

**STRATEGIC PLANNING PRACTICES ADOPTED BY MILK PROCESSORS IN  
KENYA**

**BY**

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## STUDENT'S DECLARATION

I, the undersigned declare that this management project is my original work and has not been presented for a degree or any other examination in any other university.


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## SUPERVISOR'S DECLARATION

This research project has been submitted for examination with my approval as university supervisor.

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## DEDICATION

I dedicate this project to my loving late parents Mr. Stephen Murungi and Mrs. Aniceta Murungi for the prayers, encouragement and support they gave me in pursuit of my education. They encouraged me to keep on pursuing my dreams despite of having limited resources.

I also dedicate this project to the Murungis; my sister Angela and my two brothers Peter and William who have stood by me during my life. Thank you for being considerate and supportive.

Above all, thanks and praise to the Almighty God because without Him, I would not have made it so far in my life.

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## ABSTRACT

Strategic planning is essential to all organizations. Without strategic plans, organizations lose their direction and purpose. Organizations are required to develop sustainable and valuable vision and mission statements, core values and objectives to reflect their strategic relevance and intent. This can successfully be implemented by organizations adopting viable and sustainable strategic plans. The strategic planning process enables organizations to match their capabilities and limited resources to the dynamic environment. Strategic planning also ensures organizations to identify the strategies that will best fit and match their resources and capabilities to the external and internal demands of the environment. Strategic planning is effective in establishing an organization's long term direction therefore ensuring that the firm looks into the future thereby assuming a more proactive posture.

The dairy industry has faced tremendous growth since its inception and has gone through various changes in terms of liberalization therefore increasing competition for milk and milk products. Strategic planning enables organizations in the dairy industry to survive the complex, turbulent and competitive business environment.

The study sought to identify the strategic planning practices adopted by milk processors in Kenya. The target population of the study was all the active milk processors in Kenya. The researcher then sampled 26 active milk processors registered by the Kenya Dairy Board in year 2010. The study managed to obtain 18 completed questionnaires therefore representing a 69% response rate.

Primary data was collected using a semi-structured questionnaire. The respondents targeted were managers who were involved in the strategy formulation and implementation process in their organizations. The questionnaire was administered through drop and pick-later method to the target population. The data was coded and entered into Statistical Software for Social Science (SPSS) and descriptive analysis ran. Measures of central tendency were applied on the data and the findings, conclusion and recommendations were summarized in the study. Data was presented using bar graphs, percentages and frequency tables.

The study concluded that majority of the milk processors in Kenya had formal documented mission and vision statements. The study revealed that majority of the milk processors also had short term objectives which were reviewed continuously. Majority of the milk processors had their vision and mission statements as well as their short term objectives set by top management. The study also concluded that majority of the milk processors had strategic plans in place which run between two to three years.

The milk processors operated in a fairly stable environment though they experienced a number of challenges in executing the strategic planning process. The study revealed that majority of the milk processors conducted a SWOT and PESTEL analysis. The environmental analysis enabled the milk processors determine the factors affecting strategic planning therefore enhancing the execution of the entire strategic planning process.

The research recommended that all milk processors in Kenya should have formal documented mission and vision statements understood by all stakeholders in the organization. The study emphasized the importance of top management commitment to the entire strategic planning process and that the top management should cascade the strategic plans to all employees of the organization. The study recommended extensive and continuous assessment of the organizations' external and internal environment by to ensure their survival in the competitive environment.

The study recommended that future studies could be done to explore the impact of the strategic planning practices on the financial performance of the milk processors in Kenya. Further research could also be carried out on the impact of challenges identified in the study to the strategic planning process. A further study could also be done on the impact of various environmental factors affecting the milk processors in Kenya on the successful implementation and execution of the entire strategic planning process.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of Study

Strategic planning is very important to all organizations. Organizations in the current world operate in a global environment which undergoes continuous change to the explosive growth of internet and modern technology. The global marketplace has led organizations to seek strategies on how to survive in the very competitive and turbulent environment. Firms need to look ahead, anticipate change, proactively and successfully develop strategies and navigate through the turbulence created by change (Lawlor, 2010).

Thompson (1997) viewed strategic planning as planning for the future by considering the most appropriate strategies and anticipating the changes in the strategic direction. Strategic planning enables organizations to formulate strategies that are viable, visible and sustainable hence enabling organizations achieve their missions, visions and objectives. Thompson (1997) explained that strategic planning is important to all organizations because it provides strategic direction as well as ensuring that the limited resources are available where and when they are needed for pursuit of objectives.

Strategic planning enables organizations to match their capabilities to the dynamic and turbulent environment. Organizations also need to match their strategic plans to the internal and external factors that affect the environment. These factors include; resource constraints, competition, technological factors, political factors, economic factors, social factors, the environment and legal factors.

### 1.1.1 Strategic Planning Practices

A strategy, as explained by Johnson and Scholes (2003) is the direction and scope of the organization over the long term that enables organizations utilize their resources effectively within a changing environment and to fulfill stakeholders' expectations. Strategies enable organizations to achieve their long term goals and objectives hence enabling the firms to survive in the turbulent environment.

Strategic planning as explained by Ansoff and McDonnell (1987) is the systematic procedure for entrepreneurial management which bases the firm's future strategy on examination of novel alternatives. Strategic planning therefore enables organizations to continuously undertake internal and external environmental analysis so as to identify their strengths, weaknesses, opportunities as well as threats that may promote or hinder the growth of business.

Pearce and Robinson (2008) noted that strategic planning involves five major steps which include; formulation of the mission statement, formulation of the vision statement, performance and situational analysis, strategy formulation and choice. Crittenden and Crittenden (2000) concur with the five steps which include; goal or objective setting, situational analysis, alternative consideration, implementation and evaluation.

Strategic planning practices enhance the future growth and sustainability of organizations by improving their financial performance, satisfying stakeholders' expectations as well as having better competitive edge against competitors. Therefore, proper strategic planning practices in firms enhance the long term performance of organizations.

### **1.1.2 Dairy Industry in Kenya**

The dairy industry in Kenya has been developing its dairy agricultural policies since 1950s. These policies tremendously enhanced the development of the dairy industry. The Dairy Industry Act was enacted in 1958 and the Act protected the liberalized dairy market. The Kenya Dairy Board was established in 1958 by an Act of Parliament, the Dairy Industry Act Cap 336 of the laws of Kenya (Kenya Dairy Board, 2010). The Act protected the interests of large scale commercial dairy farming and it enabled the marketing of dairy produce hence enhancing the service quality. In the 1950s the dairy produce market was segregated into scheduled (urban or formal) and non-scheduled (rural or informal) categories with Kenya Co-operative Creameries (K.C.C.) being appointed as the sole agent of Kenya Dairy Board to carry out the marketing of dairy produce in scheduled areas (Dairy Mail, 2008).

In the 1980's, interventionist policies were introduced that concentrated on subsidized consumption and cost sharing measures. The interventionist policies actions included the

introduction of price controls, liberalization of the dairy market, the commercialization and privatization of dairy support service. As a result, the Kenya Cooperative Creameries was nearing collapse due to the emergence of new industry players and also due to the competition posed by the private sector in milk production and marketing of services (Dairy Mail, 2008).

In the 1990's, the dairy market became more liberalized which saw an introduction of huge informal milk business dealing in raw milk. However, due to drought conditions experienced in the late 1990's, Kenya became a net importer of dairy products. In the year 2001, the dairy industry sales position became stronger and the country was back to the export business. Milk production increased favorably in the years 2000 to 2004 whereby the milk production increased from 2.365 million litres to 2.984 million litres (Kenya Dairy Board, 2010). The improved performance in the dairy sector had been associated with fairly favorable weather conditions and the commitment by the government to revamp agricultural sector and by extension the dairy sub sector. The government enhanced the operations of the new Kenya Cooperative Creameries whose milk intake rose from 40,000 litres per day in mid-2002 to 350,000 litres per day by May 2004 (Dairy Mail, 2008). Due to improved conditions, the milk production rose to 4.127 million litres per day in 2008 (Kenya Dairy Board, 2010).

### **1.1.3 The Milk Processors in Kenya**

According to Ministry of Livestock Development (2008), by the end of 2007 there were 52 licensed milk processors of which 26 were registered as active milk processors. The milk processors currently produce a wide range of products namely fresh milk, yoghurt, mala, ice cream, cheese, UHT, powder milk, butter and ghee. Milk production in Kenya is currently dominated by small-scale producers located mainly in the Rift Valley, Central and Eastern provinces. Various production systems mainly rely on rain-fed agriculture and the current dairy cattle population is estimated at 3.8 million (Kenya Dairy Board, 2010).

The current global trend in milk producing countries emphasize that the country promotes policies that enhance the use of economies of scale and size while streamlining the delivery of inputs and services to dairy farmers to enhance milk production (Dairy Mail, 2008). Milk processors in Kenya export substantial quantities of milk and milk products to the

region. Intra-regional trade of dairy products in the East African Community has continued to gain momentum and benefits in the dairy industry. The main products exported are long life milk and powder milk. It is important to note that dairy imports have gone down over time as Kenya becomes increasingly more self-sufficient in milk and milk products. However, specialized milk products are imported mainly from New Zealand and the European Union (Kenya Dairy Board, 2010).

## **1.2 Statement of the Problem**

Strategic planning is essential to all organizations. Sustainable strategies are the outcomes of successful strategic planning practices. Strategic planning enables organizations in the dairy industry to match their capabilities and strategies to factors that affect the dynamic environment. These factors could be both internal and external to the environment which include; resource constraints, competition, technological factors, political factors, economic factors, social factors, the environment and legal factors among others.

Organizations in the dairy industry are required to align their vision, mission, values, strategic objectives and tactics to reflect their relevance and strategic intent. The strategies that can be adopted include business process re-engineering, total quality management, cost rationalization, benefit maximization, financial mix restructuring, market penetration, product development and integrated communication. The above strategies can be successfully implemented by organizations adopting viable and sustainable strategic planning practices.

Several research studies have been carried out in the industry but none has focused on the strategic planning practices adopted by milk processors in Kenya. Studies that have been done on milk processors include studies by Mwendwa (2008) who focused on the strategic responses by Kenya milk processors to environmental challenges and Nyaguthii (2008) who focused on strategy evaluation and control among dairy processing firms in Kenya. Many other studies have been done on strategic planning practices which include; Kiliko (1999) who focused on strategic planning with non-governmental organizations in Kenya, Bett (2003) on strategic planning by tea manufacturing companies in Kenya and Kamau (2008) focused on the strategic planning practices adopted by tour and travel firms.

Other studies on strategic planning practices include; Mutonyi (2003) who explored on strategic planning within microfinance institutions in Kenya, Abdulaziz (2006) studied on strategic planning at Kenya Ports Authority, Kamau (2005) on strategic planning at Kenya Amateur Athletic Association and Scott (2008) focused on strategic planning practices in audit firms in Nairobi, Kenya. Mwendwa (2008) noted that a wide range of environmental factors and competitive pressures affect the organizations strategies and performance. Due to liberalization of the dairy industry, strategic planning has become important for organizations due to increased competition and exposure to more environmental conditions.

The dairy industry has under gone through various changes in terms of liberalization and has also faced a number of environmental challenges. The environment that the organizations in the dairy industry operate in is turbulent and unpredictable (Johnson and Scholes, 2003). The dairy industry has also faced tremendous growth since its inception. It has seen the entrance of new competitors since liberalization of the industry thereby increasing competition for milk and milk products. Kenya, being a member of important trade blocks such as the COMESA and EAC in turn has opened up the industry to more competition. Hence, these organizations need to adopt strategic planning practices that will enable them to survive the more liberalized and competitive environment.

The dairy industry has capacity to produce milk and milk products competitively but the advantage is lost due to challenges in the dairy industry. These challenges include; inefficiencies in milk collection, milk processing, poor quality of feed supplements, costly feed supplements, lack of an organized and reliable market, low quality breeding stock, high cost of animal health and diseases control services, over reliance on rains resulting to uneven milk supply throughout the year and lack of affordable credit facilities (Dairy Mail, 2008). Drought is a major challenge that has affected the dairy industry. Drought conditions have had a major impact on the export and import market of milk and milk products.

The challenges discussed in the paragraph above have hindered the growth and development of the dairy industry. It is therefore important that these challenges should be explored further and a study conducted to gain an in-depth knowledge on the strategic planning practices that milk processors in Kenya adopt to counter-effect these diverse environmental

conditions and challenges. The study therefore fills in to answer the fundamental question: What are the strategic planning practices adopted by milk processors in Kenya?

### **1.3 Research Objectives**

The objective of this study was to identify the strategic planning practices adopted by milk processors in Kenya.

### **1.4 Value of Study**

This study will be of value to the management of milk processing firms in Kenya who will be able to use this study as a guide for strategic planning practices thus ensuring their efficiency in milk production, growth and development in milk processing.

The study will also be of value to management practitioners and consultants as it will provide a corporate lesson of the strategies to be adopted by the milk processing firms in Kenya.

New and upcoming milk processing companies in the dairy industry will find the information useful on how to adopt the various strategic planning practices and position their businesses so as to ensure success in their operations.

The study will also form a reference point on future studies on strategic planning practices adopted by milk processors in Kenya. The literature will be valuable to the academicians and researchers for academic purposes in learning on the strategic planning practices adopted by the milk processors in Kenya.



## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

This chapter presents the previous studies that have been done and theories advanced on strategic planning practices. The chapter is hence broken down into strategic planning concepts, formal strategic planning model, and importance of strategic planning, strategic planning practices and challenges on strategic planning.

### 2.2 Strategic Planning

Strategic planning was invented in the 1960s less than ten years after long range planning (Ansoff and McDonnell, 1990). From its earliest foundations, strategic planning has been associated with the field of strategic management. These early developments significantly include those of Andrews (Learned *et al.*, 1965) and Ansoff (1965). Strategic planning has also been known under various labels encompassing “long range planning”, “corporate planning”, “strategic management” in addition to “strategic planning” (Steiner, 1993, Steiner and Cannon, 1966, Ackoff, 1970 and Ansoff *et al.*, 1976).

According to Ansoff and McDonnell (1990), strategic planning developed as a result of the shortcomings of long range planning. Ansoff and McDonnell (1990) stated that long range planning was the firm’s response to the pressures of rapid growth, size and complexity. But in the 1950s, the configuration of the above factors reached a point whereby it was not possible for firms to rely only on budgeting and long range planning for preparing the firm’s competitive challenges and expansion needs (Ansoff and McDonnell, 1990), hence the need for strategic planning. Ansoff and Mc Donnell (1990) continued to elaborate that long range planning was undesirable and dangerous as a plan to the firm’s future because it was based on the extrapolation of past trends. The business environment today is very competitive therefore the traditional budget oriented planning and forecast-based planning methods were insufficient for organizations survive and prosper.

There is general agreement among strategic planning researchers that the strategic planning process consists of three major components; strategy formulation (which includes;

developing mission and vision statements, setting objectives, assessing the external and internal environments, evaluating and selecting strategy alternatives), strategy implementation and strategy control (Hopkins and Hopkins, 1997). Strategies developed through strategic planning tend to enhance an organization's competitive advantage over its rivals (Hill and Jones, 2008) and also ensure optimal utilization of resources within the organization. Grant (1997) also stated that these strategies tend to emphasize the establishment of the long term competitive advantage of organizations which is reflected in the performance goals emphasized on the strategic objectives (which include; market share, innovation and quality leadership) and financial objectives over the short term and the long term period.

Strategic planning systems can be formal or informal. Formal strategic planning systems are detailed and they are useful whereby organizations can predict with clarity their environmental conditions. Formal strategic planning refers to the determined actions by organizations for achieving stated and desired objectives (Thompson, 1993) and where the degree in which responsibilities, authority and discretion in decision making processes are specified (Pierce and Robinson, 2007). Formal strategic planning is important because it helps management to make better strategic decisions (Hills and Jones, 2008). Informal strategic planning involves the analysis of the internal and external environment, analysis of the strategic situation, creation of various strategies, choosing and implementing the most viable strategic options. Flexibility in strategic planning is essential for organizations especially where the environment is turbulent (Thompson, 1993).

Various scholars have advanced different views on strategic planning. The main views are the deliberate view (Ansoff, 1991) and the emergent view (Mintzberg, 1990 and 1991). A deliberate strategy is a strategy that was intended or planned and subsequently realized. An emergent strategy is a strategy that was realized but was never intended or planned, either because no strategies were planned or those that were planned were not implemented. The deliberate approach to strategic planning might be described as top-down, rigid, mechanistic and efficient in contrast to a description of an emergent process that is informal, flexible and empowering (Dibrell, Down and Bull, 2007).

The emergent strategy is however criticized for being too reactive to external threats and opportunities (Hendry, 2000). It is important to acknowledge that the realized strategies of most organizations will be some combination of both emergent and deliberate strategies. Hill and Jones (2008) illustrated that a company's realized strategy is the product of whatever planned strategies that were actually in place (the company's deliberate strategies) and any unplanned (emergent strategies). Thompson (1993) also viewed strategic planning as a cerebral activity whereby managers think about where the organizations should be going, why and how.

The other views on strategy development include the planning view, the logical incremental view and the command view in strategic planning. In the rational analytical or planning view, the strategic planning process is systematic in nature and may take the form of highly systemized, step by step, chronological procedures involving different parts of the organization (Johnson and Scholes, 2002). The planning view uses analytical and evaluative procedures whereby the intended strategy is formulated and eventually implemented.

The power behavioral view or command view involves the development of strategy through the influence of a group of people or through the influence of a charismatic leader but not necessarily through formal strategic planning. The influential employees or leaders in the organizations may come up with ideas on how to develop strategies. The emergence of strategy in this view as explained by Johnson and Scholes (2002) is as a result of employees' ideas and innovations which come from within the organization rather than from the top management therefore resulting in an emergent strategy.

The logical incremental view involves the development of strategy through learning by experience. In the logical incremental view, the process of strategy development is gradual over time. Mintzberg and Quinn (1978) advanced the logical incremental view whereby they indicated that strategy making is characterized by economic and behavioral factors. Johnson and Scholes (2002) explained that under the experience view (logical incremental), strategy is developed through the informal sensing of the organization's environment on the basis of people's experience or through the cultural systems of the organization. The strategy developed under the experience view emerges on the basis of experience and post

rationalization of the strategy. Hence, the strategy development process eventually looks like it had been planned (Johnson and Scholes, 2002).

### **2.3 Formal Strategic Planning Model**

The basic strategic planning model suggests that a company's strategies are as a result of a deliberate plan hence the strategic planning process is rational, highly structured and it is orchestrated by top management (Hill and Jones, 2008). The organizations engage in strategic planning practices so that they can clearly define their goals and objectives, assess both the internal and external environments, formulate strategies, implement the selected strategies and evaluate the success of the strategies. Johnson and Scholes (2005) also stated that strategic planning involves objective setting, analysis of environmental trends and resource capabilities, evaluation of different options, careful planning and implementation of the strategies.

The formulation of the mission statement is the first step of the strategic planning process. Grant (1998) stated that the firm's statement of the mission and vision provides a foundation and guiding light for the strategy making process. The mission statement as explained by Hill and Jones (2008), has four main components; a statement of the organization's reason for existence (mission statement), a statement of some desired future state (vision statement), a statement of the key values the organization is committed to achieve and a statement of its major goals and objectives.

Pearce and Robinson (2004) explained that a good mission statement provides managers with unity of direction and a sense of shared expectations among all levels and generations of employees in the organization. The mission statement also projects a sense of worth and intent that can be assimilated by stakeholders within the organization's environment. The mission statement affirms the company commitment to responsibility and preserves the company's need for sustained survival, growth and profitability. The mission statement consolidates values over time, across individuals and interest groups.

Environmental scanning and evaluation is the second step in the strategic planning process. Environmental analysis involves an internal analysis of the firm (SWOT analysis), an

analysis of the firm's industry (task environment) and an analysis of the external environment (PESTEL analysis). Organizations analyze three different types of external environments as explained by Hill and Jones (2008); the industry environment, the national environment and the socioeconomic environment.

Analyzing the industry environment encompasses: an assessment of the competitive structure of the organization's industry; an analysis of the competitive position of the organization and its rivals; an analysis of the nature, stage, the dynamics and history of the industry and finally an assessment of the impact of globalization on competition within the industry. Analyzing the socioeconomic environment or macroeconomic environment involves examining the macroeconomic, social, political, legal, international and technological factors that affect the organization as well as the industry (Hill and Jones, 2008).

The third step in the strategic planning process involves strategy formulation and implementation. Hill and Jones (2008) explained that strategy formulation is the task of analyzing the organization's external and internal environments and then selecting the appropriate strategies. Subsequently, the selected strategies are implemented through programs, budgets and procedures. Hills and Jones (2008) stated that the strategy implementation process involves putting the selected strategies into action to enable the organizations achieve competitive advantage and increased performance. Implementation of strategy also entails designing the most viable organizational structure, culture and control systems that put the chosen strategies into action (Hill and Jones 2008).

Strategy evaluation and control is the fourth step in the strategic planning process. Strategic planning is an ongoing process (Hill and Jones, 2008). The implemented strategies must be carefully monitored and evaluated to determine the extent to which the chosen strategic goals and objectives are actually being achieved and the degree to which the organization's competitive advantage is being created and sustained. Managers therefore are able to reaffirm their existing strategies or take corrective action as needed. Strategy evaluation enables the corporate or top management of organizations to evaluate the success or failure of the chosen strategies and hence recommend corrective actions where necessary (Hill and Jones, 2008).

Pierce and Robinson (2004) explained that there are four types of strategic controls.

These controls include; premise controls, implementation controls, strategic surveillances and special alerts which are designed to meet the top management's need to track the strategies as they are being implemented. Strategic controls enable organizations to detect any underlying problems as well as make the necessary corrective adjustments to the strategic implementation process. Strategy evaluation and control broadly consists of defining the parameters to be measured, defining the target values for those parameters, performing the necessary measurements, comparing the measured results to the pre-defined standards and finally making the necessary corrective changes.

Various studies have been done on milk processors in Kenya. A notable study on the milk processors in Kenya was done by Mwendwa (2008). He undertook a study on the strategic responses by milk processors in Kenya facing environmental challenges. The main objectives of his study were to identify the environmental challenges facing milk processors in Kenya and to determine the strategic responses by the milk processors to environmental challenges. He based his study on 25 active milk processors in Kenya according to the Dairy Mail (2008) and he undertook a survey research design. Data in the study was collected using questionnaires which were both open ended and closed ended.

From the study Mwendwa (2008) revealed that the strategic responses to a changing competitive environment entails substantial changes to the organization's long term behavior and that most organizations pursue a combination of two or more strategies simultaneously. Mwendwa (2008) also concluded that organizations have limited resources and as a result they must choose among alternative strategies to avoid excessive debt.

#### **2.4 Importance of Strategic Planning**

According to Johnson and Scholes (2005) formal strategic planning has enhances the performance of organizations. Grant (1998) explained that the strategic planning process is a part mechanism for driving performance by establishing consensus around ambitious long term targets by inspiring organizational members through creating a vision and a sense of mission.

Strategic planning encourages a long term view of strategy. Strategic planning involves three to five year plans but in some cases it may extend to fourteen years (Johnson and Scholes, 2005). The analysis of strategies in organizations is enhanced through the strategic planning process. Strategic planning enables managers in organizations to think about complex strategic problems, ask questions as well as challenge strategies in the organizations (Johnson and Scholes, 2005).

The strategic planning process enhances the control of strategies in organizations by regularly reviewing the performance and progress of the agreed objectives or previously agreed strategic direction (Johnson and Scholes, 2005). Strategic planning also improves the coordination (Johnson and Scholes, 2005, Grant, 1998) and cooperation in formulating and implementing strategies. Grant (1998) stated that whether formal, informal, systematic or adhoc, documented or not, the strategic planning process is in part a coordination device that encourages consistency in organizations.

Strategic planning involves the effort of the entire organization therefore improving the decision making process by encouraging systematic analysis. Strategic planning also brings together knowledge from all employees within the organization (Grant, 1998). Strategic planning aligns the various departmental strategies to the corporate strategy therefore utilizing effectively the resources that lead to the implementation of strategies in organizations. Planning on strategy enhances ownership of the entire process of strategic development therefore bringing a sense of security and logic to organizations (Johnson and Scholes, 2005).

## **2.5 Strategic Planning Practices**

Strategic planning is very important to every organization. Without strategic planning organizations will be carrying out their activities in a vacuum. Many organizations in Kenya today are holding workshops, seminars and even retreats for their management staff so that they can formulate strategic plans for their organizations. One of the commonly cited reasons for strategic planning is to enhance organizational performance (Hahn and Powers, 1999 and Schneider and De Meyer, 1991). Well-designed strategic plans provide an operational framework that allows organizations enjoy distinct competitive advantages thus experiencing improved performance (Porter, 1997).

Organizations have realized that having valuable strategies is the outcome of the formal strategic planning process and that the top management plays an important role in this process. Sustainable and valuable strategies emerge from deep within the organization however sometimes this happens without prior planning (Hill and Jones, 2008). Strategic planning is commonly used as a management process employed by various managers in both the private and public sectors to determine the allocation of limited resources in order to enhance financial and strategic performance of organizations.

Organizations that practice strategic planning consider formal and rationalized planning for formulating their strategies. In today's highly competitive business environment, budget-oriented planning or forecast-based planning methods are insufficient for large organizations to survive and prosper. Organizations therefore engage in strategic planning practices. There is no single "best practice" for organizations on how to carry out successful strategic planning practices. The timing and process of strategic planning will differ depending on industry, market pressures, the size and culture of the organization. In the past, a five to ten year strategic time horizon was common yet today organizations find it difficult to plan beyond two or three years.

Generally, there seems to be an agreement among strategic planners that the process of strategic planning consists of four major components; formulating the vision and mission statements, core values and objectives, assessing both the external and internal environments, selecting strategy alternatives, formulating strategies, strategies evaluation, implementation and control of strategies (Hopkins and Hopkins, 1997).

In strategic planning practices, organizations identify their vision and mission statements as the first step of the process. What is our main business and what will it be in the future? (Thompson, 1993). Where do we want to go? These are questions frequently asked to help organizations develop mission and vision statements. The vision and mission statements help in infusing organizations with a sense of purpose and direction therefore giving them a mission. Once the vision and mission statements are clearly identified, organizations are able to survey the environment and analyze both the external and internal environment (Kaplan and Norton, 2001).



Environmental survey is performed within the frame work of SWOT and PESTEL analysis. The environmental analysis is about evaluation of the organization's external and internal environment. The environmental factors analyzed include; economic factors, social factors, demographic factors, political factors, legal factors and technological factors. Organizations also need to analyze their competitive environment by identifying the rivalry between competing sellers and companies offering substitute products. Organizations also need to identify the suppliers of resource inputs, buyers of the resource inputs and potential new entrants into the industry (Porter, 1979).

Organizations need to evaluate their strengths, weaknesses, opportunities and threats. The evaluation is carried out within the SWOT analysis framework. Strengths and weaknesses are internal organizational factors that affect organizations whereas opportunities and threats are external environmental factors in organization's periphery. The internal organizational factors include factors such as; personnel, finance and manufacturing capabilities among others. The external environmental factors may include; macroeconomic factors, technological changes, legislation, socio-cultural changes, marketplace changes and competition.

Strategy analysis and choice involves the search for the best alternative strategies by considering and adoption of various strategies formulated by organizations. Organizations systematically compare and evaluate the external and internal environmental to select valuable strategies. The search for multiple strategy alternatives depends on the systematic comparison of the strengths, weaknesses, risks and trade of each strategy (Pierce and Robinson, 2004). Organizations need to ensure that they perform a thorough analysis of their value chain to address the required resources required for strategy implementation.

Strategy implementation is conducted by organizations to ensure that the strategies are translated into concrete actions (Pierce and Robinson, 2004). According to Mintzberg (1994), this phase of the strategic planning process involves programming and a great deal of effort is required to carry out this programming. Organizations need to compile the information required to implement strategies. Organizations take the information gathered during the strategy formulation phase to synthesize and organize the data into integrated and

comprehensive set of strategies that can be implemented and measured thereby putting the strategies into practice. The strategy implementation phase involves a degree of change and effective management of change in organizations can significantly affect the successful implementation of the desired strategies (Kaplan and Norton, 2001).

Strategy evaluation phase is mostly the less-researched part of the strategic planning process in organizations. The evaluation is vital in assessing the level of success of the chosen strategies. Evaluation of strategies is not only concerned with performance and performance measures but also helps when the strategies require adjustments in the light of experience and in the context of a rapidly changing external environment because strategy is a continuous process rather than a single event (Hill and Jones, 2008).

It is important to note that organisations adopt different views on strategy development. One is the planning view of strategy development whereby organisational strategies are proposed and developed through rational and formalized sequences of analytical and evaluative procedures. Mintzberg (1994) viewed the strategic planning process as precise intentions that are formulated and articulated by central leadership and backed up by formal controls to ensure implementation of strategies in an environment that is controllable and practicable. Some organisations opt to adopt the command view in strategy development whereby strategies are developed through the direction of a charismatic individual or a group of employees but not necessarily through formal strategic planning. The strategies formulated and implemented under the command view of strategy development are an outcome of an autocratic, charismatic or dominant leader who becomes personally associated with strategy development in the organization.

The basic strategic planning process is usually highly rational and structured in organisations. The strategies developed in this scenario are orchestrated by the top management and cascaded to other management staff. However, since the organisational environment is turbulent, complex and ambiguous even the well thought-out strategic plans are rendered useless by the rapid changing environment. Organisations therefore end up having emergent strategies that are unplanned responses to unforeseen circumstances in their environment. Therefore, the strategies realized in organisations are not planned. These unplanned strategies

tend to be more successful and appropriate to organizations than the intended strategies (Hill and Jones, 2008).

## **2.6 Challenges of Strategic Planning**

Grant (1998) stated that there are three major weaknesses of strategic planning process. These weaknesses included: lack of autonomy for top divisional management which may result in lack of initiative and ownership of the strategic planning process by employees in organizations; the tendency for the strategic planning process to be slow or cumbersome and hence unresponsive to new upcoming environmental circumstances and opportunities; and the lack of diversity that may result from the unitary view imposed by the corporate or top management in organizations.

Managers are the lynchpin in the strategy planning process (Hill and Jones, 2008). Organizations sometimes hire specialists and consultants to manage their strategic planning process. Pierce and Robinson (2004) explained that managers who are responsible for the formulation and implementation of strategies within their organizations sometimes become so busy with the day to day operations in their organizations therefore they may delegate the responsibility for strategic issues to specialists. As a result of this, the managers lose track of the strategic planning process and eventually strategic planning in such organizations become an intellectual exercise removed from the reality of operations. Hill and Jones (2008) explained that it is the managers who must take responsibility for formulating and implementing strategies in their organizations so as to enable the organizations attain competitive advantage and therefore enhancing the entire strategic planning process.

The strategic planning process may become tedious and long especially where the process is too detailed and not flexible. Pierce and Robinson (2004) explained that the process of strategic planning may become so cumbersome and extensive such that employees in the organization may partly contribute or even totally not understand the whole strategic planning process therefore missing the major strategic issues facing the organization due to unnecessary information overload. The employees will become confused and unclear about the whole strategic planning process therefore they may lose focus and direction in strategic planning.

Hill and Jones (2008) explained that challenges may emerge from the formal strategic planning process because organizations operate in an environment which is uncertain, complex and has unpredictable impact on outcomes. Therefore, even the most carefully thought out strategic plans are prone to be rendered useless by the rapid and unforeseen environmental changes. Due to the unpredictability and turbulence of the environment, organizations to rapidly respond to the changing environmental circumstances and alter their strategies accordingly.

Effective execution of the strategic planning process may be hindered whereby organizations view strategic planning as a top management activity only. This is a challenge in the strategic planning process because the business level and functional level managers loose the enthusiasm to implement the strategies developed by top management team. Kamau (2008) elaborated that senior managers need to effectively cascade the strategic planning process to their junior staff otherwise they will feel left out therefore leading to poor employee morale.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter explains the design of the study, target population and sampling technique, data collection method, data processing, analysis, interpretation and reporting procedures as used in the study.

### **3.2 Research Design**

A descriptive study was undertaken on a cross-sectional survey design aimed at establishing the strategic planning practices adopted by milk processors in Kenya. According Moore, Burnett and Moore (1986), a descriptive study is concerned with finding out what, where and how of a phenomenon. Kothari (2004) expounded that the major purpose of descriptive research is to describe the state of affairs as it exists at the present and he also explained that surveys are conducted in cases of descriptive studies. A cross-sectional survey design was chosen hence the data was collected at defined time from the target population.

### **3.3 Target Population**

The target population of the study was all the active milk processors in Kenya. Mugenda and Mugenda (1999) expounded that the target population is the population on which the researcher wants to generalize the results of the study. Since the span of most corporate strategic plans run for 3 years, the study considered milk processing firms that had been registered by 2007 and which were active by the end of year 2010. Therefore, all the active milk processors were studied.

### **3.4 Data Collection**

The study relied on primary data. The respondents targeted were managers who were involved in the strategy formulation and implementation in the milk processing firms. The managers were therefore in a good stead to provide the most reliable data on the strategic planning practices adopted by the milk processing firms in Kenya.

The primary data was collected using a semi-structured questionnaire. A questionnaire is a research instrument consisting of a set of questions (Kothari, 2004) and is for the purpose of gathering information from respondents. A questionnaire has the advantage over some other types of surveys in that it is cheap, do not require as much effort from the questioner as verbal or telephone surveys, and often has standardized answers that make it simple to compile data. A questionnaire has also an added advantage in large samples whereby the results can be made more dependable and reliable (Kothari, 2004). The questionnaire was administered through drop and pick-later method to the target population.

### **3.5 Reliability and Validity**

A pilot test was carried out to test the reliability and validity of the research instrument. Reliability is a measure of the degree to which a research instrument yields consistent results after repeated trials, while validity is the degree to which results obtained from the analysis of data actually represent the phenomenon under study Mugenda and Mugenda (2003). The questionnaire was designed and pre-tested on ten managers involved in the strategy formulation and implementation in milk processors in Nairobi who were not included in the actual study. The questionnaire was then appropriately amended before data collection taking into notice the face, construct validity and reliability of the data to be collected.

### **3.6 Data Analysis**

The data was coded and entered into Statistical Software for Social Science (SPSS) and descriptive analysis ran. Descriptive statistics was used mainly to summarize the data. This included percentages and frequencies; and where factors need to be grouped and ranked, a Likert scale analysis was employed. Tables, pie charts and other graphs were used as appropriate to present the data collected for ease of understanding and analysis. Measures of central tendency were applied such as mean, standard deviation and percentages for quantitative variables. Explanations to the tables, graphs and analysis of the content matter of open-ended questions were done in prose.

## CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

### 4.1 Introduction

This chapter presents the analysis and interpretation of research findings. The data analysis is divided into six sections; general information, mission and vision, objective setting, strategic planning process, situational and environmental analysis, and challenges to strategic planning. The research targeted 26 active milk processing firms and 18 of the firms responded which represented a 69% response rate.

### 4.2 General Information

The study sought to find out the general characteristics of the respondents and the firms. The information included the gender, age, educational level, working experience and current capacity of the milk processing firm.

The study requested the respondents to state their gender, 11 of them were male respondents while the remaining 7 were female respondents as illustrated in the Table 1 below.

Table 1. Gender of respondents

Gender	Frequency	Percentages
Male	11	61.1
Female	7	38.9
Total	18	100

The study requested the respondents to indicate their age. Table 2 below shows that respondents between age brackets 25-35 years were represented by a percentage of 61.1%, 36-45 years by 22.2%, 46-55 years by of 11.1% and 5.56% of the respondents were over 55 years old. Thus, we can conclude that, majority of the respondents interviewed were between the ages 25 to 35 years.

Table 2: Age of the respondents

Age	Frequency	Percentages
25-35 Years	11	61.1
36-45 Years	4	22.2
46-55 Years	2	11.1
Over 55 Years	1	5.6
Total	18	100

The study requested respondents to indicate their highest academic qualifications. Respondents with under graduate qualifications had a percentage of 44.4%. Post-graduate was 38.9% and the remaining 16.7% were high school qualifiers. It therefore shows that majority of the respondents in the milk processing industries had at least an under graduate degree, as shown by 83.3% in Table 3 below.

Table 3: Educational Level of the Respondents

Educational Level	Frequency	Percentages
High School	3	16.7
Under Graduate	8	44.4
Post Graduate	7	38.9
Total	18	100

The study sought to find out the work experience in years that the respondents had in the milk processing firms. As shown in Table 4 below, 66.7% of the respondents had a work experience of 5 years or less. Those who had a work experience of 6-10 years, 11-15 years and 16-20 years had a percentage of 11.1% respectively. Therefore, the results indicated that majority of the respondents had five years or less work experience.

Table 4 : Work Experience of Respondents in the Milk Processing Firms

Experience in Years	Frequency	Percentages
5 Years or Less	12	66.7
6-10 Years	2	11.1
11-15 Years	2	11.1
16-20 Years	2	11.1
Total	18	100



The study requested respondents to indicate the number of years they had worked in their current positions in milk processing firms. Table 5 below shows that 33.3% of the respondents had worked in their current capacity for less than 2 years, another 33.3% had worked between 2-4years, and 16.7% had held their positions between 5-7 years and 11.1% had worked in their current position for over 7 years. The results therefore revealed that majority of the respondents, 66.6% had retained their positions for at least four years.

Table 5 : Duration Held in the Current Position

Years	Frequency	Percentages
Less than 2 years	6	33.3
Between 2-4years	6	33.3
Between 5-7 years	3	16.7
Over 7 years	2	11.1
No Response	1	5.6
Total	18	100

The study required the respondents to state their current milk production capacity. Firms that were interviewed had a processing capacity of between 3,000 to 500,000 litres per day. Therefore, the study was able to cover milk processing firms with diverse production capacities therefore enabling generalization of findings across the board.

### 4.3 Mission and Vision Statements

The study sought to find out the existence of vision and mission statements, the levels of involvement in their formulation, the modes of communication, and the challenges encountered in the formulation of the vision and mission statements.

The study further sought to find out whether firms had formal documented mission and vision statements. Figure 1 below indicates the results of the study. 94.4% of the organizations had formal documented mission statements while 5.6% of the firms interviewed did not have formal documented mission statements. The study also revealed that 88.9% of the firms had formal documented vision statements whereas 11.1% did not have formal documented vision statements. Therefore, majority of the firms in the milk industry had formal documented mission and vision statements.

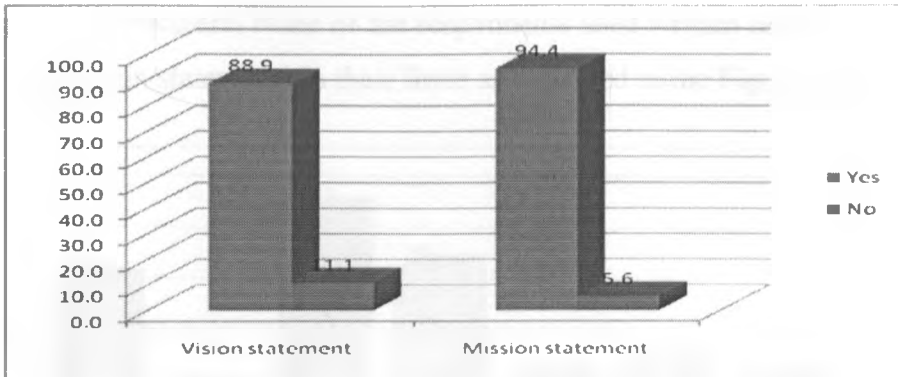


Figure 1: Existence of a Formal Documented Mission and Vision

The study requested the respondents to indicate the levels at which the vision and mission statements were formulated in their organisations. 94% of the respondents revealed that the vision and mission statements were set at top management level, 39% by the board of directors, 17% at the share holder level, 11% by general staff and 6% by the middle management level. The study therefore revealed that majority of the processing firms had their vision and mission statements set at top management level as shown in Figure 2 below.

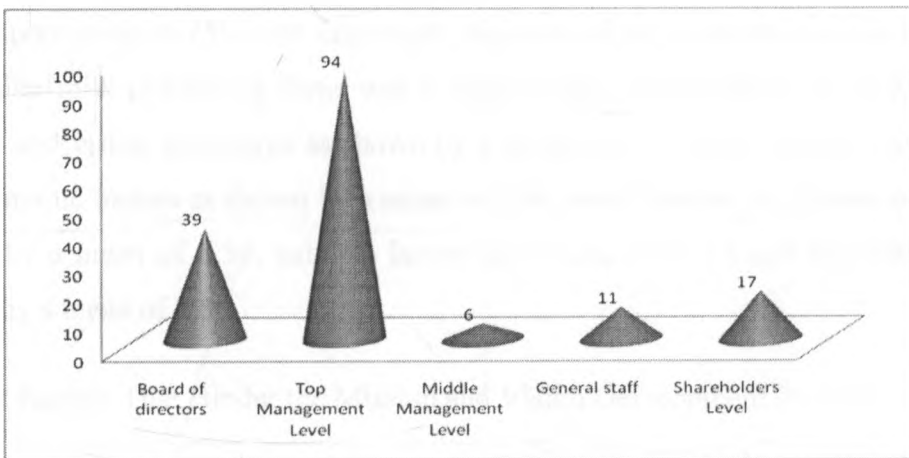


Figure 2: Level of Involvement in the Formulation of Vision and Mission Statements

The mode of communicating the vision and mission statements was also investigated in the research. Majority of the respondents, 72.2%, said that vision and mission statements were communicated within their firms through memos, 50% through their department heads,

44.4% through the staff e-mail, 11.1% through the firm's web site while 5.6% through newspapers and circulars. None of the respondents used written letters to communicate their vision and mission statements in their firms as indicated in the Figure 3 below.

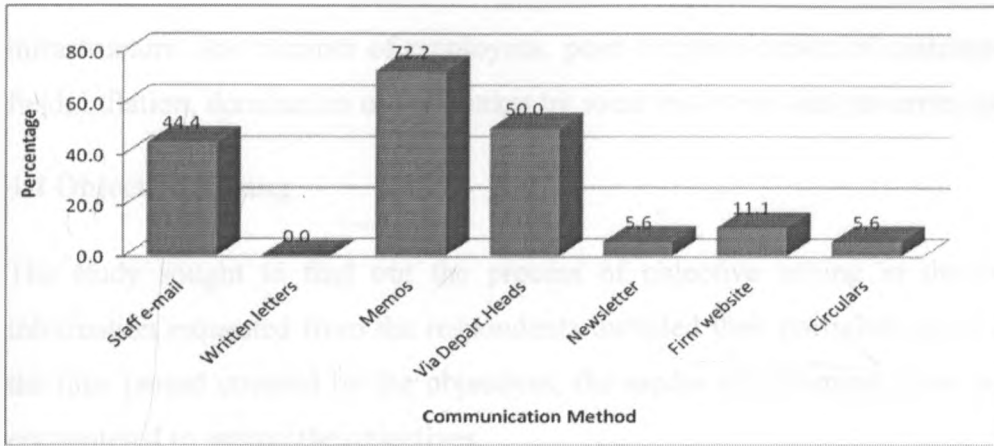


Figure 3: Mode of Communicating Vision and Mission Statements

The respondents were requested to indicate the extent to which certain factors hindered the process of developing the mission and vision statements. The findings of the study were as shown in the Table 6 below. The respondents were requested to rank the factors from (1) least important up to (5) most important. Majority of the respondents said that competition from other milk processing firms was a major factor that hindered the development of the mission and vision statements as shown by a mean of 3.11. Other factors included; financial and economic factors as shown by a mean of 2.56, social factors by a mean of 2.44, political factors by a mean of 2.39, cultural factors by a mean of 2.17 and physical environmental factors by a mean of 2.06.

Table 6: Factors That Hinder the Mission and Vision Development Process

	1	2	3	4	5	Mean
Political Factors	5	8	3	2	0	2.39
Cultural Factors	5	11	1	1	0	2.17
Financial and Economic Factors	1	0	1	7	9	2.56
Social Factors	2	11	5	0	0	2.44
Physical Environmental Factors	1	2	3	2	10	2.06
Competition from other Milk Processing Firms	0	2	8	5	3	3.11

The study also requested the respondents to identify other factors that hindered the process of developing the mission and vision statements. The respondents listed the following factors; unreliable milk sources, market vulnerability, not involving the employees in the formulation of vision and mission statements, inadequate expertise, low processing capacity, poor infrastructure, low number of employees, poor communication of customer needs from the field, inflation, domination of the market by some industries and government regulations.

#### 4.4 Objective Setting

The study sought to find out the process of objective setting in the organization. The information requested from the respondents included their participation in objective setting, the time period covered by the objectives, the modes of communication and the challenges encountered in setting the objectives.

The study investigated on levels of management that participated in setting objectives in their organizations. Figure 4 above shows 83.3% of the respondents said that the short term objectives in their firms are set at top management level, 44.4% by board of directors, 22.2% at share holders level and 5.6% by the middle management level. From the results below in Figure 4, it shows that in majority of the milk processing firms under the study set their objectives at the top management level.

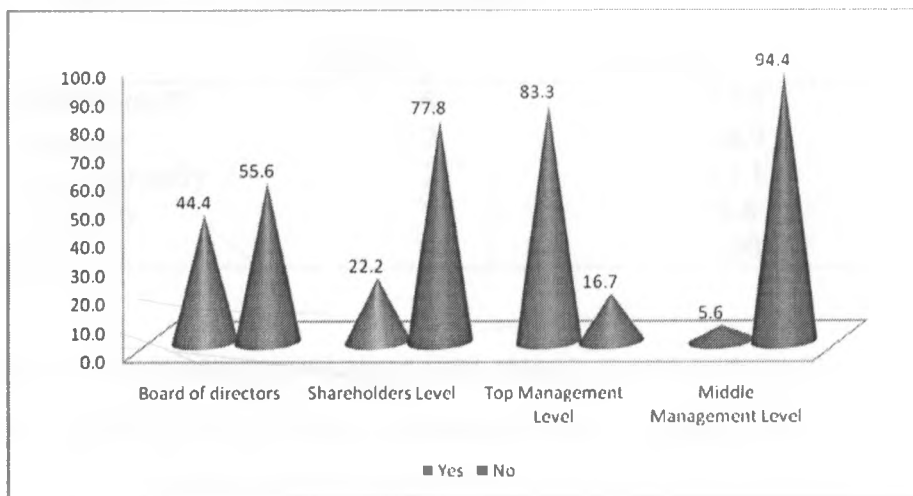


Figure 4 : Participation in Objective Setting

The study required the respondents to state the time period covered by the firm's short term objectives. According to the findings, 44.4% of the respondents stated that they take the 2<sup>nd</sup> quarter to cover their short term objectives, 38.9% stated that they take the 4<sup>th</sup> quarter and 16.7% take 1<sup>st</sup> quarter to cover their short term objectives. None of the respondents indicated the 3<sup>rd</sup> quarter as shown in Table 7 below.

Table 7 : Time Period Covered by the Objectives

	Frequency	Percentages
1st quarter	3	16.7
2nd quarter	8	44.4
4th quarter	7	38.9
Total	18	100

Further, the study inquired on how often these short term objectives were reviewed by the firms. According to the findings of the study, 44.4% of the respondents stated that the objectives were reviewed continuously, 38.9% indicated they reviewed the objectives monthly, 11.1% indicated semi-annually and 5.6% said that firm objectives are reviewed annually as shown in the Table 8 below. None of the respondents indicated that they reviewed their objectives quarterly or every two years.

Table 8 : Frequency of Reviewing the Objectives

	Frequency	Percentage
Continuously	8	44.4
Monthly	7	38.9
Semi-annually	2	11.1
Annually	1	5.6
Total	18	100

The mode of communicating the short term objectives within the milk processing firms was also investigated. 83.3% of the respondents indicated said that firm's objectives were communicated through staff meetings, 72.2% through written letters, 44.4% through department heads, 38.9% through staff emails and 5.6% of the respondents said that firm's objectives were communicated through memos. None of the respondents indicated the firm's

website and newsletters as modes of communicating the objectives. Therefore, the information shows that majority of the objectives were communicated through staff meetings as indicated in Figure 5 below.

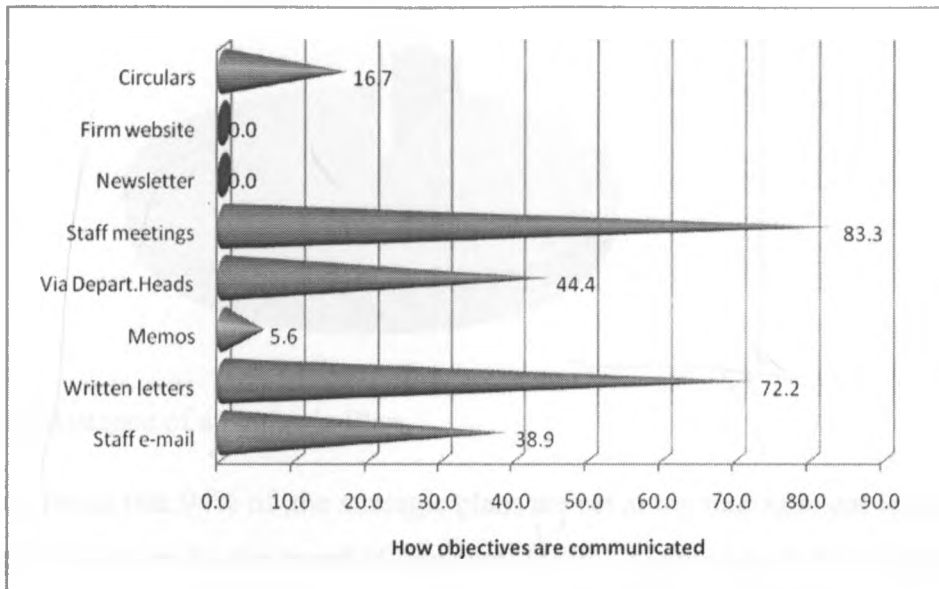


Figure 5: Communication of the Objectives

The respondents were requested to indicate the major challenges in developing the short term objectives of the organization from the most important to the least important. The respondents gave the following as the major challenges; low supply of milk, financial difficulties, lack of expertise, low processing capacity, poor communication and poor coordination among workers. Other challenges as given by the respondents were; lack of clear understanding by employees, political interferences, climate change, lack of correct information regarding decision making, bureaucracy and lack of enough human resource.

#### 4.5 Strategic Planning Process

The study sought to identify the strategic planning processes adopted by the milk processing firms. The information requested from the respondents included the existence of strategic plans, participation in the development of strategic plans, communication and factors influencing strategic plans.

The study sought to investigate whether the respondents' firms have a strategic plan. 94% of the respondents said that there was a strategic plan in their companies while 6% indicated there was none as shown in Figure 6 below.

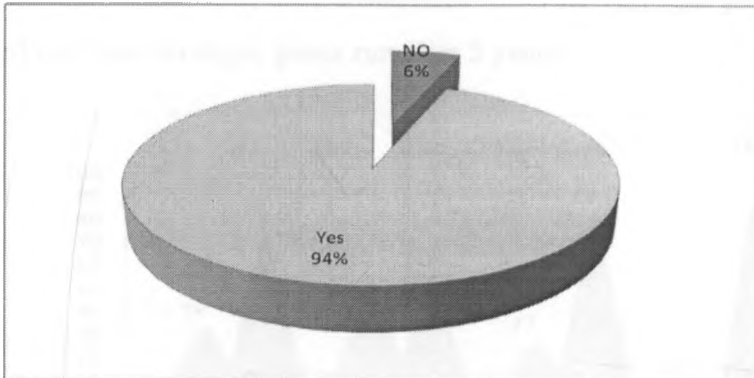


Figure 6: Existence of a Strategic Plan

The study found that 94% of the strategic plans are set at top management level, 44% of the strategic plans are set by the board of directors, 16.7% at the share holders level and 11% of the respondents revealed that the strategic plans are set by the general staff as shown in the Figure 7 below.

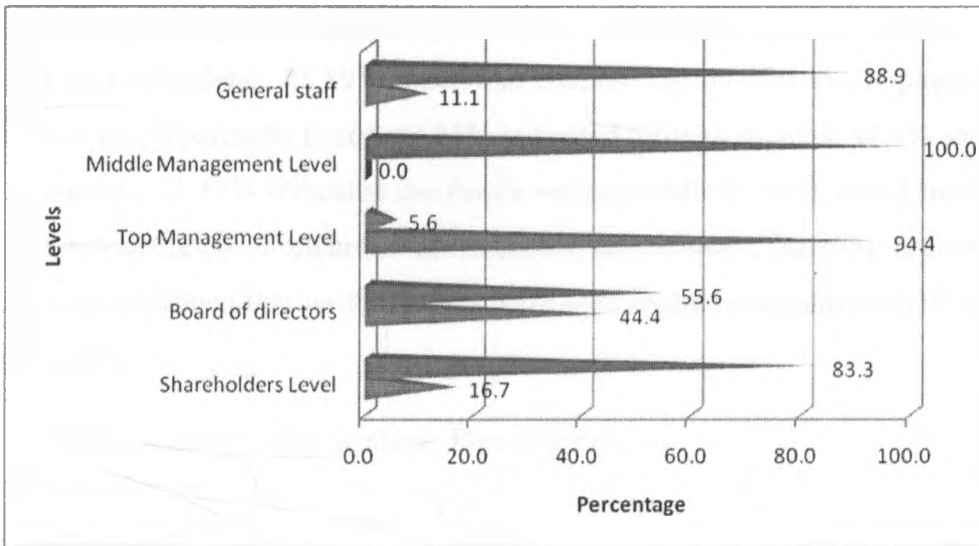


Figure 7 : Participation in the Development of the Strategic Plan

The respondents were requested to indicate the duration of their firm’s strategic plans. The data findings are presented in the Figure 8 below. 50% of the respondents indicated their strategic plans run between 2-3 years, 28% of the firms had 1 year strategic plan and 22% of the respondents stated that their firms used 4-5 year strategic plan. None of the respondents indicated that their strategic plans run over 5 years.

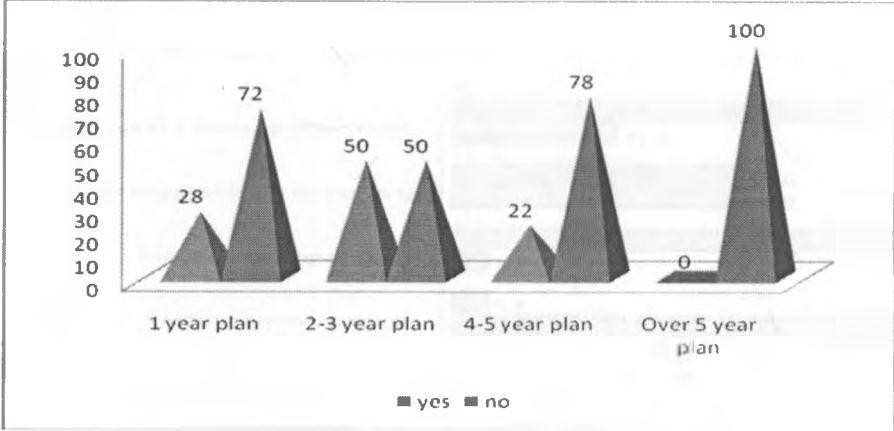


Figure 8 : Type of Strategic Plan

The study also sought to establish the communication methods used by the milk processing firms in relaying the strategic planning process to employees. Table 9 below shows that majority of the respondents, 88.89% stated that communication of strategic planning process was done through department heads, 61.11% indicated through memos, 44.4% said that they used staff e-mails, 11.11% indicated the firm’s website while 5.556% stated that their firms used either newsletters or circulars to communicate the strategic planning process. None of the respondents indicated that written letters were used in the communication of the strategic planning process.

Table 9 : Communication of the Strategic Planning Process

	Yes	No
Staff e-mail	44.44%	55.56%
Memos	61.11%	38.89%
Written letters	0%	100%
Via Department Heads	88.89%	11.11%
Newsletter	5.556%	94.44%
Firm website	11.11%	88.89%
Circulars	5.556%	94.44%



The study sought to establish the characteristics of the strategic planning process in the milk processing firms as shown in Figure 9 below. The study revealed that; 94.4% of the respondents used formal planned meetings in their strategic planning processes, 50% of the respondents stated that there were clear cut responsibilities for strategic planning, 27.8% of the respondents stated the existence of a planning department in their firms and 5.6% of the respondents indicated the use of informal planning sessions in the strategic planning process.

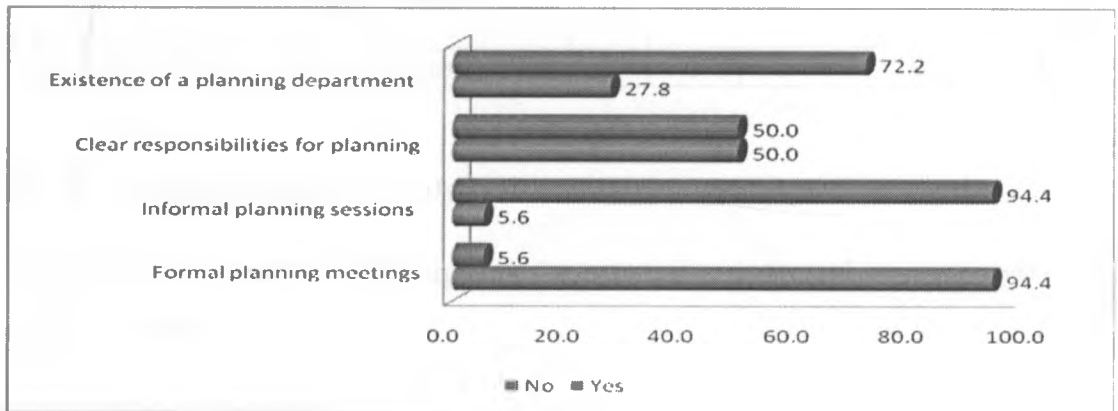


Figure 9 : Characteristics of the Strategic Planning Process

The respondents were asked to rank the factors listed above with an aim of establishing how they affected the strategic planning process. Table 10 below summarizes the responses. The data findings indicated that the highly considered factors were; general economic trends as shown by a mean score of 4.78, and population shifts and market trends as shown by a mean score of 4.44. Other factors that were not highly considered were; organization's internal resources as shown by a mean score of 4.39, technological changes as shown by a mean score of 4.28, competitors as shown by a mean score of 3.94, political and legal developments as shown by a mean score of 2.61, and social and cultural trends shown by a mean score of 2.44.

Table 10 : Factors Influencing the Strategic Planning

	Not considered			Highly considered		Mean
General economic trends	0	1	0	1	16	4.78
Political and legal developments	2	10	2	1	3	2.61
Competitors	0	1	4	8	5	3.94
Technological changes	0	1	0	10	7	4.28
Social and cultural trends	1	9	7	1	0	2.44
Population shifts and market trends	1	0	0	6	11	4.44
Organization's internal resources	0	1	1	6	10	4.39

#### 4.6 Situation and Environmental Analysis

The study was also interested in investigating the external and internal environments of the milk processing firms.

##### 4.6.1 Organizational Analysis

The study sought to find out whether the milk processing firms conducted a strengths, weaknesses, opportunities and threats (SWOT) analysis. Figure 10 below indicate that 94% of the respondents stated that their firms conducted a SWOT analysis while 6% stated that this was not practiced in their firms.

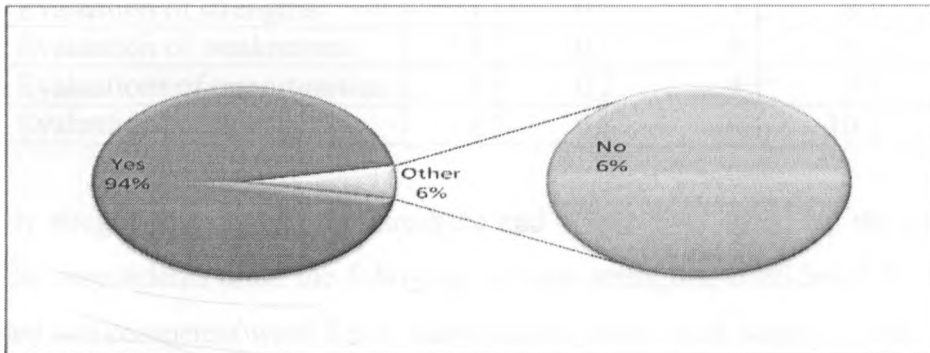


Figure 10 : Strengths, Weaknesses, Opportunity and Threats (SWOT) analysis

Information in Table 11 below summarizes the respondents question on external environment evaluation. According to 39% of the respondents, their firms operated in fairly stable environment, 33% of the respondents indicated that their firms operated in a stable

environment, 17% in a turbulent environment while 11% of the respondents stated that their firms operated in a very stable environment. None of the respondents indicated that their firms operated in a very turbulent environment.

Table 11: External Environment Evaluation

	Yes
Very Stable	11%
Fairly Stable	39%
Stable	33%
Turbulent	17%
Extremely Turbulent	0%

The study also required the respondents to rank the extent the milk processing firms evaluated their strengths, weaknesses, opportunities and threats (SWOT) factors. From the findings, as shown in Table 12 below, the study found out that the firms mostly evaluated their opportunities as shown by a mean score of 3.94. Others included the evaluation of threats as shown by a mean score of 3.78, the evaluation of weaknesses as shown by a mean score of 3.67 followed by the evaluation of strengths as shown by a mean score of 3.56.

Table 12: Strengths, Weaknesses, Opportunities and Threats (SWOT) Evaluation

	1 Not Sure	2 Never	3 Moderate Extent	4 Great Extent	5 Extreme Extent	Mean
Evaluation of strengths	1	0	7	8	2	3.56
Evaluation of weaknesses	1	0	6	8	3	3.67
Evaluations of opportunities	1	0	4	7	6	3.94
Evaluations of threats	1	0	4	10	3	3.78

The study sought to establish the strengths and weaknesses faced by the milk processing firms. The respondents cited the following as their strengths; confidence by the customers, committed and competent work force, stable source of raw milk supply, stable market, highly qualified personnel, market domination, ability to produce quality products that are incomparable with those of competitors and at the same time observing and fulfilling customer needs. Other organizational strengths identified were government support, embracement of new and upcoming technology, technological advancement, financial stability and experienced employees.

Moreover, the study requested the respondents to list the various organizational weaknesses faced by the milk processing firms. The respondents cited the following as their weaknesses; market limitations to penetrate the milk processing sector fully, not involving the employees in strategic planning, low processing capacity, lack of strategic planning, low numbers of employees leading to the existing staff being overworked, poor communication, employees not fully involved in management and yet they are expected to deliver quality good services, and inadequate supply of milk. Other weaknesses identified included fewer brands compared to competitors, inability to satisfy customer needs, political interference and unstable source of milk supplies.

#### **4.6.2 Competitor Analysis**

The study aimed at identifying the major competitors within milk processing sector in the dairy industry. According to the respondents the major players were Brookside Dairy, Githunguri Dairy, Lari Dairy, New KCC and Limuru Dairy. The study also requested the respondents to identify their competitors' strengths, capabilities and weaknesses. The respondents cited the following strengths and capabilities; market domination, financial stability, customer confidence with the products, effective sales and marketing strategy, wide variety of products, high processing capacity and existence of strategic planning. Others included; large market share, government support, customer loyalty, stable source of milk, high quality products and brand variety. The key weaknesses identified by the respondents were poor product development and overconfidence.

#### **4.6.3 Industry Analysis**

The study sought to identify the extent to which the above listed threats affected their firms in the milk processing sector. The data findings are recorded in the Figure 11 below. 89% of the respondents indicated that fluctuation in milk yield as a major threat, 72% cited market demand fluctuation, 56% indicated saturation in competition while 50% were of the opinion that government regulations threatened milk processing sector.

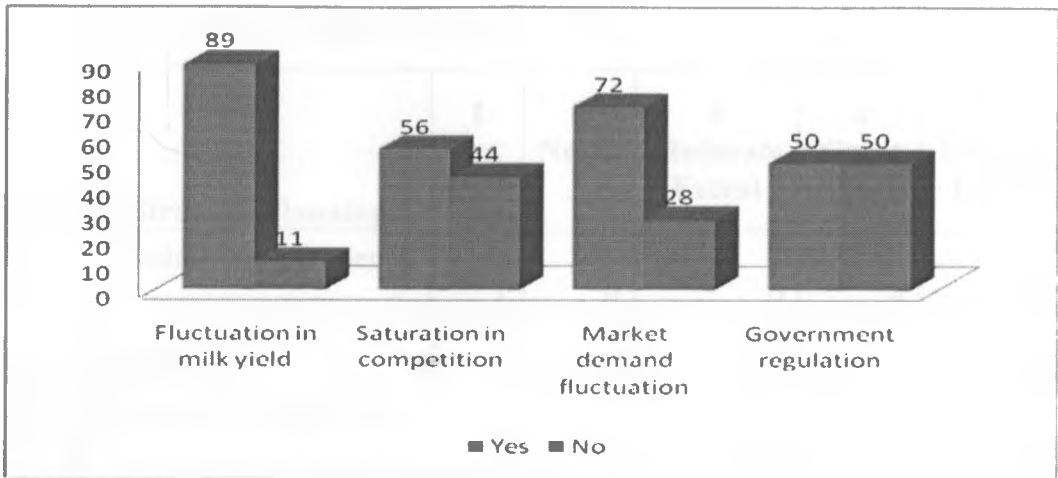


Figure 11: Threats in Milk Processing Sector

The study sought to find out the various challenges experienced during the strategic planning process in the milk processing firms. The respondents ranked the factors as listed in Table 13 below from not sure (1) to extreme extent (5). Majority of the respondents cited insufficient financial resources as the major factor that lead to failure of the strategic planning process as shown by a mean score of 4.78. Other factors were ranked as follows; inability to predict environmental reactions as shown by a mean score 4.56, failure to implement the strategic plans as shown by a mean score 3.61, failure to follow up on the strategic plan as shown by a mean score 3.44, insufficient training in planning as shown by a mean score 3.39, failure to manage change as shown by a mean score 3.33, failure to obtain employee commitment as shown by a mean score 3.11, over-estimation of resource competences as shown by a mean score 3.06, poor communication as shown by a mean score 3.00, lack of a planning policy as shown by a mean score 2.89, failure to obtain senior management commitment and failure to understand the customer needs both shown by a mean score 2.83, staff resistance as shown by a mean score 2.78, under-estimation of time requirements as shown by a mean score 2.72, planning is not valued as shown by a mean score 2.67, failure to coordinate as shown by a mean score 2.61 and lack of awareness shown by a mean score 2.06.

Table 13: Challenges to the Strategic Planning Process

<b>Challenges to Strategic Planning</b>	<b>1 Not Sure</b>	<b>2 Never</b>	<b>3 Moderate Extent</b>	<b>4 Great Extent</b>	<b>5 Extreme Extent</b>	<b>Mean</b>
Inability to predict environmental reactions	1	0	0	4	13	4.56
Failure to coordinate	3	2	12	1	0	2.61
Failure to obtain senior management commitment	2	4	9	1	2	2.83
Failure to obtain employee commitment	1	1	11	5	0	3.11
Failure to follow up on the strategic plan	1	0	9	6	2	3.44
Poor communication	2	3	7	5	1	3.00
Failure to understand the customer needs	2	5	5	6	0	2.83
Over-estimation of resource competences	2	1	10	4	1	3.06
Failure implement the strategic plans	1	0	6	9	2	3.61
Under-estimation of time requirements	4	2	7	5	0	2.72
Failure to manage change	1	1	9	5	2	3.33
Insufficient financial resources	0	0	2	0	16	4.78
Insufficient training in planning	1	0	10	5	2	3.39
Staff resistance	2	4	8	4	0	2.78
Lack of a planning policy	1	5	8	3	1	2.89
Planning is not valued	1	7	7	3	0	2.67
Lack of Awareness	5	8	4	1	0	2.06

## 4.7 Discussion

The study revealed that majority of the milk processing firms practiced strategic planning and had strategic plans in place. These strategic plans covered a period of two to three years and were developed at the top management level. The study established that majority of milk processing firms had formal documented mission and vision statements formulated mainly at the top management level. The milk processing firms also had short term objectives which were mainly set at the top management level and were reviewed continuously. These objectives enabled the milk processing firms achieve their mission and vision statements in the long run.

The study established that majority of the milk processing firms operated in a fairly stable environment and that the firms conducted SWOT analysis and PESTEL analysis to evaluate both their internal and external environments. The study revealed that the milk processing firms identified the major threats that affected the milk processing industry. The milk processing firms also evaluated their competitors' strengths and weaknesses to establish their competitive position in the market.

The strategic planning process involves strategy formulation, developing mission and vision statements, setting of major goals and objectives, assessing both the external and internal environments, evaluating and selecting strategy alternatives. Strategic planning enables organizations achieve their mission and vision statements, optimally utilize their limited resources and achieve competitive advantage.

Based on the research findings, the study demonstrated that the milk processing firms were consistent with the recommended strategic planning practices. The firms had documented vision and mission statements, they conducted SWOT and PESTEL environmental analysis, as well as competitor and industry analyses. The milk processing firms also identified and evaluated the challenges that affected the strategic planning process.

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

### **5.1 Introduction**

This chapter presents the summary of the findings on data collected, conclusions drawn from the findings, recommendations, limitations of the study and suggestions for further research.

### **5.2 Summary of the Findings**

The studies revealed that majority of the respondents were male employees as compared to female employees. The study also established that majority of the respondents were between the ages of 25 to 35 years, they had at least an under graduate degree, they had worked in their respective milk processing firms for 5 years or less and they had held their current positions for at least four years.

The study revealed that majority of milk processing firms had formal documented mission and vision statements and that mostly the top management formulated the mission and vision statements for their firms. The study also found out that majority of the firms communicated their vision and mission statements through memos and through departmental heads. The study also identified the major factors that hindered the development of the vision and mission statements and they included; competition from other milk processing firms, financial and economic factors, social factors and political factors. Other factors identified included unreliable milk sources, market vulnerability, not involving the employees in the formulation of vision and mission statements, inadequate expertise, low processing capacity, poor infrastructure, low number of employees, poor communication of customer needs from the field, inflation, domination of the market by some industries and government regulations.

The study established that majority of the milk processing firms set their short term objectives through their top management teams and through their board of directors. These short term objectives were reviewed continuously and the short term objectives were achieved by the 2<sup>nd</sup> quarter. The study revealed that majority of the milk processing firms communicated their short term objectives through staff meetings and written letters. The study further sought to find out the major challenges in developing the short term objectives of the milk processing firms. The challenges identified from the most to least important



were; were; low supply of milk, financial difficulties, lack of expertise, low processing capacity, poor communication, poor coordination among workers, lack of clear understanding by employees, political interferences, climate change, lack of correct information regarding decision making, bureaucracy and lack of enough human resource.

The study sought to identify if the milk processing firms had strategic plans in addition to the short term objectives identified in the research. The study revealed that majority of the milk processing firms had set strategic plans and the plans usually covered a period of two to three years. The respondents were further requested to identify who participated in the development of the strategic plans. The respondents identified that the top management were mostly involved in the development of the strategic plans followed by the board of directors then the shareholders. The study established that the strategic planning process was communicated to employees mainly through their departmental heads, then by memos and by staff emails. The study also revealed that the milk processing firms used formal planned meetings in spearheading their strategic planning process and that there were clear responsibilities for the strategic planning processes though most of the milk processing firms did not have a strategic planning department.

The respondents were also requested to rank factors that influenced the strategic planning process. The factors identified from the most to least important included; general economic trends, population shifts and market, organization's internal resources, technological changes, competitors, political and legal developments and social and cultural trends.

The study revealed that majority of the milk processing firms conducted a strengths, weaknesses, opportunities and threats (SWOT) analysis and that the firms operated in fairly stable environment. The study showed that milk processing firms evaluated their opportunities first, then their threats, their weaknesses and finally their strengths in that order of importance. The respondents identified the strengths in their firms which included; confidence by the customers, committed and competent work force, stable source of raw milk supply, stable market, highly qualified personnel, market domination, ability to produce quality products that are incomparable with those of competitors and at the same time observing and fulfilling customer needs, government support, embracement of new and

upcoming technology, technological advancement, financial stability and experienced employees.

The respondents also stated the following weaknesses experienced by milk processing firms in the industry; market limitations to penetrate the milk processing sector fully, not involving the employees in strategic planning, low processing capacity, lack of strategic planning, low numbers of employees leading to the existing staff being overworked, poor communication, employees not fully involved in management and yet they are expected to deliver quality good services, and inadequate supply of milk, fewer brands compared to competitors, inability to satisfy customer needs, political interference and unstable source of milk supplies.

According to the respondents, the milk processing firms that mainly competitive in the dairy industry included; Brookside Dairy, Githunguri Dairy, Lari Dairy, New KCC and Limuru Dairy. The key competitors' strengths and capabilities as identified by the study were; market domination, financial stability, customer confidence with the products, effective sales and marketing strategy, wide variety of products, high processing capacity, existence of strategic planning, large market share, government support, customer loyalty, stable source of milk, high quality products and brand variety. The key weaknesses identified by the respondents included poor product development and overconfidence. Fluctuation in milk yield and market demand fluctuations were identified as the major threats facing milk processing sector.

The respondents identified the challenges that affected strategic planning process in milk processing firms. The study revealed the following challenges in order of importance; insufficient financial resources, inability to predict environmental reactions, failure to implement the strategic plans, failure to follow up on the strategic plans, insufficient training in planning, failure to manage change, failure to obtain employee commitment, over-estimation of resource competences, poor communication, lack of a planning policy, failure to obtain senior management commitment, failure to understand the customer needs, staff resistance, under-estimation of time requirements, not valuing planning, failure to coordinate and finally lack of awareness.

### **5.3 Conclusion**

The main purpose of the study was to identify the strategic planning practices adopted by milk processors in Kenya. To this objective, it was concluded majority of the milk processing firms had formal documented mission and vision statements. The study revealed that majority of the milk processing firms had set short term objectives which were reviewed continuously. The study concluded that majority of the milk processing firms had strategic plans in place. These strategic plans run less than five years but mostly the firms had two to three year strategic plans. The study revealed that the vision and mission statements, as well as the short term objectives were set by top management level.

The study also concluded that the milk processing firms operated in a fairly stable environment though they experienced a number of challenges in executing the strategic planning process. The study revealed that the milk processing firms also conducted SWOT and PESTEL environmental analysis which were incorporated in the evaluation of the firms' strengths, weaknesses, opportunities and threats. The environmental analyses therefore revealed the various environmental factors that affected the milk processors in Kenya. These environmental factors, in addition to the challenges identified in the study were taken into consideration before formulating and executing the strategic planning process.

### **5.4 Limitations of Study**

The study targeted 100% response rate from the respondents but only 69% respondents filled in the questionnaires. The respondents viewed the questionnaires as disruptions to their normal duties. Therefore, some respondents chose to ignore the questionnaires while other did not complete filling in the questionnaires.

The study targeted managers who were involved in the strategy formulation and implementation in the milk processing firms. However, this was not possible because most of these managers delegated the task of completing the questionnaires to other managers or to their juniors.

## **5.5 Recommendations for Policy and Practice**

Based on the findings of the research, the study recommends that all milk processors in Kenya should have formal documented mission and vision statements understood by all stakeholders in the organization. The study also recommends the importance of cascading the strategic plans to all employees of the organization therefore enhancing ownership and success of the implementation of the strategic plans. The study recommends that the milk processing firms should have selected employees or a planning department responsible for overseeing the strategic planning process.

The environment that the milk processing firms in Kenya operate is very competitive hence the study recommends continuous assessment and evaluation of both the external and internal environment. The study also recommends that the milk processing firms should conduct an in-depth SWOT and PESTEL analysis of the environment to ensure survival of the firms in the competitive environment.

The study recommends a further analysis of the challenges facing milk processing firms in Kenya so as to ensure that the challenges identified are eradicated or completely minimized. In order to mitigate the challenges identified in the research, the government should put in place regulations to curb the unfair competition in this sector. Also, to avoid unreliability of milk sources, the milk processors should ensure continuous training of the dairy farmers on the best practices for milk farming, supply the farmers with animal feeds and offer veterinary services to the dairy livestock so as to increase the milk production.

The study also recommends that the management of the milk processors in Kenya put in place measures to ensure the successful formulation and implementation of the strategies developed through the strategic planning process. The management should also ensure that their organizations make a complete follow up of the strategic planning process to ensure that the desired outcome of the process is achieved.

## **5.6 Suggestions for Further Research**

This study mainly sought to identify the strategic planning practices adopted by milk processors in Kenya. Future studies could explore the impact of the strategic planning

practices on the financial performance of the milk processors in Kenya. Further research could also be done on the impact of the strategic planning challenges identified in the research project on the strategic planning practices adopted by milk processors in Kenya. Another study could be done on the impact of environmental factors affecting the milk processors in Kenya on the successful implementation and execution of the strategic planning process.

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# APPENDICES

## APPENDIX 1



**UNIVERSITY OF NAIROBI**  
**SCHOOL OF BUSINESS**  
**MBA PROGRAM - LOWER KARIKBI CAMPUS**

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

P.O. Box 30197  
Nairobi, Kenya

DATE 16/02/2011

### TO WHOM IT MAY CONCERN

The bearer of this letter CHRISTINE WENDY NKACHIA MUKUNGI

Registration No: AGI/70246/2007

is a Master of Business Administration (MBA) student of the University of Nairobi.

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 if you assist him/her by allowing him/her to collect data in your organization for the research.

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

**DR. W.N. IRAKI**  
**CO-ORDINATOR, MBA PROGRAM**  
**UNIVERSITY OF NAIROBI**  
**SCHOOL OF BUSINESS**  
**MBA OFFICE**  
**P. O. Box 30197**  
**NAIROBI**

## APPENDIX 2

### QUESTIONNAIRE ON STRATEGIC PLANNING PRACTICES ADOPTED BY MILK PROCESSORS IN KENYA

Dear Respondent,

The questionnaire below has been set in relation to the objectives of the study. All the questions are in relation to Strategic Planning. Please answer all the questions by either filling in the space or marking the [ / ] as appropriate.

#### SECTION A: GENERAL INFORMATION

1. Name of the Milk Processing Firm.....
2. Position Held in the Milk Processing Firm.....
3. Gender      F      [ ]                      M      [ ]
4. Age:            under 25                      [ ]                      25-35                      [ ]  
                    36-45                      [ ]                      46-55                      [ ]  
                    Over 55                      [ ]
5. Education (Highest Level Achieved)  
                    High School                      [ ]                      Under Graduate                      [ ]  
                    Post Graduate                      [ ]  
                    Any other.....
6. Working Experience with the Milk Processing Firm  
                    5 years or less                      [ ]                      6-10                      [ ]  
                    11-15                      [ ]                      16-20                      [ ]  
                    Over 20 years                      [ ]
7. For how long have you been working in your current capacity?  
                    Less than 2 years                      [ ]                      5-7 years                      [ ]  
                    2-4years                      [ ]                      Over 7 years                      [ ]

8. What is your current milk production capacity in the Milk processing firm?

.....

**SECTION B: MISSION AND VISION STATEMENTS**

9. Which of the following statement does your firm have?

- a. Vision statement
- b. Mission statement

If not, why?.....  
 .....

10. At what levels are the vision and mission statements set?

- Board of directors  Top Management Level
- Middle Management Level  General Staff Level
- Shareholders Level

Any other.....

11. How are mission and vision statements communicated? (Tick all that applies)

- Staff e-mail  Memos
- Written letters  Through Departmental Heads
- Staff meetings  Newsletter
- Firm website  Circulars

Any other.....

12. What do you find as the major hindrances in developing the mission and vision statements of the organization? (Please rank them starting from the most to the least important; 1= least important up to 5= most important).

Political Factors	1	2	3	4	5
Cultural Factors	1	2	3	4	5
Financial and Economic Factors	1	2	3	4	5
Social Factors	1	2	3	4	5
Physical Environmental Factors	1	2	3	4	5
Competition from other Milk Processing Firms	1	2	3	4	5

Any other.....

**SECTION C: OBJECTIVES SETTING**

13. Who participates in setting these objectives?

Board of directors [ ] General Staff Level [ ]

Shareholders Level [ ] Top Management Level [ ]

Middle Management Level [ ]

Any other.....

14. What time periods do your firms' objectives cover? (Please tick where appropriate)

1<sup>st</sup> quarter [ ] 2<sup>nd</sup> quarter [ ]

3<sup>rd</sup> quarter [ ] 4<sup>th</sup> quarter [ ]

15. How often are these objectives reviewed?

Continuously [ ] Monthly [ ]

Quarterly [ ] Semi-annually [ ]

Annually [ ] Every Two Years [ ]

Any other.....

16. How are the communicated? (Tick all that applies)

Staff e-mail [ ] Memos [ ]

Written letters [ ] Through Departmental Heads [ ]

Staff meetings [ ] Newsletter [ ]

Firm website [ ] Circulars [ ]

Any other.....

17. What do you find as the major challenges in developing the objectives of the organization? (Please rank them starting from the most to the least important).

a) .....

b) .....

c) .....

d) .....

**SECTION D: STRATEGIC PLANNING PROCESS**

18. Does your company have a strategic plan?

Yes [ ] No [ ]

19. Who participates in the development the strategic plans?

Board of directors [ ] General Staff Level [ ]

Shareholders Level [ ] Top Management Level [ ]

Middle Management Level [ ]

Any other.....

20. What type of strategic plan has been developed?

1 year plan [ ] 2-3 year plan [ ]

4-5 year plan [ ] Over 5 year plan [ ]

21. How are the communicated? (Tick all that applies)

Staff e-mail [ ] Memos [ ]

Written letters [ ] Through Departmental Heads [ ]

Staff meetings [ ] Newsletter [ ]

Firm website [ ] Circulars [ ]

Any other.....

22. Indicate whether the following features characterize your planning processes(Please tick as apply)

i) Formal planning meetings [ ]

ii) Informal planning sessions [ ]

iii) Clear responsibilities for planning [ ]

iv) Existence of a planning department [ ]

Any other.....

23. Please indicate the extent to which information on the following is considered in the strategic planning process (by circling the appropriate option).

	Not Considered			Highly	
General economic trends	1	2	3	4	5
Political and legal developments	1	2	3	4	5
Competitors	1	2	3	4	5
Technological changes	1	2	3	4	5
Social and cultural trends	1	2	3	4	5
Population shifts and market trends	1	2	3	4	5
Organization's internal resources	1	2	3	4	5

### SECTION E: SITUATIONAL AND ENVIRONMENTAL ANALYSIS

#### A) Organizational Analysis

24. Does the organization conduct strength, weaknesses, opportunity and threats (SWOT) analysis?

Yes [ ]

No [ ]

25. How would you describe the environment that the milk processor operates in to be stable or a turbulent one? Please indicate your perception on the scale below (by circling the appropriate option).

Stable [ ]

Fairly Stable [ ]

Very Stable [ ]

Turbulent [ ]

Extremely Turbulent [ ]

25. To what extent has the Firm been practicing the following in strategic planning process. (1 = not sure, 2 = never, 3 = moderate extent, 4 = great extent and 5 = extreme extent)

Factor	1	2	3	4	5
Evaluation of strengths					
Evaluation of weaknesses					
Evaluations of opportunities					
Evaluations of threats					

26. What would you consider to be the organization's strengths?

.....  
.....

27. What would you consider to be the organization's weaknesses?

.....  
.....

**B) Competitor Analysis**

28. Who would you consider to be your competitor's?

.....  
.....

29. What would you consider to be your competitor's strengths and capabilities?

.....  
.....

30. What would you consider to be your competitor's weaknesses?

.....  
.....  
.....

**C) Industry Analysis**

31. What threats, if any, do you see in the Milk Processing sector?(Please tick as apply)

Fluctuation in milk yield           

Saturation in competition           

Market demand fluctuation           

Government regulation           

Any other.....



**SECTION F: CHALLENGES TO STRATEGIC PLANNING**

32. Please rate the contribution of the following reasons to strategic planning failure in the Milk Processing Firm? (1 = not sure, 2 = never, 3 = moderate extent, 4 = great extent and 5 = extreme extent).

	1	2	3	4	5
Inability to predict environmental reactions					
Failure to coordinate					
Failure to obtain senior management commitment					
Failure to obtain employee commitment					
Failure to follow up on the strategic plan					
Poor communication					
Failure to understand the customer needs					
Over-estimation of resource competences					
Failure implement the strategic plans					
Under-estimation of time requirements					
Failure to manage change					
Insufficient financial resources					
Insufficient training in planning					
Staff resistance					
Lack of a planning policy					
Planning is not valued					
Lack of Awareness					

Any other .....

**THANK YOU FOR YOUR TIME**

### APPENDIX 3

#### List of Active Milk Processors in Kenya

Source: Kenya Dairy Board 2010

	Processor	Category of license	Status in 2010
1.	Brookside Dairy	Processor	Active
2.	New KCC	Processor	Active
3.	Githunguri Dairy	Processor	Active
4.	New Sameer A and L	Processor	Active
5.	Limuru Milk Processors	Processor	Active
6.	Buzeki Dairy	Processor	Active
7.	Meru Central Dairy	Processor	Active
8.	Kabianga Dairy	Processor	Active
9.	Afrodane Industries	Processor	Active
10.	Kinangop Dairy	Processor	Active
11.	Pamside Dairy	Processor	Active
12.	Happy Cow Dairy	Processor	Active
13.	Donyo Lessos Creameries	Processor	Active
14.	Lari Dairy Alliance	Processor	Active
15.	Farmers Milk Processors	Processor	Active
16.	Eldoville Farm	Processor	Active
17.	Crown Creameries	Processor	Active
18.	Sun Power Products	Processor	Active
19.	Palmhouse Dairies	Processor	Active
20.	Raka Milk Processors	Processor	Active
21.	Bio Food Products	Processor	Active
22.	Bora Dairies	Processor	Active
23.	East African Dairies	Processor	Active
24.	Stanley and Sons	Processor	Active
25.	Miyanji Dairy Farm	Processor	Active
26.	Egerton University	Processor	Active