

**THE INFLUENCE OF STRATEGIC PLANNING PRACTICES ON PERFORMANCE  
OF ENGINEERING CONSULTANCY FIRMS IN KENYA**

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**DECLARATION**

This research project is my original work and has not been submitted for examination to any other University.

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## **DEDICATION**

This work is dedicated to the Almighty God for guidance and enabling me to complete this task. I dedicate this project to my colleague Mr. Anthony Mugo and friends for their unwavering support, encouragement and their unconditional guidance. I also dedicate this work to my lovely husband Charles Kamau. Thank you.

## TABLE OF CONTENTS

<b>CHAPTER ONE:</b> .....	1
<b>INTRODUCTION</b> .....	1
1.1 Background to the Study.....	1
1.1.1 The Concept of Strategic Planning.....	2
1.1.2 Strategic Planning Practices.....	3
1.1.3 Organizational Performance.....	4
1.1.4 Engineering Consultancy firms in Kenya.....	4
1.2 Research Problem.....	6
1.3 Research Objective.....	7
1.4 Value of the Study.....	7
<b>CHAPTER TWO</b> .....	9
<b>LITERATURE REVIEW</b> .....	9
2.1 Introduction.....	9
2.2 Theoretical Foundations.....	9
2.2.1 Resource Based View Theory.....	9
2.2.2 Industrial Organization Theory.....	10
2.2.3 Stakeholder Theory.....	11
2.3 Strategic Planning Practices and Performance.....	11
<b>CHAPTER THREE</b> .....	15
<b>RESEARCH METHODOLOGY</b> .....	15
3.1 Introduction.....	15
3.2 Research Design.....	15
3.3 Population of the Study.....	15
3.4 Sampling Procedure.....	16
3.5 Data Collection.....	17

3.6 Data Analysis .....	17
<b>CHAPTER FOUR.....</b>	<b>18</b>
<b>DATA ANALYSIS FINDINGS AND DISCUSSION .....</b>	<b>18</b>
4.1 Introduction .....	18
4.2: Response Rate .....	18
4.3Profile of the respondents.....	19
4.3.1: Level of education .....	19
4.3.2 Registered Consulting Engineer .....	19
4.3.3: Experience in the industry .....	20
4.3.4: Registration status of the firm .....	21
4.4: Descriptive Results.....	21
4.4.1: Influence of strategic planning practices .....	22
4.5Influence of strategic planning practices and performance.....	23
<b>CHAPTER FIVE: .....</b>	<b>27</b>
<b>SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>27</b>
5.1 Introduction .....	27
5.2 Summary of the findings .....	27
5.3 Limitations of the study.....	28
5.4: Conclusion.....	28
5.5: Recommendations.....	28
<b>REFERENCE.....</b>	<b>28</b>
<b>APPENDIX 1: QUESTIONNAIRE .....</b>	<b>30</b>
<b>APPENDIX11: INTRODUCTION LETTER .....</b>	<b>35</b>
<b>APPENDIX 111: LIST OF REGISTERED ENGINEERING FIRM.....</b>	<b>36</b>

## LIST OF TABLES

Table 3.1: Sample Size.....	19
Table 4.1: Correlation Analysis .....	24
Table 4.2: Model Summary .....	25
Table 4.3: Analysis of Variance (ANOVA) .....	25
Table 4.4: Regression Coefficients .....	26

## LIST OF FIGURES

Figure 4.1: Response Rate .....	18
Figure 4.2 Level of education .....	19
Figure 4.3: Are you a registered consultant engineers.....	20
Figure 4.4: Period in the industry .....	20
Figure 4.5 Registration of firms.....	21



## **ABSTRACT**

The project research finds out the impact of strategic planning practices on performance of engineering consultancy firms in Kenya. This study is aimed to assess the influence of strategic planning practices on the performance of engineering consultancy organizations in Kenya. The study will be important to engineering consultancy firms, students and the government as it will offer valuable theoretical and practical insights. The research will demystify the general understanding on the influence of strategic planning practices and their effect on organizational performance. The engineering consultancy industry in Kenya is faced with certain issues and challenges that are negatively impacting on Kenya's competitiveness and sustainability. The firms have encountered difficult times particularly over a prolonged period of lackluster performance in the 1990s. A post-election unrest in 2008 and the 2009 Global Economic crisis caused challenges to international engineering consultancy business. Then in the recent past is the threat of terrorism in which Kenya has lost jobs in areas which have been attacked by Al-shabab group. The study found that strategic planning practices had positive significant impact on Kenya's engineering consultancy firms' financial performance. Overall strategic planning practices accounted for 25.6% of the variations in financial performance of the firms. The research establishes that strategic planning practices moderately influence the financial performance of engineering consultancy firms. The study recommends that firms in the engineering consultancy in Kenya should employ strategic planning practices as these are likely to impact on their financial performance.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background to the Study

There is a direct correlation between strategic planning and financial performance of an organization. Strategy focused enterprises are more likely to post better results than similar enterprises whose management do not embrace strategic planning; who view planning as secondary in an organization. Simerson (2011) posits that planning is as critical to organizations as it is to individuals, in that it provides a clear and distinctive direction to an organization. Without clear strategy, the purpose of an organization may become blurred to its employees, misunderstood by stakeholders; resources might be misapplied and in totality, the organization will perform sub optimally. In the current market trends, organizations need clear strategy to enable them to enter new markets successfully, as well as maintain the existing market share by quickly adapting to new technology.

Organizational performance encompasses the actual output or results of an organization as compared against its intended outputs. According to Richard (2009), aspects like profitability, service delivery improvement, client satisfaction, growth in market share and enhanced productivity and sales influence organizational performance. Performance can also be used in other areas such as operations to gauge efficiency and effectiveness, and in marketing to gauge customer satisfaction.

The engineering sector has been identified as one of the most important sectors that has a positive correlation to the country's economic development. Due to the critical role the sector plays, reputation of a firm offering engineering consultancy services is key. The vision of businesses in the sector has to be to provide timely and high quality services to customers in order to build a good reputation. The sector is highly competitive especially with proliferation of foreign firms and the government's policy to look east. Hence, firms must position themselves to get business in the long term by embracing strategic planning.

The research is based on three theories; Resource Based View Theory (RBV), Industrial Organization Theory and the Stakeholder Theory. Whereas the RBV theory considers the organization's internal factors as the determinants of its competitive

advantage, the Industrial Organization Theory considers the positioning of external markets as the significant factors for attaining competitive advantage. On the other hand, the stakeholder theory considers the approach of an organization to its stakeholders such as suppliers, employees and business partners as the determinant of its success. The order that organizations place on these approaches has a drastic effect on the overall effect of strategic planning.

Currently, the concepts of loyalty to the organization, traditional competitors, and employee development are changing at a pace not previously encountered in post-industrial times. In order to align with these changing concepts, engineering consultancy firms are putting a lot of emphasize on strategic planning. Firms in engineering consultancy acknowledge the importance of identifying and pursuing new opportunities emerging all over the global business environment. This study seeks to interrogate the existing knowledge and its application to the engineering consultancy firms in Kenya. This study will examine whether there is any correlation between strategic planning and the performance with respect to Kenyan firms. In doing so, the study will build a valuable source of knowledge.

### **1.1.1 The Concept of Strategic Planning**

The essential concept that an organization's future can be influenced by actions taken in the present forms the basis of Strategic planning. According to report by Airport Cooperative Research Program (2009), strategic planning is generally the process that an organization undertakes to define its future and formulate a roadmap to guide it from the current status to its future vision. As a process, it comprises setting organization's goals, developing policies and strategies to achieve the goals and establishing a detailed implementation plan in order to ensure the ends are met (Steiner, 2010). It encompasses the execution of the actions and putting in place measures that allow resources to be aligned and decisions to be assessed based on the long-term objectives (Marksberry, 2012).

Therefore, strategy should be focused on an organization's competitiveness, positioning in the industry and how to use the strengths to a strategic advantage. There are various concepts of strategic planning. For an overall approach and plan strategy, strategic planning is considered the overall planning which effectively facilitates the management of a process. It is also an organization's process of defining its strategy and resolving on resources allocation to pursue the strategy.

In this perspective, there are some significant concepts that are associated and key components to the concept of strategy and strategic planning. These concepts are mission, vision, goals and objectives. The first component is the mission. A strategic plan starts with a clearly defined mission that outlines the central purpose of an organization; give a brief description of why it exists and what it does to achieve its vision. Nelson (2008) defines a mission as a statement that defines the reason for an organization's existence -its core objective. The vision outlines what the organization wants to be. It is a long term view and concentrates on the future.

Goals and objectives form the other key components to the strategic planning concept which help the organization to guide, measure and evaluate its future strategy. The goals are thus the general guidelines that explain what the organization aim to achieve. Goals are usually long-term and represent global ideas. On the other hand, objectives are the implementation steps taken to attain identified goals. Unlike goals, objectives are specific, measurable and have a defined completion date.

### **1.1.2 Strategic Planning Practices**

Strategy and strategic planning history dates back from ancient Greece to the 21<sup>st</sup> century. Unlike mathematics, physics or material science, strategy does not comprise of universal truths that can be documented through scientific theorems and proofs (Steiner, 2010). However, the history of strategic planning shows that scientific and management advancements have been integrally related to the field for centuries. Strategic planning incorporates a combination of quantitative and qualitative fields' ideologies. Management and industrial sciences have formalized the domains of operations, logistics, and finance and complemented the quantitative aspect with the qualitative human dimensions of psychology, sociology and human resource management. The combined quantitative and qualitative elements address diverse organization needs including professional, technical, and strategic demands.

Strategic planning models have been proposed by numerous academic and business writers to enhance development of new strategies. (Steiner, 2010; Nelson, 2008; Marksberry, 2012). These strategic planning models offer specific instructions on how to approach, execute and evaluate the development of strategic concepts. There is a rapid increase in strategic planning methods which is a common attribute of any topic that focuses on procedural processes.

Strategic planning has thus focused attention to strategic concepts development based on response to internal and external business conditions.

An organization realizes the impact of moving to a strategic planning focus through an understanding that strengths should be utilized to close existing gaps and leverage on priorities. In some circumstances, considerable investment is necessary to move the strategic objectives forward. Organizations must thus align the available resources with the priorities that the organization has set. However effective strategic planning boosts the performance of an organization. According to Kiochos (1997), the strategic planning process will involve building a team; setting the objectives; gathering inputs by members; synthesizing the developed ideas; developing an implementation plan; executing the plan and evaluating the success of the ideas prior to the start of the next strategic planning process.

### **1.1.3 Organizational Performance**

Organizational performance comprises the organization's actual output or results as compared against its intended output. According to Richard (2009), organizational performance should be linked to factors such as profitability, improved service delivery, customer satisfaction, market share growth and improved productivity and sales. Performance can also be used in other areas such as operations to gauge efficiency and effectiveness, and in marketing to gauge customer satisfaction.

Properly identified performance indicators can provide or identify resource allocation and control, problem areas, the contribution, benchmarking, personnel performance and the contribution to maintenance and overall engineering consultancy business objectives. According to Parmenter (2011), satisfaction of customers, net profit before tax, return on capital employed and employee satisfaction are the main key performance indicators.

### **1.1.4 Engineering Consultancy firms in Kenya**

In the last decade, there has been an upward surge in demands for engineering consultancy services as well as increased competition. The same period has experienced a sharp rise in the number of engineering consultancy firms as educational institutions continue to churn out engineers. Moreover, there has been a sharp rise in the number of foreign firms entering the Kenyan market. The growth of transnational enterprises in energy exploitation, manufacturing and construction in the newly industrialized economies has facilitated the Internationalization of engineering consultancy services. The government has continued to

allocate more expenditure on large infrastructural projects while the private sector has experienced boom especially in the property sector.

The legal framework regulating consulting engineers is provided by the Engineers Act of 2011. For a person to qualify to be registered as a consulting engineer and practice as such, that person ought to have an experience practicing in a specialized engineering field as a professional engineer for a period determined by the Board and achieved a standard of competence. Section 20 of the Act requires that for the registration of a consulting Engineering firm, one partner or principal shareholder be a registered consulting engineer with a license to practice in that particular field. The Act defines consulting engineering services in broad terms to include "... consultancy and advisory services relating to independent professional engineering works, services or goods and selling or supplying for gain or reward any plan, sketch, drawing, design, specification or other documents relating to any professional engineering work, service or good with a liability to be sued." To add, the Act regulates the number of foreigners practicing as consulting engineers by requiring such persons to hold a work permit and in case of a firm, 51% of shareholding to be owned by individuals.

There are various engineering sectors like Civil Engineering, electrical engineering, mechanical engineering, structural engineering among many others. In Kenya, there is a close association between engineering consultancy and construction to an extent that it becomes difficult to accurately distinguish these two sectors. A new trend is taking shape whereby the work of pure engineering consultancy firms and construction are getting integrated. In essence, consulting engineers ought to be independent from contractors, suppliers and fabricators in order to ensure that their services are independent.

The level to which engineering design is acquired from specialized firms or integrated in public or private firms undertaking construction projects is often a matter of national traditions. In Kenya there is a tradition whereby integrated departments carry out designs such as captive engineering design units in major contractor firms. The system of procuring engineering services in Kenya has put more emphasis on the independence of engineering consultants.

## **1.2 Research Problem**

As seen above, one of the key requirements for registration of a firm as an engineering consulting firm is that all shareholders and directors ought to be engineers with the principal shareholder or partner being a registered consulting engineer. The Engineer's Registration Board, the body charged with regulation of the profession, requires that Engineering Consultancy Firms ought to be managed and run by engineers. As part of their professional study, engineers are not taught in school anything related to management of organizations, strategy, leadership and marketing. Hence, although engineers possess important engineering skills, they lack the soft skills of managing organizations, public relations and marketing. This is aggravated by the fact that consulting engineering firms are prohibited by law from advertising their services. Therefore, this study has been motivated by the fact that since Consulting Engineering Firms are managed by engineers as opposed to trained managers, it is necessary to establish whether they have embraced strategic planning, and if in affirmative, the influence it has on performance of consulting firms.

Previous studies on the performance of the engineering consultancy have focused on the overall factors impacting on the performance of the firms in engineering in Kenya in general. Okemwa (2012) investigated the factors affecting performance of engineering sector in Kenya in which he focused on the engineering board of Kenya and Institute Engineering of Kenya. He found that the leading factors were poor marketing strategies and use of technology. Another study by Mayaka and Prasad (2012) looked at the strategic issues and challenges in the engineering firms in Kenya. The major challenges to the firms were the fluctuating number of project due to the high competition where international engineering firms are flooding Kenya. While these studies have highlighted the challenges facing the engineering firms in Kenya, no study has been done in the engineering consultancy firms in Kenya in relation to the influence of strategic planning practices on the performance. Consequently, there is a need for a study to establish how the strategic planning practices influence the performance of the engineering consultancy firms.

There are various issues and challenges that affect Kenya's competitiveness and sustainability as engineering consultancy. The firms have encountered difficult times particularly over a prolonged period of lackluster performance in the 1990s. A post-election unrest in 2008 and the 2009 Global Economic crisis caused challenges to international engineering consultancy business. Then in the recent past is the threat of terrorism in which Kenya has lost jobs in

areas which have been attacked by *Al-shabab* terror group. This has resulted to projects being stalled like road works in the Mombasa Northern bypass, Isiolo to Nginyang Road and Limo Hospital –Illula –Elgeyo Boarder (Mayaka and Prasad, 2012). This has brought down the engineering consultancy sector in Kenya to its lowest point ever. The protracted poor performance experienced in the last two decades has raised the concern of key stakeholders. The security and financial stability of the engineering consultancy is significant if the firms are to get back to former glory. It is therefore imperative to examine and find out the strategic planning practices that are being employed and how this has impacted on the performance of the sector.

Studies have been done on the importance of strategic planning in Kenya. Weru (2008) conducted a study on the assessment of the information systems management practices in Practical Action (International). Muchiti (2009) and Ongechi (2009) conducted a study on the strategic planning practices and risk management strategies adopted by commercial banks in lending to SMEs. A study by Onzere (2012) was done on the strategic planning practices adopted by Barclays Bank of Kenya to attain optimal performance. However, these studies mainly focused on the financial performance of the firms. Secondly, these studies were mainly surveys (Weru, 2008; Muchiti, 2009 and Ongechi, 2009). While these studies are of importance to the area of current study, none of them was done on the effect of strategic planning practices on performance of firms in the engineering consultancy firms as they were either in the NGO or financial institutions. It is therefore this gap which the current study seeks to fill by providing answer to the question, what influence do strategic planning practices have on the performance of engineering consultancy firms in Kenya?

### **1.3 Research Objective**

The objective of the study is to assess the influence of the strategic planning practices on the performance of consultancy engineering firms in Kenya.

### **1.4 Value of the Study**

As stated above, there is an existing lacuna on the area under study. There is little literature on the topic under study. Hence, this study will build on the available knowledge on the topic by bridging the gaps highlighted above. Theoretically, the study is significant as it will contribute to the general understanding of strategic planning practices and their effect on



organizational performance hence adding to the existing body of knowledge to the benefit academicians. It is hoped that the study will also spur further research on the area.

Secondly, the study will also come in handy for firms in the engineering consultancy sector in Kenya. It will enable management to improve their strategic planning processes where they exist, or to successfully introduce the same where they don't. As a consequence, it is hoped that engineers in management position in the sector will improve firm performance through the strategic planning processes. This will enable the engineering consultancy firms to perform better and to grow their businesses and maintain a competitive advantage and make Kenya the most preferred place for business diversification. The sector will also benefit from superior consultancy services.

The study will enable the Government under the body of Engineering Board of Kenya to formulate policies that will be able to govern the Engineering industry in accordance to the changes the strategic planning it presents. It will help them understand the rules and regulations that they have to implement for the industry to be relevant and contribute to the growth of the economy.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

There is extensive literature on the general topic spanning to several decades. This chapter will provide a review of literature that is relevant to the study from various scholarly authors.

#### **2.2 Theoretical Foundations**

The modern theories of strategic planning are credited to some thinkers of management such as Alfred Chandler, Henry Mintberg, Peter Drucker and Igor Ansof. Various theories have developed based industry, institutional and resource based views. This study will be based on two theories namely, Resource Based View theory and Stakeholders theory.

##### **2.2.1 Resource Based View Theory**

This theory posits that the competitive advantage of a firm is determined by resource uniqueness (Carpela& Gordon, 2011). Hence, the starting point is to review the resources at the disposal of an organization. Wang (2009) defines resources to mean both tangible and intangible assets that an organization uses to choose and implement its strategies. Tangible resources include financial, technological, physical and organizational resources while intangible resources include human, reputations and innovation (Carpela& Gordon, 2011). The theory focuses on the Value (V), rarity (R), imitability (I) and organizational (O) aspects of resources and capabilities leading to the VRIO framework.

According to the framework, value adding processes give a firm competitive edge whereas processes that do not add value negatively impact on the firm's competitiveness as they lead to unnecessary distractions (Carpela& Gordon, 2011). Where resources are not adding value, they should be purposefully abandoned (Swaim, 2011). Rarity is a competitive advantage that arises where the firm is able to provide services or a product in the market that no other or few firms have. If resource is valuable and rare, then it can be a source of competitive advantage.

The inability of competitors to copy or replicate the services or product is referred to as imitability. Importantly, the firm should be able to organize value adding, rare and imitable resources in order to achieve a competitive edge (Porter, 1990). Consequently, the theory is

concerned with the resources the company has and how it can utilize them to get competitive advantage.

The theory makes two assumptions in analyzing competitive advantage (Barney, 1991). The first assumption is that firms within a certain industry are unique with respect to the resources that they control. The second assumption is that resources giving competitive edge are not easily mobile across the industry and cannot be traded. A unique resource is considered an essential condition for bundle of resources to attain competitive advantage. Hence, Cool, Costa and Dierickx (2002) argue that if there was the same stock of resources in all firms in an industry, then there would be no strategy available to one firm that cannot be available to the other firms. This theory has its critics. Foss (1998) argues that it does not provide any unit for analysis. Since the individual resources form a cog of this theory, it can only provide unit for analysis only if individual resources are identifiable and well defined. Secondly, the value ignores the exogenous nature of value as well as the environment (Barney, 2001).

### **2.2.2 Industrial Organization Theory**

This theory builds on the theory of the firm, asset of economic theories that describe, explain and attempt to predict the nature of a firm in terms of its existence, behavior, structure and its relationship to the market. It is about organizational structures, designs, relationship with their outside environment, and the conduct of executives and technocrats within organizations.

This theory views the organizations external market positioning as an important factor for attaining competitive advantage. The traditional industrial organization viewpoint offers strategic management a methodical approach for evaluating external competition within an industry. The structure and functioning of a market is the concept behind the industrial organization theory (Tirole, 1988), rather than the conversion process.

Bain (1959) provided the structure, behavior and performance pattern which is used as a framework for analysis of relations between market structure, market conduct and market performance. The market structure determines its behavior and thus its performance.

The focus of industrial organization theory is the market where a company operates in, rather than the company itself (Ramsey, 2001). The theory is replicated in the structure conduct performance model, which claims that there is "causal link between the structure of a market in which a company operates, the organizations conduct and in turn the organizations

performance in terms of profitability” (Ramsey,2001). The industrial organization theory therefore focuses on the entire industry and market conditions of a company(Ramsey,2001) while the central analytical aspect identifies strategic choices that firms have in their respective industry (Porter, 2008)

### **2.2.3 Stakeholder Theory**

This theory gained relevance in 1970 as a management discipline and gradually developed and adopted by Freeman in 1984 by incorporating corporate accountability to a broad range of stakeholders. Wheeler, Colbert and Freeman (2003) argued that the stakeholder theory is derived from a blend of social and organizational disciplines. The theory is more of a broad research tradition, incorporating philosophy, ethics, political theory, economics, law and organizational science and less of a formal unified theory.

Donaldson and Preston (1995) opined that the focus of this theory is on decision making at management level whereby the interests of every stakeholder is valuable, and no set of interest is superior to another. The theory suggests that organization’s managers have a relationship network to serve the dealers, workers and business partners. It argued that this group of network is important (Wheeler, et. al, 2003). The theory is therefore important as taking care of the stakeholder’s need is a key strategy for the performance of the engineering consultancy.

### **2.3 Strategic Planning Practices and Performance**

Strategic Planning originated from military warfare (Carron, 2010). The word strategy has an origin from Greek word *strategos*. The term was used to refer to military officials elected by citizens in civil positions to take leadership during times of war. The expectations was that the *stratego*i to implement top-level plans to achieve long term goal of winning wars. They were expected to think big, consider all possible options and to focus on the long term goal of winning the war (Smith, 2008).

The concept began to be applied to business in the early 1920s when Harvard Business School came up with a policy model which was then taught to students (Varbanova, 2013). The model established systematic assessments of strengths, weaknesses, opportunities and strengths. However, the concept received extended use way after, during 1960s post the Second World War (Carron, 2010). During this period, it was employed by many big and medium companies and included in curricula of many business schools. It then became a

standard tool for running businesses. The concept was later adopted by the public sector and nonprofit organizations (Varbanova, 2013). Subsequently, various theories have been developed to explain the concept.

According to Carron (2010) planning is defined as to anticipate possible future situations, selecting desirable situations to be achieved (objectives) and determining relevant actions which ought to be taken to attain those objectives at a reasonable cost” (p. 9). There is no agreed definition of strategic planning. Kast & Rosenzweig define planning as the process of deciding in advance what is to be done and how.

In a nutshell, it entails a set of ideas, procedures and tools established to help leaders, executives and public administrators to identify what their organizations should do in order to be sustainable and flourish (Bryson, 2011). According to Lorange (1980), strategic management systems ought to address the four fundamental questions; where are we going? (mission), how do we get there? (strategies), what is our blueprint for action? (resources) and how do we know if we are on course? (control).

Throughout its historical development, various scholars have developed theories and ideas about the concept and what it means. Different approaches about have also emerged (Varbanova, 2013). As stated earlier, the Harvard policy model was among the first methodologies for strategic planning for private companies (Varbanova, 2013). Later on, the organizational and managerial view point on strategic planning emerged in the 1950s and was widespread in the 1960s to mid-1970s during which it became a standard management tool for running businesses. Subsequently, other approaches have emerged like corporate strategic planning processes, Strategic Planning processes (Lorange, 1980), stakeholder management (Freeman, 1984), Competitive analysis (Porter, 1990) and growth and market share matrix.

Planning is the outcome of formal planning process. The top management plays the most important role in the process. However, some strategies emerge from deeper in the organization and without any planning at all (Hill & Jones, 2009). According to Hill & Jones (supra), an organization should select its corporate mission first and set corporate goals. Secondly, the organization should examine its external competitive environment to identify opportunities and threats. Thirdly, the organization should examine its internal operating environment to identify strengths and weaknesses.

Fourthly, the strategies that build on the organization's strengths should be selected and weaknesses corrected in order to take advantage of external opportunities and counter external threats. The strategies ought to be in line with the mission and major goals of the organization. Lastly, the organization should then implement the model. This involves assigning duties and responsibilities among managers and allocating resources to the same.

Quality is principally weighed by the extent to which the organization meets the expectations of stakeholders on certain dimensions that have value for them (Saner & Eijkman, 2005). In most of work where this variable is examined, quality measurement is set on the ISO standards, the objective being to identify the degree by which implementing such quality standard will have on financial performance. The ISO 9001 standard implementation provides the prospect of aligning the top level objectives with the internal processes. This will enable managers to transform the original goals on quality in a seamless improvement process that will impact positively on the financial performance.

Quality practices are generally provided as a universal concept that is applied in all contexts and having a considerable impact on business performance. There is a considerable number of experiential researches which support the belief that quality management and practices improve performance of firms (Hendricks & Singhal, 1997; Lemak & Reed, 1997; Samson & Terziovski, 1999). Ernst Young and the American Quality Foundation conducted a study of quality practice is the International Quality Study (1992) which is one of the most re-known. This study provides evidence that quality management has the greatest impact on performance in firms that already perform well (International Quality Study, 1992). Hendricks & Singhal (1997, 2001) focused their research on quality award winners and found that many different organizational characteristics impact the benefits of quality practice.

Corporate governance is mostly found in studies geared toward the organizational performance, Gompers, Ishi & Metrick (2003) being one of the generally cited studies. The above study developed a corporate governance measuring index based on sampled 1,500 U.S. firms in the 1990s. The study has established the existence of a cordial relationship between the corporate governance quality and firm performance. A research by Brown & Caylor (2009) which is an extension of the research carried out by Gompers et al yielded similar outcome. Drobetz et al (2004) also recognized a positive impact of corporate governance on the performance of firms in Germany. In Japan, Bauer et al. (2008) relied on the database

availed by GMI which also indicated that firms with enhanced governance displayed efficiency by upto 15% per annum compared with companies with weaker governance.

Efficiency of corporate governance is critical to all economic dealings particularly in growing and conversion financial systems (Dharwardkar et al., 2000). There is a belief that Enterprise governance is the core for enterprises overall improved performance. Enterprise governance gives a complete view of the picture to ensure objectives that are ideal are set and good control is obtained.

The organizational diagnostic models is where you are likely to find leadership variable. The influence of this variable on performance of an organization is probably the most clear of the models' variables being the object of many studies. A 1981 study by Weiner & Mahoney (1981) established that managerial practices have a significant impact on two organizational performance components: profitability and share price.

Another key driving force for firm performanceimprovement is leadership. Leaders, being the key decision-makers, take charge and control the acquisition, development and deployment of organization resources, the conversion and utilization of these resources into valuable products and services, and the delivery of value to stakeholders. They are thus potent sources of managerial rents and hence sustained competitive advantage (Rowe, 2001).

Good Leadership enables organizationsto efficiently achieve their current objectives by linking job performance to valued rewards and by giving employees resources required to achieve the target. The level of integration and inter-dependencies that are needed for the new work environment as well as global competition requires leadership that goes beyond the basic transactional styles, which involve contingent reinforcement and management-by-exception, to styles that are more intellectually stimulating, inspirational, and charismatic (Avolio 1999; Bass 1997; Bass &Avolio ,1993).

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter consists of the research methodology used in the study. Research methodology shows and explains the research design used in the study. It explains the methods of collecting data and instrument, type of data collected, and mode of analyzing, interpreting and presenting the data.

#### 3.2 Research Design

The descriptive research design was adopted in the study. According to Cooper and Schindler (2003) a descriptive study is designed to find out the what, where and how of a phenomenon. This survey design is adopted in preliminary and exploratory studies to enable researchers gather information, summarize, present and interpret for clarification purposes.

The choice to use descriptive survey research design was advised by the fact the research was interested on the state of affairs in the field already in existence. This research was thus able to generalize the findings to a large population. The main focus of this study was quantitative although there was some qualitative approach used in order to gain a clear picture and probably enable a better and more insightful interpretation of the results from the quantitative study.

#### 3.3 Population of the Study

Target population is defined as a complete set of cases or elements with some common observable characteristics of a particular nature distinct from other population. Mugenda and Mugenda (2003) notes that a population is a well-defined set of people, services, elements, events, group of things or households that are being investigated. It is the entire group of individuals, objects or things that the researcher is interested in.

In this study, the population is finite and consists of all registered consulting engineering firms in Kenya. This consists of both Limited liability companies as well as partnerships. It was easier to ascertain the entire population from the database maintained by the Engineering Board of Kenya. According to the Board, there are 358 non registered consulting engineers and 73 registered firms in Kenya.



### 3.4 Sampling Procedure

Gray (2009) defines a sample as a part or section of a population to be studied while sampling is the process of selecting a sample from of the population. The objective of sampling is to save on cost, increase the speed of data collection, avoid the physical impossibility of studying all items in the population and achieve greater accuracy of results.

In this study, 40 registered engineering consultancy firms were selected for study which was 54 % of the target population. The sample is thus large and this is due to the various sub-groups of consultancy engineering firms. According to Gay and Airasen (2003) a sample size of between 30% and 50% of the total population is representative.

As noted earlier, firms are required to offer specialist services whether in civil, mechanical, electrical, structural or architectural area. Therefore, the study employed Simple Random Sampling method. Firms were grouped according to their specific area specified above. As earlier stated, the information is readily available from the Engineering Board of Kenya which has classified consulting engineers and firms according to their area of specialization. However, it has been noted that most of the registered consulting firms are headquartered in Nairobi. Hence, the study aimed to obtain a sample that is geographically representative and judgement sampling was adopted in some cases.

The target respondents were those in management positions, due to the nature of the study. At the firm level therefore, the respondents from the registered engineering consultancy firms were selected via purposive sampling. Purposive sampling assumes that with good judgment and right strategy, elements can be handpicked and developed as representative of a population (Hoyle, Harris and Jude, 2002).

**Table 3.1:**

#### **Sample Size**

	<b>Population</b>	<b>Sample</b>	<b>Percentage</b>
Registered engineering consultancy firms in Kenya	73	40	54

### 3.5 Data Collection

Primary and secondary data were used by the researcher. The researcher used secondary data to collect data on the registration details of the firm, past financial performance and holders of management positions. On the other hand, primary data was gathered from individual managers and firms.

Primary data was gathered by interview and questionnaires methods. The questionnaires had both structured closed ended question seeking specific information from the respondents and open-ended questions that sought in-depth information. The question forms were hand delivered to firms within Nairobi and posted by email and registered mail to firms located outside Nairobi.

### 3.6 Data Analysis

The data collected was reviewed and edited to ensure that it was accurate, consistent and complete. Raw data was input on a worksheet in Microsoft Excel and Statistical Package for Social Sciences (SPSS) which are the tools of analysis. Raw data was analyzed quantitatively and statistically. Data analysis was done by using descriptive statistics (Frequency distribution and measures of the central tendency) and the results interpreted, inferences made and presented on pie charts, tables and percentages. In order to establish the relation to performance the study was established for three years (2013-2015).

The study also tested the relationship between strategic planning practices and performance by using Least Squares regression analysis. This study has used the following model:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Y = Performance which will be measured using Net Profit Margin

NPM = net profit / sales.

$\beta_0$  = Constant  $\beta_1$ , = Coefficients

$X_1$  = Strategic planning practices – by identifying how strategic planning has been used in improving performance

$\varepsilon$  = Error term

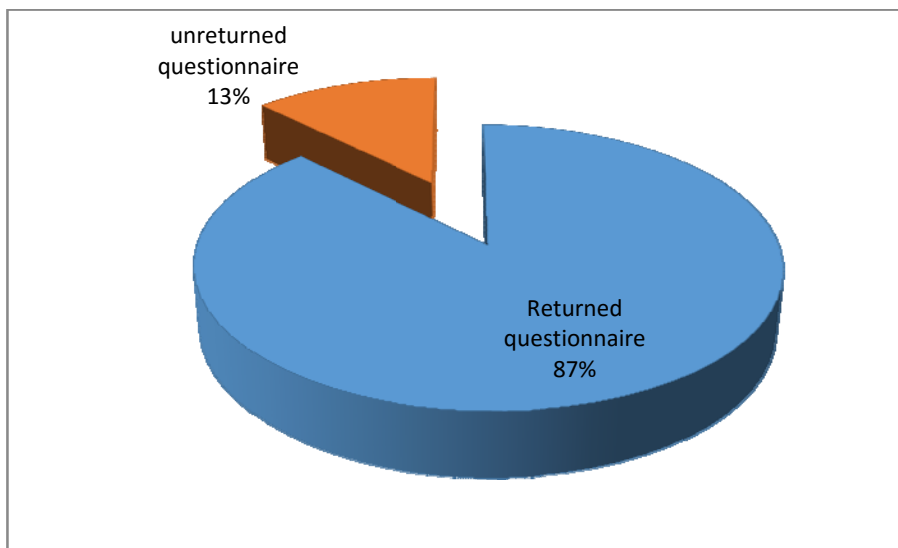
## CHAPTER FOUR

### DATA ANALYSIS, FINDINGS AND DISCUSSION

#### 4.1 Introduction

This chapter presents the interpretation and presentation of the findings obtained from the field. The findings of the study have been discussed using descriptive and inferential statistics.

#### 4.2: Response Rate



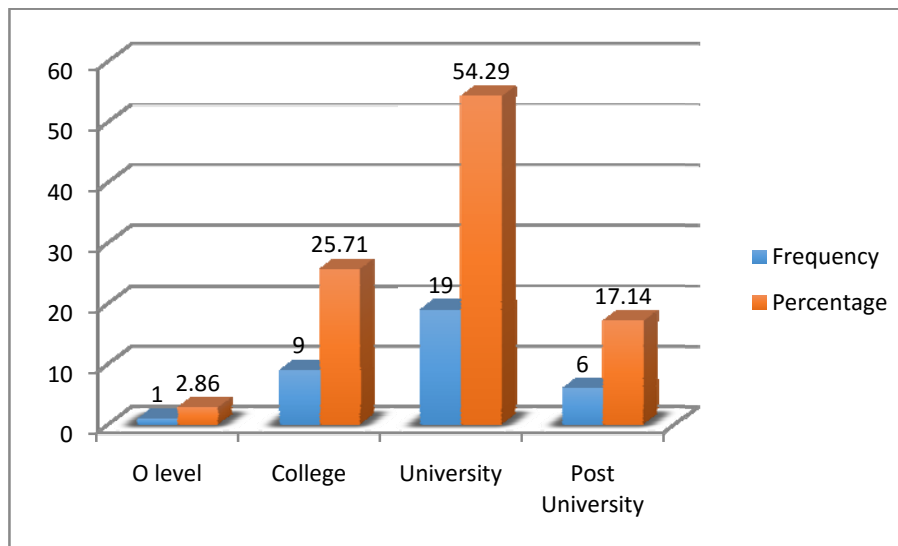
**Figure 4.1: Response Rate**

A sample size of 40 respondents from registered engineering consultancy firms in Kenya was targeted in the study out of which 35 being 87.5 % of the target responded by filling in and returning the forms. The level of response was excellent for the study to arrive at reasonable conclusions. According to Mugenda&Mugenda (2003), a 50%rate of response is adequate for analysis and reporting; a 60% rate of response is good and any response rate above 70% percent is deemed excellent. Based on the above, the rate of response in the study was excellent.

### 4.3 Profile of the respondents

#### 4.3.1: Education Level

This section was aimed at determining the education level and the outcome were as shown in figure 4.2

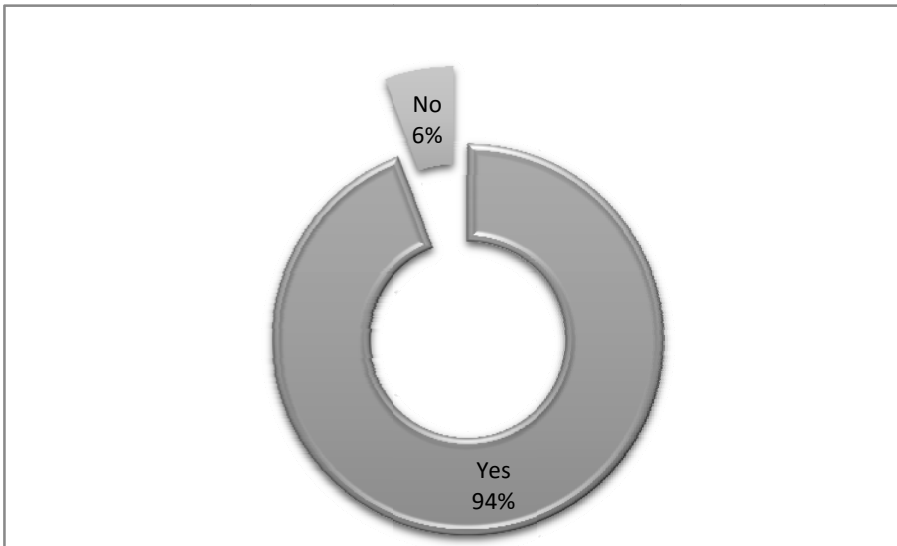


**Figure 4.2: Education Level**

This study asked the respondent to indicate education qualification. The findings established that 54.29% of the respondent had University degree as highest education level, 36.71% had college diploma, 17.14% had post university education, while the least percentage 2.86% of the respondents had O' level qualification. A large number of the respondents targeted in this study therefore had highest qualification as university degree and therefore had the awareness to fully assess and give accurate information for the study.

#### 4.3.2 Registered Consulting Engineer

This section sought to determine whether the respondents were registered consultant engineers. The results were as shown in figure 4.3



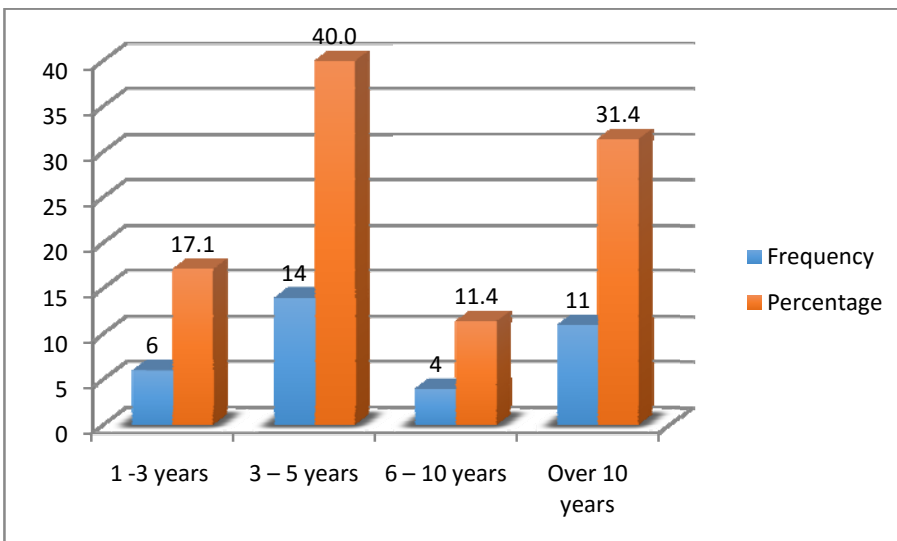
**Figure 4.3: Are you a registered consultant engineers**

The findings show that majority (94%) of the respondents were registered consultant engineers while only a mere 6% of the respondents indicated that they were not registered consultant engineers.

**4.3.3: Experience in the industry**

The research also wanted to determine the period the respondents had been operating within the industry. The results from the analysis of findings are illustrated in the figure 4.6 as shown.

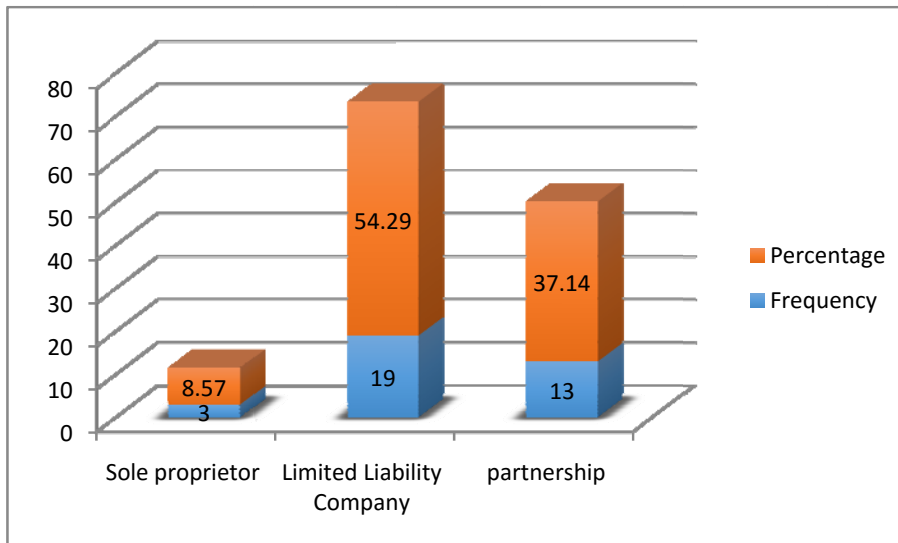
**Figure 4.4: Period in the industry**



From the above, it was established that majority of the respondents (40%) had been operating in the industry for a period of 3 to 5 years. This was calculated from a frequency of 14 respondents. Closely after were respondents (31.4%) who indicated that they had been operating for a period of over 10 years. Closely after were respondents (17.1%) who indicated that they had been operating in the industry for a period of 1 to 3 years. The study thus generally noted that the respondents had been operational in the business and were in a position to provide information sought in the study.

**4.3.4: Registration status of the firm.**

The study sought to establish how the firm is registered. The findings from the analysis are represented in figure as shown.



**Figure 4.5 Firms’ registration.**

The study sought to establish how the firms are registered and noted that majority the firms were registered as limited liability companies. A frequency of 19 respondents indicated that their firms were registered as limited liability companies and this calculated 54.29% of the total respondents. The least frequency (3) was of respondents who indicated that their firms were sole proprietorships and this calculated to 8.5% of the total respondents.

**4.4: Descriptive Results**

The study also intended to establish the impact of strategic planning practices on engineering consultancy firms’ performance in Kenya. On a range of five point Likert scale, the respondents were requested to indicate how they felt about different variables related to

various strategic planning practices. The score of 1 signified “strongly disagree” 2 signified “disagree”, 3 signified “neutral”, 4 signified “agree” and 5 signified “strongly agree”

#### 4.4.1: Influence of strategic planning practices

The study sought to determine whether the various strategic planning practices had any effect on engineering firms’ performance. The Table 4.4 shows the findings of the respondents.

<b>Strategic planning practices</b>	<b>Mean</b>	<b>Std dev.</b>
Top managers take formal responsibility for the firm’s strategic business planning	4.63	0.845
The business performance and operational characteristics are better Compared with those of competitors	4.59	1.096
Does the organization develop an organized system to monitor how well those Performance standards were met?	4.50	0.287
The goals specify targets by location or geographic area	4.44	0.213
Strategic planning is a top priority activity, performed on a regular basis, e.g each year	4.38	0.716
Does the organization set clearly defined and measurable performance standards for each plan element	4.25	0.287
The organization periodically gathers and analyzes data about market and other external factors which affect the business	4.22	0.481
All managers whose work might be affected significantly by strategic planning participate in the planning process	4.13	0.458
The organization clearly assign lead responsibility for action plan implementation to a person or, alternately, to a team?	4.13	0.594
Strategic planning is a top priority activity, performed on a regular basis, e.g each year	4.13	0.594
The organization make strategic decisions (implementation action plans) Based upon the strategic plan?	4.04	0.548
The organization provide resources (managers time, money, Staff support) earmarked specifically for strategic planning	3.96	0.325

Top executives take formal responsibility for the Organization's	3.96	0.856
The organization have a written mission statement	3.65	0.984
The external/market analysis identify key threats to the business?	3.58	0.385
<b>Grand Totals</b>	<b>3.91</b>	<b>0.556</b>

From the findings the strategic planning practices plays a significant role in increasing the engineering consultancy firms' efficiency since the high mean values calculated means that majority of the respondents concurred that strategic planning practices have a significant role in increasing financial performance. For instance it was established that a great number of the respondents i.e a mean value of 4.63 were in agreement that Top executives should take formal responsibility for the Organization's strategic business planning. A mean value calculated in the analysis of 4.44 in response to the statement; the goals specify targets by location or geographic area, this was inferred also show a great number was in agreement to the above. The deviation margin of 0.213 in the SPSS indicated little variation in the respondents answers. The study further noted that the firm's occasionally gathers and analyzes information about market and other factors affecting the business with a calculated mean of 4.22, which indicated that most respondents agreed to the statement and the standard deviation calculated of less than 1.5 indicates that there was little variance from the mean value.

It was also noted that respondents agreed that the performance of business and operational features are better compared with the ones from competitors. This conclusion was advised by the 4.59 calculated mean. The minor standard deviation was indicative of the minor variance in the responses from the respondents. Also noted was that most respondents agreed that the organization have a written mission statement. This was noted true by the mean calculated on the statement of 3.65. The standard deviation calculated in the study of 0.984 indicated uniformity in the responses from the respondents. Generally it was clear that the strategic planning practices have significant influence on performance of engineering consultancy firms in Kenya.

#### **4.5 Influence of strategic planning practices and performance**

The study sought to establish the relationship between strategic planning practices and performance. Pearson Correlation analysis was used to achieve this end at 95% confidence level. The correlation analysis enabled the testing of study's hypothesis that strategic



planning practices have a significant influence on performance. Table 4.2 shows significant, positive, good linear relationship between Strategic planning practices and: performance (R = .614, p = .003)

**Table 4.1: Correlation Analysis**

		Performanc e	Strategic planning practices
Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
Strategic planning practices	Pearson Correlation	.614*	1
	Sig. (2-tailed)	.033	
	N	61	61

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

The result in Table 4.2 demonstrate that there is moderate relationship between strategic planning and performance

Simple regression analysis was used to measure the relationship between Strategic planning practices and performance. The regression model's goodness of fit was determined using overall correlation and the coefficient of determination between the independent variables and performance; that is, the strength of the relationship.

Table 4.2 presents a correlation coefficient of 0.614 and determination coefficients of 0.256. This depicts a weakbut significantly positive relationship between strategic planning practices and performance. Thus, the strategic planning practices account for 25.6% of the variations in performance.

Durbin Watson (DW) test which check if the residuals of the models were not auto correlated in order to determine the independence of the residuals produced a value of 2.002. It can, thus, be concluded that there was no autocorrelation.

**Table 4.2: Model Summary**

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>	<b>Durbin-Watson</b>
.614 <sup>a</sup>	.256	.249	.0005698	2.002

a. Predictors: (Constant), Strategic planning practices

b. Dependent Variable: Performance

Analysis of Variance (ANOVA) was used to test the significance of relation exists between variables; thus, model's significance. The ANOVA results presented in Table 4.4 shows that the regression model has a margin of error of  $p < .001$ . This indicates that the model has a probability of less than 0.1 of giving false prediction; this point to the significance of the model.

**Table 4.3: Analysis of Variance (ANOVA)**

	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	.394	1	.394	8.7556	.000 <sup>b</sup>
Residual	1.485	33	.045		
Total	1.879	34			

a. Dependent Variable: Performance

b. Predictors: (Constant), Strategic planning practices

Table 4.4 shows the regression coefficients of independent variable. The following regression model was established:

$$\text{Performance} = 2.39 + 0.129 * \text{Strategic planning practices}$$

From the equation, the study found that holding the strategic planning practices at zero regression constant becomes 2.39. Additionally, a unit increase in strategic planning practices would lead to a .129 unit increase in performance.

**Table 4.4: Regression Coefficients**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.396	.061		.635	.001
Strategic planning practices	.129	.196	.166	1.7536	.071

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents summary of the key findings presented in chapter four, conclusions drawn based on such findings and recommendations there-to. This chapter will thus be structured into conclusion, recommendations and areas for further research.

#### **5.2 Summary of the findings**

The purpose of the study was to assess the influence of the strategic planning practices on the performance of consultancy engineering firms in Kenya.

The study targeted a sample size of respondents from which 40 from the registered engineering consultancy firms in Kenya. 35 filled in and returned the questionnaires making a response rate of 87.5%. Most of the respondents focused in this study had university degree as their highest level of education and therefore had the knowledge to fully assess the influence of strategic planning practices on performance of engineering consultancy firms in Kenya.

From the findings in the SPSS analysis, the statement, the strategic planning practices plays a significant role in increasing the efficiency and performance of the engineering consultancy firms due to the high mean values calculated meaning that majority of the respondents concurred that strategic planning practices have a significant role in increasing financial performance.

For instance it was noted that a great number of the respondents agreed that Top executives take formal responsibility for the Organization's strategic business planning. This was supported by the mean value calculated of 4.639. A significant number of the respondents also agreed to the statement; the goals specify targets by location or geographic area, this was inferred from the mean value calculated in the analysis of 4.446. The standard deviation of 0.213 calculated in the SPSS indicated little variation in the responses of the respondents.

A correlation coefficient of 0.614 and determination coefficients of 0.256 was established from the model summary. This depicted a weak but significantly positive relationship between strategic planning practices and performance. Thus, the strategic planning practices account for 25.6% of the variations in performance.

### **5.3 Limitations of the study**

While conducting the study the researcher was met by the challenge securing appointments with the respondents some of whom were unwilling to participate. To counter this problem, the researcher hired qualified assistants who professionally handled all kinds of problems as it pertains to respondents.

Confidentiality being a primary weakness of descriptive survey; the subjects were at some point not truthful as they felt the need to tell the researcher what they thought the researcher wanted to hear. Some participants refused to provide answers to questions they viewed to be too personal.

### **5.4 Conclusion**

The objective of the study is to assess the influence of the strategic planning practices on the performance of consultancy engineering firms in Kenya. The study established that the strategic planning practices have significant effect on performance of engineering consultancy firms in Kenya.

The study concluded that there are critical issues and challenges affecting competitiveness and sustainability of engineering consultancy firms in Kenya. Engineering consultancy in Kenya has had difficult times over the years particularly a prolonged period of lackluster performance in the 1990s.

The study established that industrial organization views the organizations external market positioning as the critical factor for attaining competitive advantage, which means the traditional industrial organization perspective offers strategic management a systematic model for assessing external competition within an industry. The structure of a market, how a market is functioning, is the concept behind the industrial organization and strategic planning. The study thus saw the need to capture the strategic planning practices in engineering consultancy firms in order to enhance performance.

### **5.5 Recommendations**

Further studies should be carried out to establish the influence of strategic planning practices on the financial performance of the engineering consultancy firms in Kenya, the studies are to establish the similarities and differences and be able to distinguish alternative ways that may be used to influence the determinants of performance.

The study recommends that the top management of the engineering consultancy firms need to improve their strategic planning processes which will enable the engineering consultancy firms to perform better and to grow their businesses and maintain a competitive advantage.

Finally the study recommends that the government in conjunction with engineering board of Kenya should formulate policies that will be able to govern the engineering industry in accordance to the changes the strategic planning it presents thus it will help the engineering consultancy firms to understand the rules and regulations that they have to implement for the industry to be relevant and contribute to the growth of the economy.

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**APPENDICES**

**APPENDIX 1: QUESTIONNAIRE**

**SECTION I: PART A: RESPONDENTS BIO DATA**

- 1. What is your level of education?  
O level[ ] College [ ] University [ ] Post University [ ]
- 2. Which firm do you work for?.....
- 3. What is your job description.....?
- 4. Are you a registered consulting engineer? Yes [ ]
- 5. How long have you been in the industry? <3 years [ ] 3 – 5 years [ ] 6 – 10 years [ ]  
Over 10 years [ ]

**PART B: FIRM PROFILE**

- 6. How is the firm registered? Limited Liability Company [ ] partnership [ ]  
Sole proprietor [ ]
- 7. When did the firm commence business?.....
- 8. Who and how are decisions made in the firm?.....
- 9. How many employees does the firm have?.....
- 10. Are the directors/partners trained in management?.....

**SECTION II: STRATEGIC PLANNING PRACTICES**

**Strategic Planning Practices** NAA SE M L VL

1. Top executives take formal responsibility for the 1 2 3 4 5

**Organization’s strategic business planning**

2. Strategic planning is top priority activity, performed on 1 2 3 4 5  
a regular basis, e.g each year

3. Organization follow a defined set of procedures in its 1 2 3 4 5  
Strategic planning process?

4. All managers whose work might be affected significantly 1 2 3 4 5  
by strategic planning participate in the planning process

5. The organization provide resources (managers time, money, 12 34 5

Staff support) earmarked specifically for strategic planning \_\_\_\_\_

6. The organization have a written mission statement? 1 2 3 4 5

7. Does the organization have written longer-term (3-5 years)  
and short? Term (1 year) goals? 1 2 3 4 5

8. Do the goals specify targets by location or geographic  
area? 1 2 3 4 5

9. The organization periodically gather and analyze data about market and other external  
factors which affect the business? 1 2 3 4 5

10. The external/market analysis identify key threats to the business?  
Key Opportunities?

1 2 3 4 5

11. Are the business performance and operational characteristics  
Compared with those of competitors? 1 2 3 4 5

12. The organization make strategic decisions (implementation action plans)  
Based upon the strategic plan? 1 2 3 4 5

13. The organization clearly assign lead responsibility for action plan implementation  
to a person or, alternately, to a team? 1 2 3 4 5

14. Does the organization set clearly defined and measurable performance standards  
for each plan element? 1 2 3 4 5

15. Does the organization develop an organized system for monitoring how well those  
Performance standards were met? 1 2 3 4 5

### Scale Analysis

- 1 Not at all
- 2 Small Extend
- 3 Moderate
- 4 Large
- 5 Very large extend

**SECTION III: PERFORMANCE OF FIRMS**

**Please provide your organization's Net Income after Tax in KES for the last three years by ticking appropriately**

Year	2013	2014	2015
Zero			
0-25 Million			
25-50 Million			
50-100 Million			
OVER 100 Million			

**Please provide the sales achieved by your organization (%) for the last three years by ticking appropriately**

Year	2013	2014	2015
Less than Zero (%)			
0-5%			
5-10%			
Above 10%			

**Thank you for your cooperation**

## **APPENDIX 11: INTRODUCTION LETTER**

**APPENDIX III: LIST OF REGISTERED ENGINEERING CONSULTING FIRMS IN KENYA**

1. ENGTECH
2. SEURECA SPACE CONSULANTS ENGINEERS
3. GEDOX ASSOCIATES
4. ENGICONSULT
5. KITHIMB ASSOCIATE
6. SHELPLAN
7. HOWARD HUMPHREYS EAST AFRICA LTD
8. SYNCHROCONSULT ASSOCIATES
9. STRUVIL AFRICA
10. SPAN ENGINEERS
11. AFRICAN CONSULTING ENGINEERS
12. INTERCONSULT ENGINEERS
13. M & E CONSULTING ENGINEERS
14. MAKI – CONSULT
15. MAITERI & ASSOCIATES
16. SOKHI INTERNATIONAL ( K ) LTD
17. MANGAT I B PATEL & PARTNERS
18. AFRO GERMAN ENGINEERS & CONSULTANTS LTD
19. AMICE ENGINEERING SYSTEMS
20. ARMITECH CONSULTING ENGINEERS
21. C A S CONSULTANTS
22. MASTOW CONSULTING ENGINEERS
23. GIB AFRICA LTD
24. MAX ENGINEERING & PLANNING SERVICES LTD
25. M E C E CONSULTING ENGINEERS
26. METRIX CONSULTANTS LTD
27. MULTICONSULT CONSULTING ENGINEERS LTD
28. NORCONSULT A S
29. OTIENO ODONGO & PARTNERS
30. RESOURCE PLAN
31. REX CONSULTANTS

32. RUNJI & PARTNERS CONSULTING ENGINEERING LTD
33. S R MANGA & ASSOCIATES
34. SURTECH LTD
35. WANJOHI CONSULTING ENGINEERS
36. WAVETEK CONSULTANTS INC
37. GILL CONSULT
38. GEOWAY CONSULTING ENGINEERS
39. KIRI-CONSULTANT
40. STROUTTEL AFRIQUE CONSULTING ENGINEERS