the ability of an organization to fulfil its mission through sound management, strong governance and a persistent rededication to achieving results. It comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives) (Wikipedia). Wikipedia also insists that organizational performance is not only measured by the goals and objectives set in the initial planning but also the financial returns, in terms of profits and revenues.

According to the Business Dictionary, within corporate organizations, there are three primary outcomes analysed; financial performance (Measuring the results of a firm's policies and operations in monetary terms), market performance (the behaviour of a security or asset in the marketplace), and shareholder value performance (an individual, group, or organization that owns one or more shares in a company, and in whose name the share certificate is issued).

Organizational performance is determined at the end of a certain period in time. According to Wikipedia, It can involve studying processes/strategies within organizations, to see whether output is in line with what was intended or should have been achieved. Moulli (2011) defines performance measurement as "the process of evaluating how well organisations are managed and the value they deliver for customers and other stakeholders". Good performance is the criterion whereby an organization determines its capability to prevail.

### **1.1.3 Strategic Planning and Organizational Performance**

Strategic planning can be defined as the process of using systematic criteria and rigorous investigation to formulate, implement and control strategy and formally document organizational expectations (Higgins and Vincze, 1993; Mintzberg, 1994; Pearce and Robinson, 1994). It is a process by which we can envision the future and develop the necessary procedures and operations to influence and achieve that future. The strategic planning process is enabled by several factors in the organization such as the vision, mission, goals and core values. SWOT analysis and environmental scanning are also key contributors to the process.

Strategic planning consists of a set of underlying processes that are intended to create or manipulate a situation to create a more favourable outcome for a company. According to Berry (1997) Strategic planning is a tool for finding the best future for your organization and the best path to reach that destination. The strategic planning process begins with an assessment of the current economic situation and examining factors outside of the company that can affect the company's performance.

It provides overall direction for specific units such as financial focuses, projects, human resources and marketing. Strategic planning may be conducive to productivity improvement (better performance) when there is consensus about, vision, mission and core values and when most work procedures depend on technical or technological considerations. The strategic plan depends very much on these factors which act as the guiding tools to future business activities.

#### **1.1.4 The Audit Consultancy Industry**

A report by Global Industry Analysts state that audit consultancy industry is concerned with the provision of services such as business strategy planning, market outlook prediction, litigation support and various solutions in domains like human resources, restructuring, technology and corporate finance. Management consultants aid companies in improving performance by examining organizational structure and putting plans in place to improve the overall running of a business (Anderson 2003). Consultants are external to the companies, for which they work, making them a valuable source of impartial advice.

Consultancy outfits accrue vast expertise in various industries and types of companies through their work. When a consultancy firm has pinpointed the operational weaknesses of a company, it can propose a plan for change, recommending ways in which a company may move forward to implement an effective business strategy (Newbold, Carlson, Thorne, 2010).

### **1.1.5 Audit firms in Nairobi County**

The Nairobi County audit firms are not exceptional in their quest for strategic planning and performances audit industry (summers, & Hyman, 2005). According to Michael Allison and Jude Kaye (2005) Kenya is a major economy in the east and central African region, and its success in improving economic performance is likely to have a significant demonstration effect on the region's economic development. The adopting strategic planning and performances coupled with professional auditing practices has a big bearing on this development.

Hamel and Prahalad (1994) provide a handbook on how to think strategically, focusing on leadership, strategy, and the changing market environment. Hamel and Prahalad state that strategy is both a process of understanding and shaping competitive forces, and a process of open-ended discovery and purposeful incrementalism. In this line, therefore this study seeks to analyse strategic planning and performance in auditing firms in Nairobi County.

## **1.2 Research Problem**

Past and recent research studies have made it clear that there is an increased internal and external uncertainty due to emerging opportunities and threats, lack of the awareness of needs and of the facilities related issues and environment and lack of direction. The first planning-performance studies emerged after the rapid expansion of formal strategic planning in the 1960s (Henry, 1999). However, more recent studies (Miller and Cardinal, 1994; Schwenk and Shrader, 1993) provide convincing evidence that strategic planning does indeed result in superior financial performance.

Although the studies employed diverse methodologies and measures, they shared a common interest in exploring the financial performance consequences of the basic tools, techniques and activities of formal strategic planning, that is, systematic market research, SWOT analysis, portfolio analysis, mathematical and computer modeling, formal planning meetings and written long-range plans.

The studies did not generally examine the relationship between performance and planning practices but rather the relationship between performance and the extent of formal planning; variously referred to as comprehensiveness, rationality, formality, or simply, strategic planning. This gives the evidence that, Strategic planning is a continuous and systematic process where people make decisions about intended future outcomes, how these outcomes are to be accomplished and how success is to be measured and evaluated.



Likewise Audit firms in Nairobi County have been in constant development as a result of their different methods of approach in setting the corporate objectives and targets, analysing the strengths and weakness inside the organization and identifying the threats and opportunities in its outside environment (Grant 2009). According to Gituro and Awino (2009), firms need to exercise proper future forecasting by planning well, scanning the environment and setting SMART objectives to enact them by being better and especially different from the competitors.

This is not the case with Audit firms in Nairobi County simply because a study done at the University of Nairobi (2013) states that there are several challenges facing audit firms in the implementation of strategy, mostly due to, failure to carry out proper strategic planning, inefficient environmental scanning, insufficient financial resources, use of inappropriate performance measurement. Armstrong(1982), Greenly (1983) and Miller and cardinal (1994) agree that strategic planning results in a superior performance measured in sales, net income, return on investments and equity.

Strategic planning will help the organization capitalize on their strengths, overcome their weaknesses, take advantage of opportunities and defend against threats to the organization. The study was therefore designed to fill the gap by an in-depth analysis of strategic planning practices and performance measurement of Audit firms in Nairobi County. The study focused on the strategic planning practices and the performance measures employed by these firms. Specifically the survey answered the question: Does strategic planning lead to better performance of Audit Firms in Nairobi County?

### **1.3 Research Objectives**

The study objectives were;

- i. To investigate the strategic planning practices in Audit firms in Nairobi County.
- ii. To determine the performance measures employed by audit firms in Nairobi County.

### **1.4 Value of the study**

Properly orchestrated strategic planning process helps a business identify multiple future scenarios and give strategies to address the “demands of the times” whatever they may be. It also provides the organizations’ Strategic Planning and Policy departments with more insights on their day to day operations in the areas of policy development, program evaluation, strategic planning, operational planning and organizational development.

The study realized that the following strategic planning practices, considering the vision, mission, goals and core values, carrying out a SWOT analysis, scanning the business environment, setting achievable objectives, choosing the best strategy out of many options are key to better decision making in the Audit firms. Therefore, the research recommended that Audit firms should employ the strategic planning practices for a good future performance. The firms require scanning their both internal and external environment to ensure that all threats available are minimised and opportunities exploited to the best of the firms capacity.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter covered the literature review of Strategic Planning and Performance of audit firms in Nairobi County. It encompassed the theoretical framework on strategic planning; evaluated what other researchers have written on strategic planning and Performance of audit firms in Nairobi County. It also included empirical review on strategic planning and its interrelation with performance of audit firms in Nairobi County while identifying the knowledge gap.

### **2.2 Theoretical Foundation**

The resource-based view (RBV) theory argues that firms possess resources, a subset of which enables them to achieve competitive advantage, and a subset of those that lead to superior long-term performance. Resources that are valuable and rare can lead to the creation of competitive advantage. That advantage can be sustained over longer time periods to the extent that the firm is able to protect against resource imitation, transfer, or substitution (Barney, 1991).

Theory of Change (Harris 2005) defines all building blocks required to bring about a given long-term goal. This set of connected building blocks—interchangeably referred to as outcomes, results, accomplishments, or preconditions is depicted on a map known as a pathway of change/change framework, which is a graphic representation of the change process.

Agency theory (Eisenhardt, 1989), describes the firm as a nexus of contracts. It is about goal incongruence between owners/principals/managers/shareholders and employees. Both sides in the contract operate with self-interest and guile. Contracts between parties operate best when they are efficient in sharing of risks and information and they recognize the variability of party's goals. Agency theory suggests that boards of directors act as monitors hired by shareholders over executives.

Early scientists (Mintzberg and Waters 1996) refer strategy as learning. The two draw a distinction between deliberate (or planned) strategies and emergent strategies. They argue that deliberate strategy focuses on ensuring that managerial intentions are realized in action. Emergent strategy is mainly about learning. Rational analytical regards strategy formulation as a formal and disciplined leading to a well-defined organizational wide effort aimed at the complete specification strategies( Hax and Majluf, 1996). This view has also been supported by Michael Porter(1980 and Ansoff, 1991).

A firm may enter the market space with high resources and if the resources are not well utilized then the performance is compromised. The resource based theory here acts like an economic tool that is used to determine the strategic resource available to a firm. Applications of the resources are at the firm's disposal, and require being part of the strategic formulation (Peteraf & Barney, 2003).

## **2.3 Strategic planning process**

A strategic planning process is a systematic, formally documented way of deciding the handful of key decisions that an organisation, viewed as a corporate whole, must get right in order to thrive over the next few years. Well designed and effectively facilitated corporate planning processes will produce practical corporate strategic plans. As these are implemented they will improve long term performance of the organisation. Such a process of strategic planning can also improve morale and motivation, strengthening the strategic planning culture and strategic planning motivation (Stover 2013)

The strategic planning process has the following steps, an internal analysis ,an external analysis, summarizing the current situation based on the information gathered and evaluated in steps one and two, development of a mission, vision or purpose statement, goal setting, defining objectives that support the goals and development of strategies. A good strategic plan will include at least the key tactics thought to be important to supporting the strategies. Generally tactics are more fully developed and added to the plan as time goes on (McKeown 2013).

The strategic plan calls for a coordination of the various elements in the organization that is, SWOT analysis, environmental scanning so as the organization vision, mission and core values are based on the information received from the two( SWOT- both internal and external and the report gathered from scanning the environment. The scanning looks at various aspects such as political, social, technological among others which are likely cause change of the firm's focus in doing their business.

## **2.4 Strategic planning practices**

During strategic planning development process the organization defines the "VMOSA;" that is, its Vision, Mission, Objectives, Strategies, and Action Plans. The VMOSA process grounds the organizations dreams. It makes good ideas possible by laying out what needs to happen in order to achieve the vision. VMOSA allows the organization to focus on the short-term goals while keeping sight of the long-term vision and mission (Nagy and Fawcett 2011).

When it comes to strengths, weaknesses, opportunities, and threats analysis (SWOT), the organization should observe the principle of 'keep it simple'. Limit the number of major strategic issues to half a dozen each (strengths and weaknesses, threats and opportunities) otherwise the corporate strategic planning process will become a busybody process of delving into operational planning, in which the team will attempt to attend to every tiny detail and thus miss the whole purpose of corporate strategic planning.

However, careful monitoring of an organization's internal and external environments for detecting early signs of opportunities and threats that may influence its current and future plans. In comparison, surveillance is confined to a specific objective or a narrow sector (Wikipedia). In addition, the amount of data required to feed the process of strategic thinking is the corporate objectives and targets.

### **2.4.1 Environmental scanning**

Brown and Weiner (1985) define environmental scanning as "a kind of radar to scan the world systematically and signal the new, the unexpected, the major and the minor". Aguilar (1967), in his study of the information gathering practices of managers, defined scanning as the systematic collection of external information in order to, lessen the randomness of information flowing into the organization and provide early warnings for managers of changing external conditions.

According to Bukowski and Michael 2009, Environmental scanning is done to accomplish two broad sets of goals: first, to understand external forces on the organization; and second, to see threats and opportunities and avoid surprises. Realized together, these should improve the accuracy of planning efforts and help to plot future courses of action for the organization. The frequency with which the scan can be described in three manners: ad-hoc, scheduled, or continuous.

Fahey and Narayanan (1986) suggest that an effective environmental scanning program should enable decision makers to understand current and potential changes taking place in their institutions' external environments. Scanning provides strategic intelligence useful in determining organizational strategies. The consequences of this activity include fostering an understanding of the effects of change on organizations, aiding in forecasting, and bringing expectations of change to bear on decision making.

### **2.4.2 SWOT Analysis**

SWOT Analysis is a technique for understanding the Strengths and Weaknesses, and for identifying both the Opportunities open and the Threats faced by the organization. Originated by Albert S Humphrey in the 1960s, SWOT Analysis is as useful now as it was then. You can use it in two ways – as a simple icebreaker helping people get together to "kick off" strategy formulation, or in a more sophisticated way as a serious strategy tool.

The SWOT analysis should be more than a list - it is an analytical technique to support strategic decisions. Strategy should be devised around strengths and opportunities. The key words are match and convert:

According to Bradford and Duncan (2000) Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis is a valuable, proven, effective tool to use in the discovery and evaluation stage of strategic planning. Since SWOT analysis is an exercise dependent on judgment, the input from multiple sources provides an opportunity to assure all of the points of view and important issues are considered.

### **2.5 Performance measurement**

Performance measurement has been explained by Neely (2009) as the process of quantifying the efficiency and effectiveness of past actions, while Moulin (2009) argues that it is the process of evaluating how well organisations are managed and the value they deliver for customers and other stakeholders.



Robert (2005) states that, there is considerable interest in the role of strategic performance measurement systems (SPMS), such as balanced scorecards, in assisting managers develop competitive strategies. A distinctive feature of SPMS is that they are designed to present managers with financial and non-financial measures covering different perspectives which, in combination, provide a way of translating strategy into a coherent set of performance measures. Putting performance measurement systems in place can be an important way of keeping track on the progress of the business.

Performance Measurement is addressed in Step Five of the Nine Steps to Success TM methodology. In this step, Performance Measures are developed for each of the Strategic Objectives. Leading and lagging measures are identified, expected targets and thresholds are established, and baseline and benchmarking data is developed. The focus on Strategic Objectives, which should articulate exactly what the organization is trying to accomplish, is the key to identifying truly strategic measurements.

Strategic performance measures monitor the implementation and effectiveness of an organization's strategies, determine the gap between actual and targeted performance and determine organization effectiveness and operational efficiency (Harrison 2011). Performance measurement is also done by use of the Balanced score card approach. This approach was originated by Drs. Robert Kaplan (Harvard Business School) and David Norton as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance.

While the phrase balanced scorecard was coined in the early 1990s, the roots of this type of approach are deep, and include the pioneering work of General Electric on performance measurement reporting in the 1950's and the work of French process engineers (who created the Tableau de Bord – literally, a "dashboard" of performance measures) in the early part of the 20th century.

The balanced scorecard is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results (Kaplan and Norton 2011).

## **2.6 Strategic planning and Performance**

In 1999, empirical researchers began to examine the performance and consequences of formal strategic planning (Thune and House, 1999; Ansoff 2000; Herold, 2001) and over 40 planning-performance studies have appeared since that time. However, in recent years this line of research has slowed to a trickle and with good reason: Previous studies lacked theoretical grounding, produced a bewildering array of contradictory findings, drew heavy criticism for inadequate methodologies and had little or no discernable net impact on strategic management research or practice (Shrader 1984; Pearce 1987).

Two different studies both by Waweru (2002) and Mpungu (2003) found out that in order to ensure survival and increased performance of audit firms; small firms adjust their strategic variables depending on their uniqueness. According to a study by Abdullahi, (2000) Audit offices face a common set of challenges in conducting performance audits. These concerns pertain to the profession as a whole, as well as to audit offices just getting started. The essence of strategy is highlighted by Githae (2004) as a learning action, a behavioral, holistic and continuous process especially in the achievement of the performance in audit firms.

In the face of turbulence and complex environmental conditions brought about by such factors as liberalization, effective strategies and appropriate strategic management process is vital for any organization to survive. The strategies for mature and changing industries suggested by Waweru, (2002) infer that opportunities exist for auditing firms operating in these industries. Pearce, and Robinson, (2003) in their study on strategic planning of audit firms stated that, if strategy is about getting a winning formula, competitive strategies are those that not only enable audit firms succeed and perform today, but ensure that they get an edge over competitors as well enabling survival in the long run.

One of the major purposes of strategic planning is to promote the process of adaptive thinking or thinking about how to attain and maintain firm environment alignment (Ansoff, 1991). Firms, however, appear to gain more because they can derive considerable benefits not only from adaptive thinking, but also from integration and control. Evered (2000) suggested that the different uses of the term strategic planning vary from broad ones.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter provided the methodology that was used in the study. The chapter covered research design, target population, sampling design, data collection tool and data analysis technique.

### **3.2 Research Design**

This research adopted a Regression and Correlation analysis because it involved identifying the relationship between strategic planning and performance in Audit firms in Nairobi County, Kenya. Various tests were then employed to determine if the model was satisfactory. Analysis of Variance (ANOVA) was also applied. ANOVA is a statistical method used to test differences between two or more means. It was used to test general rather than specific differences among means.

Correlation and regression analysis are related in the sense that both deal with relationships among variables. The correlation coefficient is a measure of linear association between two variables. Values of the correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive linear sense, a correlation coefficient of -1 indicates that two variables are perfectly related in a negative linear sense, and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables (Deborah R. Abrams 1989).

### **3.3 Population of the study**

In a research study, population refers to the total collection of elements about which we wish to make inference (Kline, 1994). A research population is generally a large collection of individuals or objects that is the main focus of a scientific query. The research population is also known as a well-defined collection of individuals or objects known to have similar characteristics.

All individuals or objects within a certain population usually have a common, binding characteristic or trait. For this study, all the Audit firms in Nairobi County, Kenya were considered as the units of analysis where information was obtained from. The focus considered all the features of the firms because they are classified as the big and small firms. Big firms for example are; Price Water house Coopers, Deloitte &Touche, KPMG and Ernst and Young are referred to as the big five.

They are globally distributed while others like Victor Mutisya & Co, Nairobi, Customized Accounting System Designers, among others are referred to as small firms. The study targeted 32 firms out of the 181 (Kenya business directory) Audit firms in Nairobi County as sources of information in the pursuit to establish the strategic planning and performance of audit firms in Nairobi County. More specifically, this study collected data from 32 Audit firms in Nairobi County, Kenya.

### **3.4 Sample Design**

A research sampling design is that part of the research plan that indicates how cases are to be selected for observation (Singleton, 1993). Shapiro (2008) also explains a sample design as the framework, or road map that serves as the basis for the selection of a survey sample and affects many other important aspects of a survey as well. Survey researchers are interested in obtaining some type of information through a survey for some population, or universe, of interest.

A sample size of above 10% of the total Audit firms in Nairobi County was considered convenient (32 firms). According to Gay, (1999), a sample size of 10% of the accessible population is enough for a descriptive study. The unit of analysis was the 32 firms in Nairobi County, with at least one director to respond to the questionnaire (a representative of the firm).

### **3.5 Data Collection**

Data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions and evaluate outcomes. Regardless of the field of study or preference for defining data (quantitative, qualitative), accurate data collection is essential to maintaining the integrity of research.

Both primary and secondary sources of data were used in the study. The primary sources of data included structured questionnaires with the directors of the Audit firms in Nairobi County, Kenya. Follow up was done through telephone and email.

### **3.6 Data Analysis**

Data Analysis is the process of systematically applying statistical and/or logical techniques to describe and illustrate, condense and recap, and evaluate data. According to Shamoo and Resnik (2003) various analytic procedures “provide a way of drawing inductive inferences from data and distinguishing the signal (the phenomenon of interest) from the noise (statistical fluctuations) present in the data”.

The data collected was sorted, coded and then captured into a statistical package for the Social Science (SPSS Ver. 12). A regression analysis which is a statistical process for estimating the relationships among variables was used to analysis the data. Independent variable x and dependent variable y were considered. Specific variables were analyzed using frequency tables. Measures of correlation, the mean and the mode were examined. The data was then interpreted and presented in the form of graphs and charts where relevant.

## CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

### 4.1 Introduction

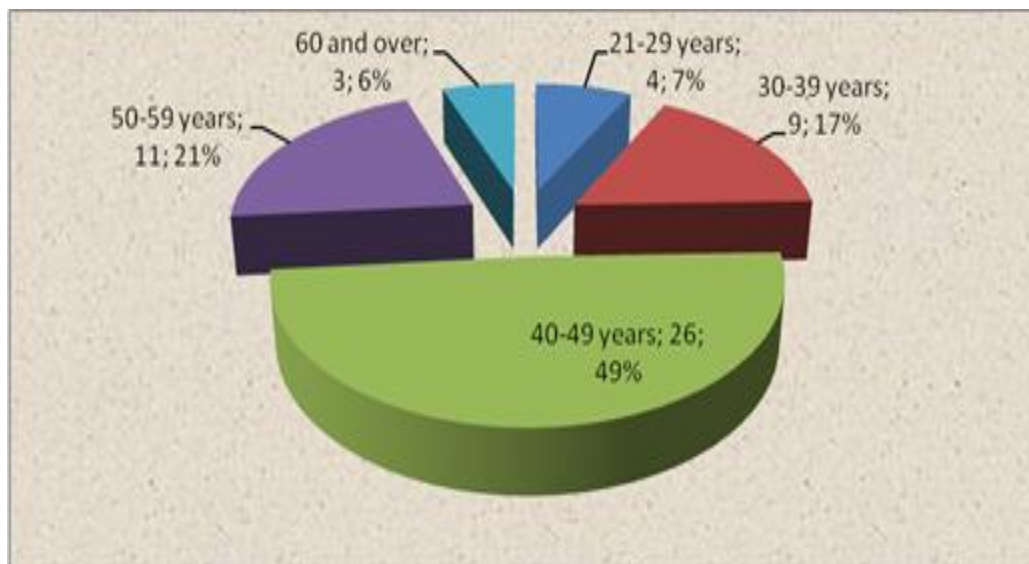
This chapter provides an analysis of all data obtained from the questionnaires administered and in addition provides an interpretation and analysis of the data. The analysis and interpretation of all data in this chapter was done using Microsoft Excel and Statistical Package for Social Science (SPSS Ver. 12).

### 4.2 Demographic Characteristics

#### 4.2.1 Age

The study sought to establish the age brackets of the respondents. The findings are presented below;

**Figure 1** Age



As illustrated in figure 1, the findings revealed that a majority (49%) of respondents were aged between 40-49 years, followed by (21%) respondents who were aged

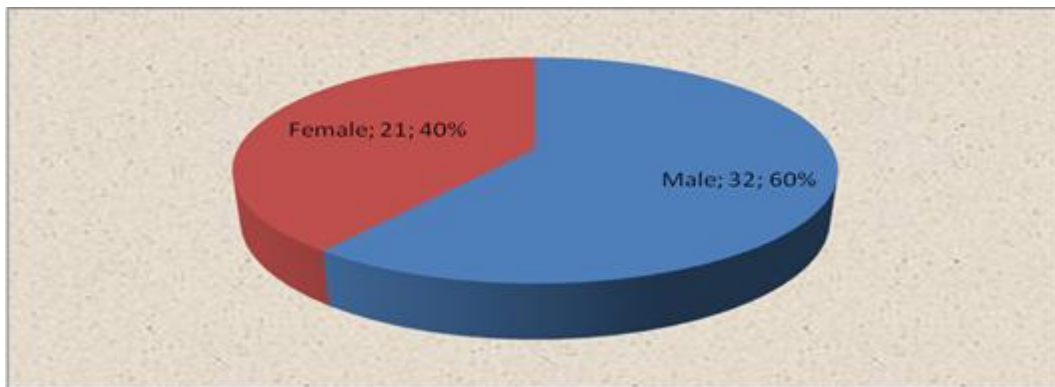


between 50 to 59 years, and (17%) of the respondents were aged between 30 to 39 years. The findings imply that the respondents of the study were mature, at the peak of their careers and therefore very experienced. Their responses could therefore be relied upon.

#### **4.2.2 Gender**

The study sought to establish the gender distribution of the respondents. The findings are presented below;

**Figure 2: Gender**

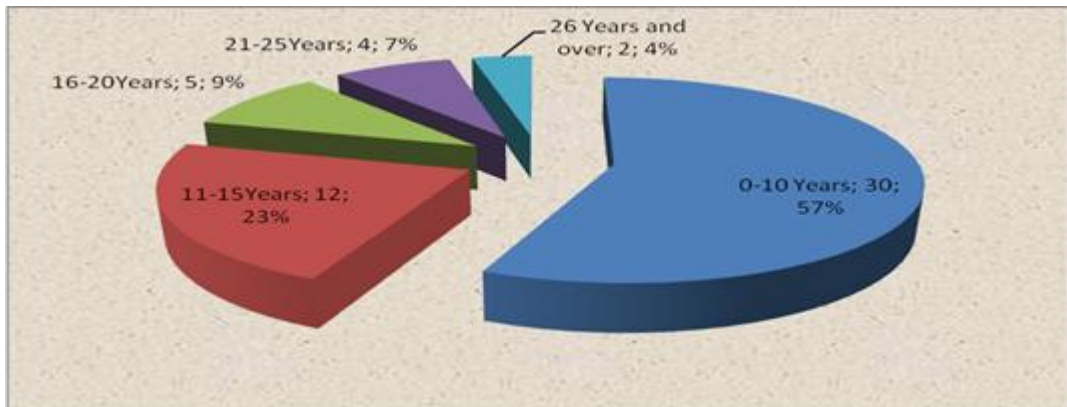


From the study findings, majority of the respondents (60%) were male and 40% were female. These findings imply that the organization gender is predominantly male.

#### **4.2.3: Years with the Firm**

The study sought to establish the number of years the respondents had worked in the organization. The findings are presented below;

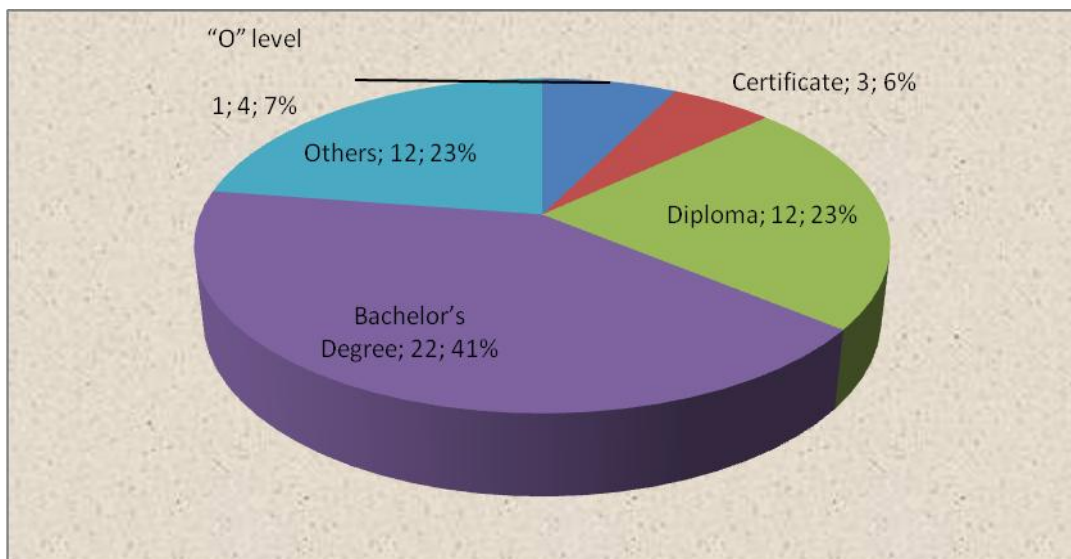
**Figure 3: Years with the firm**



#### **4.2.4: Level of Education**

The study sought to establish the level of education for the respondents. The findings are presented below;

**Figure 4: Level of Education.**



As illustrated in figure 4, the findings revealed that a majority (41%) of the respondents were university graduates, while 23% of the respondents had attained a diploma. These results imply that the Directors of the Audit firms had high academic qualifications and therefore understood the issues in question very well.

### 4.3: The Strategic Planning

The table below presents the relevant information in terms of strategic Planning.

#### 4.3.1: Vision, Mission, Goals and Core Values

In the table below, the study analyzed the statement that the firm has clear vision to guide the business activities.

**Table 1: Firm's vision**

Statement	Scale	Distribution	
		F	%
Our firm has clear vision to guide our business activities	Strongly Disagree	4	7.5%
	Neither agree nor disagree	13	24.5%
	Agree	23	43%
	Strongly Agree	13	25%
	Total	53	100%

Results in table 1 revealed that majority of the respondents 43% agreed with the statement that our firm has clear vision to guide our business activities. Another 25% strongly agreed, thus bringing to a total of 68% of those who agreed with the statement.

#### 4.3.2: Firms mission

The table analyzed the statement that the firm has a mission in place that is well understood by all employees.

**Table 2: Firm's mission**

Statement	Scale	Distribution	
		F	%
The firm has a mission in place that is well understood by all employees	Strongly Disagree	2	3.8%
	Disagree	3	5.7%
	Neither agree nor disagree	22	41.5%
	Agree	21	39.6%
	Strongly Agree	5	9.4%
	Strongly Agree	9	17.0%
	Total	53	100%

The findings revealed that majority 42% neither agreed nor disagreed with the statement that the firm has a mission in place that is well understood by all employees, while 39% agreed with the statement.

#### 4.3.3: Firm's Core values

The table below gives the findings of the statement that the organization has core values that guide day to day business processes.

**Table 3: Firm's Core values**

Statement	Scale	Distribution	
		F	%
In our organization we have our core values that guide day to day business	Total	53	100%
	Disagree	5	9.4%
	Neither agree nor disagree	25	47.2%
	Agree	17	32.1%
	Strongly Agree	6	11.3%

Statement	Scale	Distribution	
		F	%
	Total	53	100%

The study findings indicated that 47% of the respondents neither agreed nor disagreed with the statement in our organization we have our core values that guide day to day business, while 32% agreed with the statement, 11% strongly agreed with the statement.

#### 4.3.4: Firms strategic planning

The statement the firm's strategic planning process is done in line with the organizations vision, mission and core values was analyzed in the table below.

**Table 4: Firms strategic planning**

Statement	Scale	Distribution	
		F	%
The firms' strategic planning process is done in line with the organizations Vision, Mission and Core Values.	Strongly Disagree	2	3.8%
	Disagree	6	11.3%
	Neither agree nor disagree	25	47.2%
	Agree	13	24.5%
	Strongly Agree	7	13.2%
	Total	53	100%

The study findings revealed that majority of the respondents (47%) neither agreed nor disagreed with the statement that the firm's strategic planning process is done in line with the organizations Vision, Mission and Core Values and only 24% agreed with the statement.

#### 4.3.5: Overall goal

The table below analyses the statement that the firm's functions contribute to the overall goal

**Table 5: Overall goal**

Statement	Scale	Distribution	
		F	%
In our firm, all functions contribute to the overall goal.	Disagree	2	3.8%
	Neither agree nor disagree	25	47.2%
	Agree	17	32 %
	Strongly Agree	9	17.0%
	Total	53	100%

The findings indicated that 47% of the respondents neither agreed nor disagreed with the statement in in our firm, all functions contribute to the overall goal, 32% agreed while 17% disagreed with the statement.

#### 4.3.6: Strategic planning practices.

The table below analyzed all the strategic planning statements, looking at the mean and standard deviation.

**Table 6: Strategic planning practices.**

Strategic Planning Statements	Mean	S.D
Our firm has clear vision to guide our business activities	3.8	1.44
The firm has a mission in place that is well understood by all employees	3.5	1.37
In our organization we have our core values that guide day to day business	3.5	1.37

The firms strategic planning process is done in line with the organizations Vision, Mission and Core Values	3.3	1.31
In our firm, all functions contribute to the overall goal	3.6	1.39
<b>Mean score</b>	<b>3.52</b>	<b>1.37</b>

The results in table 6 indicated that the mean score for strategic planning was 3.5 while the standard deviation is 1.37. This implies that a majority of firms agreed that they had strategic planning practice, since 3.5 can be rounded off to 4 in the 5 point likert scale.

#### **4.3.7: Environmental scanning**

Environmental scanning being one of the best practice considered in the strategic planning process, was analyzed in various statements as shown below. The table shows the analysis in the statement; the decision makers analyze both external and internal environments.

**Table 7: Both internal and external environments**

Statement	Scale	Distribution	
		F	%
Our decision makers analyses both the external and internal environment	Strongly Disagree	9	17.0%
	Disagree	17	32.1%
	Neither agree nor disagree	12	22.6%
	Agree	8	15.1%
	Strongly Agree	7	13.2%
	Total	53	100%

Results revealed that majority 32% disagree with the statement that our decision makers analyses both the external and internal environment. Another 17% strongly disagreed thus bringing a total of 49% of those who disagreed with the statement.

#### 4.3.8: Various sectors

The statement the firm typically interconnect the environmental scanning to the various sectors in the firm is analyzed as shown below

**Table 8: Various sectors**

.Statement	Scale	Distribution	
		F	%
We typically interconnect the environmental scanning to the various sectors in our firm	Strongly Disagree	8	15.1%
	Disagree	19	35.8%
	Neither agree nor disagree	18	34.0%
	Agree	6	11.3%
	Strongly Agree	2	3.8%
	Total	53	100%

The findings also revealed that 36% disagreed with the statement that we typically interconnect the environmental scanning to the various sectors in our firm. Another 15% strongly disagreed bringing to a total of 51% of those who disagreed.

#### 4.3.8: Translation of the Environmental report

As shown in table 9 below, the statement the firm often translate the Environmental scanning findings to the firm's strategic planning processes was captured as follows.



**Table 9: Translation of the Environmental report**

Statement	Scale	Distribution	
		F	%
We often translate the Environmental scanning findings to the firm's strategic planning processes.	Strongly Disagree	6	11.3%
	Disagree	28	52.8%
	Neither agree nor disagree	11	20.8%
	Agree	8	15.1%
	Strongly Agree	0	0.0%
	Total	53	100%

The study findings further indicated that majority 53% disagreed with the statement that we often translate the Environmental scanning findings to the firm's strategic planning processes. Another 11% strongly disagreed bringing to a total of 64% of those who disagreed with the statement.

#### 4.3.10: The plan

Another analysis on the statement that the firm constantly amends the plan depending with changes of the business environment was done and the findings were as follows.

**Table 10: The plan**

Statement	Scale	Distribution	
		F	%
Our firm constantly amends the plan depending with changes of the business	Strongly Disagree	27	50.9%

Statement	Scale	Distribution	
		F	%
environment.	Disagree	12	22.6%
	Neither agree nor disagree	6	11.3%
	Agree	3	5.7%
	Strongly Agree	5	9.4%
	Total	53	100%

The findings revealed that 51% strongly disagreed with the statement our firm constantly amends the plan depending with changes of the business environment. Another 23% disagreed bringing to a total of 74% of those who disagreed with the statement.

#### **4.3.11: Environmental Scanning statement**

The mean and standard deviation of all the environmental statements were calculated and below were the outcome

**Table 11: Environmental Scanning statement**

Environmental scanning statements	Mean	S.D
Our firm constantly amends the plan depending with changes of the business environment	2.75	1.15
Our firm constantly amends the plan depending with changes of the business environment	2.53	1.09
Our firm constantly amends the plan depending with changes of the business environment	2.40	1.04
Our firm constantly amends the plan depending with changes of the business environment	2.00	0.91
<b>Mean score</b>	<b>2.42</b>	<b>1.05</b>

Results in table 11 indicated that the mean score for environmental scanning for the firms was 2.42. This implies that a majority of the firms disagreed that they had environmental scanning since 2.42 can be rounded off to 2 in the 5 point likert scale.

#### 4.3.12: SWOT analysis

The participants gave their responses on the statement that the firm analyzes its strengths and weaknesses during the strategic planning process in the following distribution.

**Table 12: Strengths and weaknesses**

Statement	Scale	Distribution	
		f	%
We analyze our Strengths and weaknesses during the strategic planning process	Disagree	9	17.0%
	Neither agree nor disagree	23	43.4%
	Agree	10	18.9%
	Strongly Agree	11	20.8%
	Total	53	100%

Results in table 12 revealed that majority 43% neither agreed nor disagreed with the statement that we analyze our Strengths and weaknesses during the strategic planning process.

#### 4.3.13: Opportunities

The firm's opportunity statement was as well analyzed and the following was the outcome.

**Table 13: Opportunities**

Statement	Scale	Distribution	
		F	%
We constantly look at the opportunities and threats from the external environment	Disagree	8	15.1%
	Neither agree nor disagree	26	49.1%
	Agree	10	18.9%
	Strongly Agree	9	17.0%
	Total	53	100%

The findings also indicated that 49% of the respondents neither agreed nor disagreed with the statement that we constantly look at the opportunities and threats from the external environment, while only 18% agreed with the statement.

#### 4.3.14: Threats

The statement that the firm regularly review their strategic plan based on the opportunity and threats findings was looked into and the following were the findings.

**Table 14: Threats**

Statement	Scale	Distribution	
		F	%
We regularly review our strategic plan based on the opportunity and threat findings.	Disagree	14	26.4%
	Neither agree nor disagree	25	47.2%
	Agree	5	9.4%
	Strongly Agree	9	17.0%
	Total	53	100%

The study findings further indicated that 47% neither agreed nor disagreed with the statement that we regularly review our strategic plan based on the opportunity and threat findings, only 9% agreed and another 17% strongly disagreed with the statement.

#### **4.3.15: Plan shared to all service lines**

The participants gave their views on the statement that the organizations strategic plan changes based on the SWOT analysis is shared to all the service lines as shown.

**Table 15: Plan shared to all service lines**

Statement	Scale	Distribution	
		F	%
Strategic plan changes based on the SWOT analysis is shared to all service lines.	Strongly Disagree	5	9.4%
	Disagree	13	24.5%
	Neither agree nor disagree	27	50.9%
	Agree	6	11.3%
	Strongly Agree	2	3.8%
	Total	53	100%

The findings revealed that 51% of the respondents neither agreed nor disagreed with the statement that Strategic plan changes based on the SWOT analysis is shared to all service lines, 24% disagreed and only 11% agreed with the statement.

#### **4.3.16: SWOT analysis statements**

The SWOT statements were combined to calculate the mean and standard deviation as below.

**Table 16 SWOT analysis statements**

<b>SWOT analysis statements</b>	<b>Mean</b>	<b>SD</b>
We analyze our Strengths and weaknesses during the strategic planning process.	3.43	1.35
We constantly look at the opportunities and threats from the external environment.	3.39	1.33
We regularly review our strategic plan based on the opportunity and threat findings	3.17	1.28
Strategic plan changes based on the SWOT analysis is shared to all service lines.	2.75	1.15
<b>Mean score</b>	<b>3.18</b>	<b>1.28</b>

Results in table 16 indicated that the mean score for SWOT analysis of the firms was 3.18. This implies that a majority of the firms neither agreed nor disagreed (could not make up their minds) on whether they had a SWOT analysis since 3.18 can be rounded off to 3 in the 5 point likert scale.

#### **4.3.17 Developing the Plan**

The statement of our firm has a strategic planning team that deals with the organizations strategic planning was dealt with in the table below.

**Table 17 Strategic team**

Statement	Scale	Distribution	
		f	%
Our firm has a strategic planning team that deals with the organizations strategic planning	Strongly Disagree	4	7.5%
	Disagree	10	18.9%
	Neither agree nor disagree	28	52.8%
	Agree	7	13.2%
	Strongly Agree	4	7.5%
	Total	53	100%

As illustrated in table 17, majority 53% respondents neither agreed nor disagreed with the statement our firm has a strategic planning team that deals with the organizations strategic planning.

#### **4.3.18: Objectives**

The participants gave their responses about the statement that we set objectives for long term performance of the organization.

**Table 18: Objectives**

Statement	Scale	Distribution	
		f	%
We set objectives for long term performance of the organization	Strongly Disagree	5	9.4%
	Disagree	12	22.6%
	Neither agree nor disagree	25	47.2%

Statement	Scale	Distribution	
		f	%
	Agree	7	13.2%
	Strongly Agree	4	7.5%
	Total	53	100%

A majority (47%) respondent neither agreed nor disagreed with the statement that we set objectives for long term performance of the organization, 13% agreed while only 7% strongly disagreed with the statement.

#### 4.3.19: Strategic options

The strategic team generates strategic options for addressing the most important issues was the statement in question in the table below.

**Table 19: Strategic options**

Statement	Scale	Distribution	
		f	%
The strategic team generate strategic options for addressing the most important issues	Strongly Disagree	1	1.9%
	Disagree	2	3.8%
	Neither agree nor disagree	11	20.8%
	Agree	29	54.7%
	Strongly Agree	10	18.9%
	Total	53	100%

The findings indicated that 55% respondents agreed with the statement that the strategic team generate strategic options for addressing the most important issues. Another 19% strongly agreed bringing to a total of 74% of those who agreed with the statement.



#### 4.3.20: Evaluation

Participants were asked their responses about the statement that, we evaluate and decide among the options generated, the following were their responses.

**Table 20: Evaluation**

Statement	Scale	Distribution	
		f	%
We evaluate and decide among the options generated	Strongly Disagree	1	1.9%
	Disagree	0	0.0%
	Neither agree nor disagree	15	28.3%
	Agree	26	49.1%
	Strongly Agree	11	20.8%
	Total	53	100%

The study finding indicated that 49% respondents agreed with the statement that we evaluate and decide among the options generated. Another 21% strongly agreed bringing to a total of 70% of those who agreed with the statement.

#### 4.3.21: Development of the plan statements

All the development of the strategic plan statements were analyzed to get the mean and standard deviation in table 21 below.

**Table 21: Development of the plan statements**

Development of the plan statements	Mean	S.D
Our firm has a strategic planning team that deals with the organizations strategic planning.	2.94	1.21
We set objectives for long term performance of the organization.	2.87	1.19

The strategic team generate strategic options for addressing the most important issues	3.85	1.46
We evaluate and decide among the options generated	3.87	1.46
<b>Mean score</b>	<b>3.38</b>	<b>1.33</b>

Results in table 21 indicated that the mean score for development of the strategic plan of the firms was 3.38. This implies that a majority of the firms neither agreed nor disagreed (could not make up their minds) on whether they had a proper strategic plan development since 3.38 can be rounded off to 3 in the 5 point likert scale. The mean score of the entire exercise of strategic planning findings were as follows.

**Table 12: Mean score ranking of strategic planning**

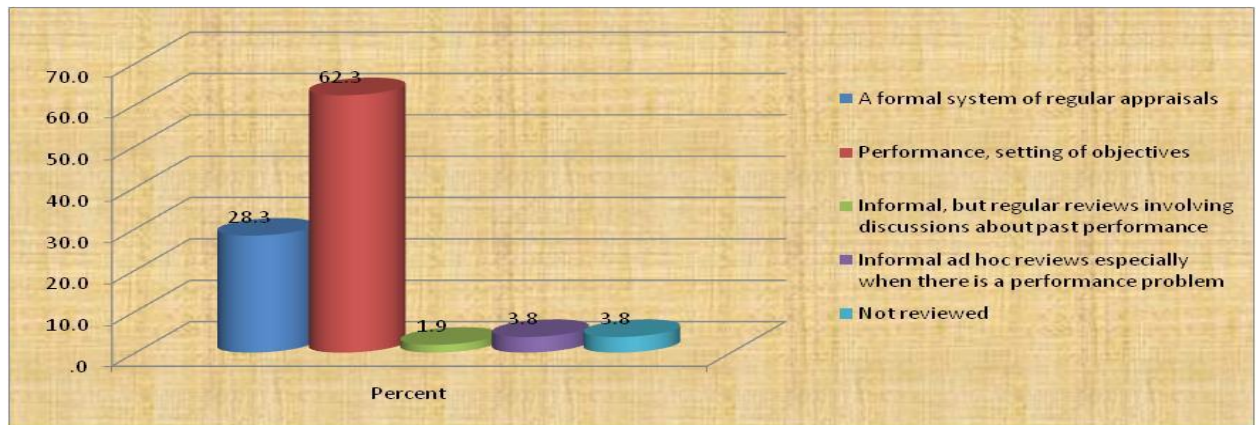
<b>Mean score ranking of strategic planning</b>	<b>mean score</b>	<b>SD</b>
Vision, Mission Goals and core values	3.52	1.37
Environmental scanning	3.38	1.33
SWOT analysis	3.18	1.28
Development of strategic plan	2.42	1.05

Overall, table 22 illustrates the mean ranking for strategic planning. The highest score was in Vision, Mission, Goals and Core values (3.52), environmental scanning (3.38), followed by SWOT analysis (3.18) and the least score was in development of the plan (2.42).

#### 4.4 Effect of Strategic planning on the firm's Performance

The study sort to assess performance of the Audit firms. The findings were as below.

**Figure 5: Performance Assessment**



Results in figure 4.6 revealed that 62% of the respondents indicated that performance was setting goals, while 28% indicated formal system of regular appraisals, 4% indicated informal ad hoc reviews especially when there is a performance problem and finally 4% respondents indicated informal but regular reviews involving discussions about past performance.

**Table 23: Performance Factors**

Statement	Scale	Distribution	
		f	%
The criteria for evaluating the performance of the firm are clear	Strongly Disagree	0	0.0%
	Disagree	2	3.8%
	Uncertain	6	11.3%
	Agree	38	71.7%
	Strongly Agree	7	13.2%
	Total	53	100%
The firms offers employee training on	Strongly Disagree	11	20.8%
	Disagree	10	18.9%

Statement	Scale	Distribution	
		f	%
financial management.	Uncertain	18	34.0%
	Agree	7	13.2%
	Strongly Agree	7	13.2%
	Total	53	100%
The firm is often involved in social justice through CSR projects	Strongly Disagree	10	18.9%
	Disagree	16	30.2%
	Uncertain	11	20.8%
	Agree	12	22.6%
	Strongly Agree	4	7.5%
	Total	53	100%
The firm carries out regular customer focus surveys	Strongly Disagree	1	1.9%
	Disagree	10	18.9%
	Uncertain	26	49.1%
	Agree	15	28.3%
	Strongly Agree	1	1.9%
	Total	53	100%
The firm is adequately utilizing its capacity (all installed equipment is used and all machines are operational)	Strongly Disagree	14	26.4%
	Disagree	25	47.2%
	Uncertain	2	3.8%
	Agree	12	22.6%
	Strongly Agree	0	0.0%
The management has Management Accounting systems that can measure organisational performances accurately	Strongly Disagree	13	24.5%
	Disagree	23	43.4%
	Uncertain	5	9.4%
	Agree	10	18.9%
	Strongly Agree	2	3.8%
	Total	53	100%
Management gives importance to measuring non-financial performances (NFP)	Strongly Disagree	13	24.5%
	Disagree	17	32.1%
	Uncertain	6	11.3%
	Agree	14	26.4%
	Strongly Agree	3	5.7%
	Total	53	100%
The profits/revenues of the firm have	Strongly Disagree	10	18.9%

Statement	Scale	Distribution	
		f	%
been increasing over the last 3 years	Disagree	10	18.9%
	Uncertain	14	26.4%
	Agree	12	22.6%
	Strongly Agree	7	13.2%
	Total	53	100%

Results in table 23 indicate that majority 71.7% agreed while another 13.2% strongly agreed bringing to a total of (84.9%) of those who agreed with the statement that criteria for evaluating the performance of the firm are clear. The findings also revealed that a majority (34%) respondent neither agreed nor disagreed with the statement the firms offers employee training on financial management.

The study findings further revealed that majority 30.2% disagreed while another 18.9% strongly disagreed bringing to a total of (49.1%) of those who disagreed with the statement that the firm is often involved in social justice through CSR projects.

Forty nine percent (49%) of the respondents neither agreed nor disagreed with the statement that the firm carries out regular customer focus surveys and 30% agreed with the statement while another 21% disagreed with the statement.

As illustrated in table 4.36, majority 47.2% of the respondents disagreed while another 26.4% strongly disagreed bringing to a total of (73.6%) of those who disagreed with the statement that the firm is adequately utilizing its capacity (all installed equipment is used and all machines are operational).

Furthermore, the study findings revealed that majority 43.4% respondents disagreed while another 24.5% strongly disagreed bringing to a total of (67.9%) of those who disagreed with the statement that the management has management accounting systems that can measure organizational performances accurately.

Finally, the study findings indicated that majority 32.1% of the respondents disagreed while another 24.4% strongly disagreed bringing to a total of (56.5%) of those who disagreed with the statement that management gives importance to measuring non-financial performances (NFP). The findings also revealed that 22.6% agreed while another 13.2% strongly agreed bringing to a total of (45.8%) of those who agreed with the statement that the profits of the firm have been increasing over the last 3 years.

#### **4.4.1 Effect of Strategic planning on organizational Performance**

Strategic planning practices were considered in determining the firm's performance. The following factors in strategic planning were considered, vision, mission, goals and core values of the Audit firm. The study also considered whether environmental scanning, SWOT analysis are done before the development of the strategic plan that is a key contributor to the Audit firm's performance.

Organizational performance in this study was measured by looking at the financial profits/revenues the firm achieves at the end of every financial year as compared to its competitors. The accounting systems that can measure the organizational performance correctly were also looked into. The study determined whether the firm's revenues/profits have increased for the last 3 years.

Regression results in table 22 indicated the goodness of fit for the regression between performance and strategic planning is satisfactory. An R squared of 0.974 indicates that 97.4% of the variances in performance are explained by the variances in the strategic planning. The relationship between strategic planning is positive and significant ( $b_1 = -0.027$ , p value, 0.782,  $b_1 = -0.198$ , p value, 0.044,  $b_1 = 0.481$ , p value 0.001).

**Table 24** Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.987 <sup>a</sup>	.974	.972	.17437

a. Predictors: (Constant), Vision, mission, goals and core values, Environmental scanning, SWOT analysis, Development of the plan.

Anova statistics confirm these results since the reported probability was 0.001, 0.044, and 0.000 for the strategic planning. The reported probability was less than the convectional probability of 0.05 (5%) significance level.

**Table 23** ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	55.367	4	13.842	455.235	.000 <sup>a</sup>
	Residual	1.459	48	.030		
	Total	56.826	52			

- a. Predictors: (Constant), Vision, mission, goals and core values, Environmental scanning, SWOT analysis, Development of the plan.

**Table 24** Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.122	.577		3.678	.001
Vision, Mission, Goals and core values	.027	.096	.022	.279	.782
Environmental scanning					
SWOT analysis					
Plan development					
	.198	.096	.206	2.066	.044
	.481	.131	.427	3.658	.001
	-.415	.085	-.351	-4.886	.000

The findings in the above table show that, strategic planning practices contribute to the organizations performance which is key to Audit firm's competitive advantage. In support of this, Porter (1985) argues that competitive advantage may also be gained by the ability to complement or co-ordinate the organizations' own activities with those of target customers, suppliers and competitors through proper strategic planning. The findings also supports Ackhoff's 1981 who argues that environment is important to strategic planning and that strategy must be well-articulated to lead to better performance. This is important to manage the dynamic changes within the environment (both internal and External).



To improve service provision to the clients, the organizational vision, mission, goals and core values, environmental scanning, SWOT analysis are key in the development of a strategic plan. In effect, no single variable can effectively influence the firm's performance. An enabling environment is needed for the variables to operate jointly in order to improve the organization's performance.

#### **4.5 Discussion**

From the findings of the study it was realized that, strategic best practices that is vision, mission, goals, core values, SWOT analysis and environmental scanning are key to any strategic planning process. From the findings it was realised that majority of the Audit firms do not consider these factors as key hence the irregular financial revenues in the previous years (3 years were considered in the study).

In addition it was realized that strategic planning and performance has become a must for Audit industry in the time of competition, technological change and increased dynamics in markets. To maintain performance in the auditing firms, it's important to note that, one of the important characteristics of an audit firm is that the quality of its work largely depends on the quality of strategic planning and practice, environmental scanning (for PESTAL) and performance measurement.

To sustain strategic planning and performance in the audit firms in Nairobi County, Audit firms should adhere to strict professionalism (leadership) and adoption of new and innovative strategic planning practices.

The findings also revealed that the intensity with which managers engage in strategic planning depends on Managerial (for example, strategic planning expertise and beliefs about planning-performance relationships), Environmental (for example complexity and change) and Organizational (e.g., size and structural complexity) factors.

The effects of these factors on strategic planning intensity have been suggested by several studies (Kallman and Shapiro, 1990; Unni, 1990; Robinson and Pearce, 1998; Robinson et al., 1998; Watts and Ormsby, 1990b). As suggested by the inconsistent research findings, past studies have misspecified the relationship between strategic planning and financial performance in organizations.

Misspecification of this relationship might be attributed to past studies' lack of attention to the relationship among these, environmental, organizational factors (Vision, mission and core values) and their potential impact on planning intensity and performance (Hopkins and Hopkins, 1997). Subsequently, the consideration of such factors in the present study is viewed as a significant issue that holds implications for future research as well as for planning practices.

However, more recent studies (Miller and Cardinal, 1994; Schwenk and Shrader, 1993) provide convincing evidence that strategic planning does indeed result in financial performance. The fact that these studies accounted for factors responsible for past research contradictions provides additional support for their conclusions. One stream of strategic planning research has raised the issue of whether the length of time a firm or organization has been involved in the strategic planning process has any impact on performance

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION**

### **5.1 Introduction**

This chapter presents summary, conclusions and recommendations drawn from the research findings.

### **5.2 Summary**

The objectives of this study were to analyze the strategic planning practices in Audit firms in Nairobi County, Kenya and to assess the performance of the Audit firms in Nairobi County. A sample size of a total population of thirty two (32) Audit firms was drawn from a total of one hundred and eighty one (181). For purposes of collecting primary data, the researcher developed and administered a questionnaire and the results obtained were analyzed using Microsoft Excel and Statistical Package for Social Sciences (SPSS Ver. 12).

Study findings indicated that (60%) of the respondents were male and (40%) were female. These findings imply that the organization gender is predominantly male despite the fight for equality at the workplace. A majority (49%) of respondents were aged between 40 - 49 years, followed by (21%) respondents who were aged between 50 and 59 years. This shows that the older generation still holds a majority of the managerial posts in private organizations.

A majority (57%) of respondents which is slightly more than half of the respondents had worked in the various firms for less than 10 years. Results indicate that demographic factors such as age, gender and number of years in an organization are a significant determinant of strategic planning. Regression analysis was conducted to empirically determine whether demographic factors were a significant determinant of strategic planning and the results support this finding.

In addition, results also indicate that the strategic planning of Audit firms is a significant determinant of performance. This finding was confirmed both by regression analysis and Anova statistics. This study has, however, provided an outcome where the effect of strategic planning in Audit firms in Nairobi County can be measured jointly against the firms' performance.

From the theoretical perspective, these variables can lead to competitive advantage in the Audit firms. On performance assessment, findings revealed that 62% of the respondents indicated that in their performance measurement was setting of goals, while 28% indicated formal system of regular appraisals were used. This indicates that although the Audit firms have moved towards performance competition, formal and regular appraisal systems that are common in the private sector have not yet fully been emphasized in the Audit industry.

## **5.4 Recommendation**

Following the study results, it is recommended that the top management in Audit firms needs to fully understand the different strategic planning best practices for future positioning. In so doing, they should begin to take steps towards the development of SMART organizational objectives, have and implement financial systems that will help them operate optimally.

It is also recommended that all Audit firms should understand and be aware about the various factors and circumstances that affect their strategic planning process. They should have a clear sense of both internal and external environment and understand how their changes affect the firm's ability to meet its objectives. This implies that training a specific strategic planning team is an important intervention in this area.

## **5.5 Limitations of study**

Audit and accountancy industry is a private sector where how time is spending matters to all the employees. The researcher had to wait for a couple of hours to see the firm directors who were mostly the target participants. This was as a result of their busy schedules with their clients. Of the few questionnaires that were dropped to be picked later were not attended to.

Locating some of the small Audit firms was a challenge as some are located in residential places. This made the researcher spend more time to collect the information than planned. Some of the participants were not willing to give information as they feared it might be shared with their competitors.

## **5.6 Suggestions for further study**

From the research, it is clear that good strategic planning leads to good performance therefore, future research is recommended to explore the balance needed and the value likely to be gained from each strategic planning practice and performance assessment practice in Audit firms in other Counties of Kenya. Firms are commonly guided by specific strategic plans and engage in different implementation methods. While any specific approaches to implement these plans can potentially generate positive outcomes/performance for the firm, different ways may lead to different directions.

If strategic plans are not done effectively by proper formulation of the objectives, scan the environment optimal results/performance will not be achieved. Efforts should be taken to help Audit firms identify how to effectively balance the plans and the implementation methods. Next, future research may explore the competitive strategies (especially in choice of strategy) employed by these firms to attain better performance than their competitors.

## **5.7 Implication on Policy, theory and Practice**

This study has, however, provided an outcome where the effect of strategic planning in Audit firms in Nairobi County can be measured jointly against the firms' performance. From the theoretical perspective, these variables can lead to competitive advantage in the Audit firms. Porter (1985) in addition to the management of the above linkage argues that competitive advantage may also be gained by the ability to complement or co-ordinate the organizations' own activities with those of target customers, suppliers and competitors through proper strategic planning.

The study also supports Ackhoff's 1981 findings, who argues that environment is important to strategic planning and that strategy must be well-articulated to lead to better performance. This is important to manage the dynamic changes within the environment (both internal and External).

To contribute to the Kenyan economy more vibrant and to improve service provision to the clients, proper organizational structure, culture and leadership need to be put in place where strategic planning and performance can be used to create synergy. In effect, no single variable can effectively influence the firm's performance. An enabling environment is needed for the variables to operate jointly in order to improve Kenyan socio-economic development and spur economic growth.

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*Robert H. Chenhall, Department of Accounting & Finance, Monash University, Clayton, Vic. 3800, Australia*

## APPENDICES

### Appendix 1: Questionnaire

#### SECTION 1: PROFILE

Please give your answers to each of the following questions. Read all the answers first and choose the appropriate answer box **by clearly circling only one number** for each question. All information will remain confidential and to maintain anonymity no names are required.

1. Could you please tell us your age category?

20 years or lower	<b>1</b>
21-29 years	<b>2</b>
30-39 years	<b>3</b>
40-49 years	<b>4</b>
50-59 years	<b>5</b>
60 and over	<b>6</b>

2. What is your gender?

Male	<b>1</b>
Female	<b>2</b>

3. How many years have you worked in this particular firm?

0-10 Years	<b>1</b>
11-15Years	<b>2</b>
16-20Years	<b>3</b>
21-25Years	<b>4</b>
26 Years and over	<b>5</b>

4. What is your highest qualification?

“O” level	<b>1</b>
Certificate	<b>2</b>
Diploma	<b>3</b>
Bachelor’s Degree	<b>4</b>
Others	<b>5</b>

## SECTION 2: STRATEGIC PLANNING

Indicate your responses to the following statements, by ticking/circling your choice in the appropriate box

1	2	3	4	5
Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree

### **Vision, Mission, Goals and Core Values**

- |  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| 1. Our firm has clear vision to guide our business activities                                      | [   ] | [   ] | [   ] | [   ] | [   ] |
| 2. The firm has a mission in place that is well understood by all employees                        | [   ] | [   ] | [   ] | [   ] | [   ] |
| 3. In our organization we have our core values that guide day to day business                      | [   ] | [   ] | [   ] | [   ] | [   ] |
| 4. The firms strategic planning process is done in line with the organizations V,M and Core Values | [   ] | [   ] | [   ] | [   ] | [   ] |
| 5. In our firm, all functions contribute to the overall goal                                       | [   ] | [   ] | [   ] | [   ] | [   ] |

### **Environmental Scanning**

- |  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| 6. Our decision makers analyses both the external and internal environment.                | [   ] | [   ] | [   ] | [   ] | [   ] |
| 7. We typically interconnect the environmental scanning to the various sectors in our firm | [   ] | [   ] | [   ] | [   ] | [   ] |
| 8. We often translate the  | [   ] | [   ] | [   ] | [   ] | [   ] |

Environmental scanning findings to the firm's strategic planning processes.

9. Our firm constantly amends the plan depending with changes of the business environment

### SWOT

10. We analyze our Strengths and weaknesses during the strategic planning process. [ ] [ ] [ ] [ ] [ ]
11. We constantly look at the opportunities and threats from the external environment [ ] [ ] [ ] [ ] [ ]
12. We regularly review our strategic plan based on the opportunity and threat findings. [ ] [ ] [ ] [ ] [ ]
13. Strategic plan changes based on the SWOT analysis is shared to all service lines. [ ] [ ] [ ] [ ] [ ]

### Developing the plan

14. Our firm has a strategic planning team that deals with the organizations strategic planning. [ ] [ ] [ ] [ ] [ ]
15. We set objectives for long term performance of the organization. [ ] [ ] [ ] [ ] [ ]
16. The strategic team generate strategic options for addressing the most important issues [ ] [ ] [ ] [ ] [ ]

17. We evaluate and decide  
among the options,  
generated

### SECTION 3: PERFORMANCE MEASUREMENT

1. How, if at all, is performance assessed in this organization? Circle one.

A formal system of regular appraisals	<b>1</b>
Performance, setting of objectives	<b>2</b>
Informal, but regular reviews involving discussions about past performance	<b>3</b>
Informal <i>ad hoc</i> reviews especially when there is a performance problem	<b>4</b>
Not reviewed	<b>5</b>

**Indicate your responses to the following statements, by ticking/circling your choice in the appropriate box**

	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
2. The criteria for evaluating the performance of the firm are clear	[   ]	[   ]	[   ]	[   ]	[   ]
3. The firms offers employee training on financial management.	[   ]	[   ]	[   ]	[   ]	[   ]
4. The firm is often involved in social justice through CSR projects	[   ]	[   ]	[   ]	[   ]	[   ]



- |   |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|
| 5. The firm carries out regular customer focus surveys  | [    ] | [    ] | [    ] | [    ] | [    ] |
| 6. The firm is adequately utilizing its capacity (all installed equipment is used and all machines are operational) | [    ] | [    ] | [    ] | [    ] | [    ] |
| 7. The management has Management Accounting systems that can measure organisational performances accurately         | [    ] | [    ] | [    ] | [    ] | [    ] |
| 8. Management gives importance to measuring non-financial performances (NFP)  | [    ] | [    ] | [    ] | [    ] | [    ] |
|   |        |        |        |        |        |
| 9. The profits/revenues of the firm have been increasing over the last 3 years                                      |        |        |        |        |        |

**Thank you for your responses!**

## Appendix 2: List of Audit firms in Nairobi County

Number	Name of the firm
1	Digital Consulting Group, Nairobi
2	Sir Robert & Company, Certified Public Accountants, Nairobi
3	Peter Githae & Associates, Nairobi
4	AGGARWAL MISTRI AND ASSOCIATES, Nairobi
5	A P Patel & Co, Nairobi
6	A M Shah & Sons , Nairobi
7	Kimeumuchungu & Co. Certified Public Accountants, Nairobi
8	Accounting Business Methods, Nairobi
9	Victor Mutisya & Co, Nairobi
10	BG Electronics , Nairobi
11	Thayu petrol station, Nairobi
12	Cycy Supply Solutions, Nairobi
13	Wambugu Githaiga And Associates, Nairobi
14	Moses Mungai Kioi And Associates, Nairobi
15	Kimani & Associates Certified Public Accountants, Nairobi
16	Customized Accounting System Designers, Nairobi
17	Njenga Kariuki Auditors, Nairobi
18	Mwangi Githimba & Associates, Nairobi
19	Murugu & Co., Nairobi
20	Electric Link International Ltd(Supermarket Branch), Nairobi
21	W Gouder and Co, Nairobi
22	V J Ruparelia and Co, Nairobi
23	V A Patel and Co, Nairobi
24	P G Wahome and Co, Nairobi
25	Nova Associates and Co, Nairobi
26	Mulji and Associates, Nairobi
27	Mudamba and Associates, Nairobi
28	Mathaara and Associates, Nairobi
29	Mark David and Co CPA, Nairobi
30	Kothari and Co, Nairobi
31	Kigundu and Co CPA, Nairobi
32	Khuba Associates, Nairobi
33	I F Chanzu and Associates, Nairobi
34	H Haria and Co, Nairobi
35	Ghedia and Co, Nairobi
36	Carr Stanyer Gitau and Co, Nairobi
37	Costa Luis and Co CPA, Nairobi

38	Makonen and Co Certified Public Accountants, Nairobi
39	Wilds Destination, Nairobi
40	Sunil Davda and Co, Nairobi
41	Shantilal Gala & Co., Nairobi
42	TSS, Nairobi
43	BOOKKEEPINGs, Nairobi
44	Lions Capital Ltd, Nairobi
45	Bodo East Africa, Nairobi
46	White field Traders, Nairobi
47	Vipul Shah and Company, Nairobi
48	Vijay and Associates, Nairobi
49	Sonina Traders Limited, Nairobi
50	RSM Ashvir Consulting Limited, Nairobi
51	Progressive Registrars and Associates Limited, Nairobi
52	Ochieng Ager and Associates Certified Public Accountants, Nairobi
53	Nyabena and Company Certified public Accountants, Nairobi
54	Njenga Karori and Associates, Nairobi
55	Ng'ethe and Associates, Nairobi
56	Nderitu Mairo and Company, Nairobi
57	Mwaniki - Kahuro and Associates, Nairobi
58	Mungai and Assesories, Nairobi
59	Mitoko and Company, Nairobi
60	Mbaya and Associates, Nairobi
61	Mbai Ndeti and Associates, Nairobi
62	Mawioo and Associates, Nairobi
63	Mariara Kigotho and Associates, Nairobi
64	Larry Rang and Company, Nairobi
65	Kimani and Associates, Nairobi
66	Kingo Njenga and Company Certified Public Accountants Kenya, Nairobi
67	Kibe Mugambi and Company, Nairobi
68	Kenya National Federation of Co-operatives Limited, Nairobi
69	Kebamu Associates, Nairobi
70	Kassan and Associates , Nairobi
71	Kanubhai and Company, Nairobi
72	Kantilal and Partners, Nairobi
73	K Njoroge and Company, Nairobi
74	J G Nyamu and Associates(Certified public Accountants Kenya), Nairobi, Nairobi, Nairobi
75	Githiga Mwangi and Associates (Certified Public Accountants), Nairobi
76	Hazard Audit Company, Nairobi, Nairobi
77	Esther Muchemi and Company, Nairobi

78	Esquire Limited, Nairobi
79	Erastus and Company, Nairobi
80	EQ-Tropical Limited, Nairobi
81	Easter and Company, Nairobi
82	Bironga and Associates, Nairobi
83	Avinash Shah and Company, Nairobi
84	Ashvin Ranpara and Company, Nairobi
85	Apollo and Associates, Nairobi
86	Z K Kariuki and Associates, Nairobi
87	Woodvale Associates, Nairobi
88	Waraho Kamau and Associates, Nairobi
87	Wanyeki and Company Associates, Nairobi
89	Wambui-Muchungu and Company, Nairobi
90	Wambua and Associates, Nairobi
91	Waithaka Kiarie Mbaya and Company, Nairobi
92	Wachira Irungu and Associates Certified Public Accountants, Nairobi
93	W Gouder and Company , Nairobi
94	Vipin Shah and Company, Nairobi
95	Victor Mutisya and Company, Nairobi
96	V A Patel and Company, Nairobi
97	Transglobal Consultancy, Nairobi
98	T M Mutunga and Company, Nairobi, Nairobi
99	Tela Alusala and Company, Nairobi
100	Sunil Davda, Nairobi
101	Summation Services, Nairobi
102	Sequeria, Ireno M, Nairobi
103	Shantilal Gala and Company, Nairobi
104	Shah and Shah, Nairobi
105	Shah Patel and Company, Nairobi
106	Shah and Associates, Nairobi
107	Shaaban Juma and Associates, Nairobi
108	Samvir and Company, Nairobi
109	S P Negandhi and Company, Nairobi
110	Raman Patel and Company, Nairobi
111	Ranji Shah and Company, Nairobi
112	Rajesh Nagal and Company, Nairobi
113	PriceWaterHouseCoopers, Nairobi
114	PFK Kenya Certified Public Accountants, Nairobi
115	Patel and Patels, Nairobi
116	Parkash Associates, Nairobi

118	P G Wahome and Company, Nairobi
119	Owino and Associates, Nairobi
120	Otieno Obonge and Company Certified Public Accountants, Nairobi
121	Osano and Associates, Nairobi
122	Optimal Professional Training and Management Services, Nairobi
123	Opembe and Associates, Nairobi
124	Omanwa and Associates, Nairobi
125	Okwara & Associates, Nairobi
126	Ochieng Onyango & Associates, Nairobi
127	Nyenge & Company Certified Public Accountants, Nairobi
128	Nyagari & Associates, Nairobi
129	Nyaga Associates & Company, Nairobi
130	Nova Associates, Nairobi
131	Njeru Nyaga & Company Certified Public Accountants, Nairobi
132	Njagi Isaac & Associates, Nairobi
133	Ngigi & Partners, Nairobi
134	Ngari & Associates Certified Public Accountants, Nairobi
135	Nduru Muriithi & Associates, Nairobi
136	Nderitu Wachira & Company Certified Public Accountants, Nairobi
137	Nalin Shah & Company, Nairobi
138	Mwangi Githinji & Associates, Nairobi
139	Mukhooli K John & Company, Nairobi
140	Kothari & Company, Nairobi
141	Kibiego Kiptum & Company, Nairobi
142	Metha Kassim & Company, Nairobi
143	Kigundu Mwangi & Associates, Nairobi
144	Masita & Company, Nairobi
145	Mark David & Company Certified Public Accountants, Nairobi
146	Kyalo & Associates, Nairobi
147	Langata Development Company Ltd, Nairobi
148	Kwari Ltd, Nairobi
149	Muema and Associates, Nairobi
150	G C & Company , Nairobi
151	Eric Ngari & Company, Nairobi
152	Eddie & Njuguna Associates, Nairobi
153	D'Suoza & Company, Nairobi
154	Dhadialla Associates, Nairobi
155	Devani-Devani & Company, Nairobi
156	DCDM Associates, Nairobi
157	Daves Accounting Services, Nairobi
158	Danson Mwangi & Associates, Nairobi

159	Daniel & Simon(Certified Public Accountants), Nairobi
160	D K Waweru & Associates, Nairobi
161	Costa Luis & Co CPA(Kenya), Nairobi
162	Carr Stanyer Gitau & Co, Nairobi
163	Capital Services, Nairobi
164	Bhatt Shah & Co, Nairobi
165	Bett & Associates, Nairobi
166	Basmarks & Co , Nairobi
167	Basan Kangethe Saini & Associates, Nairobi
168	B O Omolo & Co, Nairobi
169	B C Patel & Co, Nairobi
170	Association of Accounting Technicians, Nairobi
171	Anduuru & Co, Nairobi
172	Alexander Mc'Donald & scott, Nairobi
173	Aggarwal Mistri & Associates, Nairobi
174	A P Patel & Co , Nairobi
176	A M Shah & Sons, Nairobi
177	Deloitte & Touche, Nairobi
178	Gachoka & Associates, Nairobi
179	Ernst & Young, Nairobi
180	KPMG, Nairobi
181	Association of Chartered Certified Accountants, Nairobi

**Source: Kenya business directory (2013)**