

**STRATEGIC PLANNING, EXTERNAL ENVIRONMENT AND
PERFORMANCE OF LARGE MANUFACTURING FIRMS IN
NAIROBI CITY COUNTY**

MAUREEN MUGOIRI HASSAN

**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR AWARD OF THE
DEGREE OF MASTER IN BUSINESS ADMINISTRATION,
UNIVERSITY OF NAIROBI**

2019

DECLARATION

I, Maureen Mugoiri Hassan hereby declare that this MBA research project entitled Strategic Planning, External Environment and Performance of Large Manufacturing Firms in Nairobi City County is my original work and has never been presented for academic award like certificate, diploma, or degree in any university, college or institution of higher learning.

Signature.....Date.....

Reg No: MAUREEN MUGOIRI HASSAN

D61/84136/2015

MBA PROGRAMME

SUPERVISOR'S APPROVAL

This MBA research project by Maureen Mugoiri Hassan entitled strategic planning, external environment and performance of large manufacturing firms in Nairobi County has been developed and submitted for examination with my guidance and approval as the university supervisor

Signature.....Date.....

DR. JAMES GATHUNGU, PHD, CPS (K)

DEPARTMENT OF BUSINESS ADMINISTRATION,

SCHOOL OF BUSINESS,

UNIVERSITY OF NAIROBI.

ACKNOWLEDGEMENT

Special thanks go to my supervisor Dr. James Gathungu for the guidance, insight and encouragement in the writing and compilation of this study. Your invaluable support and patience throughout this journey has been incredible and is appreciated from the bottom of my heart. To my classmates and friends, without whose interest and co-operation I could not have completed this study. I thank for supporting this initiative and affording me your time and sharing your experiences. Finally, I thank my family for instilling in me unquestionable values and morals, thank you for your love, guidance and for always believing in me throughout the year.

DEDICATION

I dedicate this research study to my loving parents for always being with me throughout my academic journey. I also dedicate to my family for their constant encouragement and for being patient enough to see me go through my academic struggle in an effort to realize my long cherished academic dream.

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ABBREVIATIONS

GDP	: Gross Domestic Product
OST	: Open Systems Theory
DCT	: Dynamic Capabilities Theory
VRIN	: Valuable, Rare, Imperfectly Imitable and Non-substitutable
SMEs	: Small and Medium-Sized Enterprises
SWOT	: Strengths, Weaknesses, Opportunities, and Threats
KAM	: Kenya Association of Manufacturers
CEOs	: Chief Executive Officers
MDs	: Managing Directors

ABSTRACT

The aim of the study was to establish the influence of strategic planning on performance of manufacturing firms in Nairobi County. The research was conducted using cross sectional survey design. The population of interest in this study was all manufacturing firms in Kenya. The target population was 560 manufacturing firms. The sample size was 56 firms. The required information was gathered by the use of questionnaire. The questionnaire was filled by the CEOs/MDs, head of human resources, marketing, operations or finance. The data from the field was thoroughly checked to ensure completeness, consistency and accuracy. The data was then coded and tabulated to facilitate data analysis. The researcher further analyzed the data and presented the results in form of percentages, frequencies, graphs and tables. In addition, the study utilized inferential statistics. Inferential statistics refers to the statistics measures which use a random sample of data taken from a population to describe and make inferences about the population. For this study multiple regression was utilized to find out the relationship between strategic planning, external environment, and organization performance. The study found that that firms develop long-term strategic plans and that the strategic plans were between 5-10 years. The study also found that to a great extent that the firm has done cost reduction through employee reduction or lay-offs in the last five years. The study established that to a great extent strategy evaluation, monitoring strategy implementation, evaluation and adoption of corrective measures is carried out in the firm. The study further found that the firms carry out external environmental analysis. The study found that to a great extent that social-cultural dynamics affect the operations of the firm. The study concluded that the overall performance for the five years was average and the firms were heading in the right direction. The study also concluded that at 5% level of significance and 95% level of confidence, strategic planning and external environment were all significant on performance of large manufacturing firms in Nairobi County. From the findings and conclusion, the study recommends that that the strategic process should be inclusive of all the employees, all the departments should develop and apply their strategic plans, organization and departments should review those plans to ensure the success of the implementation, there should be frequent horizontal meetings to enhance cohesion and congruence between departments, management should increase the budgetary allocation to be in line with the strategic plan for the successful implementation of strategies.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The external environment provides organizations with inputs which they transform to outputs through internal processes and then the outputs are given back to the environment. The external environment has an influence on firm performance (Machuki and Aosa, 2011) because it provides both facilitating and inhibiting influences on firm performance. These influences likewise shape how the firm defines it and how it articulates what is good and appropriate to achieve (Hoskisson, 2011). How better a firm fit itself within the external environment determines its performance because firms are environment dependent and serving. Firms fit in the external environment using strategic responses. However, the responses vary from one firm to another thus leading to variations in performance. The choice of strategic responses may be partly influenced by the capabilities possessed by a firm (Kennerly, & Neely, 2013).

The study was anchored on open systems theory, and supported by dynamic capabilities theory. Open systems theory suggests that as firms conduct their businesses, they will be influenced by occurrences and changes or factors from external environments. For the firms to survive, they must continuously interact with the ever changing external environment. Firms that have to be effective and successful should adapt appropriately to changes that occur in their respective environment. Dynamic capability theory argues that capabilities are a firm's capacity as well as abilities to deploy resources, usually in combination using firm's processes, procedures and demand.

The theory emphasizes that the key role of strategic management is to appropriately adapt, integrate, and reconfigure internal firm's skills, resources and functional competences to match requirements of a changing environment.

Performance of manufacturing firms in Kenya is of great concern because they play a significant role in economic development. This notwithstanding, they operate in a manufacturing sector troubled with different levels of external environment dynamism, complexity and munificence (Miles, & Snow, 2013). These are observed in the macro, micro-environment and industry in the operating environment. Further, their individual performance is largely a function of how they respond to the environment. Further, specific capabilities possessed by each firm may not be the same across, thus how they choose their strategic responses may be influenced by the capabilities each uniquely possesses hence creating variations in firm performance.

1.1.1. Strategic Planning

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy. It may also extend to control mechanisms for guiding the implementation of the strategy. Strategic planning has in recent years gained renewed interest as a means of monitoring a rapidly changing environment, taking effective decisions and action in the running of business (Elbanna, 2010). Gkiliatis and Dimitrios (2013) suggest that high adoption of strategic planning by firms can be attributed to growing uncertainty in the competitive business environment as well as fast economic and political changes occurring in the global marketplace. Strategic planning involves a process by which firms derive a strategy to enable them to anticipate

and respond to the dynamic business environment. Such efforts inevitably improve the competitiveness of business firms and eventually their performances (Wong et al., 2013). Taiwo and Idunnu (2010) posited that strategic planning consists of a set of underlying processes that are intended to create or manipulate a situation to create a more favorable outcome for a company and which is quite different from traditional tactical planning that is more defensive based and depends on the move of competition to drive the company's move. In business, therefore, strategic planning provides overall direction for specific units such as financial focuses, projects, human resources and marketing. Strategic planning may be conducive to productivity improvement when there is consensus about mission and when most work procedures depend on technical or technological considerations. Hendrick (2010) adds that strategic planning unlike long-term financial planning and capital planning, involves thorough assessment of the environment and organization.

Kriemadis (2013) contented that, the purpose of strategic planning is to help organizations gain competitive advantage. However, in turbulent environments, strategic planning can help organizations to; think strategically and develop effective strategies; develop a coherent and defensible basis for decision making; improve organizational performance; deal effectively with rapidly changing circumstances; anticipate future problems and opportunities; build teamwork and expertise and provide employees with clear objectives and directions for the future of the organization and increase employee motivation and satisfaction. Strategic planning processes may serve as a means to develop consensus and promote commitment among organization members around strategic orientations (Chanal & Tannery, 2015).

1.1.2. External Environment

A firm's external environment is defined as a firm's aggregate of external factors that have impact on its functioning. It is the source of constraints, contingencies, problems and opportunities that affect the terms on which firms transacts business (Bourgeois, 2010). No enterprise of any kind can operate in the absence of environmental constraints, or restrictions imposed by the firm's surroundings. The process of decision within environment is never ending and therefore a continual reassessment of the status of the strategic factors in this environment must take place.

The external environment provides firms with inputs which they transform to outputs through internal processes and then the outputs are given back to the environment. To survive in the environment, firms have to pay attention and match their activities to the environmental conditions (Ansoff and McDonnell, 2010). It consists of both macro environment and the industry in which it operates. The external environment consists of forces like political, legal, economic, socio-cultural, technological forces and international forces. The firm is not independent in the operating environment but has relationship with other dimensions specifically affecting it like customers, suppliers, regulators and labor market (Machuki and Aosa, 2011).

An environment is complex if it provides excessively diverse and or numerous dimensional units of information, which requires substantial integration of thought and can be described as multidimensional (Miller, 2012). Environmental complexities are viewed as the interaction between environmental risks, dependency and inter firm relationships.

Complexity is considered an important, if not the most important variable in the environment surrounding the firm. Many firms have redesigned their measurement systems to ensure they reflect their current environment and strategies.

The environment in which firms compete is dynamic and rapidly changing, compelling firms' perception and appreciation of the external environment to play a critical role in strategic management (Osborn and Hunt, 2014). What remain un-harmonized are the different perceptions or interpretations of happenings in the external environment. While performance can be affected directly by environment, it will largely be influenced by the capabilities in the response to the changes in the external environment.

1.1.3. Firm Performance

Performance refers to completion of a task with application of knowledge, skills and abilities. (Horngren et al, 2013). Many organizations are employing multiple measures of performance as opposed to a single measure that might have been used in the past. According to Leslie (2013) organization performance is tested against the commitment that the management made in its management system. It measures the management plans of whether social, economic and ecological goals are being achieved. For example, in an employment context performance is the accomplishment of tasks that make up the employee job. It reflects how well an employee is fulfilling the requirement of the job. Ramanujam and Venkatraman (2013) describe firm performance as, how well or badly a firm is performing both financially and non-financially.

Phillips and Moutinho (2010) agreed that measures of performance of a company are hard to come by. He adds that, the option to ignore performance is not viable, since performance improvement is an important strategic objective. Researchers universally believe that non-financial measures are more future-oriented, and thus can yield better performance (Pearce, Robinson, & Mital, 2012). In an increasing number of companies, the traditional financial measure has been transformed from the unique performance measurement to a part of multiple performance measurement system. Current business environments need more timely and proactive information that leads to an improvement in actual performance. Davig et al. (2014) found that firms that included non-financial performance measures were likely to perform better than those concentrating only on traditional financial based measures. Firm performance was measured by use of both financial and other non-financial measures.

According to Marginson, McAulay, (2014), interactive utilization of non-financial performance measures can be particularly important for generating a positive psychological experience and (indirectly) increasing performance. According to Kennerley and Franco-Santos (2015) empirical content studies suggest that measurement of firm performance is more effective when the measures are appropriately designed to include multiple dimensions and are structured in a way that helps managers understand the interrelationship and reflects strategy. Parker (2013) claims that financial measures fail to include the less tangible factors such as product or service quality, customer satisfaction and employee morale. In a further criticism of financial performance measures, Parker (2013) claims that they tend to be very insular and inward-looking and only take what is happening in the firm into account.

Rwoti, (2015) outlined that, the modern approaches to performance measurement in the manufacturing sector, included; benchmarking, balanced scorecard, results framework among others.

1.1.4. Large Manufacturing Firms in Nairobi County

Manufacturing firms can be classified into small, medium and large although there is no clear uniformity of how to define the size manufacturing firms in Kenya. Some manufacturing firms have very few employees but huge sales turnover, while others may have many employees with equally large sales turnovers. Although categorization of manufacturing firms was according to size on number of employees, the sales turnover, capital employed and capacity utilization had also been used to categorize large scale manufacturing firms in Kenya (Ogutu, 2017).

The main reason was that these firms were likely to exhibit an elaborate strategic response to the external environment (Odundo, 2012). This notwithstanding, the threshold has been reset upwards over the years due to inflation and the macro economic growth. Some sectors are under private ownership and managed by the indigenous citizens while others are controlled by foreign owners. There are others that operate as subsidiaries of their parent firms, partly government owned and multinational corporations.

The general characteristics of the manufacturing sector is that it is heavily dependent on imported raw materials particularly in plastic and rubber, chemicals, textiles sectors. It has low value addition, thereby making Kenya products uncompetitive in the international market especially agro-based industries (Machuki, & Aosa, 2011).

It is also dependent on regional market especially the East African Community and Africa for exports. The market outside the region (European Union and United States of America) is heavily dependent on raw materials or semi-finished goods like coffee, tea and hides and skins.

According to Kenya Vision 2030, the sector is expected to play a key role in the growth of the Kenyan economy. The strategy earmarked specific sectors for support based on the sector's resilience and potential for high and dynamic growth. The current policy framework for Kenya's manufacturing sector is to develop a vibrant manufacturing sector capable of stimulating economic growth and strengthening linkages in the sector (Kenya Vision, 2030). It focuses on the strengthening local production with the target to increase share of Kenyan manufactured products in the regional market and developing new niche market for value added products. It is to scale up industrial enterprises by encouraging consolidation and the establishment of export processing zones and industrial parks for better targeting of services to export firms within the zones and parks.

1.2. Research Problem

Dynamic and intensely competitive markets are driving organizations to leverage on their various capabilities in order to deliver sustainable competitive edge. One major practice used to achieve this has been effective strategic planning; such efforts inevitably improve the competitiveness of business firms and eventually their performances (Wong et al., 2013). However, although the manufacturing firms in Kenya have adopted strategic planning practices, Aosa (2011), they have continued to face a myriad of challenges

emanating from firm level factors, external competition and macroeconomic impediments including, stagnation, low productivity and structural inefficiencies (World Bank, 2013). Manufacturing firms in Kenya operate in an ever dynamic and turbulent environment which manifests itself differently every so often. Such changes in the environment have a bearing on their performance. While these firms are subjected to the same macro environment, their industry or immediate operating environments are not necessarily the same. This means that occurrences in the external environment may have different direct impacts of the performance of the firms. The perception and strategic responses to these occurrences may also differ from one firm to another. Further, the choice of strategic planning practices in dealing with environmental occurrences could be subject to the firm's capabilities.

Studies on the relationships between strategic planning, external environment, and performance have been carried out and findings documented. Tan and Litschert, (2014) established that the increased environmental uncertainty is negatively related to proactive planning strategies and positively related to defensive strategies for higher performance. Venkatraman and Prescott (2010) concluded that there was a positive impact of strategic planning and external environment on performance. On their part, Machuki and Aosa (2011) established that strategic planning and external environment had an influence on performance of firms. However, all these studies adopted different conceptualizations from the current research study.

Further, studies that conceptualize external environment as a moderating variable on the relationships between strategic planning and performance are yet to be documented. In the studies undertaken on large manufacturing firms in Kenya, by Kidombo (2013), Haron and Chellakumar (2012) all had firm performance as a dependent variable. Kidombo (2013) found that soft and hard human resource strategic planning have strong positive relationships with firm performance. Haron and Chellakumar (2012) found that small firms have the highest relative efficiency compared to medium and large sized companies.

However, there still remained yet unresolved issues along the conceptual, contextual and methodological spheres in the relationship among the variables. This study will aim to fill this gap by answering the question: what is the influence of strategic planning and external environment on performance of manufacturing firms?

1.3. Research Objectives

The study was guided by the following objectives:

- i. To establish the influence of strategic planning on performance of manufacturing firms in Nairobi County
- ii. To establish the effect of external environment on the relationship between strategic planning and performance of manufacturing firms in Nairobi County

1.4. Value of the Study

The study may be of value to several areas of theory building, offer significant contribution to the already existing theories like open systems theory which has

postulations of business policy, organizational theory and industrial organization economic theory. Further, the dynamic contingency theory would immensely benefit from the findings of this study. The structure-conduct- performance paradigm is a logic application and was operationalized to the strategic responses in the theory. The results from the study will be able to indicate how strategic planning have an impact on the performance of the firm with regard to external environment.

The results of this study may be a source of reference in policy formulation on the key role of strategic planning in the manufacturing sector. Such policies guide to understanding which strategies are appropriate to firms facing particular environmental contexts or circumstances. The manufacturing sector in Kenya is the key pillars of Vision 2030 by greatly contributing to gross domestic product (GDP). This study may provide insights to strengthen policy in the external environment for the manufacturing firms to be competitive. The findings are crucial to government in formulation of policies that promote operational efficiency, business growth and market expansion strategies linked to performance.

This study may additionally benefit managers by the contributions to the process of implementation of best practices in performance improvement. It may create a clear road map and competitive advantage difference on use of firm capabilities and responses in pursuit of strategic competitiveness. Manufacturing firms have previously lacked best strategic planning practices as well as good responses to the turbulent environment.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter presents the literature review on strategic planning environment and performance of manufacturing firms. It presents the theoretical foundation on theories guiding the study, empirical review, summary of empirical studies and knowledge gaps, and the conceptual framework.

2.2. Theoretical Foundation

The study was guided by open systems theory, and dynamic capabilities theory. The theories are discussed in the subsequent sections.

2.2.1. Open Systems Theory (OST)

The proponents of open systems theory suggest that as firms conduct their businesses, they will be influenced by occurrences and changes or factors from external environments (Burnes, 2010). Any firm to be survive, they must continuously interact with the ever changing external environment. Firms that have to be effective and successful should adapt appropriately to changes that occur in their respective environment. This is because firms are environment serving and dependent and must therefore adapt or create a fit to their environment if they are to remain viable (Duncan, 2012).

Lawrence and Lorsch (2013) established that in any system, firms can sustain its operations by interacting with its external environment. It is feeding upon itself by being permeable to through no boundaries and interacts with the environment. Open systems are living systems and maintain themselves in exchange of inputs with external environment. Firms operating under open systems are highly adaptive while closed ones not because they are not permeable as they do not make any exchanges with external environment. Firms should always continuously interact with their external environment to attract the resources that can sustain or enhance their performance. Carmeli and Tischer (2014) argued that firms have to compete for the scarce resources responsible for their survival and only firms that are compatible with the immediate environment avoid being extinct.

2.2.2. Dynamic Capabilities Theory (DCT)

Dynamic capabilities theory (Teece, Pisano, and Shuen, 1997) which is grounded in the Resource Based Theory (Wernelfelt, 1984) argues that capabilities are a firm's capacity as well as abilities to deploy resources, usually in combination using firm's processes, procedures and demand. Teece et al (1997) and Pearce et al (2012) established that dynamic capabilities perspective often aims to understand a firm's growth and survival and it is therefore not surprising that it draws from a range of theoretical perspectives. Teece's dynamic capability theory explains how firms adapt to environmental dynamism by modifying their underlying resources and capabilities. It is considered to have originated from Schumpeter's (1934) Innovation-based Competition where competitive advantage is based on the creative destruction of existing resources and novel recombination into new operational capabilities (Gathungu & Mwangi, 2012).

In addition, it emphasizes that value creation does not come from the possession of resources but from their use, and how much value is created depends on how these resources are combined within the firm. She also argues that a firm's growth demands the continuous development of expertise and innovativeness and those managers need to have entrepreneurial skills rather than managerial skills. These ideas are also relevant to the dynamic capability perspective (Lockett 2005; Augier and Teece 2007). DCT emphasizes the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal firm's skills, resources and functional competences to match requirements of a changing environment. Teece et al, (1997) argued that dynamic capabilities are rooted in the firm's internal processes.

Dynamic capabilities build, integrate or reconfigure operational resources and do not directly affect the output where they reside but indirectly contribute to output of the firm through other operations. The resource-based view argues that resources that are simultaneously valuable, rare, imperfectly imitable and imperfectly substitutable (VRIN) are a source of competitive advantage (Barney 1991). The underlying assumptions of the resource-based view are that resources are heterogeneously distributed across firms and that this heterogeneity can be sustained over time. This explains how some firms are able to earn super profits in equilibrium and, as such, it is essentially a static view (Barney 2001). It is argued that dynamic capabilities are an extension of the resource-based view as they govern the rate of change of a firm's resources and, notably, its VRIN resources. In summary, DCT argues that firm performance is enhanced when capabilities are reconfigured, recombined and reallocated according the needs.

An example of recombined firm capability as competence is blending of technology and production skills, thus offering the greatest strategic value (Prahalad and Hamel, 1990).

The aim of the theory is to understand how firms use dynamic capabilities to achieve and sustain a competitive advantage over other firms despite an ever changing environment by appropriately adapting, integrating, and reconfiguring organizational skills and operational capabilities towards a changing environment (Gathungu & Mwangi, 2012). It explains the sources of enterprise-level competitive advantage over time and provide guidance for managers when renewing a firm's competences to match the requirements of a changing environment

2.3. Empirical Review

Studies that exclusively link strategic planning and performance, and strategic planning, external environment and performance are rare, yet performance is contingent upon firms' appropriate alignment with environmental changes (Machuki and Aosa, 2011). Literature on the strategic planning and performance, and strategic planning, external environment of a firm and its direct and indirect impact on firm's processes and outcomes have documented.

2.3.1. Strategic Planning and Performance

Miles, & Snow, (2013) tested the strategic planning (time horizon, formality, use of planning instruments and control of plans)/performance relationship (employee growth) of 290 small enterprises in Austria. A significant positive relationship was only found for the degree of formalization. More specifically higher the degree of planning formalization, better the performance of small enterprises.

Gică and Negrusa (2011) tested the relationship between components of strategic planning with the performance of 200 Romanian SMEs. The study focused on overall strategic planning with overall performance and partial influence of each components of strategic planning to overall performance and individual measures of performance with overall strategic planning. Results were not supported enough to confirm the general relationship between overall strategic planning and overall performance. That is the correlation was negative.

A study by Ramanujam and Venkatraman, (2012), in the USA on large manufacturing companies from Fortune 500 manufacturing firms, examined the dimensions of planning that were associated with firm performance from a multiple perspective. They conceptualized six key planning dimensions, which include, the use of planning techniques, attention to internal facet, attention to external facet, functional coverage and integration, resources provided to the planning, resistance to planning. These dimensions are also grounded in literature. They found that those firms that emphasized the six planning dimensions performed better than their counterparts that did not. They thus, concluded that multidimensional Strategic Planning is an effective way of planning.

Kennely and Neely, (2013) in their study stated that a well-developed and targeted strategic planning is a formidable weapon for a firm in acquiring and sustaining a competitive edge. Firms and their environments are not static. A firm's objectives can change or operational behavior can evolve so much so that as circumstances change, firm's structures must also be able to change, disappear or grow. Strategic planning involves changes to a firms' strategic behavior to assure success in the ever transforming environment.

Strategic planning may take many forms depending on the firms' capability and environment in which it operates. Strategic planning is a function of manifestations of a firm's external environment.

Maroa and Muturi (2015) used a cross-sectional survey design to determine the effect of strategic management practices on organizational performance of Floriculture firms in Kenya. The current study will focus on the strategic planning concept as the independent variable unlike the empirical study that examined the concept of strategic management practices as its explanatory variable. The dependent variables of the concept of organizational performance among the study were different because of distinction in operations and productivity capacity and policies.

2.3.2. Strategic Planning, External Environment and Performance

Stalk et al, (2012) in his study argue that when the external environment is relatively static, strategy can afford to be static, however, in a turbulent, dynamic business environment, strategy has to become correspondingly more dynamic. Capabilities ensure the cooperation and coordination of resources through combination, reconfiguration, co-evolution and integration in particular patterns. This is usually through combination using firm's processes, procedures, firm's skills and functional competences to match requirements to a changing environment in order to enhance performance. Modern firms exist in turbulent, often hostile, environments which pose constant threats to their growth and survival. In the long term only effective firms will survive and prosper.

Miles and Snow (2013) suggested that managers in more uncertain environments tend to assume greater risks and employ more innovative strategies than managers in less turbulent environments. Managers in the more uncertain environments attempt to anticipate events and implement preventive actions rather than merely respond to events that have already occurred. For a firm to optimize its competitiveness and profitability, it has to match strategy and supporting capability to the external environment. This is brought out in the strategic success formula which states that firm performance potential is optimized, when the aggressiveness of the firm matches the turbulence of its environment.

According to Pearce and Robinson (2013) a firm's business environment consists of all the conditions and forces that affect its strategic options and defines its competitive situation. These affects its ability to meet its objectives and analysis of a firm's resources which helps management determine what strategy is realistic for its operations to establish relevant strategic fit between an organization and its environment. The firm must build sufficient internal and external capabilities to match the environmental changes with clear strategic responses to maximize on the opportunity. For firms to have competitive advantage or perform well, a match between internal capabilities and the external environment is important.

Machuki and Aosa (2011) says that the external environment is unpredictable, which affects the organizational performance and hence one should be able to analyses the environment before coming up with appropriate strategies. External environment affects the strength of strategic planning, organizations should make a substantial environmental scrutiny, and this can be done by use of the SWOT framework which looks at the internal

factors that are strengths, weaknesses, together with the external forces which are opportunities and threats of an organization.

Odundo (2012) used a descriptive cross-sectional survey design to determine the moderating effect of environmental context on the relationship between level of implementation of strategic plans and performance of state corporations in Kenya. The current study will examine all the processes of strategic planning unlike the latter empirical study that only considered the concept of implementation as the explanatory variable. The current study seeks a direct relationship between the concepts of interests unlike the later study that looked at a moderating relationship.

Adhiambo (2013) conducted a descriptive cross-sectional survey study on competitive strategies adopted by large manufacturing companies in Kenya. The current study will focus on the concept of strategic planning and not competitive strategies, and its impact on organizational performance unlike the empirical study that didn't examine impact on performance. The current study will examine all the manufacturing companies in Kenya as the population of interest and not multi-national companies surveyed by the above empirical study.

2.4. Summary of Empirical Studies and Knowledge Gaps

Variables in this study have been used in other studies by various researchers. The variables have been operationalized differently, played different empirical roles and provided varying findings. The conceptual gaps relate to how variables in this study differ from the previous studies.

The contextual gaps relate to different contexts in which the variables in the current study may have been studied as well as other variables that have been researched in similar context as that of this study.

The empirical studies conducted included Ramanujam and Venkatraman, (2012), Stalk et al, (2012), Miles and Snow (2013), Pearce and Robinson (2013), and Kennely and Neely, (2013). The studies have limited themselves to ‘external fit’, and formulation of strategy in alignment to environmental context. Strategic planning exhibited in each of the environments have not been considered. The current study will aim at filling this gap by investigating the influence of strategic planning and external environment on the performance of the manufacturing firms.

Table 2.1. Summary of Empirical Studies and Knowledge Gaps

Study	Methodology	Key Results	Knowledge Gaps
Dimensions of planning that were associated with firm performance (Ramanujam and Venkatraman, 2012)	Cross sectional study	A significant relationship between strategic planning and performance	Relationship between variables not well covered
External environment and firm performance (Stalk et al., 2012).	Case study	The external business environment affects the organizational performance and businesses should understand and match	change in various variables was not tracked or observed

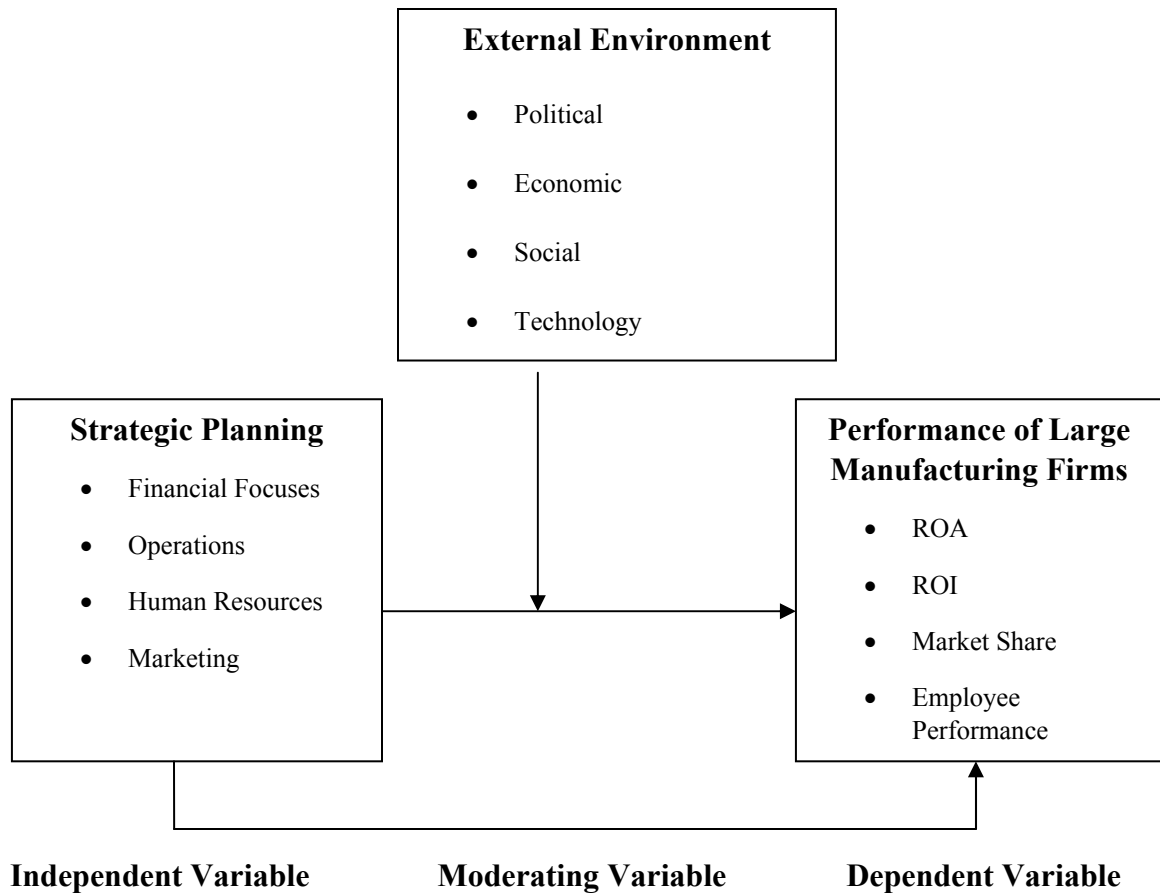
		their strategies	
Role of managers in firm external environment (Miles and Snow, 2013).	Descriptive study	There is a relationship between management and the environment	Role of other stakeholders in the firm not covered
Firm's business environment and performance (Pearce and Robinson, 2013).	Case study	External environmental factors were among the factors that affect corporate performance	Effect of internal factors on performance not covered
Strategic planning and competitive advantage (Kennely and Neely, 2013).	Cross sectional study	a well-developed and targeted strategic planning is a formidable weapon for a firm in acquiring and sustaining a competitive edge	Elaboration of competitive advantage as an aspect of performance not covered

Source: Researcher, (2019)

2.5. Conceptual Framework

The conceptual framework for this study demonstrates the relationships that exist between the dependent and independent variables under investigation as shown in figure 2.1. The dependent variable is performance of large manufacturing firms. The independent variables that will be investigated to establish their level of influence on the dependent variable is strategic planning. The moderating variable is the external environment.

Figure 2.1. Conceptual Model



Source: Researcher, (2019)

From the conceptual framework it can be seen that a change in independent variable will lead to a change in dependent variable. This means that a change in strategies planning through financial focus focuses, operations, human resources and marketing will lead to a change in the performance of large manufacturing firms which is shown by change in ROA, ROI, market share and employee performance. For this relationship to happen it must be regulated by external environment.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter provides a detailed description of the research methodology and approaches that were adopted in conducting the study. These include research design, population of the study and sampling design, data collection methods, and data analysis.

3.2. Research Design

The research was conducted using cross sectional survey design. Cross sectional survey methodology attempts to elicit information from a limited but representative number of units that possess the required information. A Cross sectional survey was suited for this kind of study because data was collected from a cross section of organizations at one point in time.

3.3. Target Population

The population of interest in this study was all manufacturing firms in Kenya. According to Kenya Association of Manufacturers (KAM 2018), there are 560 registered manufacturing firms based in the city of Nairobi. This formed a target population of 560 manufacturing firms.

3.4. Sample Design

Due to the large size of the population, the researcher chose a representative sample of fifty-six (56) firms, which is 10% of the population. The sample was selected using the stratified sampling technique where the population was divided into subgroups based on

industry. The researcher then used simple random sampling technique to select 10% of firms from each group. Since the research was conducted through a survey, the researcher deduced that information collected from the sample would adequately be representative and would be useful in making appropriate conclusions. In addition, all these organizations are in a similar industry, which made it a study of geographically comparable population with similar exposure to the factors affecting their business environment.

3.5. Data Collection

According to Cresswell (2004) data collection refers to the acquisition of the information required for the study. The required information was gathered by the use of questionnaire. The questionnaire was filled by the chief executive officers of the manufacturing firms. Since strategic planning is about managing through others, the researcher felt that these managers were best suited to give unbiased information on strategic planning, external environment and performance.

The questionnaire had three parts. Section A contained general information about the respondent and the organization. Part B focused on strategic planning and external environment whereas section C focused on organization performance. The drop and pick method was used to administer the questionnaire (Kothari, 2004).

3.6. Data Analysis

The data from the field was thoroughly checked to ensure completeness, consistency and accuracy. The data was then coded and tabulated to facilitate data analysis. The researcher further analyzed the data and presented the results in form of percentages,

frequencies, graphs and tables. In addition, the researcher used descriptive statistics. Descriptive statistics according to Cooper and Schindler (2008) means statistical measures are used to depict the center, spread and shape of distribution when presenting the findings. For this study descriptive statistics such as the mean and standard deviation were utilized to analyze the data. In addition, the study utilized inferential statistics. Inferential statistics refers to the statistics measures which use a random sample of data taken from a population to describe and make inferences about the population. For this study multiple regression was utilized to find out the relationship between strategic planning, external environment, and organization performance. The model is indicated below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

Where

Y=Organization Performance

α = constant term

β_1 = Parameters

X_1 = Strategic Planning

X_2 = External Environment

ϵ = Error

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Introduction

This chapter presents the data that was collected on strategic planning, external environment and performance of large manufacturing firms in Nairobi City County. The chapter also consists of analysis of organization data, respondent's personal information, strategic planning and external environment and organization performance.

4.2. Questionnaire Return Rate

Out of the 56 questionnaires that were administered, 45 were duly filled and returned and hence the response rate was at 80.4%. According to Mugenda (2003) a response rate above 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The response rate for this study, 80.4%, was therefore representative and adequate to answer the research questions.

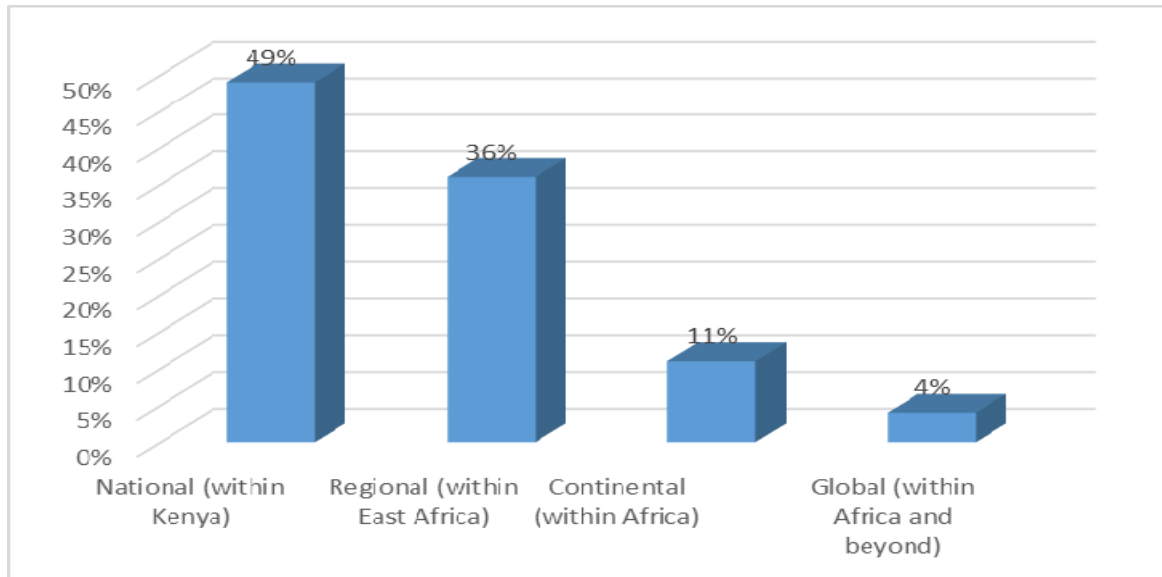
4.3. General Information

The general information included the scope of operation of the organization, ownership structure, highest level of educational qualification, and period of operation in the firm.

4.3.1. Scope of Operation of the Organization

The study sought to establish the scope of operation of the organization. The findings are shown in Figure 4.1.

Figure 4.1. Scope of Operation of the Organization



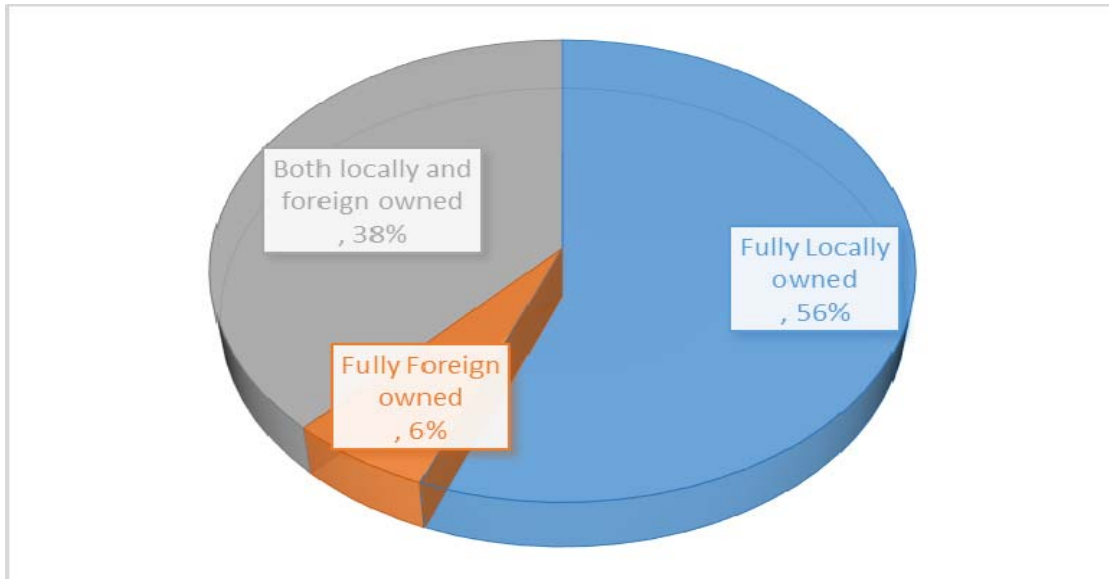
Source: Research Data (2019)

Figure 4.1 indicates that most (49%) of the respondents indicated that the scope of the firm was national (within Kenya), 36% indicated regional (within east Africa), 11% indicated continental (within Africa), while 4% indicated global (within Africa and beyond). This depicts that most of the firm were national (within Kenya) and thus operated within the Kenyan economy.

4.3.2. Ownership Structure

The study sought to establish the ownership structure of the organization. The findings are shown in Figure 4.2.

Figure 4.2. Ownership Structure



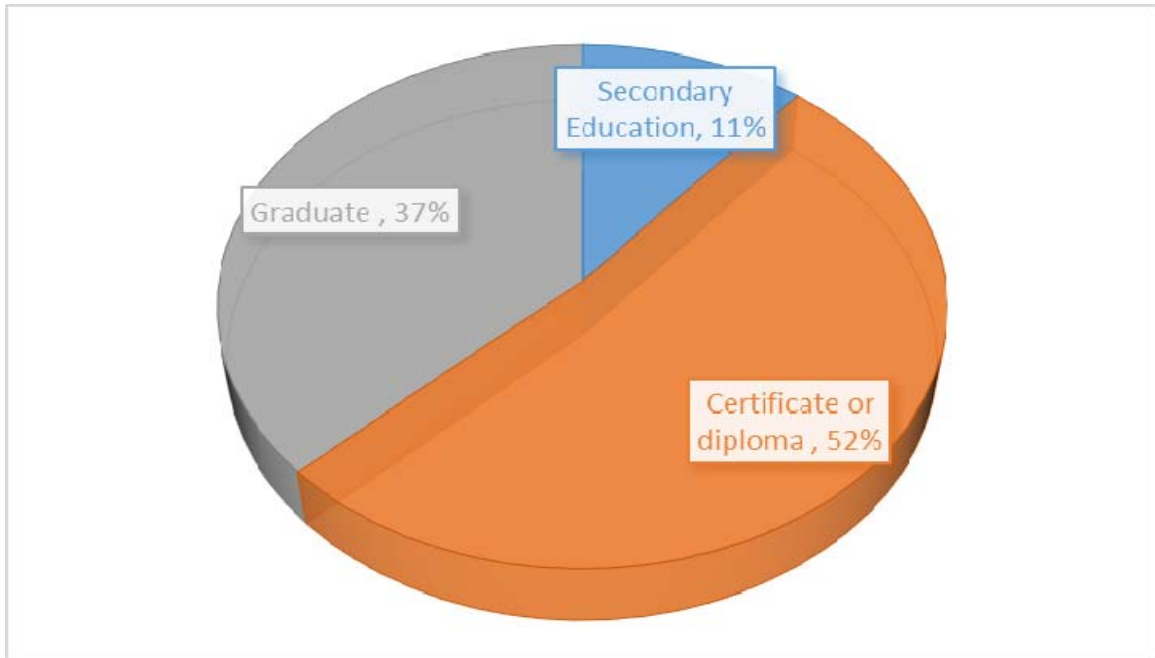
Source: Field Data (2019)

Figure 4.2 shows that majority (56%) of the respondents indicated that the firms were fully locally owned, 38% indicated both locally and foreign owned, while 6% indicated fully foreign owned. This depicts that most of the firms were fully locally owned by the Kenyan citizens.

4.3.3. Highest Level of Educational Qualification

The study sought to establish the highest level of education qualification of the respondents. The findings are shown in Figure 4.3.

Figure 4.3. Highest Level of Educational Qualification



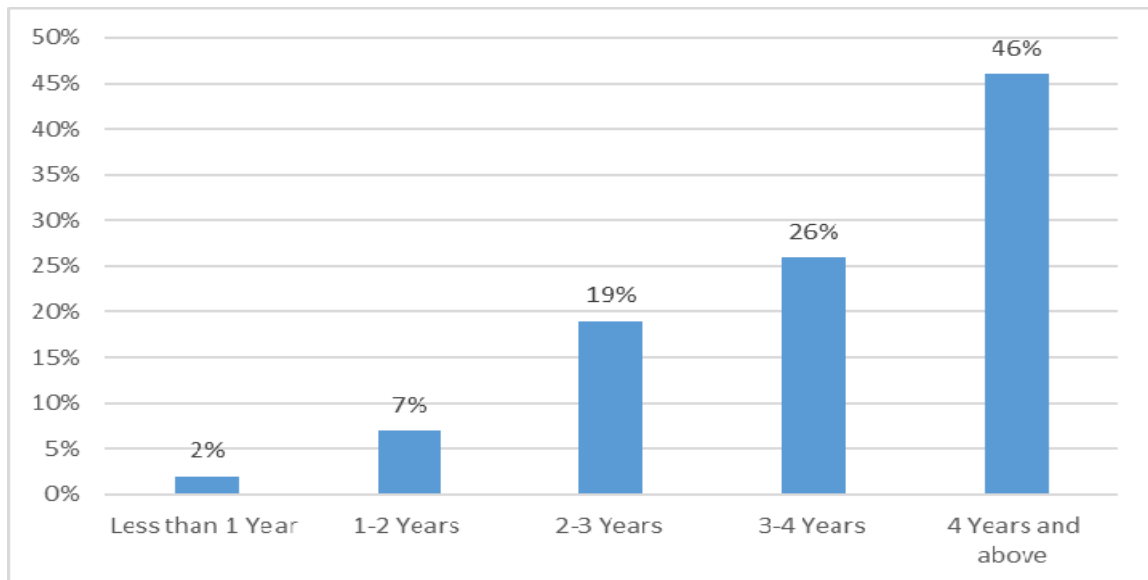
Source: Field Data (2019)

Figure 4.3 indicates that majority (52%) of the respondents had certificate/diploma level of education, 37% had graduate level of education, while 11% had secondary level of education. This depicts that majority of the respondents were learned and thus were in a position to answer questions related to strategic planning and performance.

4.3.4. Period of Operation in the Firm

The study sought to establish the period of operation of the respondents in the firm. The findings are shown in Figure 4.4.

Figure 4.4. Period of Operation in the Firm



Source: Research Data (2019)

Figure 4.4 shows that most (46%) of the respondents had operated within the firm for duration of over 4 years, 26% indicated 3-4 years, 19% indicated 2-3 years, 7% indicated 1-2 years while 2% indicated less than one year. This depicts that most of the respondents had operated within the organization for a duration of 4 years and thus understood how strategic planning was all about.

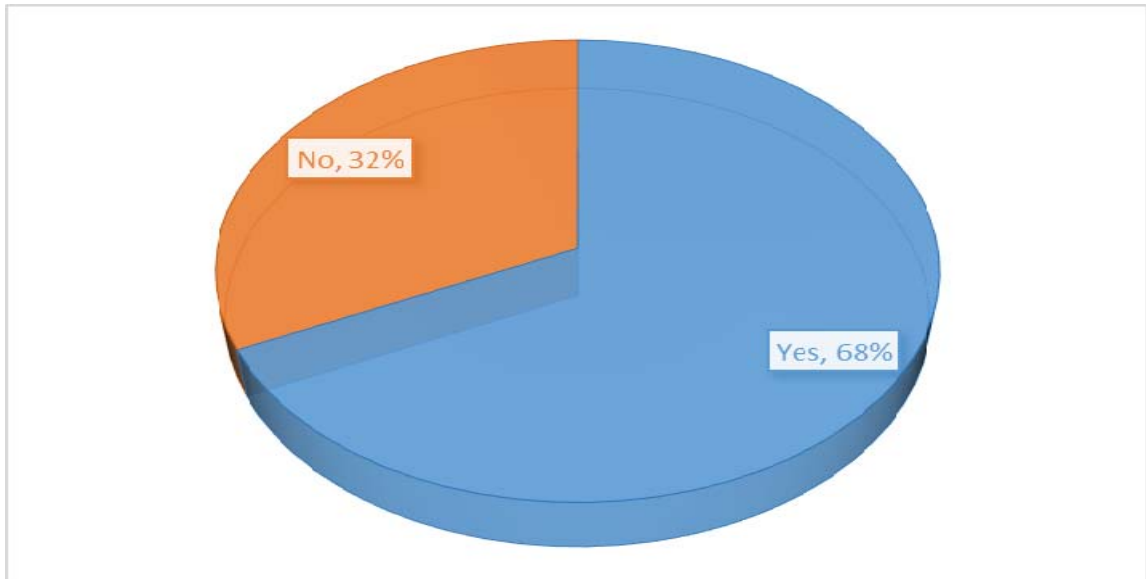
4.4. Strategic Planning and External Environment

This section presents findings on strategic planning and external environment. The findings are presented in the following subsections:

4.4.1. Development of Strategic Plans

The respondents were requested to indicate whether their firms develop long-term strategic plans. The findings are shown in Figure 4.5

Figure 4.5. Development of Strategic Plans



Source: Field Data (2019)

Figure 4.5 indicates that majority (68%) of the respondents indicated their firms develop long-term strategic plans while 32% were of the contrary opinion. This depicts that firms develop long-term strategic plans. The respondents further indicated that the strategic plans were between 5-10 years. Gkiliatis and Dimitrios (2013) suggest that high adoption of strategic planning by firms can be attributed to growing uncertainty in the competitive business environment as well as fast economic and political changes occurring in the global marketplace. Strategic planning involves a process by which firms derive a strategy to enable them to anticipate and respond to the dynamic business environment.

4.4.2. Extent of Application of Strategic Plans

The respondents were requested to indicate the extent to which statements on strategic planning have applied to their firms. The findings are as indicated in Table 4.1

Table 4.1. Extent of Application of Strategic Plans

Statements	Mean	Std. Dev
The firm has diversified into different market segments	3.55	0.2186
The firm has continuously produced diversified products from the same resources to customers	4.07	0.2134
The firm has reviewed its processes according to the structure	3.99	0.1973
The firm has facilitated and coordinates diverse business operations	3.81	0.2001
The outsourced services have helped in managing firm's expenses	3.60	0.2983
The firm has approved use of its license by foreign companies in to manufacture of products at a fee	4.14	0.2182
The firm has done cost reduction through employee reduction or lay-offs in the last five years	4.22	0.2111

Source: Research Data (2019)

Table 4.1 shows that the respondents indicated to a great extent that the firm has done cost reduction through employee reduction or lay-offs in the last five years (mean=4.22), followed by the firm has approved use of its license by foreign companies in to manufacture of products at a fee (mean=4.14), the firm has continuously produced diversified products from the same resources to customers (mean=4.07), the firm has reviewed its processes according to the structure (mean=3.99), the firm has facilitated and

coordinates diverse business operations (mean=3.81), the outsourced services have helped in managing firm's expenses (mean=3.6), and that the firm has diversified into different market segments (mean=3.55). This depicts that to a great extent that the firm has done cost reduction through employee reduction or lay-offs in the last five years. Taiwo and Idunnu (2010) posited that strategic planning consists of a set of underlying processes that are intended to cut costs to create a more favorable outcome for a company and which is quite different from traditional tactical planning that is more defensive based and depends on the move of competition to drive the company's move. In business, therefore, strategic planning provides overall direction for specific units such as financial focuses, projects, human resources and marketing

4.4.3. Extent of Carrying out Strategic Planning Practices

The respondents were requested to indicate the extent to which companies carry out the following strategic planning practices. The responses were placed on a 5 likert scale where 1-Not at all, 2-Less extent, 3-Moderate extent, 4-Great extent and 5- Very great extent. The findings are shown in Table 4.2.

Table 4.2. Extent of Carrying out Strategic Planning Practices

Strategic planning practices	Mean	Std. Dev
Developing Mission & vision	3.66	0.5324
Environmental scanning	3.58	0.5632
Strategic Analysis and choice	3.78	0.5002
Setting long and short term goals and objectives	3.99	0.5125
Strategy implementation; resource allocation and assignment of duties	4.27	0.5324
Strategy evaluation, monitoring strategy implementation, evaluation and adoption of corrective measures	4.34	0.5324

Source: Research Data (2019)

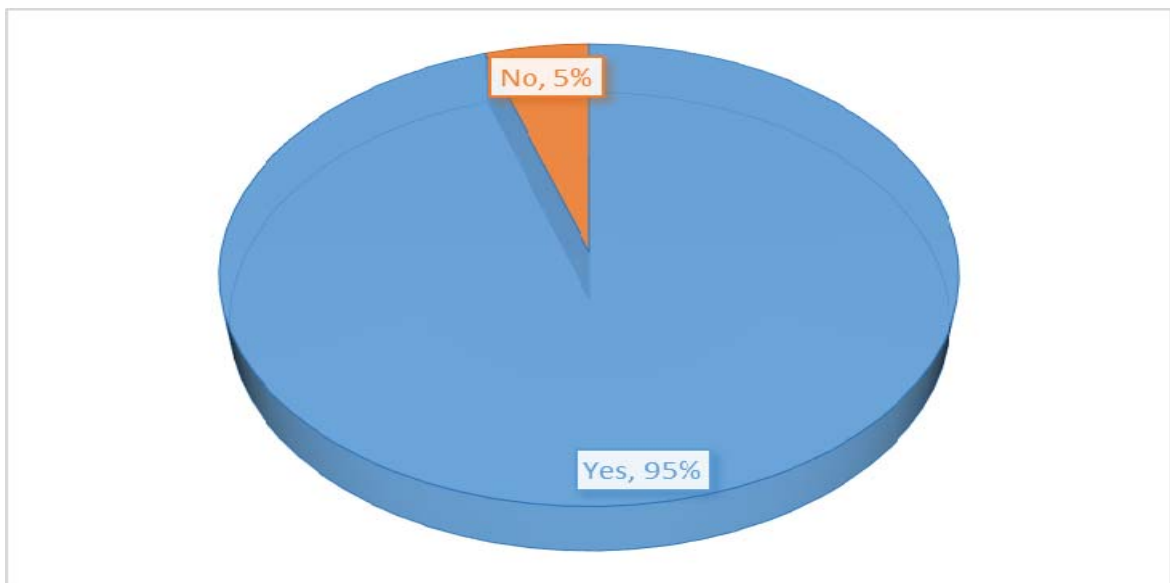
Table 4.3 shows that the respondents indicated to a great extent that Strategy evaluation, monitoring strategy implementation, evaluation and adoption of corrective measures is carried out in the firm, followed by strategy implementation; resource allocation and assignment of duties (mean=4.27), setting long and short term goals and objectives (mean=3.99), strategic analysis and choice (mean=3.78), developing mission and vision (mean=3.66), and environmental scanning (mean=3.58). This depicts that to a great extent strategy evaluation, monitoring strategy implementation, evaluation and adoption of corrective measures is carried out in the firm. Kriemadis (2013) contented that, the purpose of strategic planning is to help organizations gain competitive advantage through

strategic monitoring, and evaluation of strategies to ensure they conform with the organization mission.

4.4.4. Carrying out of External Environmental Analysis

The respondents were requested to indicate whether their firm carries out external environmental analysis. The findings are shown in Figure 4.6

Figure 4.6. Carrying out of External Environmental Analysis



Source: Research Data (2019)

Figure 4.6 indicates that majority (95%) of the respondents indicated that their firm carries out external environmental analysis while 5% were of contrary opinion. This depicts that the firms carry out external environmental analysis. The environment in which firms compete is dynamic and rapidly changing, compelling firms' perception and appreciation of the external environment to play a critical role in strategic management through environment analysis (Osborn and Hunt, 2014).

4.4.5. Extent of Effect of External Environment Factors on Firm Operations

The respondents were requested to indicate the extent to which changes on external environment factors affect the operations of the firm. The responses were placed on a 5 likert scale where 1-Not at all, 2-Less extent, 3-Moderate extent, 4-Great extent and 5-Very great extent. The findings are shown in Table 4.3

Table 4.3. Extent of Effect of External Environment Factors on Firm Operations

External Environmental Factors	Mean	Std. Dev
Customer behaviour	4.04	0.3128
Suppliers	3.88	0.2987
Competition	4.18	0.3013
Economic trends	3.80	0.2871
Social-cultural dynamics	4.29	0.3420
Political systems	3.71	0.1851
Technical factors	3.60	0.2829
Legal procedures and regulations	3.66	0.2271

Source: Research Data (2019)

Table 4.4 shows that the respondents indicated to a great extent that social-cultural dynamics affect the operations of the firm (mean=4.29), followed by competition (mean=4.18), customer behavior (mean=4.04), suppliers (mean=3.88), economic trends (mean=3.8), political systems (mean=3.71), legal procedures and regulations (mean=3.66), and technical factors (mean=3.6). This depicts that to a great extent that

social-cultural dynamics affect the operations of the firm. Bourgeois, (2010) states that no enterprise of any kind can operate in the absence of environmental constraints, or restrictions imposed by the firm’s surroundings. Social-cultural dynamics are some of the environmental constraints that affect the operations of the firm.

4.4.6. Extent of Influence of External Environment Factors on Decision Making

The respondents were requested to indicate the extent to which the following factors in the external environment has had an influence on the decision making in the firm. The responses were placed on a 5 likert scale where 1-Not at all, 2-Less extent, 3-Moderate extent, 4-Great extent and 5- Very great extent. The findings are shown in Table 4.4.

Table 4.4. Extent of Influence of External Environment Factors on Decision Making

Statement	Mean	Std. dev
Political factors in the economy	3.55	0.1124
Relationship with financial institutions on credit issues	4.04	0.1912
Relative bargaining power of the firm’s customers	3.76	0.2081
Socio-Cultural aspects in the market/country	3.80	0.2189
Technological developments in the market	3.60	0.1834
Threat of substitute products and services	3.57	0.1324
Nature of the relations with labour markets	3.65	0.1834
Developments in the global business arena	3.89	0.1324

Source: Research Data (2019)

Table 4.4 shows that the respondents indicated to a great extent that relationship with financial institutions on credit issues had an influence on the decision making in the firm

(mean=4.04), followed by developments in the global business arena (mean=3.89), socio-Cultural aspects in the market/country (mean=3.8), relative bargaining power of the firm's customers (mean=3.76), nature of the relations with labour markets (mean=3.65), technological developments in the market (mean=3.6), threat of substitute products and services (mean=3.57), and political factors in the economy (mean=3.55). This depicts that to a great extent that relationship with financial institutions on credit issues had an influence on the decision making in the firm.

4.5. Organizational Performance

This section presents findings on organizational performance. The findings are presented in the following subsections:

4.5.1. Rating of the Performance of the Organization

The respondents were requested to rate the performance of their organization in the past one year based on the various performance measurement parameters. The responses were placed on a 7 likert scale where 1- Excellent, 2-Very Good, 3- Good, 4-Fair, -5-Poor, 6-Very Poor, 7-Worse. The findings are as shown the Table 4.5

Table 4.5. Rating of the Performance of the Organization

Performance Measurement Parameter	Mean	Std. Dev
Profits made	2.55	0.2219
Liquidity(Balance between assets and liability)	2.42	0.2109
Solvency(firm's ability to pay its debts)	2.60	0.1972
Efficiency	2.38	0.1823
Level of Customer Satisfaction	2.35	0.2007
Growth in Market share	2.41	0.1524
Employee Satisfaction	2.59	0.1320
Quality of Product/Service offered	2.48	0.1883

Source: Research Data (2019)

Table 4.5 shows that the respondents rated level of customer satisfaction as very good (mean=2.35), followed by efficiency (mean=2.38), growth in market share (mean=2.41), liquidity (balance between assets and liability) (mean=2.42), quality of product/service offered (mean=2.48), profits made (mean=2.55), employee satisfaction (mean=2.59), and solvency (firm's ability to pay its debts) (mean=2.6). This depicts that the respondents rated Level of customer satisfaction as very good.

4.5.2. Firm's Performance

The respondents were requested to indicate the firm performance based on return on investment, gross sales, customer satisfaction index, customer complaints resolution, cost efficiency, capacity utilization, employee productivity, employee satisfaction. The findings are as shown in the Table 4.6

Table 4.6. Firm's Performance

Criteria	Units of Measurement	5 Year Achievement				
		2014	2015	2016	2017	2018
FINANCIAL						
Return on investment	%	20%	22%	27%	31%	33%
Gross sales	%	15%	19%	23%	27%	31%
CUSTOMER PERSPECTIVE						
Customer satisfaction index	%	30%	33%	39%	41%	47%
Customer complaints resolution	%	29%	33%	35%	40%	45%
INTERNAL BUSINESS PROCESSES						
Cost efficiency	%	31%	37%	41%	45%	50%
Capacity Utilization	%	35%	39%	42%	47%	52%
EMPLOYEE DYNAMICS						
Employee productivity	%	32%	34%	39%	41%	46%
Employee satisfaction	%	25%	29%	33%	39%	43%

Source: Research Data (2019)

Table 4.6 indicates that with regard to financial performance return on investment and gross sales between the five years ranged between 20-33% and 15-31% respectively. On customer perspective the customer satisfaction index and customer complaints resolution ranged between 30-47% and 29-45% respectively. On internal business processes cost efficiency and capacity utilization ranged between 31-50% and 35-52% respectively. And on employee dynamics employee productivity and employee satisfaction ranged between 32-46% and 25-43% respectively. This depicts that the overall performance for the five years was average and the firm were heading in the right direction.

4.6. Inferential Statistics

The study utilized a regression analysis to find out the relationship that exists between the predictor variables and performance of large manufacturing firms in Nairobi County. The researcher utilized the SPSS version 21 to code the data and produce the output of the regression analysis. The coefficient of determination was used to explain how the change in the dependent variable can be explained by the change in the independent variables. The dependent variable for the current study was performance of large manufacturing firms in Nairobi County while the independent variables were strategic planning and external environment.

4.6.1. Model Summary

The table below provides the model summary of the relationship between the predictor variables and performance of large manufacturing firms in Nairobi County. The findings are as shown in Table 4.7

Table 4.7. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	P-value
1	.930 ^a	.864	.858	.239	47.341	.000

a. Predictors: (Constant), strategic planning and external environment.

b. Dependent Variable: performance of large manufacturing firms in Nairobi County

Source: Research Data (2019)

Table 4.8 shows that $R^2=0.858$, that is 85.8% disparity in performance of large manufacturing firms in Nairobi County is explained by the independent variables in the model. However, 13.6% difference unexplained in performance of large manufacturing firms in Nairobi County is as a result of other determinants which are not represented in the model of regression. From the findings in the table above it can be depicted that the model is good and can be utilized for the purposes of estimation. From the results in the table a significant relationship was established which is indicated by the variables as depicted by $R^2=0.864$, that is 86.4% which shows that a significant relationship exists between the independent variables and the performance of large manufacturing firms in Nairobi County.

4.6.2 ANOVA Results

The table below provides the ANOVA results of the relationship between the predictor variables and performance of large manufacturing firms in Nairobi County. The findings are as shown in Table 4.8

Table 4.8. ANOVA of the Regression

		Sum	of			
Model		Squares	df	Mean Square	F	Sig.
1	Regression	5.298	2	2.649	46.474	.023 ^a
2.	Residual	2.394	42	.057		
Total		7.692	44			

a. Predictors: (Constant), strategic planning and external environment.

b. Dependent Variable: performance of large manufacturing firms in Nairobi County

Source: Research Data (2019)

Table 4.9 shows that the significance value is 0.023 which is less than 0.05 thus the model is statistically significance in predicting how the factors (strategic planning and external environment) influence the performance of large manufacturing firms in Nairobi County. The F critical at 5% level of significance was 2.649. Since F calculated is greater than the F critical (value = 46.474), this shows that the overall model was significant.

4.6.3 Coefficients

The table below provides the coefficient of determination on the relationship between the predictor variables and the performance of large manufacturing firms in Nairobi County. The findings are as shown in Table 4.9.

Table 4.2. Coefficient

	Unstandardized		Standardized		
	Coefficients		Coefficients		
	B	Std. Error	Beta	T	Sig.
Model 1(Constant)	0.181	0.416		0.192	0.847
Strategic Planning	0.469	0.100	0.383	4.69	0.033
External Environment	0.140	0.014	0.157	0.002	0.015

a. **Dependent Variable:** performance of large manufacturing firms in Nairobi County

Source: Research Data (2019)

Multiple regression analysis was conducted as to determine the performance of large manufacturing firms in Nairobi County and the two variables. As per the SPSS generated the regression equation was:

$$(Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon)$$

Becomes:

$$(Y = 0.181 + 0.469X_1 + 0.140X_2 + \epsilon)$$

Table 4.9 shows that taking all the independent variables at constant (strategic planning and external environment) constant at zero, performance of large manufacturing firms in Nairobi County was 0.181. The data findings analyzed also showed that taking all other independent variables at zero, a unit increase in strategic planning will lead to a 0.469

increase in performance of large manufacturing firms in Nairobi County; and a unit increase in external environment will lead to 0.140 increase in performance of large manufacturing firms in Nairobi County. This infers that strategic planning contribute the most to performance of firms in the telecommunication industry, followed by external environment. At 5% level of significance and 95% level of confidence, strategic planning and external environment were all significant on performance of large manufacturing firms in Nairobi County.

4.7. Discussion of Results

The first objective was to establish the influence of strategic planning on performance of manufacturing firms in Nairobi County. The study found that that firms develop long-term strategic plans and that the strategic plans were between 5-10 years. The study also found that to a great extent that the firm has done cost reduction through employee reduction or lay-offs in the last five years. The findings are in agreement with a study by Kriemadis (2013) contented that, the purpose of strategic planning is to help organizations gain competitive advantage through process such as layoffs to reduce the cost pf production ad increase profit gain. In turbulent environments, strategic planning can help organizations to; think strategically and develop effective strategies; develop a coherent and defensible basis for decision making; improve organizational performance; deal effectively with rapidly changing circumstances; anticipate future problems and opportunities; build teamwork and expertise and provide employees with clear objectives and directions for the future of the organization and increase employee motivation and satisfaction.

The study established that to a great extent strategy evaluation, monitoring strategy implementation, evaluation and adoption of corrective measures is carried out in the firm. The study further found that the firms carry out external environmental analysis. The study found that to a great extent that social-cultural dynamics affect the operations of the firm. The findings concur with a study by Taiwo and Idunnu (2010) who posited that strategic planning consists of a set of underlying processes which includes monitoring and evaluation that are intended to create or manipulate a situation to create a more favorable outcome for a company and which is quite different from traditional tactical planning that is more defensive based and depends on the move of competition to drive the company's move. In business, therefore, strategic planning provides overall direction for specific units such as financial focuses, projects, human resources and marketing. Strategic planning may be conducive to productivity improvement when there is consensus about mission and when most work procedures depend on technical or technological considerations.

The second objective was to establish the effect of external environment on the relationship between strategic planning and performance of manufacturing firms in Nairobi County. The study found that to a great extent that relationship with financial institutions on credit issues had an influence on the decision making in the firm. The study found that the respondents rated level of customer satisfaction as very good. The study found that the overall performance for the five years was average and the firms were heading in the right direction. Davig et al. (2014) found that firms that included non-financial performance measures were likely to perform better than those

concentrating only on traditional financial based measures. Firm performance was measured by use of both financial and other non-financial measures

The study also found that at 5% level of significance and 95% level of confidence, strategic planning and external environment were all significant on performance of large manufacturing firms in Nairobi County. According to Marginson, McAulay, (2014), interactive utilization of non-financial performance measures can be particularly important for generating a positive psychological experience and (indirectly) increasing performance. According to Kennerley and Franco-Santos (2015) empirical content studies suggest that measurement of firm performance is more effective when the measures are appropriately designed to include multiple dimensions and are structured in a way that helps managers understand the interrelationship and reflects strategy. Parker (2013) claims that financial measures fail to include the less tangible factors such as product or service quality, customer satisfaction and employee morale.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presented summary, conclusion and recommendations on strategic planning, external environment and performance of large manufacturing firms in Nairobi City County.

5.2. Summary

The study found that that firms develop long-term strategic plans and that the strategic plans were between 5-10 years. The study also found that to a great extent that the firm has done cost reduction through employee reduction or lay-offs in the last five years. The study established that to a great extent strategy evaluation, monitoring strategy implementation, evaluation and adoption of corrective measures is carried out in the firm. The study further found that the firms carry out external environmental analysis. The study found that to a great extent that social-cultural dynamics affect the operations of the firm.

The study also found that to a great extent that relationship with financial institutions on credit issues had an influence on the decision making in the firm. The study found that the respondents rated Level of customer satisfaction as very good. The study found that the overall performance for the five years was average and the firms were heading in the right direction. The study also found that at 5% level of significance and 95% level of confidence, strategic planning and external environment were all significant on performance of large manufacturing firms in Nairobi County.

5.3. Conclusion

The study concluded that to a great extent that the firm has done cost reduction through employee reduction or lay-offs in the last five years. The study concluded that to a great extent strategy evaluation, monitoring strategy implementation, evaluation and adoption of corrective measures is carried out in the firm. The study further concluded that the firms carry out external environmental analysis.

The study concluded that the overall performance for the five years was average and the firms were heading in the right direction. The study also concluded that at 5% level of significance and 95% level of confidence, strategic planning and external environment were all significant on performance of large manufacturing firms in Nairobi County.

5.4. Implication of the Study

5.4.1. Implication to Policy

The results of this study are a source of reference in policy formulation on the key role of strategic planning in the manufacturing sector. Such policies guide to understanding which strategies are appropriate to firms facing particular environmental contexts or circumstances.

5.4.2. Implication to Practice

This study is beneficial to the managers in that it contributes to the process of implementation of best practices in performance improvement. It creates a clear road map and competitive advantage difference on use of firm capabilities and responses in pursuit of strategic competitiveness. Manufacturing firms have previously lacked best strategic planning practices as well as good responses to the turbulent environment.

5.4.3. Implication to Theory

The study will impact on several areas of theory building which will offer significant contribution to the already existing theories like open systems theory which has postulations of business policy, organizational theory and industrial organization economic theory. Further, the dynamic contingency theory would immensely benefit from the findings of this study. The structure-conduct- performance paradigm is a logic application and was operationalized to the strategic responses in the theory.

5.5. Recommendations of the Study

From the results and conclusion, the study recommends that:

1. The strategic process should be inclusive of all the employees, all the departments should develop and apply their strategic plans, organization and departments should review those plans to ensure the success of the implementation, there should be frequent horizontal meetings to enhance cohesion and congruence between departments, management should increase the budgetary allocation to be in line with the strategic plan for the successful implementation of strategies.
2. While strategies are long term, annual planning be done on confirmed incomes and to minimize reductions on budgets that subsequently affect plans made. The study recommended that large manufacturing firms should be aware that delivering their ambitious strategies presents a major challenge. The organizational structures, ways of working and behaviors must continually reinforce organization goals. Large manufacturing firm's legitimacy and ultimate influence depends on being accountable for all that they do. In order to succeed,

large manufacturing firms are committed to be accountable to partners and supporters who give time, money and solidarity.

3. The manufacturing firms should be responsive and innovative in relation to the ever changing and complex environment in which its work in while pursuing its strategies; be outward-looking, accommodating new ideas and relationships; remain committed to generating alternatives.

5.6 Areas Suggested for Further Research

This study sought to investigate on the strategic planning, external environment and performance of large manufacturing firms in Nairobi County. The study recommends an in-depth study to be carried out on the challenges faced by organization as they implement strategic planning in the country. The study also recommends that a similar study should be conducted to establish the relationship between strategic planning, external environment and performance of other organizations in Kenya.

5.7. Limitations of the Study

The study focused on only two study variables which include strategic planning and external environment which the researcher found to be very critical to any manufacturing firm however there are many other variables that were not included in the study. The study focused on these variables in detail so as to add to the existing knowledge on the manufacturing firms, some respondents did not provide authentic information but instead provided general Information making it difficult to obtain the required information. Owing to the nature of the subject, some reluctance was experienced from some respondents in terms of disclosing information with regards to the strategic planning and external environment for fear of their competitors obtaining this information the

researcher assured the respondents of the confidentiality of the information that they provided and sought authority from management to undertake research in the organization.

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APPENDICES

Appendix I: Letter of Introduction from UON



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE... 2/07/19...

TO WHOM IT MAY CONCERN

The bearer of this letter ... Maween Mugiiri Hassan

Registration No. DCI 184136/2015

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you



for **PROF. JAMES M. NJIHIA**
DEAN, SCHOOL OF BUSINESS

**Appendix II: Letter of Introduction by the Researcher to the
Respondent**

University of Nairobi,
College of Humanities and Social Sciences,
School of Business

Dear Respondent,

I am an MBA student currently carrying out a research on strategic planning, external environment and performance of manufacturing firms in Nairobi County. This study is purely for academic purpose only. I therefore request you to fill in the questionnaire with appropriate information which will be of much help to me. The opinion given will be treated with utmost confidentiality and no single responses will be reported on its own but as a summation of all the responses. Kindly comply.

Thank you in advance.

Yours Faithfully,

MAUREEN MUGOIRI HASSAN

MBA Student

Appendix III: Questionnaire

This questionnaire seeks to collect data on the various aspects of the study. The data shall be used for academic purposes only and will be treated with strict confidence. Your participation in facilitating the study is highly appreciated. Kindly provide correct and useful data and fill appropriately as logically guided. (This questionnaire has been provided as a word document that can be filled out in soft copy and returned via e-mail; or printed, filled out and mailed).

SECTION A: BACKGROUND INFORMATION

1. What year was your firm established?

.....

2. Scope of operation (Tick (√) as appropriate)

National (within Kenya)

Regional (within East Africa)

Continental (within Africa)

Global (within Africa and beyond)

3. Ownership structure (Tick (√) as appropriate)

Fully Locally owned

Fully Foreign owned

Both locally and foreign owned

4. Kindly indicate your highest level of educational qualification (tick)

- a) Primary education [] b) Secondary Education
- c) Certificate or diploma [] d) Graduate []

5. Please indicate period you have been with this firm

- a) Less than 1 Year [] b) 1-2 Years []
- c) 2-3 Years [] d) 3-4 Years []
- d) 4 Years and above []

SECTION B: STRATEGIC PLANNING AND EXTERNAL ENVIRONMENT

6. Does your firm develop long-term strategic plans?

- Yes [] No []

If yes, what period?

.....

7. Please indicate the extent to which the following statements on strategic planning have applied to your firm

Statements	1	2	3	4	5
The firm has diversified into different market segments					
The firm has continuously produced diversified products from the same resources to customers					
The firm has reviewed its processes according to the structure					

The firm has facilitated and coordinates diverse business operations					
The outsourced services have helped in managing firm's expenses					
The firm has approved use of its license by foreign companies in to manufacture of products at a fee					
The firm has done cost reduction through employee reduction or lay-offs in the last five years					

8. To what extent does your company carry out the following strategic planning practices? Use 1-Not at all, 2-Less extent, 3-Moderate extent, 4-Great extent and 5- Very great extent

Strategic planning practices	1	2	3	4	5
Developing Mission & vision					
Environmental scanning					
Strategic Analysis and choice					
Setting long and short term goals and objectives					
Strategy implementation; Resource allocation and assignment of duties					
Strategy evaluation: Monitoring strategy implementation, evaluation and adoption of corrective measures					

9. Does your firm carry external environmental analysis when setting strategic plans?

Yes []

No []

10. To what extent does changes of the following external environment factors affect the operations of your firm. Use 1-Not at all, 2-Less extent, 3-Moderate extent, 4-Great extent and 5- Very great extent.

External Environmental Factors	1	2	3	4	5
Customer behaviour					
Suppliers					
Competition					
Economic trends					
Social-cultural dynamics					
Political systems					
Technical factors					
Legal procedures and regulations					

11. Decision making is very crucial in relation to the changes in the external environment. Please indicate the extent to which each of the following factors in the external environment has had an influence on the decision making in your firm. TICK (√) as appropriate using the key below. Key: 1-Not at all; 2-Less extent; 3- Moderate extent; 4- Large extent; 5-Very large extent

Statement	1	2	3	4	5
Political factors in the economy					
Relationship with financial institutions on credit issues					
Relative bargaining power of the firm's customers					
Socio-Cultural aspects in the market/country					
Technological developments in the market					
Threat of substitute products and services					
Nature of the relations with labour markets					
Developments in the global business arena					

SECTION C: ORGANIZATIONAL PERFORMANCE

12. How will you rate the performance of your organization in the past one year based on the following performance measurement parameters? Use 1- Excellent, 2-Very Good, 3- Good, 4-Fair, -5-Poor, 6-Very Poor, 7-Worse

Performance Measurement Parameter	1	2	3	4	5	6	7
Profits made							
Liquidity(Balance between assets and liability)							
Solvency(firm's ability to pay its debts)							
Efficiency							
Level of Customer Satisfaction							
Growth in Market share							

Employee Satisfaction							
Quality of Product/Service offered							

13. Please provide the following information on firm's performance

Criteria	Units of Measurement	5 Year Achievement				
		2014	2015	2016	2017	2018
FINANCIAL						
Return on investment	%					
Gross sales	%					
CUSTOMER PERSPECTIVE						
Customer satisfaction index	%					
Customer complaints resolution	%					
INTERNAL BUSINESS PROCESSES						
Cost efficiency	%					
Capacity Utilization	%					
EMPLOYEE DYNAMICS						
Employee productivity	%					
Employee satisfaction	%					

THANK YOU FOR YOUR TIME AND SUPPORT

Appendix IV: Research Location (MAP)

Nairobi County

