THE RELATIONSHIP BETWEEN STRATEGIC PLANNING AND FINANCIAL PERFORMANCE OF FIRMS WITHIN THE ICT SECTOR IN KENYA

By

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DECLARATION

I hereby declare that this research project is my original work and has not previously in entirety or in part been presented in any other university for the award of a degree, and that all citations and references in text have been duly acknowledged.

Signature:.. Date: ....12/11/2012..................

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D61/p/8900/04

This project has been submitted with my approval as the university supervisor

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DEDICATION

This project is dedicated to my family - loving wife Buke and my three beautiful daughters; Diramu, Darmi and Adale - for bearing with my long absence for many evenings and weekends as I undertook this study. Without your constant caring support and love, this study would not have been complete.

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ABREVIATIONS

ICT	-	Information and Communication Technology
CCK	-	Communications Commission of Kenya
BCG	-	Boston Consulting Group
EBITDA	-	Earnings before interest, taxation, depreciation and amortization
SWOT	-	Strength Weakness Opportunities and Threat
ROA	-	Return on Asset
ROE	-	Return on Equity
ROI	-	Return on Investment
PESTEL	-	Political, Environmental, Sociological, Technological, Economic and Legal factors
SPSS	-	Statistical Package for Social Sciences
SMART	-	Specific, Measurable, Attainable, Realistic and Time bound

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ABSTRACT

The ICT industry is characterized by rapid technological changes, intense regulatory requirements, irregular firm performances and great influence of globalization. It is thus befitting to refer to this industry as being highly turbulent. However, researchers in the subject of strategy have severally studied the essence of strategic planning in general, and specifically in turbulent business environment, often with mixed results. This thought triggered the objective of this research, which is to establish the extent of strategic planning within the ICT industry, Kenya and further establish the relationship between strategic planning and firm financial performance.

A survey was conducted with questionnaire submitted 30 sampled firms in the ICT Industry. Interviews were done face to face and also through availing forms on-line on the internet. It was established that strategic planning practices were to a great extent established amongst the ICT firms, beating the logic that firms within rapidly changing environment do not have time for formal and planned approaches to strategy. It was also found that strategic planning is positively related to firm financial performance and that firms which employ strategic planning realize positive financial performance as opposed to firms that do not.

This realization is significant in that practice of strategic planning need to be underscored across all sectors of economy, even in environment where technological changes are deemed to occur. In fact, the more the changes in the nature of business, the more the need to adopt and follow formalized strategic planning approaches.

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CHAPTER ONE
INTRODUCTION

1.1 Background of the study

Academicians and researchers have severally studied the subject of strategic planning and firm performance over the last fourty years with results often inconsistent and contradicting (Shrader. Taylor & Dalton, 1984; Pearce, Robins & Robinson. 1987). Some of the earliest pioneering studies such as Thune and House (1970), Ansoff and McDonnell (1990) discovered that "planners" outperformed "non-planners" in terms of the conventional financial performance measures, such as, profit margins and rates of return. Most of the studies on comparison of these two for the next several years confirmed planning firms gained superior financial performance (Karger & Malik, 1975; Herold, 1972; Burt, 1978; Welch, 1984). But other studies, however, found no or negative relationship between firm planning and performance. For example, Fulmer and Rue (1973) found that service firms with formal planning underperformed than service firms without formal planning.

Most of these studies concentrated on larger industrial firms because their performance data is published, while others focused on small firms but still established mixed planning performance relationships. For instance, Pearce et al., (1987) found benefits in formal planning amongst small manufacturing firms. In fact, Backer and Pearson (as cited by Roney, 2004) found strong evidence that dry cleaners tend to benefit financially from comprehensive business planning. But Friedkson and Mitchell (as cited by Roney, 2004) found that greater comprehensiveness of formal planning in the saw milling industry is accompanied by slower growth in sales and returns. Whitehead and Gup (1985) also established that rates of return were lower in large banks that had formal strategic plans than those that did not.

Also, one single largest industry that has been the focus of study on planning – performance relationship is the banking industry. Such studies (Pearce and Robinson, 1994; Whitehead and Gup, 1985) however concentrated on the context in the west. Even then, similar studies in the local context mainly favoured the banking industry (Masiga, 2008).

It is against this background that the study seeks to establish the extent of adoption of strategic planning and its firm performance relationship within a sector that is constantly changing and undergoing rapid technological advancement, with significant influence of globalization and innovations. The ICT sector in Kenya has experienced rapid growth in the recent past, employing large number of population, either directly or indirectly and has contributed to the national coffers in terms of taxes and the regulatory fees paid to the Government. It is thus of critical importance for interested stakeholders to understand strategic applications and its influence within this sector.

1.1.1 Strategic Planning

Johnson, Scholes and Whittington (2005) aptly defined strategy as the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations. Porter (1980) further led the argument that strategy entails moving a company away from a static position and towards a dynamic differentiation of products and services compared to those provided by the competitors.

Therefore, from the foregoing definition of strategy, it is evident that strategic planning is the formulation of the game plan, or how to go about achieving the strategy. Effective strategic planning or strategy formulation is based on identifying, understanding and using the firm's distinctive competencies and strengths in a way that other firms cannot (Ansoff and McDonnell, 1991).

There are many approaches to strategic planning but typically a three step process is used. First is situational analysis, where evaluation of current firm situation and how it came is done. Secondly, establishing the target, which is the same as firm goal and objectives. Thirdly, choosing the strategic path to be pursued or mapping out a possible route to achieve the goals and objectives (Bradford & Duncan, 2000).

1.1.2 Firm Financial Performance

Many firms have traditionally used financial statements and the resulting financial ratios, for trend analysis and to obtain quantitative figures on firm performance (Niven, 2007). These traditional financial performance measures worked well during the industrial era, but are out of step with skills and competencies firms are trying today (Kaplan and Norton, 1992). It is also argued that linking firm performance to profit breeds a short term boom culture as firms might adopt cost minimization activities to increase profits and make immediate redundancies (Stewart et al, 2001). This short term decision will most likely trigger problems in the medium to long-term as was evidenced in the Enron and WorldCom cases of 2001and 2002 respectively (Healy & Palepu, 2003; Brooks & Dunn, 2010).

Further argument states that financial information provided by fast-changing technology-based industries is of limited value to investors. For example, Lev and Zarowin (1999) presented evidence consistent with a systematic decline in the usefulness of financial information to investors, as manifested by weakening association between equity market values and key financial variables – earnings, cash flows, and book values.

This thought led to the need of devising appropriate framework to measure firm performance linked to strategy, hence the balance scorecard. This is a tool, which complements the financial measures with drivers of future performance and also communicates firm strategies by incorporating three other perspective of performance measurement: customer, learning and growth, and the internal business processes of the firm (Kaplan and Norton, 1992). This framework has evolved over the years to include the purpose of aligning strategy to operations (Kaplan and Norton, 1992) and most recently enterprise risk management and organization leadership capability.

1.1.3 Strategic Planning and Firm Financial Performance

A quick look through the management literature provides a description of strategic planning as an effective way of improving firm overall performance. Strategic planning is said to result in a better match between external environment variables and the changing internal conditions of the firm (Ansoff, 1990). The purpose of this match is to ensure that the plans continuously realign the firm's objectives and strategies with changing conditions to improve the long-run performance of the company (Camillus, as cited by Roney, 2004).

In most of these studies, firm performance was measured in terms of 'generally accepted' financial measures. For example, return on investment (ROI), return on equity(ROE) and return on assets (ROA) with results indicating that strategic planning leads to superior financial performance (Burt, 1978). Subsequent studies however found no relationship between strategic planning and financial performance (Greenley 1986; Mintzlberg, 1990, Shrader, Taylor and Dalton, 1984). However, more recent studies have shown positive relationship (Miller & Cardinal, 1994; Schwenk & Shrader, 1993; Kaissi, 2008; Masiga, 2008). The fact that these lines of research have given inconsistent findings is attributed to methodological flaws and non-robust statistical methods, further urging the need to refine these findings.

In this study, presence of strategic planning in a constantly changing environment and the evidence that strategic planning is linked to firm financial performance will be investigated. The ICT sector that is constantly faced with dynamic technological changes is envisaged to be clearly understood through this research as far as importance of formalized strategic plans are concerned.

1.1.4 Information Communication Technology Industry in Kenya

The ICT sector in Kenya has in the recent past seen tremendous growth, with its impacts touching every tenets of human life. This effect is seen from technological innovations that have changed how and the speed with which services are performed. For example, mobile money transfer systems, on line e-commerce, social networking and the broadcast television which is set to undergo digital by the end of the year from its traditional ubiquitous analogue form, are all evidence of the enormous impact of the ICT sector.

Berry (1998, pg 457) defined technology industry as one with a strong scientific-technical base established for the purpose of exploiting innovation or invention. Innes and Mitchell (1994) posited that firms in a technology industry operate in dynamically global markets where competition is intense across the entire product line. Other researchers have also argued that technological firms are very customer- oriented and innovative and their growth is often constrained by skills shortage (Mallorca, Groven and Desilvio, 1996). The ICT sector in Kenya today, therefore succinctly fits the characteristics of the technological firms referred to by these authors.

The sector is composed of industry players that are highly innovative and deal with products of technological nature where the period of product inventions and obsolesce are not much separated. Basing our analysis on the Porter's five force's (Porter, 1980), the sector has high entry barriers and by extension, exit barriers, with an industry regulator, CCK, imposing high entry license fees for the mobile operators. The fees are also imposed on firms seeking FM radio and TV channel (CCK license requirement, 2012). These fees together with the high investment cost required to set up operational infrastructure reinforce the existence of exit barriers, as it takes long for any investor to recoup the investment costs. The sector also has intense rivalry amongst the competitors. This is exhibited by price cuts and accusations of unfair business practices by rivals. For instance, Airtel Kenya announced massive drop in airtime prices in August 2011, with reluctant rivals accusing it of resorting to unfair business practices. The rivalry amongst the TV and Radio operators is also high as exhibited by rush for every media house to also own print publication, and score advertisement package from the government and corporate in all three forms – TV, radio and print.

The bargaining power of buyers are also highly in existence in the Kenya market for the firms in the ICT sector, as buyers can switch a product of unsatisfactory nature and opt for the substitute easily. This also, similarly, exhibits the power of substitute, as buyers can today switch between networks without loose of quality or incurring much cost for switching. For the media houses is today closely monitored by the government and the media owners association to comply with specific requirements such as high percentage of screened content being local. The public has also voiced strongly their concerns on the screening of obscene shows during daytime.

The bargaining power of suppliers is also intense in that suppliers are in many cases global operators who have wide spread of clients across the world, depending on their satellites foot print. For instance, providers of satellite bandwidth for broadcast have international reach and so cannot be coerced into lowering cost of bandwidth to Citizen Television network or another such operator in Kenya. For the mobile operators, the equipment suppliers such as Nokia Siemens, Huawei, and ZTE are at their disposal to meet their terms, hence giving the mobile operators the advantage to switch between the suppliers.

However. these operators also have global presence and cannot therefore be coerced into unfavorable dealings.

It is such nature of the industry that has kept the industry attractive, with the number of mobile subscriber in the country inching towards 30 million, whereas in the courier sector the number of the total letters sent declined by 14.7% (CCK quarterly report January - March 2012). The potential in the sector is so high with the government poised to build ICT cities fully installed with infrastructure to attract the global players of the industry, which is a blue print for the Kenya's vision 2030.

1.2 Research problem

Academicians, practitioners and researchers have studied the subject of strategic planning and firm performance relationship for the last four decades with results being mainly inconsistent and sometimes contradictory (Shrader, et al., 1984; Pearce et al., 1987). Whilst some researches (Langabeer and Napiewocki, 2000) argue that strategic planning is an essential survival mechanism, others contend that strategic planning yield structural operational behavior which limits organizational innovation and adaptation (Minzlberg, 1984; Miller and Cardinal, 1994). In fact, others have cast doubt on the causal relationship between planning and performance, and especially in a rapidly changing turbulent industry environment (Kallman & Shapiro, 2002)

However, it is generally agreed that strategic planning is required as a way to allow leaders to determine the general institutional direction, compelling firms to adjust to changing circumstances in the market place and making employees to visualize a common goal

(Johnson el al, 2004). Begun and Kaissi (2005) in a survey of 138 hospitals in Taxes found evidence of positive relationship between strategic planning and firm financial performance. In particular, they observed, upper management and board member involvement in strategic planning were positively related to firm measure of profit and income.

Whilst these researchers expounded this subject, most of these strategic planning – firm performance relationship studies were carried out with focus on firms in the west. That is with exception of some few such studies closer home in Kenya (Masiga, 2008; Arasa et al., 2011) which have established positive relationship albeit with different approaches to study and in the different sectors of economy.

Therefore this study seeks to probe further the paradigm of strategic planning and firm performance relationship with focus on a highly turbulent sector in the context of a developing sub-Saharan nation. It is of critical importance to understand the extent of strategic planning practices within the ICT sector in Kenya, a sector greatly reputed for its massive contribution to the Kenyan economy in the last one decade.

1.3 Research Objectives

The specific objectives of this study are as follows;

i. To determine the extent of strategic planning among the ICT firms in Kenya.

ii. To establish the relationship between strategic planning practices and financial performance of firms within the ICT sector in Kenya.

1.4 Value of the Study

This study contributes towards the growing strategic theory of knowledge through close examination and evaluation of factors affecting the application of strategic planning practices in the turbulent ICT sector in the context of the developing country. Earlier academic findings on the subject were concentrated on context of firms in the west, and these studies cannot be replicated without amendments for firms operating in a different context (Aosa, 1992).

The findings of this study helps firm decision makers, managers and strategist in the evaluation and assessment of firm strategic planning processes, and the adoption of better planning procedures, with insights on the significance of strategic planning process for a rapidly changing service sector. The study gives findings on the relevance of planning – performance relationship in the ICT industry.

The study assists the policy makers, industry regulator and the government on the impacts of the existing policy framework and need to develop further policy changes. The regulator's understanding of strategic planning exercise by firms within the sector is crucial to highlight and shape the industry challenges.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers the literature on strategic concepts, strategic planning and firm performance in greater detail. The discussions on strategic planning process and contemporary practices to strategic planning will also be explored here.

2.2 Concept of Strategic Planning

Definitions of strategy have their roots in military, where strategy is defined in terms of drafting plan of war, shaping individual campaigns and within these, deciding on individual engagements with the enemy (Machiavelli, 2008). The analogy with business is that business too is on war footing as competition becomes more and more fierce and survival more problematic. Thus, firms and armies have much in common. They both, for instance, pursue strategies for deterrence, offense, defense and alliance. A well developed business strategy can be thought of in terms of probing the opponent's weaknesses, withdrawing to consider how to act.

The ICT firms, like any other business, need to adopt strategic approach to doing business. However, some authors have argued that strategic planning is time consuming and highly bureaucratic, bringing operational rigidity to firm performance (Minzlberg & Lampel, 1994) and more specific strategic planning is of no essence in turbulent industry (Kallman and Shapiro, 2002). Nevertheless, other authors have enlisted positive performance for firms that undertake formal strategic planning (Masiga, 2008).

Strategic planning is an ongoing process of self-examination, the confrontation of difficult choices, and the establishment of priorities (Pfeiffer, Goodstein & Nolan, 1992). People are more motivated and work more intelligently if they believe in what they are doing and trust the firm they are working with. This indicates that motivation and commitment can also come from clear strategy, the excitement of achievement, from the honor of being the best and the thrill of wining (Kay, 1993).

But strategy alone is not enough, its needs to be nested in a clear sense of mission and in a viable and compelling theory of firm (Drucker, 1994). Thus, a well defined strategy integrates a firm's major plans, objectives, policies and programmes and commitments into a cohesive whole. It marshals and allocates limited resources in the best way, which is defined by an analysis of a firm's unique strengths and weaknesses and of opportunities and threats in the environment (Johnson et al., 2005). Many profit and not for profit firms today acknowledge the importance of undertaking strategic planning as being critical component of good management and corporate governance.

2.3 Strategic Planning Process

Strategy is a concept of the firm's business which provides a unifying theme for all of its activities (Ansoff, 1991). Another author posited that it was important that the senior management got fully involved in formulation of strategic planning if it would be successfully implemented rather than simply let a separate corporate planning department to take charge (Kay, 1993). This thought triggered process approaches to strategic planning, where the center of the web or the apex of the pyramid or the general in the military is the core to strategic success (Hollis & Nell, 1975; Whittington, 2001).

The first step in strategic planning process or engagement in strategic activity is to resolve problem of understanding a) where we are now – the firm's current position, b) where we want to be – what you want to do next or be next and c) how to get there – how these possibilities are realized(Roney, 2008). The consensus reached by stakeholders on the above questions is a milestone towards strategic formulation process for the firm. Usually environmental scanning techniques like SWOT, Industry analysis, competitor analysis, Market Analysis and PESTEL models used to identify firm internal capabilities and external situational analysis (Johnson et al., 2005).

The second step is to define the raison d'être, the essential overriding purpose of a firm or its overarching aims. The mission statement is the overriding direction and the purpose of the firm, which is needed to emphasize the common ground amongst the shareholders (Johnson, et al., 2005). Mission statements may grow to include value statements or the core values of the firm, which is commitment on how the firm will go about the operations (Roney, 2008). Therefore, the firm strategists or management need to reflect carefully on the content and implications of their mission statements, which if successfully crafted can act as a mental model or datum of thinking and action reference (Roney, 2008). Also, the firm needs to have a vision or the strategic intent, which is the firm's desired future state (Johnson et al., 2005). This vision is the aspiration around which the strategist, entrepreneur or the chief executive might seek to focus the attention and energies of the members of the firm.

The third step in strategic planning is crafting firm goal and objectives. Whereas the goal is a general statement of aim or the purpose of the firm, objectives are specific statement of the expected outcome and must strictly be SMART. That is, specific, measurable, attainable, realistic and time bound. These objectives must also be mainly quantifiable in financial terms so that they can be measured for achievement.

Johnson et al., (2005) argued that once the strategic plans of the firm are formulated, with alternative strategic options are weighed and the most plausible one considered. The management will digest and share the details of the right strategy to be pursued for implementation with the respective firm section or strategic business units. Well crafted strategic plans are useless if not followed up for strategic implementation (Aosa, 1992). Milestones or indicators of success are known to the managers who will then evaluate the progress, and keep the firm goal attainment on the progress. Continuous evaluation of progress and desire for improvement makes room for feedback loop where strategy is driven as desired without suffering strategic drift (Johnson et al., 2005). Control and monitoring is usually done with the firm bringing in auditors and strategy specialist to measure and maintain the focus.

2.4 Strategic Planning Practices

While each organization's strategic plan should be specific to its needs, empirical research has determined that firms that follow "best practices" in strategic planning have a greater probability of realizing increased benefits from its strategic plan, than firm's that don't follow these best practices (Niven, 2007). Strategic planning process includes having multiple reasons for the initiation of firm strategic planning process. There is a move towards using external information to inform your strategic planning process and the raising of strategic issues that need to be addressed (Weibes, Baaij, Keibek & Witteveen, 2007).

In this regard, firm effectiveness is today closely related with its ability to use timely, accurate relevant information for making business decision. Accordingly corporate firms have widely adopted the use of internet, intranets and Enterprise Resource Planning (ERP) tools to gain an upper edge in the market over the competition. These tools have enhanced firm capability to solve many problems of information access and integration while increasing firm effectiveness, efficiency and productivity.

Hamel and Prahalad (1994) argued that firms should not be too concerned about competing with their current competitors. Such a focus, they maintained, can only result in making attempts to 'catch up', by which time the industry leaders would have lengthened their lead again. Instead they suggested that firms should prepare to compete in a future market, say, five years ahead. In essence, only firms which can dream the future and will be there in future to harvest.

2.5 Firm Financial Performance

One of the most fundamental facts about business is that the operating performance of the firm shapes its financial structure (Stern et al, 2001). It is also true that the financial situation of the firm can also determine its future operating performance. The financial statements are therefore important diagnostic tools for the informed manager (Neely, 2007).

However, firm performance measurement is defined in the literature by Flapper (as cited by Neely, 2007) as "all aspects of performance that are relevant for the existence of the firm as a whole" and success as the "way the firm strives to carry its objectiveness into effect". Accordingly, effective measurement system must cover all aspects of firm performance that are relevant for the existence of the firm and the means by which it achieves success and growth (Kaplan & Norton, 1992).

To undertake firm financial performance measurement its important to start with framework that will facilitate determination of the strategic firm objectives with planned financial figures to be achieved (Kaplan & Norton, 1992). Amongst such frameworks, we have the balance scorecard technique, which incorporates financial and non-financial measures of firm performance which can be measured against the formulated strategies of the firm (Laitinen, 2002; Kargar & Parnell, 1996).

2.6 Strategic Planning Practices and Financial Performance

Strategic performance measurement-based management systems allow a firm to align its business activities to its strategy, and to monitor performance toward strategic goals over time (Stern et al, 2001). High-performing enterprises actively identify key performance indicators or performance drivers and measure their progress against established target values for those indicators as a way of measuring their effectiveness. This is performance management and the key indicators are the performance metrics of the enterprise. Performance management is used to track a firm's progress against its strategic plan and specific performance goals. There are many different measurement frameworks, including the balanced scorecard, activity based costing, competitive benchmarking and economic value added etc (Niven, 2007). Each of these provides a unique and different lens through which to view firm's performance.

Most frameworks tend to be one-dimensional in perspective. For instance, benchmarking tends to involve taking a largely external perspective, often comparing performance with that of competitors or other best of breed practitioners or business processes (Stern et al, 2001). On the other hand balanced scorecard is a measurement framework which integrates multiple perspectives. It integrates four sets of measurements, complementing traditional financial measures with those driving future performance. Kaplan & Norton (1992) have established that the firm using this framework is encouraged to develop metrics that facilitate collection and analysis of information from the following four perspectives – financial, customer, learning and growth, internal business processes.

Also, most firms in the industry have adopted EBITDA as a tool for measuring profitability, in addition to afore mentioned framework. According to Wikipedia dictionary, EBITDA is an acronym for earnings before interest, taxes, depreciation, and amortization. It is a non-GAAP metric that is measured exactly as stated. All interest payments, tax, depreciation and amortization entries in the income statement are reversed out from the bottom-line net income. It purports to measure and allow to compare profitability of companies by canceling effects of different assets bases (by cancelling depreciation), different takeover histories (by cancelling amortization often stemming from goodwill), effects due to different tax structures as well as the effects of different capital structures (by cancelling interest payments).

The EBITDA of a company gives an indication on the operational profitability of the business, i.e. how much profit does it make with its present assets and its operations on the products it produces and sells, taking into account possible provisions that need to be done. If EBITDA is negative, then the business has serious issues. A positive EBITDA, on the other hand, does not automatically imply that the business generates cash as EBITDA ignores changes in working capital (usually needed when growing a business), capital expenditures (needed to replace assets that have broken down), taxes and interest (Fridson & Alvarez, 2011).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explores the research design chosen for the success of the study. It discusses the sample size and the methodology used for its selection, the method used for data collection and the anticipated analysis from the data gathered.

3.2 Research Design

Research, according to Sekaran (2006) is the process of finding a solution to a problem after a thorough study and analysis. Therefore in research design the necessary steps to be followed were outlined where a systematic inquiry was established to guide informed decision (Cooper & Schindler, 2001) towards the achievement of the research objectives.

This research employed a survey questionnaire to establish the extent of strategic planning practices within the ICT sector in Kenya. A correlation survey to was used to establish relationship between strategic planning and firm financial performance within the context of the ICT firms in Kenya. A correlation survey is paramount when relationship between two or more sets of variables is under study (McDaniel and Gates, 1998).

3.3 Population of the Study

The target population for the purpose of this study includes all the ICT firms in Kenya licensed for operation in Kenya by the industry regulator, Communications Commission of Kenya as at 2010 (See Appendix I). The survey was designed in such a way that the firms under study have been in existence for the last three years, some optimal time for firm strategic objective to have seen fruition as argued by Johnson et al.,(2005).

3.4 Sample Design

The sample size used are 30 ICT firms obtained in a randomly stratified sampling method from the entire list of firms licensed for operation by the ICT regulator, CCK as at February 2012. At least four firms per stratum were considered. The stratification here refers to the classification of firms within the ICT sector in view of Communications Commission of Kenya which is based on the firm nature of business.

It's been argued that the use of non random samples creates sampling bias that can then lead to errors in the statistical results and the interpretation and generalization thereof (Heckman, as cited in Bergh and Ketchen, 2009) This implies that random sampling technique is free of bias and hence less erratic. Also, according to Kothari (1990) when the industry players have vast characteristic, stratified sampling is employed to capture the various traits in the observation of population sample.

3.5 Data Collection

To achieve the purpose of this study, primary data was collected from survey exercise through questionnaire that was administered orally. This was supplemented by presenting the same questionnaire on the web. The questionnaire was dropped and later picked from the respondent's office which increased probability of response to fulfill the quest of the study. Caution was be exercised to ensure that no respondent responded more than once during the research study through any of the method.

The research questionnaire, where each question was based on likert scale of 1 to 5, was be divided into five parts, each critically probed the interviewees for significant measurement data. Part A investigated firm profile. Part B probed extent of strategic planning process and practices within the firm. Part C investigated competitive strategy employed by the firm in order to claim position in the market place. Part D explored the application of balance score card technique to fulfill performance measurement from multi-dimensional perspective. Part E sought evidence based on disclosure of certain financial performance parameters of the firm.

The respondent was required to be only one executive per firm. Those who were interviewed ranked as senior management officers in their respective firms and were at least privy to strategic needs or strategic practices of the firm.

The survey was executed by the researcher within the first two weeks of the month of August 2012. This method of data collection has been used and proven to work in similar studies such as those by Kiruthi (2001) and Masiga (2008)

3.6 Data Analysis

The gathered data was analysed using Statistical Package for the Social Sciences (SPSS) application. The analysis was used to help establish the extent to which the ICT firms in Kenya are adopting strategic planning practices. It was further analysed for correlation between strategic planning process and practices on the one hand, and data gathered on firm financial performance in the sector.

The analysed data was presented and the inferences deduced as it applies to the population under study. The significance of the findings was tested for reliability and validity after which results and important recommendations as it impacts policy and practice was discussed.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter outlines the results of data analysis from the data gathered through the survey study. The findings and analysis of the collected data were processed responding to the research objectives presented earlier in chapter one. The first objective of this study was to determine the extent to which the strategic planning was adopted amongst the ICT firms in Kenya. The second objective was to establish the relationship between strategic planning practices and firm financial performance within firms in the Kenyan ICT sector.

The survey targeted thirty (30) sampled firms from the list of firms licensed for operation by the industry regulator, Communications Commission of Kenya (CCK) as at the end of December, 2011. The questionnaire was administered face to face and also on the web via online forms. The response achieved was twenty two (22), which represents 73.3% response rate from the interviewees.

4.2 General Information

The ICT sector is characterized by rapid technological developments and similarly rapid shift in business positions amongst the key players. Within this sector, competitive advantage is built and lost over night as firms strive to survive in the turbulent business environment. New entrants are eager to join the market and industry players are growing by the day. Recent entrant into the market is the StarTimes digital TV firm that supplies home entertainment channels riding on the dawn of digital TV distribution in the country that marks the end of analogue TV distribution planned by the end of 2012.

Nevertheless, from the evidence adduced by this research, in an industry as dynamic as the ICT industry in Kenya today, formalized strategic planning is widely adopted. This implies that those firms that engage in strategic planning in this industry perform financially better over those firms that do not engage in it.

4.2.1 Reliability of the survey

As a measure of internal consistency of the questionnaire used for this survey, the Cronbach Alpha coefficient is determined using the data coded in to statistical package – SPSS, and used in the analysis. The 5 point likert scale survey/questionnaire used was determine for consistency. Part of the questions that required likert scale responses were coded, with the score of 5 accorded to “greatly agree” or “agree to very great extent” and 1 point accorded to where the response is “do not apply”. The following table gives the results of reliability check on the likert scale for the questions used in the survey.

Table 4.2.1 The test for Reliability/Consistency in the Survey

Questions In the Survey	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q1	32.00	28.13	.51	.78	.74
Q2	32.11	28.49	.59	.69	.74
Q3	32.23	26.07	.69	.71	.72
Q4	32.06	26.31	.72	.92	.72
Q5	**32.00**	**29.13**	**.39**	**.84**	**.76**
Q6	31.94	25.18	.69	.89	.72
Q7	32.18	23.28	.83	.88	.69
Q8	32.12	22.99	.92	.98	.68
Q10	32.06	23.31	.95	.99	.68
Grand Mean	**32.08**	**25.88**	**.70**	**.85**	**.72**

Source: Research data

The item which can be eliminated without influencing the consistency of the data is one where there is the lowest correlation coefficient and also the lowest 'Cronbach Alpha if item deleted'. In this regard, Q5 which refers to strategic planning step of evaluation of firm strategic options, with r = 0.39, lowest in column and correlation value if this item is deleted remaining highest r = 0.76. However, since the average alpha coefficient of the standardized items for questions used in the survey is r = 0.72, a high alpha value, it is evident that there is consistency and hence reliability in the survey scale used for this study.

4.2.2 Firm Distribution by the country of origin

Table 4.2.2 Firm distribution by country of origin

Country of Origin	Frequency	Percent(%)
China	1	4.5
India	1	4.5
Kenya	15	68.2
South Africa	2	9.1
USA	3	13.6
Total	**22**	**100.0**

Source: Research data

From the Table 4.2.2 it can be seen that 13.6% of the ICT firms with operations in Kenya have their origin in United States of America, and while 9.1% have origin in South Africa whereas 4.5% of the firms have origin in both India and China. This makes firms with foreign origin 32.8% as opposed to 68.2% of firms that were incorporated in Kenya. This shows the growing influence of globalization on the ICT sector on the economy of Kenya where the ICT market is seen to be attractive to the global players in the industry. This in essence means that new entrants with global reach are making foray into the Kenyan Market and need to devise strategies to penetrate the market, by either confronting the existing industry players through cut-throat competition or employing piggy-back strategy to gain market share.

4.2.3 Firm Distribution by Size

To determine firm size, the number of employees in the firm is investigated. Firms that employed more that 200 people usually have operations in two or more product lines and have presence in a larger geographical area. The converse is also true where firms employing less than 50 people have specialty in one main product or service and operate within limited geographical zone or provide service within a focused niche market.

The following table represents distribution of sampled firms according to the size classification based on the number of people on firm employment.

Table 4.2.3 Firm distribution by size

Firm Size	Frequency	Percent
large (with over 200 employees)	7	31.8
medium (with over 50 to 200 employees)	6	27.3
small (with 50 employees or less)	9	40.9
Total	**22**	**100.0**

Source: Research data

From Table 4.2.3, it can be observed that 31.8% the sampled firms are in the category of large firms where each firm employs 200 or more people. However firms categorized as medium employs between 50 to 200 people and make 27.3% of the industry whereas small firms with employees less that 50 people make the bulk category with 40.9% in the industry. This implies that the local business firms and entrepreneurs are making significant impact on the industry and employ bulk of people directly or indirectly in ICT sector.

4.3 Strategic Planning

To investigate the extent of strategic planning within the ICT firms in Kenya, responses are analyzed from the research questions administered to the interviewees. All interviewees conceded to the fact that strategic planning indeed occur within their firms. An investigation of categories of responding firms by area of specialization was also undertaken. Further, the degree to which the firms emphasis strategic planning process and extent of strategic planning practices were also determined. These findings are presented in the following tables.

4.3.1 Firms by Category

ICT is a diverse sector, where three broad categories exists based on functions and are all equally regulated and licensed required for operation. Table 4.3.1 represents distribution of the sampled firms within these broad categories.

Table 4.3.1 Distribution of the sampled firms by category

Firm category	Frequency	Percent
Broadcasting	5	22.7
Courier & Parcels	2	9.1
Telecommunication	15	68.2
Total	**22**	**100.0**

Source: Research data

It can be seen from Table 4.3.1 that 68.2 % of the firms that responded to our research questionnaire are in the telecommunications category which entails specific specialization such as network infrastructure, mobile and data transfer, satellite communications, applications development and value add services. In the broadcast category, there is 22.7% representation in the sample. This category of firms provides any or all of the following services, namely television broadcasting, FM radio, electronic and print media. Courier and parcels had a representation of only 9.1%.

4.3.2 Strategic Planning Experience

The administered questionnaire investigated the length of time since firms have engaged in the strategic planning process. This question in essence helped investigate firm strategic planning experience. The following table reveals these findings.

Table 4.3.2 Strategic Planning Experience of firms

No of years engaged in strategic planning	Frequency	Percent
0 to 5 years	1	4.5
>5 to 10 years	6	27.3
>10 to 15 years	9	40.9
>15 to 20 years	3	13.6
>20 to 30 years	2	9.1
> 30 years	1	4.5
Total	**22**	**100.0**

Source: Research data

From Table 4.3.2 it can be observed that strategic planning experience amongst firms within the ICT industry assumes normal distribution, where 4.5% of the firms have equally newer (less than 5 years) strategic planning experience and a similar percentage with experience over 30 years. Bulk of firms in this industry, which is 40.9% have engaged strategic planning for 10 to 15 years. This statistics shows that ICT firms are adopting strategic planning approaches in greater number in the last one decade.

4.3.3 The Frequency of Strategic Planning Practices

The frequency with which firms re-visit strategic planning was also investigated. This was necessary so as to maintain strategic plans on course and introduce amendments where necessary owing to intense industry competition. The ICT industry being one that is dynamically changing, it's expected that firm strategy needs to be refocused and continuously re-examined to ensure its not overtaken by other changes in the industry. The responses have been tabulated below to show frequency with which firms re-visit strategic planning issues.

Table 4.3.3 Frequency With Which Firms Re-visit Strategic Planning Exercise

Strategic Planning Frequency	Frequency	Percent
monthly	1	4.55
quarterly	4	18.18
semi-annually	4	18.18
Yearly	7	31.82
every two years	2	9.09
every three years	3	13.64
over three years	1	4.55
Total	**22**	**100.00**

Source: Research data

From Table 4.3.3, over 82.63% of sampled ICT firms revisit their strategic planning exercise within a year. In fact, half of these firms revisit their strategic planning actions within six months or much less period, whereas 13.64% of the ICT firms revisit strategic planning issues every three years. It's only a mere 4.55% of the sampled firms that take more than 3 years to revisit strategic planning exercise.

4.3.4 The Extent of Strategic Planning Process

To investigate the extent to which ICT firms in Kenya have engaged strategic planning practices in their operations, the questionnaire was administered to know firm responses on the degree of emphasis given to strategic planning process and activities. The response was captured via likert scale ranging from 1 -"do not apply at all" with a score of 1 point to upper end of the scale as 5 - "to very great extent", with score of 5 points. The following table shows the findings of the captured information.

Table 4.3.4 Extent of Emphasis by Firms on the Strategic Planning Process

Strategic Planning process	Mean	Std. Deviation
Extent of emphasis on firm Mission & Vision	3.50	.86
Extent of emphasis on developing major long term goals	3.36	.85
Extent of emphasis on assessment of the external environment	3.32	.89
Extent of emphasis on assessment of the internal environment	3.55	.91
Extent of emphasis on evaluating strategic options	3.55	.91
Grand Mean (N=22)	**3.45**	**.88**

Source: Research data

From Table 4.3.4 it can be seen that ICT firms have emphasized each strategic planning process with an average score of 3.45, which means emphasis is to a great extent for each planning step is to a very great extent. This proves that strategic planning steps are to a large extent followed where firms define their mission and vision, and develop long term objectives. Assessment of both external and internal environment are also greatly emphasized where firms scan the business environment to gather intelligence on competitor actions, gain knowledge on the impacts of regulatory measures and remain abreast with technological advancement. These firms take these actions in order to cultivate competitive advantage on the strategic options to be pursued.

4.3.5 Extent of emphasis on strategic Planning Practices

The survey used a five point likert scale, with score of 5 for responses of "to very great extent" and score of 1 for responses "not at all" while measuring the degree of emphasis on identified strategic planning practices.

Table 4.3.5 Extent of Strategic Planning Practices

Strategic Planning Practices	Mean	Std. Deviation
Extent to which strategic planning is linked to financial performance	3.50	1.06
Extent to which firm invests in strategic planning expertise	3.41	1.14
Extent to which top executives of the firm are involved in strategic planning process	3.36	1.05
Extent to which compensation of the top executives is tied to firm strategic success	3.50	.96
Grand Mean (N=22)	**3.50**	**1.05**

These practices within ICT firms are therefore , to be undertaken to a great extent, as seen from Table 4.3.5, that is more than a score of 3. Thus considering the average score of 3.5 to the target strategic actions investigated, the firms consider strategic planning practices to a great extent.

4.4 Strategic Planning Process and Firm Financial Performance

In order to determine the relationship between strategic planning process and firm financial performance, correlation is determined between each of the strategic planning process, constructs of strategic planning practices and data on the gross revenue of firms.

The data showed no violation of normality, linearity or homoscedasticity. There was a strong, positive correlation between each strategic planning process, each constructs of strategic planning practices and firm financial performance data (gross revenue, return on asset and return on equity.

4.4.1 Correlation Study Between Strategic Planning Process and Firm Financial Performance

The correlation in each case is found to be statistically significant, where the Pearson product moment correlation has positive value in each instance. For example, as seen from Table 4.4.1 , the correlation between assessment of firm external environment and gross revenue is statistically significant (r = .326, n = 22, P < .139). Other positive values of r are also as observed.

Table 4.4.1 Correlation Between Strategic Planning Process and the Financial Performance Data

Emphasis on the Strategic Planning Process		Gross Revenue	Return on Asset	Return on Equity
Extent of emphasis on firm Mission & Vision	Pearson Correlation, r	.174	.287	.218
	Sig. (2-tailed)	.438	.196	.329
	N	22	22	22
Extent of emphasis on developing major long term goals	Pearson Correlation, r	.227	.431*	.322
	Sig. (2-tailed)	.309	.045	.144
	N	22	22	22
Extent of emphasis on assessment of the external environment	Pearson Correlation, r	.326	.629**	.388
	Sig. (2-tailed)	.139	.002	.074
	N	22	22	22
Extent of emphasis on assessment of the internal environment	Pearson Correlation, r	.249	.525*	.499*
	Sig. (2-tailed)	.263	.012	.018
	N	22	22	22
Extent of emphasis on evaluating strategic options	Pearson Correlation, r	.253	.613**	.550**
	Sig. (2-tailed)	.255	.002	.008
	N	22	22	22

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Research data

From the Table 4.4.1 it can be noted that gross revenue is positively correlated with the each of strategic planning process where correlation is observed to be positive. The highest value of the Pearson product moment correlation is between assessment of firm external environment and return on asset, where $r = 0.629, N=22, p=0.002$

Another statistically significant positive correlation is observed between assessment of assessment of internal environment and return on equity, where $r - 0.499, N-22, p-0.018$

4.4.2 Strategic Planning Actions and Indicators of Financial Performance

The correlation observed between strategic planning actions and indicators of financial performance is positive. This implies that strategic actions undertaken by firms significantly impacted on the firm financial performance.

Table 4.4.2 Correlation between strategic planning actions and financial performance

Emphasis on Strategic Planning practices and Actions		Gross Revenue	Return on Asset	Return on Equity
Extent to which strategic planning is linked to financial performance	Pearson Correlation	.226	.560**	.566**
	Sig. (2-tailed)	.311	.007	.006
	N	22	22	22
Extent to which firm invests in strategic planning expertise	Pearson Correlation	.046	.362	.495*
	Sig. (2-tailed)	.839	.097	.019
	N	22	22	22
Extent to which top executives of the firm are involved in strategic planning process	Pearson Correlation	.264	.518*	.554**
	Sig. (2-tailed)	.235	.014	.007
	N	22	22	22
Extent to which compensation of the top executives is tied to firm strategic success	Pearson Correlation	.248	.522*	.491*
	Sig. (2-tailed)	.266	.013	.020
	N	22	22	22

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
Source: Research data.

From Table 4.4.2, once again, it can be seen that the observed values for correlation between strategic planning actions and indicators of firm financial performance are all positive, with significantly positive correlation seen between return on asset and firm strategic actions lodged with financial performance objectives., where $r = 0.560$, $N=22$, $p=0.007$

4.4.3 Impacts of Firm Size on Correlation

Sometimes different observations have been made within the same industry, with difference being firm size within the industry. It is therefore important to observe how correlation values observed for correlation between strategic planning process and financial performance indicators are affected if the same values are determined when firm size is put into consideration.

From Table 4.4.3, it can be seen that the values for Pearson product moment correlation generally remained positive for all constructs, across firm size. However, we observe most significantly positive correlation values for constructs of medium sized firms as opposed to observation of correlation values for both small and large sized firms.

Table 4.4.3 Impact of firm size on the correlation study

Size of the firm and financial parameters			Extent to which strategic planning is linked to financial performance	Extent to which firm invests in strategic planning expertise	Extent to which top executives of the firm are involved in strategic planning process	Extent to which compensation of the top executives is tied to firm strategic success
Large (with over 200 employees)	revenue	r	.297	-.1	.3	.3
		Sig. (2-tailed)	.516	.899	.528	.528
		N	7	7	7	7
	roa	r	.750	.255	.524	.524
		Sig. (2-tailed)	.052	.581	.227	.227
		N	7	7	7	7
	roe	r	.520	.324	.469	.469
		Sig. (2-tailed)	.232	.478	.289	.289
		N	7	7	7	7
Medium Size(with over 50 to 100 employees)	revenue	r	.621	.450	.621	.771
		Sig. (2-tailed)	.188	.371	.188	.073
		N	6	6	6	6
	roa	r	.923**	.678	.923**	.940**
		Sig. (2-tailed)	.009	.138	.009	.005
		N	6	6	6	6
	roe	r	.826*	.886*	.826*	.976**
		Sig. (2-tailed)	.043	.019	.043	.001
		N	6	6	6	6
Small (with less than 50 employees)	revenue	r	.116	.227	.242	.313
		Sig. (2-tailed)	.767	.557	.530	.412
		N	9	9	9	9
	roa	r	-.079	.185	.140	.244
		Sig. (2-tailed)	.840	.634	.719	.527
		N	9	9	9	9
	roe	r	.489	.565	.577	.397
		Sig. (2-tailed)	.182	.113	.104	.290
		N	9	9	9	9

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Research data.

4.5 Discussion of the Findings

The analysis of the data collected started with observation of the descriptive statistics to establish evidence that strategic planning is carried out within firms in the ICT industry in Kenya. First, it's observed that 68.2% of the firms are incorporated in Kenya, with those firms with origin in China and USA being 4.5% in both cases. This just means that the industry is attractive to global players, and that the local players readily feel the impacts of globalization. Therefore, firms in the industry need to employ globally effective strategies to ensure survival in the local market.

The descriptive analysis also gave findings on the industry composition by firm sizes, determined through the number of people employed by firms in the sample. Small firms formed the bulk of the industry. This signifies the strength of the market forces in the industry where that makes it prohibitive for one to be easily a large industry player. This is seen in the market with the intense regulatory requirement imposed on large industry entrants. In retrospect, small industry players are able to identify niche market and use focus strategy to survive.

Analysis also established that ICT firms undertake strategic planning practices to a great extent. In fact throughout the interview, the leaders of these firms expressed that strategic planning has enabled the respective firms to remain focused on the organizational goals amidst the fuzzy technological inventions in the industry, are as a result able to identify competencies for which they are striving to achieve competitive advantage.

In this regard this study has underscored the importance of strategic planning within ICT firms where strategic planning is carried out to a very great extent within in the industry, fulfilling the need for the first objective of the study. This deduction is in line with the literature review where a number of strategic planning authors have identified and established the need for formalized strategic planning in various industries. For instance, Begun and Kaissi (2005) while developing an evidence base for health care strategic planning observed that strategic planning contributes to organizational focus, fosters stakeholder participation and commitment, and leads to achievement of strategic goals. The leaders of the firms interviewed in the process of this survey have expressed similar facts.

Further, the second objective of the study which is to determine the relationship between strategic planning and firm financial performance has also been established to be positive. Here, the constructs of strategic planning process were observed to be all positively correlated with gross revenue, return on asset and return on equity data of these firms. These results are in agreement with observation made by other researchers. For example, Begun and Kaissi (2008) researched on the relationship between strategic planning and financial performance within the health sector and reported positive association between constructs of strategic planning process with financial performance.

However, these findings can be further reliably established through future study where larger sample size is possible to confirm findings at increased level of confidence. The results established here nonetheless extends the knowledge of strategic management in that ICT firms. That is, in spite of operating in largely turbulent business environment, ICT firms indeed engage in strategic planning. Further, those firms that do engage in formalized strategic planning realize superior financial performance than those that do not engage on formalized strategic planning.

In the local context, similar positive correlation was observed in another study by Masiga (2008) on the relationship between strategic planning and intensity of financial performance within banks in Kenya. Indeed considering the critical and rigid regulatory operating conditions for banks, that observation was phenomenal in placing strategic planning and financial performance in focus of the much deserved attention from practitioners in the banking sector. Similarly it's believed that entrepreneurs, strategists and engineers in the ICT sector will give a thought to involve strategic planning in their endeavors to achieve organizational goals.

Nevertheless, well crafted strategic plans are not an end in themselves. This is observed throughout the study were the Pearson product moment correlation is though positive, is not perfectly positive. But a positive value of the correlation observed establishes that positive association exists between strategic planning practices and firm financial performance.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses summary of the findings and conclusions. It also includes recommendation with implication for industry practitioners and policy makers.

5.2 Summary of the Findings

From the research findings, it is observed that to a greater extent strategic planning is carried out and established among the ICT firms in Kenya. Despite the environment being highly turbulent and the industry evolving rapidly by the seconds, many respondents confirmed that they do undertake strategic planning and that they have established strategic planning practices to scan the market and gather market intelligence and map the way forward into the future.

It's also been established that strategic planning practices are positively related to financial performance of firms within the ICT sector in Kenya. Firms that undertake formal strategic planning within the ICT industry do realize positive financial performance as opposed to firms that do not undertake strategic planning. This has been realized through positive values of the Pearson product-moment correlation for constructs of strategic planning against gross revenue, return on asset and return on equity.

The study also established that firm size did not impact significantly on the association between strategic planning and firm financial performance. Irrespective of firm size, positive correlation was observed between the constructs of strategic planning and indicators of strategic planning, which inform the importance of strategy in all these firms.

The relationship established is not perfectly positive which signifies that strategic planning is just one of the step to be taken for improved firm financial performance, but a necessary step. Other factors and challenges in strategic implementation process also significantly impacts financial success of the firm. However, through the evidence adduced in this study, it is suffice to note that strategic planning has a positive relationship with firm financial performance.

5.3 Conclusions of the Study

The research study found that strategic planning practices are to a great extent employed within the ICT sector of the Kenyan economy. In fact, it has been found that the competitive nature of the ICT industry dictates that firms need to dedicate more resources to undertake extra market intelligence and develop more strategic focus to chart the way forward to the future.

The study also found positive correlation between constructs of strategic planning and firm financial performance. This positive relationship implies that ICT firms need to invest in highly skilled strategic experts to guide firms in this turbulent business sector to objectively increase firm performance and guarantee shareholder interest.

5.4 Limitations of the Study

The study considered firms within the ICT industry, where the response rate to the study questionnaire was 73.3%. If more time would have been possible, increased sample would have led to better response rate and better findings at improved level of signifance. The findings in this study have relied on response from 22 firms which responded to the questionnaire originally sent out to 30 firms sampled for the study.

Also, the research relied on primary data which was not readily available even with some of the interviewees and hence it was difficult to get the anticipated response. Nevertheless, through much persistence and reliance on friends, some firms responded accordingly and hence the success of this research exercise.

5.5 Suggestions for Further Study

From the above section on study limitation, it's been observed that primary data is hard to get especially when it is related to financial figures for firms that are privately owned. Therefore, further research on the subject is encouraged where data is readily available and easily collected. For instance through use survey of firms listed on the Nairobi Stock exchange where secondary data on financial figures are readily available.

This study has had its focus on the ICT sector of the Kenya economy. Therefore, the same subject may be focused once again by widening the observation to include firms in the other sectors of economy, thereby contributing further to the growing strategic knowledge on firms in Kenya.

Further, strategic planning must be followed by strategic implementation for the success of firms that do practice them. It is therefore of significance to follow up this survey in future studies with a longitudinal research where observation of the relationship between strategic implementation and firm performance across the sectors of economy in Kenya may be done.

5.6 Recommendations for Policy and Practice

The industry regular, CCK, need to refine policy making process by engaging ICT firms in the process of crafting policy frameworks for the industry. The disparity between large and small players in the industry is widening. CCK could therefore level playing ground by availing strategic planning experts to new entrants into the industry to facilitate strategic initiation.

More strategic planning practices are observed to be taking place within the ICT sector. Therefore, entrepreneurs and practitioners of the ICT firms need to position themselves to gather more market intelligence and dedicate more resources on strategic focus of the firm to survive in the dynamically competitive market. To this end, ICT firms need to continue investing in strategic issue experts, retrain their existing staff towards more strategy oriented knowledge.

From the study findings, it is recommended for ICT firms to continue with the practice of engagement in formal strategic planning as more firms currently do undertake strategic planning with results being better financial performance. Some firms have found competitive advantage through market surveillance and competitor analysis while undertaking assessment of external environment in the process of following formalized strategic planning.

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APPENDICES

APPENDIX I: LIST OF THE ICT FIRMS

The list of ICT firms registered by CCK as at February 2012 is available as

Assigned FM and TV Broadcasting firms

http://www.cck.go.ke/licensing/broadcasting/register.html

Telecommunication firms

http://www.cck.go.ke/licensing/telecoms/Register_of_ULF_Licensees_February_2012.pdf

APPENDIX II: RESEARCH QUESTIONNAIRE

Strategic planning is a process of using systematic criteria to formulate, implement and control strategic alternatives and formally document expectation concerning the process. This questionnaire is used to collect data from selected ICT firms to establish the extent of strategic planning practices within the industry and the relationship between strategic and firm financial performance with these firms. Kindly respond accordingly, and accept the researcher's appreciation for your candid contribution.

Part A: The firm character

Name of the firm:...

Number of years in operation ....

Number of employees: Staff: ....

Respondent's position in the firm..

Size of the firm...

What is the firm's specific area of specialization in the ICT sector...........................

....

What is the firm's country of Origin..

Part B: This section will endeavor to discover strategic activities undertaken by the firm.

2.1 Is your firm actively involved in strategic planning? Tick as appropriate:

a) Yes [ ] b) No [ ]

2.2 For how long has the firm had strategic planning system in place?

....

2.3 How long does the firm strategic plan last before its revised or redone a fresh (strategic planning cycle)

(a) Monthly (b) Quarterly (c) Semi- annually (d) yearly

(e) other ....

2.4 On the scale of 1 (not at all) to 5 (very great extent), please indicate how much emphasis your firm has placed on each of the following component of strategic planning processes.

Firm strategic planning process	Ratings
Determination of the firm mission and vision	[1] [2] [3] [4] [5]
Developing major long term objectives	[1] [2] [3] [4] [5]
Assessing the external environment	[1] [2] [3] [4] [5]
Assessing the internal environment	[1] [2] [3] [4] [5]
Evaluating strategic options	[1] [2] [3] [4] [5]
Implementing strategic options	[1] [2] [3] [4] [5]

2.5 Please respond by ticking on the scale of 1 (not at all), 5(very great extent) to what extent do each of the following strategic planning practices apply to your firm.

Strategic planning practices	Ratings
Strategic planning is linked to financial performance	[1] [2] [3] [4] [5]
The firm invest highly in the level of expertise for strategic planning in the firm	[1] [2] [3] [4] [5]
The top executives of the firm are highly involved in the firm strategic planning process	[1] [2] [3] [4] [5]
Compensation of the Executive officer(s) of the firm is partly tied to evaluation of the firm strategic success	[1] [2] [3] [4] [5]

Part C: The generic strategies pursued by the firm in the market place are important in guaranteeing the firm a competitive market position.

3.1 Please rank on the scale of 1 (highest priority), 5 (least priority) for the following statements geared towards measuring the extent of generic strategies pursued as it applies to your firm.

The firm is a cost leader in the market	[1] [2] [3] [4] [5]
The firm strives to specialize and serve a market niche	[1] [2] [3] [4] [5]
The firm offers the best product in the market	[1] [2] [3] [4] [5]
The firm neither differentiates its product nor pursues low cost strategy in the market	[1] [2] [3] [4] [5]

3.2 To what extent are the following tools of strategic planning used within your firm. Please base your judgment on the scale of 1(not at all), 5 (always in use).

Critical success factor analysis	[1] [2] [3] [4] [5]
Economic forecasting	[1] [2] [3] [4] [5]
SWOT ANALYSIS	[1] [2] [3] [4] [5]
BCG Matrix	[1] [2] [3] [4] [5]
Value Chain Analysis	[1] [2] [3] [4] [5]
What if Scenario Analysis	[1] [2] [3] [4] [5]
Core Capability Analysis	[1] [2] [3] [4] [5]
Growth Analysis	[1] [2] [3] [4] [5]
The Balanced Score Card	[1] [2] [3] [4] [5]
Porter's five forces model	[1] [2] [3] [4] [5]
Other	[1] [2] [3] [4] [5]

Part D: Financial parameters of the firm performance

4.1 Financial indicators of firm performance are crucial determinants of the firm's success in aligning resources with strategic objectives to be fully achieved. Please give the following approximate measures of your firm's financial success (or failure) for the last three years.

Financial ratios	Year 1	Year 2	Year 3
Gross Revenue or sales generated			
ROA = Net Income/Total Assets			
ROE = Net Profit/Equity			

Thank you.