Strategic Management Practices Within Construction Firms in Kenya

By

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A Research Project Submitted in Partial Fulfillment of the Requirement for the Degree of Master of Business Administration (MBA), School of Business, University of Nairobi

November, 2011

DECLARATION

I declare that this is my original work and to the best of my knowledge has not been submitted for examination to any other university.

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

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ACKNOWLEDGEMENTS

This project and entire MBA course has been accomplished with the encouragement and support of a number of people. First and foremost, I would like thank the Almighty God for giving me the strength and opportunity to pursue my education. I would also like to express my gratitude to my supervisor Professor Aosa, for all the guidance and constructive criticism he gave throughout the research process.

I am very grateful to all the Contractors who took the time to respond to the questionnaires. Without their valuable responses it would not be able to carry out this research.

I would like to give a special thanks to my parents Charles and Joan Odunga. I would not be where I am without them. I am also grateful to my siblings Ted Wandera and Kate Mutanda who pushed me to achieve more.

God Bless You All.

DEDICATION

To George, for your support and encouragement

ABSTRACT

Strategic management refers, not only to the general plans within an organization, but also to the process of incorporating environmental factors in decision making. The environment in which organizations operate has necessitated organizations to think strategically as never before in order to cope with their changing circumstances. Strategic management practices therefore are one of the ways and means organizations have adopted to ensure their survival in a turbulent operating environment.

The study investigated the strategic management practices of construction firms in Kenya. The study had a singular objective to establish the strategic management practices adopted by construction firms in kenya.

The research was carried out by using a cross sectional survey design. A sample size of 70 registered construction firms with the Ministry of Public works was used. A structured questionnaire was used to collect data for analysis. Responses were received from 72.86% of the selected respondents.

The findings showed that; most firms had a vision, a mission statement and set objectives which were either written down or implied. The firms also carried out situational analysis to establish their strategic position in their operating environment. In addition the firms had strategies on how to achieve their objectives. The firms were therefore actively involved in the strategic formulation process. A majority of the firms however did not

have strategic plans on how to achieve their laid down objectives. This therefore hindered proper strategic management implementation. The research further established that the firms compared the actual performance with the desired performance to determine how far they are from their targets.

The study recommended that construction firms recruit managers charged with the responsibility of strategic management . The managers will encourage the firms to embrace all aspects of strategic management to enable the firms counter the environmnetal challenges in the open business environment. The government should also take on a more active role in the protection of the local construction industry and ensure where large projects are awarded to foreigners, locals should still have a stake in those projects.

The study however could only be limited to construction firms located in Nairobi and thus may not confidently reflect the happenings in the country in general. Data collection was also a challenge as some of the randomly selected firms did not co-operate in providing data. The other challenge was that some of the respondents were not familiar with some of the strategic management practices.

Further research could be carried out to establish the factors that influence the strategies that construction firms adopt. Other scholars could also consider carrying out research to establish strategic management practices impact on performance of construction firms to ensure they withstand the challenges of a turbulent economic environment.

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CHAPTER ONE: INTRODUCTION

1.1 Background of Study

Yabs (2010) explains that there is no universally accepted definition of strategic management, but many authors have defined strategic management each giving their own definition depending on the context. Certo (1991) states that strategic management is a continuous iterative process aimed at keeping an organization as a whole appropriately matched to its environment. Strategic management therefore gives an organization a sense of direction of how it can harness its resources to achieve its objectives. The achievement of these objectives by organizations in the present day business environment is hindered by a number of challenges. Some of these challenges include competition, internationalization and the open business environment. These impediments have forced organizations to find ways and means of remaining afloat lest they fail. Pearce II, Robinson Jr and Mital (2008) explain that a modern executive must respond to the challenges posed by the firms immediate and elaborate environment. They further explain that a firm's external environment consists of all the conditions and forces that affect its strategic options but are typically beyond its control.

Industries and business organizations today operate in an open environment where there is competition from all corners of the globe. The open business environment exposes the local firms to competition from better managed and well endowed firms, a firm therefore cannot isolate itself from the changes occurring the world over and have to find ways and means of remaining competitive. Porter (1985) states that competition is at the core of the success or failure of firms and it determine the appropriateness of firms' activities that can contribute to its performance. The position taken by an organization in adopting to the turbulent environment is key to the success of the organization.(Kariuki 2008) The implication is that those organizations that are prepared to face the competition are the ones most likely to survive.

Gicheha (2006) in his study states that there is a fundamental shift occurring in the world economy where firms are moving progressively further away from a world in which national economies were relatively isolated from each other by trade barriers, distance, culture and business systems to a world in which economies are merging into an independent global economic system resulting in increased competition. The construction industry is not an exception to these changes and there has been an influx of firms especially from the Far East and Europe carrying out most of the large infrastructure projects within the country. Strategic management practices in the industry are desirable to counter the environmental challenges and survival in a competitive business environment brought about by globalisation.

1.1.1 Strategic Management

According to Mintzberg et al (1998) there is no single universally accepted definition of strategy. However, there are different perspectives put forward by strategy authors through which the concept of strategy can be understood. The different perspectives put forward by strategic management authors can assist in understanding the concept of strategic management.

Ansoff and McDonell (1990) define strategic management as a process through which a firm manages its relationship with the environment in which it operates. Yabs (2010) argued that strategic management is used to refer, not only to the general plans within an organization, but also to the process of incorporating environmental factors in decision making. Kiruthi(2001) in his study states that all organizations grapple with the challenges of the changing environment in which they operate. While various organizations develop and formulate strategies in various ways and processes each organization ends up with what is called a strategy.

Bryson (1995) asserted that the environment in which organizations operate has necessitated organizations to think strategically as never before in order to cope with their changing circumstances and to develop rationale to lay the groundwork for adopting and implementing strategies in the ever changing environment. It is therefore desirable for a firm in whichever industry it is in to have a plan as to how it will meet its objectives and at the same time meeting its clients' needs. Strategic management gives an organization a game plan as to how it will embark on achieving these targets.

Wheelen and Hunger (2008) define strategic management as that set of managerial decisions and actions that determines the long-run performance of a corporation, therefore strategy determines where an organization will be and what business it will be in, in the future. Strategic management practices therefore are one of the ways and means organizations have adopted to ensure their survival. Karemu (1993) stated that there is no doubt on the usefulness of strategic management to all kinds of organizations and mainly in developing countries. Chiuri (2008) emphasized that organizations whether for profit or non- profit, private or public have found it necessary in recent years to cngage in strategic management in order to achieve their corporate goals.

1.1.2 The Construction Industry in Kenya

Construction is defined as the activity involving the creation of physical infrastructure, superstructure, housing and other related facilities. Construction comprises of all activities ranging from simple construction of residential houses, to multi- storey complex buildings from small murram earth roads to multi lane highways. It comprises all civil engineering works and new building projects (Wells 1986).

The construction industry as defined by Kimani (1980) is "that sector that plans organizes and produces building and civil engineering projects". Watuka (2002) states that the construction industry in Kenya undertakes both building and civil engineering works and consists mainly of small firms although there are few comparatively large organizations.

The construction industry is a core industry in the development of the Kenyan economy. K'akumu (2007) asserted that construction industry is one of the industries of strategic economic importance, he further states that this is because of its macroeconomic contributions to gross domestic product (GDP), gross fixed capital formation, employment and inter sector linkages. The Kenya economic survey 2010 states that, the construction sector registered the second fastest sectoral growth of 14.1 percent in 2009 compared to an expansion of 8.2 percent realized in 2008. The total value of reported private building works completed in selected main towns rose by 19.5 percent to Kshs 14,725.8 million in 2009 from kshs 12,323.2 million in 2008. Kenya's construction industry is rapidly growing and has seen a boom in the past couple of years. Today it occupies an important place in the economic recovery and development of the country. Indeed the industry will be expected to play a key role in the socio-economic development of the country under the new national political dispensation and more so the National Vision 2030.

Gicheha (2006) states that an important characteristic of the construction industry is that the government is the major client. Most governments outline policies that provide for physical infrastructure and housing in their economic development plans. This means that the construction industry especially for a developing country like Kenya, will be a continuously expanding industry as the government needs to invest in it in order to upgrade the standard of living of its citizens. Indeed to jump start the economy, infrastructure is the first place to invest. All sectors of the economy need construction in order to provide housing, hospitals, roads and other infrastructure facilities. The government has continued to pump colossal amounts of money in infrastructure development which includes completion of government stalled projects, erection of new Health Facilities, Government Headquarters, Fresh Produce Markets, Jua Kali Sheds, Centres of excellence which were in the Economic Stimulus Project introduced by the Minister of Finance in 2008. Therefore for the growth of the economy, the construction industry is recognized as an important constituent. In view of the key role played by the construction industry in the economy, it is important to employ good management skills at all levels of participation so that higher performance levels are achieved to the benefit of both the industry players and the economy as a whole.

Construction activities in Kenya are carried out mainly by organizations that are usually organized into firms which are outfits that deal with the day to day running in construction projects. Construction firms may range from one man concerns to large multinational corporations. The role of construction firms is mainly to convert construction raw materials provided, into complete useable building infrastructure and as such need to be organized and properly managed firms.

1.2 Research Problem

Strategic management is a key component in many organization's growth and development. Porter (1980) argued that strategic management provides central purpose and direction, enables management to adopt to changing environment, credits competitive advantages and allows allocation of resources to key success factors. Hax and Majluf (1996) further argue that strategic management ensures that opportunities are grasped, risks are acceptable, failure can be contained and success can be built upon and sustained.

All sectors of the Kenyan economy depend on the construction industry for the provision of various infrastructure facilities such as roads, buildings, bridges and airports which facilitate the carrying out of various economic activities. The construction industry in spite of being of key importance to this country has several challenges. The industry is characterized by firms that register a high failure rate, high construction costs, delays and construction overruns. The construction industry in the last five years has been characterized by loss of life as buildings under construction collapse when proper construction procedures are not followed and unscrupulous investors hurry the construction process. The industry is also characterized by fragmentation and lacks in scale, skills and organization capacity. In spite of all the above challenges, it is an extremely important industry to a developing economy like Kenya's it is the back bone of its development and growth. The proper management of firms in this industry is therefore likely to increase the productivity and safety in this industry. This industry's future prosperity will depend on its capacity to evolve on business, technological, professional and environmental factors.

There have been several researches on strategic management practices in other industries. Kiruthi (2001) researched on the state of strategic management practices in not for profit organizations with special reference to membership clubs in Nairobi. Bukusi (2003) investigated on strategic management practices in reproductive health NGO's operating in Kenya. Mugambi (2003) looked at strategic management practices in shipping companies in Kenya. Shumpusho (1983) and Shimba (1993) have provided valuable insights on strategic management practices in private sector. Whereas a number of studies have been done in the context of strategic management and within other industries none has been done on strategic management within the construction industry and this is the gap this study aims to fill. What are the strategic management practices adopted by construction firms in Nairobi?

1.3 Research Objectives

The objective of this study is to establish the strategic management practices in construction firms in Kenya.

1.4 Value of The study

This study will be important in several aspects. First entrepreneurs intending to start a construction firm will find the study an invaluable insight in understanding the impact of strategic management in the running of their businesses. Second, current contractors will find the study useful in guiding the strategies to use effectively in running their firms.

The study will help policy makers such as the government in developing policies that will ensure smooth implementation of strategic management within construction firms as it is a key stakeholder in the construction industry. Scholars on the other hand will find the study useful as it will facilitate and increase the general knowledge on strategic management within construction firms and may show areas for further academic research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical analysis of the concept of strategy, strategic management and strategic management practices. It also looks at various local studies on strategic management.

2.2 The Concept of Strategy

Oxford Advanced Learner's dictionary defines strategy as a plan designed for a particular purpose. Strategy is a game plan for an organization on how it will meet its objectives and defines which business it will be. According to Mintzberg et al (1998) there is no single universally accepted definition of strategy. However, there are different perspectives put forward by strategy authors through which the concept of strategy can be understood. Strategy has been defined by Johnson, Scholes and Whittington (2006) as the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. Porter (1996) argues that strategy is about competitive position, differentiating you in the eyes of the customer, adding value through a mix of activities different from the ones used by competitors.

Mintzberg et al (2003) defined strategy from five different perspectives. Strategy as plan, which makes it some sort of continuously intended course of action, a guideline to deal with a situation. Secondly he defined strategy as a ploy a specific maneuver to outwit a competitor. Therefore endorsing that strategic management gives an organization competitive advantage. He also defined strategy as a position, the means of locating an organization in an environment, he adds that by this definition strategy becomes the mediating force or match. Mintzberg et al (2003) also stated that strategy is a pattern that intergrates an organizations major goals, policies and action sequences into a well formulated strategy.

Wheelen and Hunger (2008) state that the strategy of a corporation forms a comprehensive master plan that states how the corporation will achieve its mission and objectives. Strategy they add will maximize competitive advantage and minimize competitive disadvantage. Therefore strategy serves as a map for the organization and the means to stay ahead of its competition. Strickland (1993) stated that an organizations strategy consists of the moves and approaches devised by management to produce successful organization performance, strategy in effect, is managerial game plan for the business. When developing strategies for an organization, for them to be effective, they need to be aligned to the organization in which they are being developed for. Grant (2000) stated that for a strategy to be successful it must be consistent with the firm's goals and values, with its external environment, with its resources and capabilities and with its organization and system. Lack of consistency between the strategy pursued by a firm and its external and internal environment is a common source of failure.

Thompson et al (2007) defines a company's strategy as the management's action plan for running the business and conducting operations. They add that the crafting of a strategy represents a managerial commitment to pursue a particular set of actions in the growing the business, attracting and pleasing customers, competing successfully, conducting operations and improving the company's financial and market performance.

Hax and Majluf (1996) therefore see strategy not concentrating on one aspect but as a multidimensional concept that embraces all the critical activities of the firm, providing it with a sense of unity, direction and purpose as well as facilitating the necessary changes induced by its environment. Strategic management therefore encompasses all sectors of the organization and is aimed at allowing the organization profitably pursues its goals.

Strategy exists at a number of levels in the organization, The three main levels are corporate, business and operational level. Corporate strategy is concerned with the overall purpose and scope of the organization to meet expectations of owners or major stake holders and add value to different parts often individual businesses of the enterprise. Johnson et al (2006) added that the corporate level strategies could include issues of geographical coverage, diversity of products/ services or business units and how resources are to be allocated between the different parts of the organization. Wheelen and Hunger (2008) elaborate that corporate level strategies determine the organization's attitude toward growth and the management of its various businesses and product lines.

The second level of strategy is the business unit strategy that is concerned with how a firm can compete successfully in a particular market: the concerns are therefore about how advantage over competitors can be achieved; what new opportunities can be identified or created in markets. Johnson et al (2006) established that business level strategy is concerned with which products or services should be developed in which markets and how advantage over competitors can be achieved in order to achieve objectives of the organization.

The third level of strategic management is operational level. It deals with how component parts of the organization in terms of resources, processes, people and their skills effectively deliver the corporate and business level strategic direction. It is concerned with developing and nurturing a distinctive competence to provide a company or a business unit with competitive advantage (Wheelen and Hunger 2008).

2.3 Strategic Management

Wheeler and Hunger (2008) define strategic management as that set of managerial decisions and actions that determines the long-run performance of a corporation, therefore strategy determines where an organization will be and what business it will be in, in the future. Strategic management also enables an organization analyze and learn from their internal and external environments, establish strategic direction, create strategies that are intended to move the organization in that direction and implement those strategies, all in an effort to satisfy key stakeholders.

David (1997) defines strategic management as the art and science of formulating, implementing and evaluating cross functional decisions that enable an organization to achieve its objectives. This definition emphasizes the fact that strategic management is an interdepartmental activity and therefore all members of the organization should be involved in the strategic management process other than it being a preserve of a single department. Pearce et al (1991) defined strategic management as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. Therefore, strategic management is a means of assisting an organization in achieving its plans. Certo (1991) states that strategic management is a continuous iterative process aimed at keeping an organization as a whole appropriately matched to its environment. Thus for strategic management to be successful it has to be done not as a one off activity but continuously and establish a difference in the way it provides its services and goods to gain competitive advantage

Yabs (2010) states that strategic management is used to refer, not only to the general plans within an organization, but also to the process of incorporating environmental factors in decision making. Therefore strategic management has to consider the environment in which the organization is in. He added that in order to do this a firm or organization has to have a comprehensive plan of action, which enables it to take into consideration all the factors both external and internal in order to improve the chances of success. Strategic management also takes into account dealing with unforeseen circumstances that an organization can encounter not only during ordinary times but during extra ordinary times, indeed Johnson et al (2006) stated that strategic management is concerned with the complexity arising out of ambiguous and non routine situations with organization wide rather than operation specific implications. Ndonga (2010) stated that strategic management has become a major determinant of a firm's survival. All organizations therefore whether profit or non-profit making are environment serving and are expected to respond to changes in the environment.

Applying strategic management practices to the day to day running of an organization has many benefits, Wheelen et al (2008) state that organizations that engage in strategic management practices generally outperform those that do not. This is because they are more focused on the achievement of their goals and it enhances the ability of the firm to prevent problems.

Strategic management also gives organizations a clear sense of strategic vision for the firm, sharper focus on what is strategically important and improved understanding of a rapidly changing environment. Thus all the members of staff in the organization know where to concentrate their efforts in the achievement of the firms goals and objectives.

Another advantage of applying strategic management practices is that it enables a company to achieve competitive advantage that is durable. Gardner et al (1994) in their study explain that strategic management, makes explicit the goals of an enterprise, the environment in which it operates, the strategies and finally the feedback loops that tell the firm whether each of these steps has been identified correctly. Thus an organization when applying strategic management practices is always aware of how far it has reached in an attempt to reach its goals and where improvement can be done.

Strategic management practices especially when all members of an organization are involved in the formulation process serves to motivate staff, this is because it improves their understanding of their productivity reward relationship and thus serves as a motivator. Pearce and Robinson (2008). Involvements of all cadres of staff in the strategic management process also gives them a sense of ownership of the process and are more likely to support any changes even when they are difficult.

2.4 The Strategic Management Process

Pearce, Robinson and Mital (2008) defined the strategic management process of consisting of nine critical tasks. Firstly it involves formulating the company's mission, including broad statement about its purpose, philosophy and goals this will emphasize what business the organization is in and how it intends to achieve its objectives. The second step is conducting an analysis that reflects the company's internal conditions and capabilities, this will enable an organization know what are its strengths and weaknesses. Thirdly they state that the assessment of the company's external environment, including both the competitive and the general contextual factors. The fourth step is the analysis of the company's options by matching its resources with external environment. The next step is to identify the most desirable options by evaluating each option in the light of the company's mission after which a set of long term objectives and grand strategies are selected which will achieve the most desirable options.

The seventh step involves developing annual objectives and short term strategies that are compatible with the selected set of long term objectives and grand strategies. The following step is to implement the strategic choices by means of budgeted resource allocation in which the matching of tasks, people, structures, technologies and reward system is emphasized. The last step is the evaluation of the success of the strategic process as a guide for future for future decision making.

2.5 Strategic Management Practices

Yabs (2010) defines strategic management practices as management practices used in formulating a company's long term as well as short term plans to attain stated objectives. He adds that it refers to the entire process of formulating, implementing and evaluating the chosen strategies.

2.5.1 Strategy Formulation

Strategy formulation is the development of long range plans for the effective management of environmental opportunities and threats in light of corporate strengths and weaknesses. Thompson and Strickland (1989) state that strategy formulation refers to the entire management function of establishing organization direction, setting objectives and devising a managerial game plan for the organization to pursue. It includes defining corporate mission, specifying achievable objectives, developing strategies and setting policy.

A key feature of strategic management formulation is identifying the organization strength, weakness, Opportunities and Threats also known as SWOT analysis. Johnson et al (2006) describe it as a summary of key issues from the business environment and strategic capability of an organization that are most likely to impact on strategic development. The central purpose of the SWOT analysis is to identify strategies that align, fit or match a company's resources and capabilities to the demands of the environment which it operates.

Mission is another important constituent in the strategic formulation process, it is a general expression of the overall purpose of the organization, which, ideally is in line with the values and expectations of major stakeholders and concerned with the scope and boundaries of the organization. (Johnson et al 2006) A company's mission can also be defined as a broadly framed but enduring statement of a firms intent. Pearce et al (2008) further elaborates that it embodies the business philosophy of the firms strategic decision makers, implies the image the firm seeks to project, reflects the firms self concept, and indicates the firms principal product or service areas and the primary customer needs the firm will attempt to satisfy. A well conceived mission statement defines the fundamental unique purpose that sets the company apart from other firms of its type and identifies the scope of the company's operations in terms of products or services offered and markets served (Wheelen and Hunger, 2008).

When applying strategic management practices a firm need to have a dream of where they intend to be in the future. This has been defined as a vision. Vision or strategic intent is the desired future state of the organization. It is an aspiration around which a strategist, perhaps a chief executive might seek to focus the attention and energies of the members of the organization. Thompson, Strickland and Gamble (2007) clarify that strategic vision delineates management's aspirations for the business, providing a par anomic view of where the organization is going and a convincing rationale of why this makes good business sense.

When formulating strategies it also important for an organization to define its values. Thompson, Strickland and Gamble (2007) define values as beliefs, traits and behavioral norms that company personnel are expected to display in conducting the company's business. Values relate to such things as treatment of employees and customers, integrity, ethics, innovativeness, emphasis on quality or service, social responsibility and community citizenship. Values determines employees work ethic and how they will translate

Strategic formulation process also involves understanding the strategic position of the organization in terms of its external environment, internal resources and competences and the expectations and influences of stakeholders this is referred to as strategic analysis. (Johnson et al (2006) when formulating strategies it is also important to know the leverage of the resources and competences of an organization to provide competitive advantage and yield new opportunities so as to understand which projects it can pursue successfully and which it cannot based on its strengths and weaknesses.

2.5.2 Strategy Implementation

Strategy implementation is referred to as the action stage of strategic management. Wheelen and Hunger (2008) define strategic implementation as a process by which strategies and policies are put into action through development programs, budgets and procedures. Strategic implementation is also concerned with the translation of strategy into organizational action through organization structure and design, resource and planning (Johnson and Scholes 2006). Strategy implementation requires a firm to establish annual objectives, devise policies, motivating employees and allocate resources so that formulated strategies can be executed.

The strategy implementation stage is often considered to be most difficult stage of strategic management. It requires personal discipline, commitment and sacrifice. When implementing strategies there needs to be development of a strategy supportive culture, creation of an effective organizational structure, redirecting of market efforts and motivating individuals into action (Yabs 2010)

2.5.3 Strategy Evaluation and control

Evaluation and control is the process in which corporate activities and performance can be compared with desired performance Wheelen and Hunger (2008). Managers need to know when particular strategies being put in place are not effective and thus managers at all levels use the clear, prompt, unbiased information from the people below the corporation's hierarchy to take corrective action and resolve problems.

Strategy evaluation and control is vital for an organization's well being as it can alert management to actual and potential problems in an accurate manner. It can also be useful in pinpointing weaknesses in previously implemented strategic plans and this stimulates the control of performance.

2.6 Challenges in Implementing Strategic Management.

Strategic management clearly gives an organization a sense of direction and how it can harness its resources to achieve its objectives. Strategic management however comes with a number of challenges. Johnson, Scholes and Whittington (2006) state that strategy requires managers to develop strategies that are appropriate to the specific circumstances of the organization, therefore when management uses generic strategies without considering the unique situation the organization is in, it may fail. Thompson , Strickland & Gamble (2008) state that a good winning strategy has to be well matched to industry and competitive conditions, a company's best market opportunities and other aspects of the enterprise's external environment. At the same time it has to be tailored to the company's resource strengths and weaknesses, competencies and competitive capabilities.

Strategic management practices also require some clarity on which issues are important than others and an ability to reconcile the conflicting pressures from the business environment, an organization's strategic capability and the expectations of the stakeholders. This requires proper analysis on which aspects an organization will pursue and which it will not.

The other challenge of strategic management is strategic drift which has been defined by Johnson, schools and Whittington (2006) where strategies progressively fail to address the strategic position of the organization and performance deteriorates.

Strategic management process may sometimes be time consuming and a lot of time could be spent on this one aspect of management at the expense of all other organizational activities. Pearce, Robinson and Mita (2008) emphasized that time spent on strategic management may have an impact on operational responsibilities.

2.7 Local Studies On Strategic Management Practices

There have been several studies on strategic management practices locally in several industries, Aosa (1992) found foreign companies were more involved in strategic planning than local ones and indigenous Kenya companies more involved in formal strategic planning than Indian Kenya companies.

Badebo (2006) in his study found that the NGO's studied by and large were found to be acquainted with the overall practice of strategic management as majority of them develop missions, objectives, strategies, plans and appear determined to operationalise them. Njenga(2006) in his study on the health sector also where his study was on strategic management practices at the Mater hospital established that there is formulation of vision and mission statements, environmental scanning. Kariuki (2008) also in the health sector in his study of strategic management practices adopted by Karen Hospital Nairobi found that top management does recognize the environment is turbulent thus the need to practice strategic management to counter environmental conditions. He also elaborated that the Karen Hospital has documented vision, mission and core values.

In the Transport sector, Mugambi (2003) looked at strategic management practices of shipping companies in Kenya and found out that the shipping companies in Kenya practice formal strategic management in various forms, which include annual, developmental and complete strategic management. The study established that strategies in shipping companies are mainly developed through the deliberate managerial intent as well as imposed by agencies or forces external to the organization.

Chiuri (2008) in her study of strategic management practices in Technical Training Institutions in Kenya, established that almost all the managerial tasks that characterize strategic management were present in all technical training institutions that were studied. She also found out that all the institutions have written down vision and mission statements, documented objectives and strategies, action plans and strategic plans, and strategy evaluation and control mechanisms.

The above studies has established empirical evidence that the practice of strategic management has been widely embraced by organizations in all sectors both for profit and non profit because of the need to reap the benefits promised by strategic management. These studies also underscore the fact that the environment in which organizations operate is dynamic and the only way to survive in such an environment is to create a beneficial link between the organization and the environment is through strategic management.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section covered the methodology used in carrying out the study. It was subdivided into research design, target population, sample size and sampling procedures, research instruments, data collection and data analysis techniques.

3.2 Research Design

The research design for this study is a cross-sectional survey. A cross sectional survey seeks to obtain information that describes phenomena by asking people about their perceptions, attitudes, behaviours and values (Mugenda and Mugenda, 1999). Data is collected on what is actually happening in the field of interest by asking people who have had experience in it to reconstruct their experiences (Chava and David 1996).

In a cross sectional survey, the researcher is usually concerned with conditions or relationships that exist opinions that are held, processes that are going on, effects that are evident or trends that are developing.(Kothari,2004). Cross sectional survey is important in this kind of study because it allows for a collection of various data from a sizeable population in a highly economical way.

3.3 Population.

The population for this study was all the registered construction firms in Nairobi. The main body entrusted with registration of contractors in the country is the Ministry of Public Works. The total number of Contractors registered with the Ministry as of July 2011 is 5,471. It is a mandatory requirement to be registered with the ministry to qualify to tender for government projects. The target population for this study is 2,559 building contractors whose offices are registered in Nairobi.

3.4 Sampling design

Random sampling method was used to select the companies to participate in the study from the 2,559 registered firms in Nairobi. The contractors were randomly allocated numbers from 1 to 2,559. Microsoft Excel was then used to generate 70 random numbers representing the sample.

3.5 Data Collection

The primary data was collected by use of questionnaire. There will only be one respondent in each company who is either the managing director or the technical manager. The questionnaire was administered through mail, electronic mail because the questionnaire is word processed and can be sent through electronic mail and through drop and pick method where applicable.

The data collected is mostly qualitative data. These data was mostly collected using semi- structured questionnaire organized in three parts. Part A focused on the company profile and Part B focused on strategic management within the firms.

3.6 Data Analysis

The researcher used descriptive statistics to analyze the data collected. Saunders et al (2007) stated that virtually any business and management research undertaken involves some numerical data to help in answering research question. Such quantitative data analysis range from simple counts, to more complex statistical modeling.

The data analysis involved the use of frequency tables which was used to show the number of responses and the percentage with each of the statements of strategic management practices within the firms and also to address the objective of the study. Data was then presented in form of graphs, percentages and mean scores.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

In this chapter, the results of the study are presented and discussed. Data was collected from construction firms in Nairobi. Of the 70 questionnaires distributed 51 were completed and received, representing a response rate of 72.86%.

The data was analyzed using descriptive statistics tools. The analysis and study findings were then summarized into mean scores, standard deviations, percentages and frequencies. These were subsequently presented in tables, graphs and charts as shown below.

4.2 Organizational Profile

The study sought data on the key features of the organization profile. Seeking this information was considered necessary in laying the basis in obtaining important data on strategic management practices in construction firms. The data that was obtained was the title of the respondent, year of establishment of the firms, the type of construction work carried out and the number of employees in terms of technical managerial and administrative.

4.2.1 Respondents

The study sought responses from various people in the organization. The respondents interviewed 56.9% were directors and 43.1 % were technical managers (Table 4.1)

Table 4.1 Respondents

Title	Frequency	Percent
Director	29	56.9%
Technical Manager	22	43.1%
Total	51	100%

Source: Research Data

4.2.2 Years of Establishment of the Firm

The study sought to establish the number of years the various construction firms had been in existence. The table 4.2 below shows the years of existence of the firms.

Table 4.2 Years of Establishment

Year	Frequency	Percent
Less than 10 years	21	41.2%
10-20 Years	18	35.3%
20 Years and above	12	23.5%
Total	51	100%

Source: Research Data

According to the table above the year of establishment of most firms was less than ten years accounted for by 41.2% closely followed by firms 10-20 years accounted for by 35.3%. A minority of the firms representing 23.5 % were established more than 20 years ago.

Table 4.2.3 Type of Work Undertaken By the Firm

The researcher investigated the type of work the firms undertook. Majority of the firms concentrate on general building works with only a few doing plumbing and drainage, electrical installation and structural steel works. This indicates that general building was the main type of projects the firm undertook. (Table 4.3)

Table 4.3 Work Undertaken by the Firm

Type of Work	**Frequency**	**Percentage**
General Building	29	56.9%
Plumbing and Drainage	12	23.5%
Electrical Installation	4	7.8%
Structural Steel Work	6	11.8%
Total	**51**	**100%**

Source: Research Data

It was also revealed that one out of every four firms that did general building works also undertook other type of construction work.

4.2.4 Type of Organization

The study sought to establish the ownership structure of the construction firms surveyed. The respondents were asked to state the type of organization The majority of the firms are private limited companies representing 80.4%, followed by partnerships that represent 11.8% and 7.8% representing sole proprietorship. (Table 4.4)

Table 4.4 Type of Organization

Type of Organization	Frequency	Percentage
Sole Proprietorship	4	7.8%
Partnership	6	11.8%
Private Limited Co.	41	80.4%
Total	51	100%

Source: Research Data

4.2.5 Number of Permanent Employees

The study sought to establish the number of permanent employees in each firm. The study investigated the staffing levels in the construction firms studied. Table 4. 5 shows the average number of permanent employees in the surveyed firms.

Table 4.5 Number of Permanent Employees

Staffing	Mean	Std. Deviation
No. Of Technical Staff	7	8.9
No. Managerial Staff	3	2.4
No. administrative Staff	4	2.4

Source: Research Data

The table above shows that the average number of technical staff in construction firms studied was 7. The firms also had an average of 3 managerial staff and an average of 4 administrative staff. The findings revealed that most construction firms keep only a skeleton staff and employ a majority of casual staff when the jobs necessitate it.

4.3 Strategic Management Practices Within Construction Firms In Kenya

The objective of this study was to determine the strategic management practices among construction firms in Kenya. To achieve this objective a number of tasks characterizing strategic management were presented to the respondents and were asked to state whether or not such tasks are present in their institutions. The tasks include forming a strategic vision of where the company is headed and the accompanying mission statement, situational analysis to determine whether the organization compares its strengths and weaknesses with environmental opportunities and threats. The firms were also asked to indicate if they wrote down their vision, mission and objectives in form of strategic plans. Finally the firms were asked to indicate if they compare actual performance with desired performance.

4.3.1. Vision Statement

The respondents were asked to indicate if they had a vision statement. 88.24 % of the respondents indicated that they had a vision statement. A majority of the firms had a vision statement (Table 4.6)

Table 4.6 Vision Statement

Response	Frequency	Percent
Yes	45	88.24%
No	6	11.76%
Total	51	100%

Sourcc: Research Data

4.3.2 Mission Statement

The respondents were asked to indicate if they had a mission statement. A majority of the respondents had a mission statement 76.5 % while 23.5% did not have one. (Table 4.7)

Table 4.7 Mission Statement

Response	Frequency	Percent
Yes	39	76.5%
No	12	23.5%
Total	51	100%

The above results were supported by respondents writing down their vision and mission statements.

4.3.3 Responsibility for formulation of Vision and Mission Statement

The respondents were asked to indicate the person responsible for the formulation of the vision and mission statement. 62% indicated that the formulation of vision and mission statement was done by management, 27% indicated all members of staff and management were involved, while 11% indicated it was done by staff. (Table 4.8)

Table 4.8 Responsibility for formulation of vision and mission statement

Response	**Frequency**	**Percent**
Management	28	62.2%
Staff	5	11.1%
All Members	12	26.7%
Total	45	100%

Source: Research Data

4.3.4 Communication of Vision and Mission Statement

The respondents were asked to state how the mission and vision statement was communicated throughout the firm. 40 % of the respondents indicated that organizational vision and mission was communicated in meetings while 26.7% indicated that it was communicated through work discussion , 24.4% indicated that it was communicated through memorandum and newsletter 8.9%.(Table 4.9)

Table 4.9 Communication of Vision and Mission Statement

Response	**Frequency**	**Percentage**
Newsletter	4	8.9%
Memorandum	11	24.4%
Meetings	18	40%
Work Discussion	12	26.7%
Total	45	100%

Source: Research Data

4.3.5 Conducting of Situation Analysis

The respondents were asked to indicate if they carried out a situational analysis in their firms to understand their strategic position. A majority of the respondents 55% indicated that they carried out a situational analysis while 45% did not. (Table 4.10)

Table 4.10 Situation Analysis

Response	Frequency	Percent
Yes	28	55%
No	23	45%
Total	51	100%

Source: Research Data

4.3.6 The Person Conducting Situational Analysis

The study sought to establish the people conducting the situational in the studied construction firms. Majority of the respondents indicated that the management of the firm representing 71.4% carried out the situational analysis. External consultants and a combination of external consultants and internal members of staff carried out 10.7% each respectively. Selected members of staff represented 7.2%. (Table 4.11)

Table 4.11 The Person Conducting Situational Analysis

Response	Frequency	Percentage
Selected Members of the Firm	2	7.2%
Management of The Firm	20	71.4%
External Consultant	3	10.7%
Both External and Internal	3	10.7%
Total	28	100%

Source: Research Data

4.3.7 Setting The Objectives of The Firm

The respondents were asked to indicate if they set objectives. The response is as indicate below. A majority of the respondents 70.6 % indicated that they set objectives while 29.4% indicated that they did not. (Table 4.12)

Table 4.12 Set Objectives of the Firm

Response	Frequency	Percent
Yes	36	70.6%
No	15	29.4%
Total	51	100%

Source: Research data

A study of the sample objectives that were availed revealed that the nature of the objectives were to complete projects within the contract period, maximize customer satisfaction and improve their turnover. The sample answers also indicated the main people involved in setting the firm's objectives were the directors and management staff.

4.3.8 Communication of Objectives

The study sought to establish how the formulated objectives are communicated within the construction firms studied. Majority of the firms, communicate their objectives through meetings. Objectives are also communicated through work discussion represented by 25%. Memorandum and Newsletter are represented by 22.2% and 13.9% respectively. (Table 4.13)

Table 4.13 Communication of Objectives

Response	Frequency	Percentage
Newsletter	5	13.9%
Memorandum	8	22.2%
Meetings	14	38.9%
Work Discussion	9	25%
Total	36	100%

Source: Research data

4.3.9 Strategies to come up with Objectives

The respondents were asked to indicate if they came up with strategies to carry out the objectives. The findings in table 4.14 above indicate that 58.3% come up with strategies on how to achieve the objectives.

Table 4.14 Strategies to come up with objectives.

Response	Frequency	Percent
Yes	21	58.3%
No	15	41.7%
Total	36	100%

Source: Research Data

4.3.10 Development of Strategies from Objectives

The study sought to establish how the firms studied developed the strategies from the objectives they set. 55.5% of the respondents indicated that objectives are developed into strategies through an informal process. 27.8% indicated that those objectives were developed into strategies through both a formal and informal process. While 16.7% indicated that it is through a formal strategic planning process. (Table 4.15)

Table 4.15 Development of Strategies from objectives

Response	Frequency	Percentage
Strategic Planning Process	6	16.7%
Informal Process	20	55.5%
Formal & Informal Process	10	27.8%
Total	36	100%

Source: Research Data

A study of the sample responses indicate that the development of strategies is done by directors and management.

4.3.11 Writing down of vision, mission and strategies in form of a Strategic Plan

The respondents were asked to indicate if they wrote down the vision, mission and strategies in form of a strategic plan. A majority of the respondents 61.9% did not write down the vision, mission and strategies down in form of a strategic plan. (Table 4.16)

Table 4.16 Writing down of vision, mission and strategies in form of a strategic plan

Response	Frequency	Percent
Yes	16	38.1%
No	26	61.9%
Total	42	100%

Source: Research Data

4.3.12 Period for Strategic Plan

The study sought to establish the duration for strategic plan that the firms had set for their firms. The study established that a majority of the firm's 43.8% made strategic plans for 3-4 years. (Table 4.17)

Table 4.17 Period for strategic Plan

Response	Frequency	Percent
1-2Years	4	25%
3-4 Years	7	43.8%
4-5 Years	5	31.2%
Total	**16**	**100%**

Source: Research Data

4.3.13 Monitor and Compare Actual Performance with Desired Performance

The respondents were asked to indicate if they monitor and compare actual performance with desired performance. 64.7% compare actual performance with desired performance while 35.3% do not. (Table 4.18)

Table 4.18 Monitor and Compare actual Performance with desired Performance

Response	Frequency	Percent
Yes	33	64.7%
No	18	35.3%
Total	**51**	**100%**

Source: Research data

4.3.14 Participation in the evaluation and Monitoring Exercise

The study sought to establish the people participating in the evaluation and monitoring exercise. 80% of the respondents indicated that management of the firm participates in the evaluation and monitoring exercise, while 20% indicated selected members of the firm are involved. (Table 4.19)

Table 4.19 Participation in the Evaluation and Monitoring Exercise

Response	Frequency	Percentage
Selected Members of the Firm	6	20%
Management of The Firm	24	80%
Total	30	100%

Source: Research Data

4.4 Discussion

The study established that a majority of the construction firms studied have vision and mission statements, objectives and strategies to achieve their objectives. This confirms Bryson's (1995) assertion that the environment that organizations operate has necessitated strategic thinking in order to cope with changing circumstances in the operating environment.

Ansoff and McDonell (1990) state that strategic management enables a firm manage its relationship with the environment in which it operates. The study findings revealed that a majority of the firms carry out a situational analysis to match the company's resources and capabilities to the demands of the environment which it operates.

According to Wheelen and Hunger(2008) during the strategic implementation process, strategies and policies are put into action through development programs, budgets and procedures. This study concurs as it established that the majority of the firms set objectives which were communicated to the members of the firm. Strategies were then developed from the objectives. A majority of the firms however did not write down the vision, mission and strategies in form of strategic plans.

A majority of the firms monitor and compare actual performance with desired performance. Wheelen and Hunger (2008) asserted that evaluation and control is the process by which corporate activities can be compared with desired performance.

The study established that the formulation of strategies was mainly done by management by majority of the firms. Only a few firms indicated that all members of staff were involved in strategic management processes. Pearce et al (2008) however indicates that involvement of all cadres of staff in the management process also gives the staff a sense of ownership of the process.

The findings revealed that the construction firms had most of the tasks that characterize strategic management. This confirms Chiuri (2008) findings that most organizations have found it necessary to engage in strategic management in order to achieve their goals. Kariuki (2008) asserted that in the health sector top management recognized the environment as turbulent and thus the need to adopt strategic management practices as a means of countering the challenges.

The study established that strategies in construction firms were mainly developed through deliberate managerial intent. Mugambi (2003) found that strategies were a preserve of management however, in the shipping industry, strategies were also imposed by agencies or forces external to the organization.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of research findings, conclusions of the study, recommendations for policy and practice as well as suggestions for future research.

5.2 Summary of the Findings

The purpose of this study was to establish the strategic management practices in Construction firms in Kenya. Strategic management practices involve having to deal with the formulation, implementation and evaluation of the chosen strategies.

The researcher first got background data on the organization. The data was obtained from the directors representing 56.9% of the respondents and technical managers who were 43.1% of the respondents. The study further revealed that a majority of the firms in the construction industry are less than ten years old representing 41.2% of the respondents. The study also established that a majority of the firms were private limited companies at 80.4%, followed by partnerships at 11.8% and sole proprietorships at 7.8%. The firms studied mainly carried out general building works with some carrying out.

The study established that most of the management tasks that characterize strategic management were present in the construction firms studied. 88.2% of the firms' studied had a vision statement, while 76.5% of the firms had a mission statement. The formulation of the vision and mission statement was left as a preserve of the management. The formulated vision and mission statement in the firms studied were mainly communicated through organizational meetings.

The respondents indicated only 55% of them carry out a situation analysis to establish their strengths, weaknesses, opportunities and threats. The respondents that carried out situational analysis 71.4 % of them indicated that management was in charge of this task.

A majority of the construction firms studied set out objectives of the firms. Only 70.6% of the respondents had written down objectives. The objectives mostly centered on how to improve their service delivery and increase their turnover. The main people involved in setting the objectives were the directors and management staff. 58.3% of the firms came up with strategies on how to achieve their objectives. The method of communication of the objectives was organization meetings.

In terms of strategy implementation, the study revealed that a majority of the firms did not have written down strategic plans. Only 38.1% of the firms had written down strategic plans. Majority of the strategic plans were for a period of 3-4 years. 50 % of the firms had action plans to implement the strategies articulated in the strategic plan.

The study also established that a majority of the firms studied compare actual performance with desired performance to form the basis for instituting corrective action to form the basis of instituting any corrective action. In undertaking this exercise different people are involved including management of the firm and selected members of staff. It is however mainly carried out by management.

5.3 Conclusion

Construction firms are operating in a turbulent environment where they face competition from both local and foreign firms. Strategic management practices are important to construction firms to enable them counter the challenges in their external operating environment.

The study established that a majority of the firms carry out strategic formulation processes by the establishment of a vision and mission statement; the firms also carry out a situation analysis to establish their strengths and weaknesses that they hold within their firms, and the opportunities and threats they face in the external environment. Majority of the construction firms however, do not have strategic plans on how to meet these objectives. This hinders the proper implementation of the set out objectives. The firms may not be able to put in place strategies to counter the challenges they face on a day to day basis.

The study also established that the firms evaluate and monitor actual strategies with implemented strategies. The management is however the main ones involved in the evaluating and monitoring process.

5.4 Recommendations

Construction firms need to appoint qualified management staff who will be in charge of the strategic management practices of the firm. The recruited managers should find ways and means of involving all members of the firm in the implementation of strategic management in the firms, so that they own the process as opposed to being a preserve of management and directors only. In addition, the managers should introduce the firms to the proper application of strategic management practices so as to strengthen the local construction firms and enable them to counter the environmental challenges.

The government should take a more hands on approach in the construction industry and ensure they put in place legislation that hinders any foreign contractors from carrying out large infrastructure developments within the country without having at least twenty five percent of technical and administrative staff who are locals. This will ensure the necessary administrative and strategic skills are passed on to the locals to enable them to survive turbulent and competitive business environment.

5.5 Limitations of the Study

The findings of this study could only be limited to construction firms located in Nairobi. The strategic management practices adopted by other firms within the country may show different results and thus the study may not confidently reflect the happenings in the country in general.

Data collection was a challenge as some of the randomly selected firms did not co-operate in providing data. The other challenge was that some of the respondents were not familiar with some of the strategic management practices.

5.6. Suggestions for Further Research

This research studied the strategic management practices within construction firms; however it did not identify the factors that influence the adoption of strategic management practices by construction firms. Further research should be done to establish factors that influence the strategies that construction firms adopt.

The open business environment exposes the local firms to competition from better managed and well endowed firms. Further research could be carried out on strategic management practices and the impact on performance of construction firms to ensure they withstand the challenges of a turbulent economic environment.

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APPENDICES

Appendix A: Survey Instrument

Par A Company Profile

1 Name Of The Company ______________________________

2. Name Of The respondent Title ______________________________

3. Position Held By the Respondent in Organization ____________________

4. When was the company established/ registered In Kenya ________________

5.What type of Work is undertaken by the company

- General Building ( )
- Plumbing and Drainage ( )
- Electrical Installation ( )
- Structural Steel Work ( )
- Other, State ______________________________

6. Type of Organisation

- Sole Proprietorship ( )
- Partnership ( )
- Public Limited Liability Company ( )
- Private Limited Liability Company ( )

7. Number of Directors ______________________________

8. Number of Permanent Employees

(a) Technical

(b) Managerial

(c) Administrative

Part B Strategic Management Practices

9. Please Indicate whether your institution has a vision/mission statement

Vision Statement

Yes ☐ No ☐

Mission Statement

Yes ☐ No ☐

10. If Yes to question 9 above what is your

Vision Statement

____

Your Mission Statement

____

11. How are the vision and mission statement established in your firm

____

____

____

12. Please indicate how the mission statement is communicated throughout the firm

Newsletter ☐ Memorandum ☐ Meetings ☐

Work Discussion ☐ Other (specify)

13. Do you carry out a situatuional analysis to understand the strategic position of your firm?

Yes ☐ No ☐

14. If Yes in (13) above who conducts such analysis?

(i) selected members of the firm ( )

(ii) Management of the firm ( )

(iii) External Consultant ( )

(iv) A group composed of both external and internal members ( )

15. Do you set the objectives of your firm?

Yes ☐ No ☐

16. If yes in 15 above, what are they?

(i)

(ii)

(iii)

(iv)

(v)

17. Who participated in setting these objectives?

(i)

(ii)

(iii)

(iv)

18. How are the objectives communicated throughout the institution

Newsletter ☐ Memorandum ☐ Meetings ☐

Work Discussion ☐ Other (specify)

19. Does your company/ firm come up with strategies on how to achieve these objectives?

Yes ☐ No ☐

20. If yes in 19 above how are they developed?

(i) Through a formal strategic planning process ( )

(ii) Through an informal process ( )

(iii) Through both a formal and informal process ( )

21. Who participates in the development of strategies in (19) above?

(i)

(ii)

(iii)

(iv)

23.If Yes in 22 above, what is the period for which the strategic plan is developed?

1-2 Yrs ☐ 3-4 Yrs ☐ 4-5 Yrs ☐

24.If Yes in 22 above, does your firm develop action plans to implement the strategies articulated in the strategic plan?

Yes ☐ No ☐

25. How do you ensure the strategies are effectively implemented?

____

____

____

____

26. Does your firm monitor and compare actual performance with desired performance?

Yes ☐ No ☐

27. If yes in 26 above how are they evaluated and monitored?

____

____

____

____

28. Who participates in the evaluation and monitoring exercise in 26 above?

(i) Selected members of the firm ( )

(ii) Management of the firm ( )

(iii) External Consultant ( )

(iv) A group composed of both external and internal members ( )

Appendix B: LETTER OF INTRODUCTION

University Of Nairobi

School Of Business

P.O. Box 30197,

Nairobi

Dear Respondents

RE: COLLECTION OF RESEARCH DATA

I am a postgraduate student at University of Nairobi School Of Business, in order to fulfill the MBA requirement I am undertaking a research on strategic management practices in construction firms in Kenya.

The research is purely for academic purposes the information given shall be strictly confidential. This study will come up with suggestions which could be useful to your organization; a copy of the final study may be available to you on request once the study is complete.

Thanks,

Yours Faithfully,	University Supervisor
Valerie.O.Odunga	Professor E. Aosa