

**EFFECT OF FIRM SIZE ON THE RELATIONSHIP  
BETWEEN STRATEGIC PLANNING DIMENSIONS AND  
PERFORMANCE OF MANUFACTURING FIRMS IN  
KENYA**

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**Effect of Firm Size on the Relationship between Strategic Planning  
Dimensions and Performance of Manufacturing Firms in Kenya**

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Jomo Kenyatta University of Agriculture and Technology**

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## DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

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This thesis has been submitted for examination with our approval as the University Supervisors.

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## **DEDICATION**

This thesis is dedicated to my parents, the late Jama Ali, and my mother, Maryam Jama for their inspiration and immeasurable sacrifices and lastly, my beloved ones, Fatuma (Asad) Mohamed Ali and our children and Fatuma Jama Issa for their immeasurable sacrifices, encouragement and selfless support.

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## **ABBREVIATIONS AND ACRONYMS**

<b>BRICITS</b>	Brazil Russia, India, China, Indonesia, Turkey and South Africa
<b>BPM</b>	Business Performance Measurement
<b>BPMS</b>	Business Performance Measurement System
<b>BSC</b>	Balanced Score Card
<b>CEO</b>	Chief Executive Officer
<b>EAC</b>	East African Community
<b>EU</b>	European Union
<b>ERS</b>	Economic Recovery Strategy
<b>FSP</b>	Formal Strategic Planning
<b>GDP</b>	Gross Domestic Product
<b>GNP</b>	Gross National Product
<b>IJVs</b>	International Joint Ventures
<b>KAM</b>	Kenya Association of Manufacturers
<b>KBV</b>	Knowledge Based View
<b>KIPPRA</b>	Kenya Institute of Public Policy and Research Analysis
<b>KPI</b>	Key Performance Indicators
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MCS</b>	Management Control Systems
<b>MDGs</b>	Millennium Development Goals.
<b>OECD</b>	Organization of Economic Development and Co-operation
<b>PMS</b>	Performance Measurement System
<b>RBT</b>	Resource Based Theory
<b>R&amp;D</b>	Research and Development
<b>ROA</b>	Return on Assets
<b>ROK</b>	Republic of Kenya
<b>RPED</b>	Regional Programme on Enterprise Development.
<b>SBU</b>	Strategic Business Unit.

<b>SPFP</b>	Strategic Planning Formality Process
<b>SPI</b>	Strategic Planning Index
<b>SPSS</b>	Statistical Package for Social Science
<b>SWOT</b>	Strength Weakness Opportunities and Threats.
<b>TFP</b>	Total Factor Production
<b>US</b>	United States
<b>WB</b>	World Bank

## DEFINITION OF OPERATIONAL TERMS

**Functional integration** Functional coverage is the extent of coverage given to different functional areas with a view to integrating different functional requirements into a general management perspective (Ramanujam & Venkatraman, 1987).

**Marketing orientation** The concept of market orientation describes a specific form of organizational culture that focuses on ‘delivering products and services valued by customers, usually accomplished through ongoing monitoring of market conditions, and adaptation of organizational responses (Grewal & Tansuhaj, 2001).

### **Performance Measurement**

**Performance** Performance is what is expected to be delivered by an individual or a set of individuals within a time frame. What is expected to be delivered could be stated in terms of results or effort, tasks and quality, with specification of conditions under which it is to be delivered (Bhosle, 2012).

**Performance Management** Performance management involves thinking through various facets of performance, identifying critical dimensions of performance, planning, reviewing, and developing and enhancing performance and related competencies (Bhosle, 2012).

<b>Planning</b>	The process of strategically in which activities of making plans, decisions and policies can come together in quite subtle and dynamic ways (Friend et al., 2005).
<b>Strategic Control:</b>	Strategic control entails a state, where the corporate center is concerned with shaping the behavior in departments and divisions and with shaping the context within which managers are operating. (Johnson & Scholes, 1999) Focus on control conceptualized as the degree of emphasis placed on planning as a means of organizational control (Kargar & Parnell, 1996).
<b>Strategic Management</b>	Concerned with making decisions about an organization's future direction and implementing those decisions. It is composed of two phases strategic planning and strategy implementation (Pearce & Robinson, 1991).
<b>Strategic Orientation</b>	Strategic orientation reflects the strategic directions implemented by a firm to create the proper behaviors for the continuous superior performance of the business (Narver & Slater, 1990).
<b>Strategic Planning</b>	The set of processes undertaken in order to develop a range of strategies that will contribute to achieving the organizational direction (Tapinos, Dyson & Meadows 2005).
<b>Strategy Implementation</b>	Concerned with making decisions with regard to developing an Organizational structure to achieve the strategy, staffing the structure providing leadership and motivation to the staff, and monitoring the effectiveness of

the strategy in achieving the organizational objectives (Pearce & Robinson 1991).

**Strategy**

A company's strategy is management's action plan for running the business and conducting operations. The crafting of a strategy represents a managerial commitment to pursue a particular set of actions (Thompson et al., 2005).

**Systems**

It is systems that enables an enterprise to plan, measure, and control its performance and helps ensure that sales and marketing initiatives, operating practices, information technology resources, business decision, and people's activities are aligned with business strategies to achieve desired business results and create shareholder value (Maisel, 2001).

## **ABSTRACT**

Strategic planning has been regarded as a prerequisite to successful organizational outcomes and while the contexts of strategic planning differs by sector and geographical orientation, there is renewed interest in strategic planning- performance linkage in developing economies, this, due in part to the realization of the role of firm based factors such as strategic planning dimensions. This study aimed to determine the relationship between strategic planning dimensions and firm performance in the manufacturing sector in Kenya and to establish, the moderating effect of firm size on the relationship between strategic planning and firm performance in the manufacturing firms in Kenya. The study was informed by not only the low performance of the manufacturing sector over the past two decades, but also, by the mixed results and contentious debate on the effect of strategic planning dimensions of management participation, functional integration, strategic orientation and strategic control on performance. The study has adopted the use of multidimensional constructs to study strategic planning dimensions and performance linkage. The study utilized a cross sectional survey design, while stratified simple random sampling were used to obtain the sample comprising 191 firms in twelve subsectors among manufacturing firms in Nairobi and its surroundings. Data was collected through a structured questionnaire for key managers involved in the strategy formulation and implementation. Out of the 191 questionnaires administered, 111 were returned and found usable questionnaires, representing 58% which is adequate for this stream of research. SPSS Software was utilized to analyze data. Inferential data analysis was carried out by use of correlation analysis. Regression models were fitted using multiple regression analysis and hypothesis testing were done using standard F and T-tests. The study revealed that strategic planning analyzed through the dimensions of management participation, functional integration, strategic orientation and strategic control were significant and positively related to firm performance. However, firm size, was not found to moderate the relationship between strategic



planning dimensions and firm performance in the manufacturing firms in Kenya. Thus, emphasis on specific strategic planning dimensions contribute positively to both large firms and small firms despite their difference in resources and development levels. The study contributes to the strategic planning performance discourse in the context of developing countries and furthers the discussion on the factors moderating in the relationship between strategic planning dimensions and firm performance. The study confirms that, firm size is neither a prerequisite nor a factor for successful application of strategic planning dimensions in both small and medium and large firms in the manufacturing sector in Kenya. The study recommended high participation and involvement of top management in the whole process of strategic planning, anchoring of deliberate functional integration processes in the firm, heightened strategic oriented paradigms for market orientation, customer focus and competitiveness and the development, design and customization of management control systems to enhance implementation, monitoring and evaluation of the strategic planning process outcomes.



## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background to the Study

Strategic planning has in recent years gained renewed interest as a means of monitoring a rapidly changing environment, taking effective decisions and action in the running of business (Elbanna, 2010). Gkiliatis and Dimitrios (2013) suggest that high adoption of strategic planning by firms can be attributed to growing uncertainty in the competitive business environment as well as fast economic and political changes occurring in the global marketplace. Strategic planning involves a process by which firms derive a strategy to enable them to anticipate and respond to the dynamic business environment, such efforts inevitably improve the competitiveness of business firms and eventually their performances (Wong *et al.*, 2013). Scholars have linked strategic planning in modern organizations to successful firm performance. Successful organizations now clearly recognize the critical role of strategic planning in achieving desired business results, but even then, few succeed at translating their strategies into business results (Ghamdi, 2005). Kargar and Parnell (1996) affirmed that organizations that plan effectively are more likely to achieve higher performance and competitive advantage. Phillips and Moutinho (2000) found that strategic planning positively influenced firm performance.

Debarliev and Trpkova (2011) established that substantial empirical studies in the past three decades supports the role of strategic planning in creating sustained superior competitive positions and organizational performance. Scholars (Elbanna, 2010; Aldehayyat, 2012; Suklev & Debarliev, 2012; Song et al., 2011; Arasa et al., 2011; Awino et al., 2012) point out that firms that engage in thorough strategic planning outperform their peers in realizing competitiveness. Contrastingly, the relationship between strategic planning and organizational performance was marked with conflicting and contradictory evidence as well as methodological flaws (Rudd, Greenley, Beatson & Lings, 2008). This has sparked an on-going debate on the actual relationship between the strategic planning dimensions and firm performance.

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

Kriemadis (2009) affirmed that, the purpose of strategic planning is to help organizations gain competitive advantage. However, in turbulent environments, strategic planning can help organizations to; think strategically and develop effective strategies; develop a coherent and defensible basis for decision making; improve organizational performance; deal effectively with rapidly changing circumstances; anticipate future problems and opportunities; build teamwork and expertise and provide employees with clear objectives and directions for the future of the organization and increase employee motivation and satisfaction. Strategic planning processes may serve as a means to develop consensus and promote commitment among organization members around strategic orientations (Chanal & Tannery, 2005; Grant, 2003).

Schwenk and Schrader (1993) analyzed fourteen studies on formal strategic planning and performance in small firms and demonstrated the link between planning and performance. According to Debarliev et al. (2011) a considerable number of empirical studies Gill and Meir (2003); Coggburn and Schneider (2003); Boyne and Gould-Williams (2003) over the past three decades have approved the supporting role of strategic planning in creating superior long term competitive positions and improved organizational performance.

Venkatraman and Ramanujam (1986) and Kargar and Parnell (1996) observed that, firms that engage in strategic planning have better financial and non-financial performance than those that do not. O'Neil and Ghobadian (2005) found that that low technology firms have the ability of facing the external environment as high technology firms by changing their strategic planning, leadership and organizational culture emphasis. Miller et al. (2013) using data drawn from 26 previously published studies, indicated that strategic planning positively influences firm performance and that methods factor are primarily responsible for the inconsistencies reported in the literature.

Agyapong and Muntaka (2012) in a comparative study of strategic planning and firm performance in the micro small and large enterprises in Ghana found positive but insignificant relationship between strategic planning and firm performance. Debarliev et al.(2011) examined the influence business structure, management structure and environmental factors, on strategic planning practice in Macedonia as an example of an emerging economy in South Eastern Europe, Taiwo et al.(2007) found that that there is a strong relationship between strategic planning and organization performance, concluding that strategic planning enhances better organizational performance in the banking sector in Nigeria. Mufudza, Jengeta and Hove (2013) analyzed strategic planning in turbulent environments and concluded that different economic environments demand different approaches to strategic planning. Some of the strategic planning stages however, remain vital in all situations, for example, scanning the environment, as this enables the organization to quickly adapt to change.

The place of strategic planning in enhancing firm performance has been investigated in a number of studies carried out in emerging markets (Elbanna, 2010). Hussein and Ayoun (2001) reported that tourism business organizations in Jordan engaged in strategic marketing planning regardless of their type, age or size and they also registered positive relationship between the use of strategic marketing planning and organizational performance (as cited in Aldehayyat, 2012). Debarliev and Suklev (2012) were of the view that the effectiveness of strategic planning is associated with achieving formulated objectives, producing better results, or improving the

organizational performance as the result of the use of strategic planning process in the companies.

Ketchen, Thomas and McDaniel (1996), have also found that the ways in which strategies are formed under the influence of a multitude of internal and external contextual factors do affect the effectiveness of strategies in enhancing organizational performance (as cited in Shaheen, 2011). Arasa and K'Obonyo (2012) cautioned, the perception and belief that strategic planning improves organizational effectiveness, if wrongly pursued, the anticipated value may not be tapped. Awino, Muturi and Oeba (2012) concluded that that effective and focused strategic planning leads to positive change in firm performance.

According to Elbanna (2008) the type of strategic planning employed will evolve and become more formal and sophisticated over the life cycle of the business. Similarly, Tapinos et al.(2005) has observed a positive relationship between strategic planning and firm performance. While Glaister et al. (2008) found strong positive relationship between formal planning process and performance in Turkish manufacturing companies. According to Glaister et al. (2008) prescriptive strategic management literature implies that there is a positive association between strategic planning and company performance.

Aldehayyat (2013) observed that a growing body of literature has investigated strategic planning in the manufacturing and service industries (Brews & Purohit, 2007; Glaister, Dincer, Tatoglu & Demirbag, 2009). Although there are many research studies that seek to explain the relationship between strategic planning and organizational outcomes, the results of this body of research are fragmented and no consensus has yet emerged (Agyapong et al., 2012; Elbanna, 2006; Falshaw et al., 2006; Pearce et al.,1987; Ramanujam et al.,1986). There is positive relationship between sophisticated strategic planning and performance in small businesses (Ibrahim, Angelidis, & Parsa 2004; Masurel & Smit 2000).

Strategic planning has become a standard part of management thinking and practice in modern business world and a standard for progressive firms. Strategic planning is said to be beneficial in the promotion of strategic thinking, acting, and learning

(Bryson, 2004). However, researchers have not yet conclusively determined why some planning efforts are more successful than others. Streib and Poister (2002) assert that, strategic planning process seeks to revitalize an organization by channeling effort toward the most important goals and activities.

Strategic planning is an essential part of aggressive results-oriented management. It is a “big picture” approach that appears well suited to our rapidly changing world (Aldehayyat & Al Khattab, 2013; Ocasio & Joseph, 2008). Kaplan and Norton (2008) observe that, selection of a strategy should be governed by a systematic process, one that defines the organization’s purpose and goals and carefully examines the external and internal environment to identify opportunities and constraints regarding that strategy.

Ramanujam and Venkatraman (1987) suggested six strategic planning process dimensions of strategic planning comprising, system capability, use of strategy tools and techniques, attention to internal facets, attention to external facets, functional coverage, and resources provided for planning and resistance to planning. The three dimensions of strategic planning effectiveness included fulfillment of planning objectives, performance relative to the competition and satisfaction with the planning systems (McLarney, 2003). Veliyath and Shortell (1993) elaborated further the model and added planning implementation, market research competence, key personnel involvement, staff planning assistance, and innovativeness of strategies as critical strategic planning process dimensions.

Athiyaman and Robertson (1995) suggested attention to internal aspects; attention to external aspects; use of techniques; and functional integration. Kargar and Parnell (1996) expanded the strategic planning process factors by identifying seven dimensions. Degree of internal orientation, degree of external orientation, degree of integration achieved within functional department, extent of key personnel involvement in planning process, extent of use of analytical techniques in addressing strategic planning issues, creativity in planning and focuses on control. This was also adopted by Awino et al. (2013) in their study of strategic planning performance linkage in the financial services sector. Namada et al. (2014) has

also suggested further examination of the moderating effects of firm size, age and other firm characteristics on management participation and firm performance.

There has been growing research interests in the manufacturing sector in Kenya, Aosa (2011) investigated the adoption of strategic planning in manufacturing firms in Kenya and found out that foreign owned manufacturing firms adopted Strategic planning dimensions more than locally owned firms. Arasa and K'Obonyo (2012) established a significant relationship between strategic planning and performance in the insurance sector firms in Kenya. While, Awino et al. (2013) established a positive link between Strategic planning dimensions and performance in the commercial banking sector in Kenya.

Namada et al. (2014) examined the effects of management participation as firm level practice on firm performance in EPZ firms. Haron and Arul Chellakumar (2012) found that, in Kenya the small-sized manufacturing companies are the best performing companies in terms of relative efficiency (83 percent) followed by large-size manufacturing companies (69 percent) and medium-sized manufacturing companies (68 percent) in that order. They however used only financial measures to determine performance variations among the firms. Firm measurement is a multi-dimensional aspect with many variables (Kennerley & Franco-Santos, 2005).

Scholars, (Aosa et al., 2011; Debarliev & Suklev, 2012; Debarliev et al., 2011; Elbanna, 2008) suggest that the adoption of best practices in strategic planning by firms could avail them capabilities for sustainable competitive edge. Like in all developing economies, the area of strategic planning dimensions and its relationship with firm performance has not been adequately explored. Manufacturing firms in Kenya can benefit from an analysis of Strategic planning dimensions at firm level and its impact on overall firm performance.

### **1.1.1 Strategic Planning Dimensions**

Dynamic and intensely competitive markets are driving organizations to leverage on their various capabilities in order to deliver sustainable competitive



edge. One major practice used to achieve this has been effective strategic planning. Manufacturing firms in Kenya are faced with a myriad of challenges emanating from firm level factors, external competition and macroeconomic impediments.

The strategic planning performance nexus has however been contentious and while, some scholars, (Phillips & Moutinho, 2000; Elbanna 2010; Debarliev & Trpkova , 2011; Aldehayyat, 2012; Suklev & Debarliev, 2012; Song et al., 2011; Arasa et al., 2011; Awino et al., 2012) point out that firms that engage in thorough strategic planning outperform their peers in realizing competitiveness and in creating sustained superior competitive positions and organizational performance, others, Beamish (2000); Akinyele and Fasogbon (2007) have negated this linkage.

Bailey, Johnson and Daniels (2000) define strategic planning practices as an intentional process involving a logical, sequential analytic and deliberate set of procedures. Occasio and Joseph (2008) described it as a form of planning practice intended to formulate Strategy. Strategic planning is, therefore, a particular form of strategizing, one that involves the application of planning practice. Strategic planning is regarded as one of the firm level processes that is widely practiced. Aosa (2011) found out that in Kenya, foreign owned manufacturing firms adopted Strategic planning dimensions more than locally owned firms. This study isolates the characteristics of management participation, functional integration, strategic orientation and strategic control practices to analyze the relationship between strategic planning dimensions and firm performance in the manufacturing sector in Kenya as a representative of a typical developing economy.

Ogbeide et al. (2011) defined management participation as the collective level of the management involvement within and across the firm. According to Elbanna (2008) many authors have highlighted the important role of management participation in the strategic planning process and depicted a positive relationship between management participation and strategic planning outcomes. Ketokivi and Castaner (2004) and Chatchai (2012) found that effective participation by middle managers in strategic

planning increases the ability to reach consensus on a decision because it reduces the negative effects of position bias.

Kargar and Parnell (1996) described functional integrations as the extent of coverage given to different functional areas with a view to integrating different functional requirements into a general management perspective. He regarded it as a key dimension of strategic planning, which terminology the study adopts as used in Awino et al. (2013). Considering the dynamism of the market place and business environment, Gavronski et al. (2011) indicated that in manufacturing firms, the primary issues are how to coordinate and integrate decisions, how to operate effectively in order to deliver high quality at low cost, and how to fulfill consumers' expectations. Phillips and Moutinho (2000) suggested knowledge and experience from different functions and from different levels within the firm enhances the functional integration role of strategic planning systems.

Noble (2002) held that strategic orientations are the guiding principles that influence a firm's marketing and strategy-making activities. Mazzarol (2003) indicates that the degree of an entrepreneur's strategic orientation seems to be a key factor for the strategic focus of the enterprise. Thus strategic orientation has been regarded as the dynamic thinking that drives the firms strategies.

Strategic control entails a state, where the corporate center is concerned with shaping the behavior in departments and divisions and with shaping the context within which managers are operating (Johnson & Scholes, 1999). There is a growing opinion expressing the need to tailor management control systems to support the development and implementation of organizational strategy (Kald et al., 2000). Part of management control systems is performance measurement.

### **1.1.2 Performance of Firms**

Kargar and Parnell (1986) and Ramanujam and Venkatraman (1987) describe firm performance as, how well or badly a firm is performing both financially and non-financially. Phillips and Moutinho (2000) caution that generally agreed measures of performance of a company are hard to come by. He adds that, the option to ignore

performance is not viable, since performance improvement is an important strategic objective.

Researchers universally believe that non-financial measures are more future-oriented, and thus can yield better performance (Zhang & Pan, 2009). In an increasing number of companies, the traditional financial measure has been transformed from the unique performance measurement to a part of multiple performance measurement system. Current business environments need more timely and proactive information that leads to an improvement in actual performance. Davig et al. (2004) found that firms that included non-financial performance measures were likely to perform better than those concentrating only on traditional financial based measures. Firm performance was measured by use of both financial and other non-financial measures.

According to Marginson, McAulay, Roush and van Zijl (2014), interactive utilization of non-financial performance measures can be particularly important for generating a positive psychological experience and (indirectly) increasing performance. According to Kennerley and Franco-Santos (2005) empirical content studies suggest that measurement of firm performance is more effective when the measures are appropriately designed to include multiple dimensions and are structured in a way that helps managers understand the interrelationship and reflects strategy.

Parker (2000) claims that financial measures fail to include the less tangible factors such as product or service quality, customer satisfaction and employee morale. In a further criticism of financial performance measures, Parker (2000) claims that they tend to be very insular and inward-looking and only take what is happening in the firm into account. Rwoti, (2005) outlined that, the modern approaches to performance measurement in the manufacturing sector, included; benchmarking, balanced scorecard, results framework among others.

Chimwani et al. (2013) studied MSMES in manufacturing in Kenya and the extent of application of the Balanced Score Card framework reasoning that, for the MSMEs to survive and gain sustainable competitive advantage, they of necessity need to have an integrated performance measurement systems. They established that, the most common

performance measures in manufacturing SMEs in Nairobi were financial in nature. They however, recommended that manufacturing SMEs in Nairobi should supplement the traditional financial measures with non-financial measures: customer perspective measures, internal business perspectives measures and innovation and learning/growth measures.

### **1.1.3 The Manufacturing Sector in Kenya**

The manufacturing sector is a focal point of Kenya Vision 2030's economic pillar. The overall goal for the manufacturing sector is "to increase its contribution to GDP by at least 10% per annum. The manufacturing sector contributes 13% of the total formal employment. Manufacturing has the potential to play a particularly important role in placing Kenya on a sustainable growth path, through its direct contribution to creating quality employment, through its strong linkages with other parts of the economy, by raising capital accumulation, by smoothing volatility in the economy, and by facilitating global integration and knowledge spillovers which are critical to the process of structural transformation. Sluggish growth in the manufacturing sector is pulling down economic growth and Kenya is losing grip on the East Africa Community market where it was dominant, due to inefficiencies (World Bank, 2013).

As a share of GDP, however, manufacturing has continued to stagnate at between 10 and 12 percent of GDP throughout the past two decades. While this level is well ahead of its regional peers, it remains far behind South Africa (which has a similar population level) and international peers who have experienced major growth in the manufacturing sector's contribution to GDP. As recently as 2000, manufacturing was the second largest contributor to the Kenyan economy. It has since fallen to fourth in importance, having been surpassed by the transport and communications and wholesale and retail trade sectors (World Bank, 2014).

This poor record of manufacturing sector has contributed to Kenya's decline in export performance and to the current account deficit. In the 1960s Kenya's exports of goods and services was 31% of GDP. It declined to 25% in the 80s and in the past decade averaged 25.9% of GDP.

## 1.2 Statement of the Problem

Dynamic and intensely competitive markets are driving organizations to leverage on their various capabilities in order to deliver sustainable competitive edge. One major practice used to achieve this has been effective strategic planning; such efforts inevitably improve the competitiveness of business firms and eventually their performances (Wong et al., 2013). However, although the manufacturing firms in Kenya have adopted strategic planning practices, Aosa (2011), they have continued to face a myriad of challenges emanating from firm level factors, external competition and macroeconomic impediments including, stagnation, low productivity and structural inefficiencies (World Bank, 2013; Gichino, 2006).

The Manufacturing sector grew in 2013 by 4.8% compared to a revised growth rate of 3.2% in 2012. Kenya's economy is estimated to have expanded by 5.7 per cent in 2013 (KNBS, 2014). The manufacturing sector in Kenya grew at 3.5% in 2015 and 3.2% in 2014, contributing 10.3% to gross domestic product (GDP) (KNBS, 2016). The manufacturing has been growing at a slower rate than the economy, which expanded by 5.6% in 2015. This implies that the share of manufacturing in GDP has been reducing over time (Were, 2016). At the same time, in the larger East Africa Community (EAC), it is believed that although the manufacturing sector in Kenya is the largest, in terms of growth trends other countries in East Africa are growing much faster (Were, 2016). Differences in emphasis on specific planning dimensions have also been touted as possible explanation for differences in performance of manufacturing firms in Kenya.

Ogbeide and Harrington (2009); Tzempelikos, (2015); Nohria et al. (2003); (as cited in Gavrea, Ilieş & Stegorean 2011); Bloom, Dorgan, Dowdy, Rippin and Van Reenen (2005) have concurred that better management participation and practices are greatly associated with higher productivity and corporate performance. Namada et al. (2014), while, underscoring the venerated position of top management in guiding and delivering firm strategy among EPZ firms in Kenya, observed that, management participation is a complex phenomenon that warrants further analysis.

Similarly, Gavronski et al. (2011), stated that , the primary issues in manufacturing firms are how to coordinate and integrate decisions, how to operate effectively in order to deliver high quality at low cost, and how to fulfill consumers' expectations. Kaya and Seyrek, (2005), Idar, Yusoff and Mahmoud (2012), Gaur, Vasudevan and Gaur (2011) McGee and Finney (2007); Parnell (2013) have shown that positive and meaningful relationship exists between aspects of strategic orientation and firm performance. Rwigena and Venter (2004); Smit and Cronje (2002) and Kald et al. (2000) all underline the critical link between strategic control performance measurement and success of firm strategy.

And while the arguments on the positive linkage between strategic planning dimensions and firm performance have flourished, Miller et al. (2013); Awino, Muturi and Oeba (2012), Elbanna, (2008); Taiwo et al. (2007), the relationship between strategic planning dimensions and organizational performance has on the other hand, been marked with conflicting and contradictory evidence as well as methodological flaws (Rudd, Greenley, Beatson & Lings, 2008). Further, most of the studies in the area of strategic planning and performance have been based in Western contexts. Strategic planning contexts differ substantially by sector and by country of operation and have an impact on the strategic planning outcomes (Elbanna, 2008; Suklev et al., 2012). Additionally, Little empirical research and comparative analysis exists on this subject in emerging and developing countries (Suklev & Debarliev, 2012). The study sought to establish linkage strategic planning dimensions and firm performance dynamics in a developing country context.

Studies on the manufacturing sector, (Rukia, 2015; Waiganjo, 2013; Kiganane, 2013; Amurle, 2013; Aosa, 2011; Dimba & K'Obonyo, 2009) have been varied in their focus, methodologies and outcomes, and while, these studies yield significant results, they have not been exhaustive on the effects of firm size, as well as strategic planning dimensions on performance firms in the manufacturing sector in Kenya. Strategic planning measures have lacked precision and consistency and many studies have focused on financial measures and ignored non-financial measures (Amurle, 2013). Therefore, Awino (2015) and Hudson et al. (2001) conclude that, one

construct alone may not be strong enough to measure financial performance and it may be equally useful, to factor in other non-financial indicators.

Consequently, the study undertook to expand the strategic planning dimensions and firm performance parameters through use of both financial and non-financial measures for comprehensive analysis in a developing country context and contribute to the discourse on the course and effectiveness of strategic planning dimensions across the large and small and medium sized manufacturing firms in Kenya and contribute to an understanding of the link between strategic planning dimensions and firm performance and the role of firm size in this relationship and thus fill in a critical knowledge gap in the research stream.

### **1.3 Objective of the study**

The objectives were meant to highlight the purpose of the study and comprised both general and specific objectives.

#### **1.3.1 General Objectives**

The main objective was to determine the relationship between strategic planning dimensions and firm performance in Kenya's manufacturing sector.

#### **1.3.2 Specific Objectives**

The study aimed at achieving the following specific objectives:

1. To determine the relationship between management participation and the performance of Manufacturing firms in Kenya.
2. To establish the relationship between functional integration and the performance of Manufacturing firms in Kenya.
3. To find out the relationship between strategic orientation and the performance of Manufacturing firms in Kenya.
4. To examine the relationship between strategic control and the performance of Manufacturing firms in Kenya.

5. To establish the joint relationship between strategic planning dimensions and performance of Manufacturing firms in Kenya.
6. To determine the moderating influence of firm size on the relationship between strategic planning dimensions and performance of Manufacturing firms in Kenya.

#### **1.4 Research Questions**

The following research questions guided the study.

- 1 What is the relationship between management participation and the performance of Kenya's manufacturing firms?
- 2 What is the relationship between functional integration and the performance of Manufacturing firms in Kenya?
- 3 What is the relationship between the strategic orientation and the performance of Manufacturing firms in Kenya?
- 4 What is the relationship between strategic control and the performance of Manufacturing firms in Kenya?
- 5 What is the relationship between the joint strategic planning dimensions and performance of Kenya's manufacturing firms?
- 6 What is the moderating effect of Firm Size on the relationship between strategic planning dimensions and firm performance?

#### **1.5 Hypothesis of Study**

The study was aimed at testing the following hypothesis.

**H<sub>01</sub>:** There is no significant relationship between management participation and the performance of Manufacturing firms in Kenya.

**H<sub>02</sub>:** There is no significant relationship between functional integration and performance of Manufacturing firms in Kenya.

**H<sub>03</sub>:** There is no significant relationship between strategic orientation and the performance of Manufacturing firms in Kenya.



**H04:** There is no significant relationship between strategic control and the performance of Manufacturing firms in Kenya.

**H05:** The joint strategic planning dimensions has no significant effect on the performance of Manufacturing firms in Kenya.

**H06:** Firm Size has no significant moderating influence on the relationship between strategic planning and performance of Manufacturing firms in Kenya.

## **1.6 Significance of the study**

This study is bound to be beneficial to the following.

### **1.6.1 Managers**

The study may be important to the captains of industry in the manufacturing sector and shed light on the role of firm level managerial aspects such as strategic planning practices in firm performance. The study may provide crucial information to managers and practitioners in this sector in regard to the relationship between strategic planning systems and practices and firm performance and its application in the running of business.

The study contributes to the discourse on the moderating effect of firm size on the strategic planning and performance linkage, enabling firm managers to respond appropriately to the firm context of strategic planning. The study may draw attention to the role of firm level factors such as strategic planning dimensions in enhancing the competitiveness of the manufacturing and stimulate debate on sector and firms strategies.

### **1.6.2 Policy Makers**

Notably, most of the available strategic planning literature focused and are drawn from the developed and emerging economies, which are different from the developing countries' local context. The study could identify the unique strategic planning performance dynamics and relationships in the local context and

generate insight into strategic planning undercurrents in developing economies towards competitiveness.

### **1.6.3 Researchers and Academia**

The study shall enrich the existing debate in strategic management on the effect of contextual factors in strategic planning by providing insight on the linkage between Strategic planning dimensions and firm performance in developing country context. Other researchers may utilize the findings of the study as a reference point for future research into the role of firm level characteristics and theoretical underpinning. The study shall inspire replication studies in this stream of research and suggested research areas. The Resource Based Theory, The Contingency Theory, The Systems Theory and the Strategic Choice Theory underpinned the study

### **1.7 Scope of the Study**

The scope of study denotes the, boundaries of coverage or range of the study and limits the study to the relevant areas of concern. The population of the study comprised the manufacturing firms in twelve subsectors in Nairobi and its surrounding areas.

The Human Resource Managers were chosen as the respondents mainly because they are easy to identify, have adequate knowledge about the firms strategic situation and relevant insights into the business considering their crucial role in top management involvement (Waiganjo, 2013). In the absence of Human Resource Managers, Operations managers or their equivalents were chosen as respondents.

The study confined itself to strategic planning dimensions, the effect of management participation on performance, the effect of functional integration on firm performance, the impact of strategic orientation on firm performance and the association between strategic control and firm performance and finally, examined the moderating effect of firm size on the relationship between strategic planning and firm performance in the manufacturing sector firms in Kenya.

The Manufacturing sector grew in 2013 by 4.8% compared to a revised growth rate of 3.2% in 2012. Kenya's economy is estimated to have expanded by 5.7 per cent in 2013. (Republic of Kenya , 2014). This makes the choice of 2012-2013 as a base year attractive as it shows progressive macroeconomic environment for the manufacturing firms. Bigsten *et al.* (2010) and KIPPRA (2013) established that productivity tends to be higher in Nairobi than in other areas, thus Nairobi and its surrounding identified through the administrative chapters of the Kenya Association of Manufacturers was the area of focus in the study.

### **1.8 Limitations of the Study**

The study was carried among the Manufacturing firms registered with the Kenya Association of Manufacturers and who are under the Region Nairobi and its surroundings, excluding other Industrial regions in the country with robust manufacturing sector presence. This was guided by the presence of over 70% of manufacturing firms in Nairobi and its surroundings and the higher productivity of the Kenya manufacturing concerns. Hence the generalizability of results of the study may be limited.

Some of the respondents were unwilling to divulge sensitive financial performance information. This was however mitigated through the use of perceptual measures that had the overall effect of allowing researcher to infer financial performance and behaviour. Such subjective measures are widely used in Business research in Kenya and world over. Furthermore, the respondents were assured of the confidentiality of their responses.

The study sought to enhance response rate as observed in the pilot study through use of mixed approaches including use of emailed questionnaires, physical pen and pencil questionnaire administered through drop and collect. This was to expand reach to the executives and managers who it was feared may not be accessible.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter deals with the review of literature on Strategic planning dimensions. It also identifies the gaps in the literature on Strategic planning dimensions and performance linkage in the Kenya manufacturing firms. The chapter captures the theoretical framework, conceptual framework, and review of variables, empirical reviews and a critique of relevant literature. It concludes with the summary.

#### **2.2 Theoretical Framework**

The study is grounded on relevant theories drawn from strategic management literature. These include the Resource Based Theory (RBT) Barney, (1991) the Contingency Theory Andrews, (1971), the General Systems Theory (GST), Katz and Kahn (1966) and the Strategic Choice Theory (Child, 1972).

##### **2.2.1 The Resource Based Theory (RBT)**

The RBT conceptualizes firm as bundles of resources heterogeneously distributed across firms, and that resource differences persist over time (Wernerfelt, 1984; Amit & Shoemaker, 1993). Barney (1991) in the Resource Based Theory (RBT) advances that an organization can be considered as a collection of organizational resources. The resource-based view (RBV) asserts that firms gain and sustain competitive advantages by deploying valuable resources and capabilities that are inelastic in supply (Wernerfelt, 1984; Barney, 1986, 1991; Peteraf, 1993).

The Resource-Based View of the firm suggests that organizational internal factors are responsible for generating firm sustainable competitive advantage and superior performance. In particular, the RBT's main prediction is that deployment of unique and idiosyncratic organizational resources and capabilities can result in sustained superior performance.

The theory deals with the problem how a company can achieve and sustain those advantages. It locates the answer to this question with certain key resources within the firm. The theory focuses also on sustainability of advantages – the sustained competitive advantage can be obtained if the firm effectively deploys these resources in its product markets (Kapelko, 2006).

Madhani (2010) holds the view that the theory provides for analysis and interpretation of internal resources in formulating strategy to achieve sustainable competitive advantages. According to RBT, not all the firm resources form basis for competitive advantage but those that are valuable, rare, imperfectly imitable and imperfectly substitutable (Barney, 1991). Firms must also allocate these resources for strategic activities, deploy them effectively to obtain a sustainable competitive advantage and accomplish strategic objectives (Collis, 1995). The Resource Based Theory (RBT) focuses on the internal resources rather than analyzing performance in terms of the external context (Waiganjo, 2013). Practically, this means that firms within an industry are not considered identical to one another in terms of strategically relevant resources and that these heterogeneous aspects of a firm may hold the potential for advantage.

Collis and Montgomery (2008) note that, the RBT inextricably links a company's internal capabilities and its external environment, with the potential of achieving superior firm performance. Eisenhardt and Martin (2000) averred that dynamic capabilities are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die.

While it is now understood that, it is no doubt necessary for a firm to possess valuable, rare, inimitable, non-substitutable resources and capabilities, it is also understood that such a condition is nonetheless insufficient. In addition to possessing these ingredients, firms seeking a competitive advantage must also demonstrate the ability to alter them in such a way that their full potential is realized (Newbert, 2005).

Within strategic management literature, many scholars distinguish between strategy content and strategy process perspectives. The content perspective argues that

competitive advantage results from the content of strategies that relate to competitors such as uniquely valuable resource combinations (Resource Based View) or positions in the markets (such as Porter, 1980). In turn, the process perspective argues that competitive advantage results from processes such as analysis and planning, Chrisman et al. (2003) and Sirmon and Hitt (2003) found that firm resources must be integrated and deployed effectively through strategic planning to achieve a competitive advantage.

According to Porter (1980) strategic planning creates competitive posture or position. Strategic planning is thus, an integrative tool that seeks to configure the firm's resources in a way that establishes sustainable competitive advantage. Amurle, (2013) suggests that, an effective strategic planning process that entails exceptional scanning of an environment may be considered as a competence that helps the firm identify opportunities before competitors, while a special synergy is developed among top management team or owner-manager and the rest of organizational systems may give it an advantage over competitors.

In the study functional integration outcomes lead to operational efficiency. While strategic orientation enables strategic thinking, market orientation, customer focus and competition orientation in the firm. Strategic planning dimensions anchor, the innate competencies. Each firm is distinctive and faces unique circumstances, hence in every firm strategic planning integrates, disseminates and accentuates its exclusive skills, knowledge, experience and sets of competencies to obtain sustainable competitive advantage. Strategic control The foundations of RBT theory imply that it is only when the resources, both internal and external resources and corporate planning are configured well that firm's strategic planning practices can further the firm's strategic interests including performance. Based on the RBT, the study aims to determine the relationship between the strategic planning dimensions and firm performance.

Ray et al. (2004) while appreciating the pervasive theoretical significance of the RBT in linking the firm's capabilities, strategy and outcomes, argue that, aggregated firm performance may actually not be the best way to measure

performance outcomes and that, simply examining the relationship between a firm's resources and capabilities and its overall performance can lead to misleading conclusions with regard to resource based theory.

They, conclude that a more appropriate way to analyze firm performance will be thorough assessing the impact of the firm's business processes. Supporting the practice on the use of other non-financial measures or disaggregated performance metrics, such as, internal business process, customer perspective, learning and growth (Kaplan & Norton, 1992) and effectiveness, (Elbanna , 2010).

### **2.2.2 The Contingency Theory**

The contingency approach originated in organizational science in the 1960s and has also gained importance in other research areas in the field of business administration. Consequently, a number of different contingency theories have been proposed which relate, for example, to organizations (Donaldson, 2001) business strategy (Hofer, 1975) corporate financial reporting systems (Thomas, 1991) management accounting (Hayes, 1978; Otley, 1980) and corporate planning (Brock, 1995; Grinyer, Al-Bazzaz & Yasai-Ardekani, 1986). Seminal studies of the contingency approach (Burns & Stalker, 1961; Lawrence & Lorsch, 1967; Woodward, 1965) were also published in the 1960s (Maik, 2014).

The contingency approach in strategy literature holds that the appropriateness of different strategies are contingent on the competitive settings of business processes. The Contingency theory emphasizes that firm performance is as a result of the effectiveness of a firm's fit or alignment with its business environment or situation (Donaldson, 2001; Morgan, 2007). The general model implicit in configuration theory assumes that for organizations to be effective there must be an appropriate fit between structure, strategy and environmental context (Fincham & Rhodes, 2005). The contingency approach asserts that the design of an organizational system is contingent on context factors. Context factors are defined as any aspect outside the organizational system that is examined.

Contingency factors are context factors that moderate the relationship between an organizational system and its performance. Moreover, an organizational system that is in fit with its contingency factors may yield superior organizational performance (Donaldson, 2001). Consequently, Wolf & Floyd, (2013) (as cited in Maik, 2104) concludes that, corporate planning systems should also be adapted to the specific conditions faced by organizations.

Langfield-Smith (1997) asserted that the concept of ‘matching’ an organization’s management control systems (MCS) with its strategic orientation is central to contingency-based MCS-strategy research. He adds that, contingency-based studies typically incorporate some measure of effectiveness or performance as a necessary dependent variable in order to provide the means for determining the ‘appropriate’ fit between MCS and its strategic orientation. The contingency standpoint rests firmly on an assumption that rational managers are unlikely to adopt or use management control systems (MCS) that do not assist in enhancing performance (Chenhall, 2003).

Generally, the contingency theory states that organization’s effectiveness will be contingent upon some factors often called contextual variable such as environment, strategy and size (Hambrick & Lei, 1985; Gerdin & Grave, 2004). The contingency theory underpins organization characteristics such as management practices and the achievement of the organizational outcomes such as effectiveness. Organizational effectiveness includes aspects of economic and financial performance. The use of the contingency view as an alternative specific and universalistic view in business situations is commonly applied in many settings of management practices (Gerdin & Grave, 2004). Donaldson, (2001) believed that the implementation of strategies should relate to individual situations which can mean different countries and organizations—and under these conditions a correlation can be found between strategy and its effect on performance in particular situations. McLaughin et al. (2002), have concluded that the recognition of the linkage between strategy and its effect on particular situations has produced a significant effect on organizational performance.



The three elements of the core contingency approach paradigm are related to the three different concepts of fit employed in empirical contingency studies: selection fit, interaction fit, and systems fit (Donaldson, 2001; Drazin & van de Ven, 1985; Gerdin & Greve, 2004). Contingency-based approach has been utilized to examine factors affecting measurement, in SMEs Garengo and Bititci, (2007) in public organizations, Jansen (2004) and Van Dooren (2005) in different national cultures and at different organizational levels (Tillema, 2005).

Lines (2004) agreed that, the effect of management participation if any would not be stable across all possible conditions because a number of contextual factors such as organizational culture have been hypothesized to moderate the relationship between participation and outcomes.

Strategic planning as an integrative process allows the firm to align itself with its internal and external environment and its unique situations. Strategic plans are used as a means of control and as a vehicle for communication that offers direction thus facilitating firm performance. In the context of this study, the contingency theory, is foundation that links the role of management participation in initiating and actualizing plans between levels and totality of the organization, functional integration and its catalytic role to spur cooperation and team work within the functional areas, strategic orientation ensures strategic thinking and alertness to changes in the business environment informs strategy, while, strategic control systems modify behaviour to ensure deviations are eliminated for strategy for improved firm performance.

### **2.2.3 The General Systems Theory (GST)**

The General Systems Theory was based on the 1949 work by Ludwig von Bertalanffy, in which he described the nature of biological and physical systems. Katz and Kahn (1966) paved the way for application of Bertalanffy's general science systems approach to the management of organizations. Contributions of this work include the concepts of organizational "inputs" and "outputs" which encouraged managers to pay attention to economic, psychological, and sociological factors in their analysis of an organization; discouraging the 'one best way' approach and

recommending a contingency model in which factors in the environment help to determine organizational design.

A systems theory is a theoretical perspective that analyzes a phenomenon seen as a whole and not as simply the sum of elementary parts. The focus is on the interactions and on the relationships between parts in order to understand an entity's organization, functioning and outcomes. This perspective implies a dialogue between holism and reductionism. The systems approach views the organization as a whole and involves the study of the organization in terms of the relationship between technical and social variables within the system. Change in one part, technical or social will affect other parts and thus the whole system.

The system approach focuses on the totality of the organization and on the interrelationships of the edifice and the compartments (Rana, Ali & Saha, 2016). Emery and Trist (1960) address organizations as socio-technical systems, underlining the two main components of the firm, seen as, a system: a social component (people), and a technical component (technology and machines). The systems theory also sees the firm as a learning system and as having a set of skills and competences that enables it to produce its own knowledge (Nonaka & Takeuchi, 1995). The theory aptly, outlines the manufacturing entity as comprising of interrelated component parts integrated to work as a whole to strategic interests.

Payne-Palacio et al. (2005) reinforces the import of the systems theory to management of modern organizations, and opined that, the use of systems thinking aids in diagnosing the interactive relationships among task, technology, environment, and organizational members and that the systems approach has shown that managers operate in fluid, dynamic, and often ambiguous situations and hence, must learn to shape actions and to make progress toward goals keeping in mind that the results achieved will be affected by many factors and forces.

The Viable system approach (VSA) suggests a new interpretation of consolidated strategic organizational and managerial models: sub-systems and supra-systems. Sub-systems focus on the analysis of relationships among enterprises' internal components while supra-systems focus on the connections between enterprises and

other influencing systemic entities in their context (Golinelli, 2000; Golinelli, 2005; Barile, 2006; Barile, 2008).

Mele and Polese (2010) affirmed that business value creation in the firm is related both to the sub-system (through quality management, R&D activities, internal auditing, feedback daily research among others) and to the supra-system (through cooperation logics and asset improvement in terms of technical, cognitive, relational and adaptive aspects). In the context of the study, this underpins the relationship between the functional subsystems in contributing to the firm strategic goals. In TQM, the systemic conception of the firm is strengthened by its emphasis on the importance of the relationships of the parts to the goal to be reached (Mele & Colurcio, 2006).

For Ford (2002) it is possible that different organizations within the 'same' environment will read different things into the same set of data about particular market conditions and circumstance. It is also argued that, the organization is embedded in a set of interorganizational relationships (some stronger than others) with a set of stakeholders (Pfeffer & Salancik, 1978). Given that manufacturing firms do not operate in a vacuum and are actually open systems, the theory guides the study on the role of all the variables in dynamic linkages within the parts and outside with other players and stakeholders of the manufacturing firm.

Christopher (2007), in the viable system model, held that, competitive firm behavior is strictly linked to the ability to identify and manage functions and relationships, thereby establishing communication channels, organizing information flow, and rationalizing and harmonizing a firm's development aligned with all external relationships. The intertwined roles of structures and mechanisms between and within levels of management and planning aspects means the systems theory is in apposition to contributes significantly to the proper analysis of the relationship between the strategic planning dimensions and strategic outcomes. In the firm, the theory underscores the fundamental consideration of the compatibility between systemic actors, the (consonance) firms

sub systems or fixed systems and to improve the effective harmonic interaction between them (resonance), representing the dynamic interaction between the parts.

In today's business environment characterized by shifting sands of globalization, intense competition, constant flux, fluidity and uncertainty, managers are called upon to plan structural adjustments and imbue dynamism and flexibility into the firm to guarantee the survival of the whole system, by constantly formulating new interpretations of the business scenarios in order to find an adequate positioning, implementing (when necessary) periods of adjustment, transformation and redefinition the organizational structure. The systems theory reinforces the integrative role of strategic planning in the firm and guides the study in establishing the relationship between strategic planning dimensions, firm size and firm performance.

#### **2.2.4 Strategic Choice Theory**

The strategic choice theory is grounded on the assumption that managerial decisions about how organizations respond to environmental challenges are essential determinants of the organizational performance (Child 1972) and this underlies the strategic orientation enquiry. The strategic choice perspective proposes that strategy, structure and process must fit environmental circumstances and that these conditions may change over time (Child, 1972; Lawrence & Lorsch, 1967; Thompson, 1967).

Management must be able to scan and interpret the environment and make decisions appropriate for both internal arrangement and external alignment. The strategic choice perspective (Andrews, 1986; Child, 1972) focuses on the actions organizational members take to adapt to an environment. Its proponents argue that purposeful actions abound in organizations and that organizational members have substantial leeway in shaping their own fates. As such, the perspective focuses attention on individuals and groups within organizations to explain organizational processes.

This focus on behavior assumes that organizational actors possess the discretion to act of their own free will (Hambrick & Finkelstein, 1987). Child (1997) emphasized human agency and the ability of the ‘dominant coalition’ in an organization to enact its environment and to make untrammelled choices. He however, proposed that the environment does exist ‘out there’, independent of the organization and that, instead of fully determining the behavior of managers and organizations, these forces of the environment set the ‘parameters of choice’ within which the organization and its denizens have an element of self-determination.

Child (1972), while discussing the role of strategic choice in organizational structure, environment and performance identifies several important concepts; Domain representing, the markets that a firm chooses to compete in; Boundaries, referring to the limits of the organization as chosen by the management; goals and actions of decision-makers; and, the dominant coalition i.e. the top group of decision makers. He explains the critical link lies in the decision maker’s evaluation of the organization’s position in the environmental areas they regard as important and in the action they take internally. In the study, this is able to explain the relationship between management participation in strategic planning and firm performance. Management is expected to critically, examine both internal and external variables to decision making.

Pegels et al. (2000) in Mukokha and Ombaka (2016), assert that strategic theorists argue that, top management teams in firms have substantial discretion in determining the future strategic contour firms. Three issues arising from the strategic choice theory: The three key issues arising from strategic choice analysis therefore concern, the nature of agency and choice, the nature of environment and the nature of the relationship between organizational agents and the environment. Strategic choice analysis recognizes both a pro-active and a re-active aspect in organizational decision making vis-a-vis the environment. Organizational agents are seen to enjoy a kind of ‘bounded’ autonomy. They can take external initiatives, including the choice to enter and exit environments, and also make adaptive internal arrangements. At the same time, the environment within which they are operating is seen to limit their scope for action because it imposes certain conditions for their

organizations to perform well. It is assumed that organizational actors will themselves have a similar understanding of the environment, because this is what experience teaches them.

Miles and Snow (1978) identified three fundamental characteristics of the strategic choice perspective. They concluded that this perspective; views managerial or strategic choice as the primary link between organization and environment; focuses on management's ability to create, learn about, and manage the organization's environment; and encompasses the multiple ways that organizations respond to environmental conditions.

Hendrick, (2010) viewed strategic planning as not just planning like long-term financial planning or capital planning, but a process that involves a thorough assessment of the environment and organization. From strategic choice point of view, planning is interpreted as a process of taking a series of interrelated decisions over a relatively long period of time under conditions of uncertainty and changing circumstances. The strategic choice perspective (Child, 1972) argues that some firms are endowed with capable strategic leaders who can select a new strategic direction for the firm and then lead it in that direction. Planning is therefore designed as an ongoing learning process in which problem formulation, analysis and decision making proceed hand in hand (Sutton, Hickling, & Friend, 1986).

Clearly strategic planning practice is aimed at encapsulating the organization's commitment to long term performance improvement. The strategic choice approach emphasizes the role of top management in the firm's adaptation to the dynamic environment and places it firmly at the maneuvering, scheming and decision making pedestal. In the study the strategic choice approach will help explain the effect of management participation.

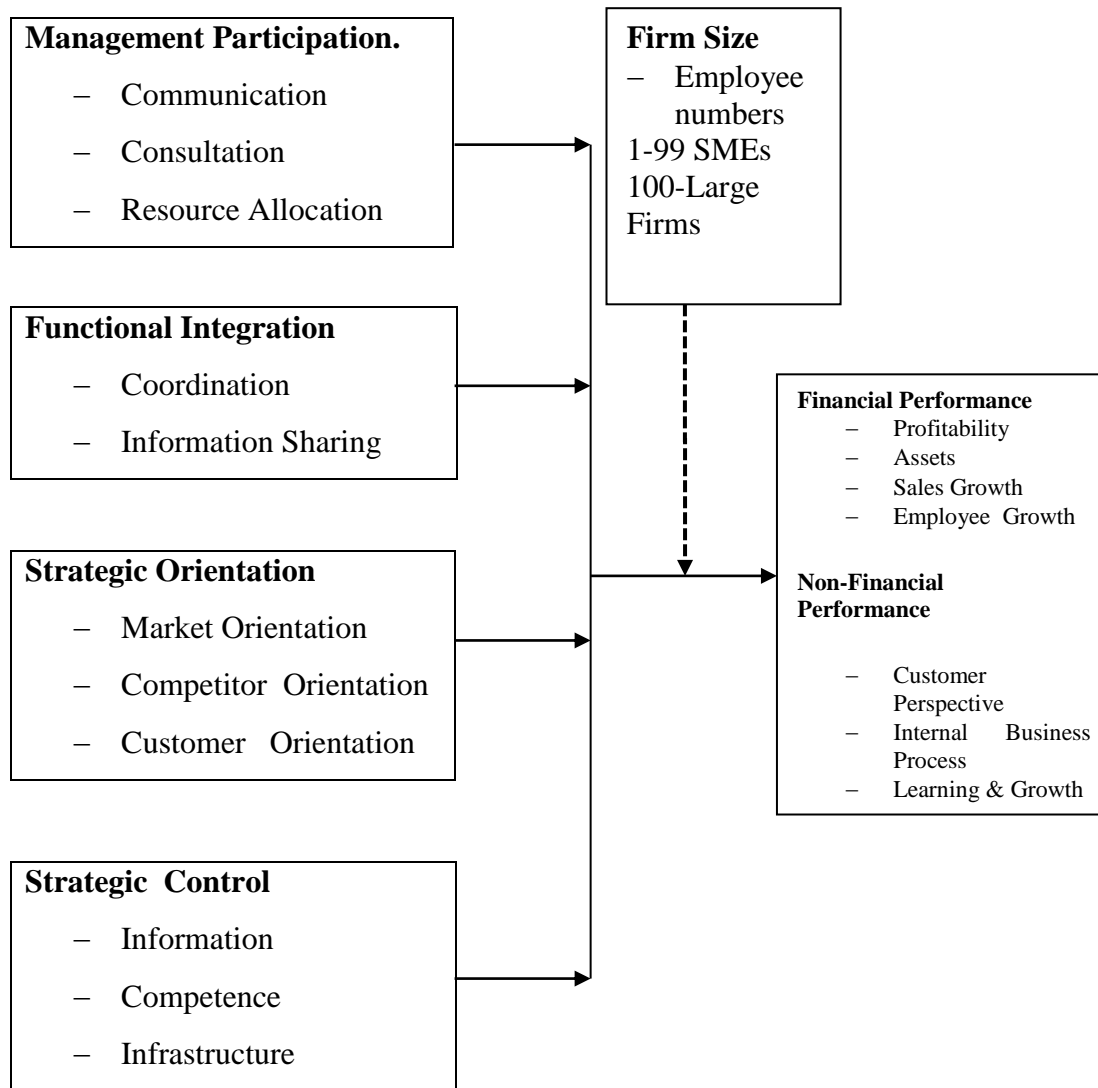
### **2.3 Conceptual Framework**

The conceptual Framework model represents the relationships between the variables in the study and shows them graphically or diagrammatically (Orodho, 2004). The

study's independent variables comprise management participation, functional integration, strategic orientation and performance measurement practices.

Management participation entails the extent of managerial functions carried out by top management in order to align and facilitate the strategies and operations of the firm towards creating and delivering value in a way that obtains it sustainable competitive advantage. Functional integration is the extent of coverage and emphasis given to different functional areas with a view to integrating the different functional requirements into a general management perspective that supports the business and corporate strategies of the firm. Strategic orientation refers to the extent of attention devoted to an organization's recent history and current situation, past performance, and analysis of strengths and weaknesses and its task and external environmental factors, that provide the business context of the firm. Finally, strategic control represent the deliberate approaches and mechanisms designed to facilitate monitoring and evaluation of the totality of the firm's strategic issues and performance and analysis of the data to inform decision making. This varies from firm to firm and could explain assumed differences in firm performance in the manufacturing sector.

The dependent variable was firm performance measured through financial measures which included ; sales growth, profitability and assets growth. Non-financial measures, included, customer perspective, internal processes and learning and growth to allow for a comprehensive assessment of firm performance. This is shown in figure 2.1



**Independent Variables**

**Moderator Variable**

**Dependent Variable**

**Figure 2.1: Conceptual Framework**



## **2.4 Review of the Variables**

There is evidence that strategy especially, that which is characteristic of organizations that are innovative, pioneers, and proactive is an influential determinant of organizational performance (Andrews et al.,2006). Managers may perceive that it contributes to effectiveness, giving them a feeling of confidence and control. It is agreed that strategic planning represents a higher level of managerial activity and as firms develop; their strategic planning shall be more sophisticated (Robinson & Pearce, 1984; Elbanna, 2008; & Berry, 1999).

Streib and Poister (2002) saw strategic planning as something basic and necessary as a planning effort or method to focus scarce resources, to maximize effort, and to exploit opportunities. Strategic management literature suggests that, as the activities of the organization become more complex and sophisticated, strategic planning will develop through various stages from its initial beginnings as simple financial plans, through to planning and participation, forecast-based planning, externally-oriented planning and proactively planning the firms future rather than merely reactively responding to changes within the market place, and ultimately, to formal strategic planning tools (O'Regan & Ghobadian, 2002).

Kargar and Parnell (1996) asserted that, one-dimensional performance measures are based on how a business has performed in the past; implicitly assuming that such success can be extrapolated into the future, they pointed out that, financial superiority is only one element of organization performance and that perhaps more attention should be attached to an organization's ability to adapt to changes that are occurring and will occur in its environment.

Wagner (2006) in a broad analysis of dimensions of strategic planning identified seventeen characteristics of the strategic planning process. Aosa (2011) studied the common characteristics of strategic planning in firms in different contexts using the dimensions of participation and involvement in strategic planning, the time horizon for planning, environmental scanning (internal and external) planning techniques, and functional coverage.

Phillips and Moutinho (1999) decriing paucity of strategic planning measurement tools developed Strategic Planning Index (SPI) as diagnostic tools for hotels , that measures planning effectiveness. Six factors were found to be critical to effective planning, these were; planning implementation, future performance, past performance, functional coverage, reliance on analytical techniques and staff planning assistance. According to Brinckmann et al. (2010) and by following the resource dependence view, firms depend on their environment to provide critical resources. The authors suggest that formal written plans can serve to gain legitimization from external shareholders, which can be a critical factor for the survival and growth of the firm. In addition, they suggest that written documentation can also help firms communicate their goals, strategies and operational tasks to internal and external stakeholders.

Koufopoulos (2002) argues that, there are various dimensions explored by researchers to discuss and analyze the process of strategic planning. Beyond the simple dichotomous classification scheme of planner/non-planner, Ramanujam and Venkatraman (1987) suggested that strategic planning process was both multifaceted and integral to the organization. In recent times there has been growing disillusionment with unidimensional treatment of strategic planning. Awino et al. (2012) argued that planning is a multidimensional management system and strongly advocates for a multidimensional treatment of strategic planning for effectiveness.

Ramanujam and Venkatraman (1987) suggested six strategic planning process dimensions comprising system capability, use of strategy tools and techniques, attention to internal facets, attention to external facets, functional coverage, and resources provided for planning and resistance to planning. Veliyath and Shortell (1993) elaborated further the model and added planning implementation, market research competence, key personnel involvement, staff planning assistance, and innovativeness of strategies as critical strategic planning process dimensions. Athiyaman and Robertson (1995) suggested attention to internal aspects; attention to external aspects; use of techniques; and functional integration.

Kargar and Parnell (1996) expanded the strategic planning process factors by identifying seven dimensions, degree of internal orientation, degree of external orientation, degree of integration achieved within functional department, extent of key personnel involvement in planning process, extent of use of analytical techniques in addressing strategic planning issues, creativity in planning and focus on control. This was also adopted by Awino et al., (2013) in his study of strategic planning performance linkage in the financial services sector. Past studies suggest a high rate of adoption of strategic planning among the manufacturing firms in Kenya. (Aosa, 2011; Arasa & K'Obonyo, 2012; Awino, 2012).

#### **2.4.1 Management Participation**

Elbanna (2008) indicates that, many authors have highlighted the important role of management participation in the strategic planning process and depicted a positive relationship between management participation and strategic planning outcomes. Ikävalko and Aaltonen (2001) identified middle managers as those actors, who are both subordinates and superiors, that is, between the organizational levels of management and personnel. Thus, our definition includes both middle management and operating management.

Moutinho and Phillips (2002) believe critical areas in management intervention should be related to degree of the innovativeness, marketing planning and budgeting actions, practices and procedures as well as possessing a truly long term business orientation. Ketokivi and Castaner (2004) believed that, management participation may reinforce the positive effectiveness of strategic planning on strategic planning practice and proposed it will generate informational value and attitudinal effects.

Elbanna (2009) advocates that management participation may ensure strategic planning practice is effective. Ridwan and Marti (2012) suggested that for strategic planning to be effective and useful, there must be commitment and involvement all over the organization. It is very important to overcome any inherent problems such as: rivalry among divisions, departments, branches, resistance to change, resource requirement, and resources allocation.

This is supported by Ketokivi and Castaner (2004) and Chatchai (2012) who found that effective participation by middle managers in strategic planning increases the ability to reach consensus on a decision because it reduces the negative effects of position bias. Bloom and Van Reenen (2007) and Bloom and Van Reenen (2010) (as cited in Laible, 2013) confirmed strong significant associations between managerial practices and firm-level productivity and profitability. Aosa (1992) observed that companies reporting high managerial involvement were significantly more successful in implementing strategic decisions than those whose involvement was low.

Elbanna (2008) argues today's business environment demands cooperation between both top management and people at other a managerial levels. Top managers need to articulate the context, develop organization structures and reward systems which encourage middle managers to think strategically. However, Namada et al. (2014) concluded that that management participation is a much more complex variable moderated by other factors such as culture and diversity.

These results on the effect of management participation on firm performance have been supported by Gerbing, Hamilton and Freeman (1994) that management participation enhances the effectiveness of the strategy process. In the study management also include middle management who are involved in operational activities and participate in strategic planning in their firms.

In a related study in Nigeria's manufacturing firms, it was observed by Kuye and Suleyman (2011) that a significant relationship exists between employee involvement in decision making and firms' performance and that firms with high employee involvement in decision making outperform firms, with low employee involvement in decision making. There is also enough evidence that workers who participate in making decisions perform better (Chen & Schaubroeck, 2002). Aosa (1992) reported that companies reporting high managerial involvement were able to successfully implement strategic decisions than those with low involvement. Managers do not only affect individual process of strategic sense making but also, respective team processes.

Bloom et al. (2010) found that, the quality of management practices is positively associated with various measures of firm performance. In particular, an improvement in management practices led to an increase in operating revenue, an increase in profit margins by more than 85 per cent, and an increase in the return on total assets by almost 20 per cent. The study findings also dovetail with the results of, Bloom et al. (2012) who found that management practices were found to be positively correlated with firm performance and that Management scores were positively and significantly associated with higher productivity, firm size, profitability, sales growth, market value and survival.

Ogbeide and Harrington (2009) found that greater levels of involvement by a variety of management levels were related to greater strategy implementation success and financial performance. (Tzempelikos, 2015; Nohria et al., 2003; (as cited in Gavrea, Ilieş & Stegorean, 2011; Bloom, Dorgan, Dowdy, Rippin & Van Reenen, 2005) all found that better management practices are greatly associated with higher productivity and other indicators of corporate performance. , including return on capital employed, sales per employee, sales growth and growth in market share.

#### **2.4.2 Functional Integration**

In the Resource Based View (RBT ) of the firm, a firm is an bundle of resources that is meant to create and deliver value. This is done at various levels by integrating and coordinating activities of the various aspects of the firm including, the people, the structure, the processes in order to ensure organizational goals are and strategies are executed while helping the firm achieve sustainable competitive advantage.

According to Ramanujam and Venkatraman (1987) Kargar and Parnell (1996) functional integration or functional coverage could be described as the extent of coverage given to different functional areas with a view to integrating different functional requirements into a general management perspective.

Ramanujam et al, (1986) argue that functional coverage can vary because of strategic differences in the competitive postures of firms in an industry. Andersen, (2004);

Grant, (2003); Ketokivi & Castatner (2004) in Jarzabkowski and Balogun (2009) concur that organizations are placing increased emphasis on strategic planning as a means of enabling communication, participation, and integration around common goals of the organization. Jarzabkowski and Balogun (2009) confirm that, to deliver integration a strategic planning process needs to take account of the divergent interests that people in the organization bring to that process. Phillips and Moutinho (2000) suggested knowledge and experience from different functions and from different levels within the firm enhances the functional integration role of strategic planning systems.

O'Leary-Kelly and Flores, (2002); Pagell, (2004) describe internal integration as the extent to which separate departments within an organization work together to efficiently meet end customers' needs. That, in developing a business plan, it is essential to coordinate the marketing component with the other functions of the organization, the financial, production, procurement, personnel, research and development (R&D) plans and the short and long term corporate strategies and objectives. Furthermore, marketing plans should be consistent with the financial and accounting perspectives of the firm, be in agreement with the organization's personnel and procurement procedures and aimed at achieving the corporate objectives (Homburg, Christian & Workman, 1994). Second, it is essential to incorporate marketing inputs in the other corporate plans (financial, production, procurement, R&D and personnel) as well as the overall short and long term plans of the firm (Day,2000).

Paiva and Gavronski (2009), listed key decision areas which are dependent on cross functional integration between manufacturing and marketing. This areas include strategic planning integration, strategic or visionary forecasting, new product or process development, tactical forecasting, demand management and operational integration. Tyler and Gnyawali (2002) likewise, showed that, a high level of coordination between different departments is likely to facilitate the sharing of important information between various departments for fast and efficient response to the external stimuli.

A comprehensive understanding of the interrelationships between marketing and the other business functions requires predominantly recognition of the importance of identifying and understanding the nature and magnitude of these of interrelationships and conditionings (Davenport, 2011). Goldstein and Ward (2004) found that the integration of leading specialists positively influences organizational performance. Similarly, Morgan et al. (2000) ascertained that, inclusion of marketing department into planning has positive effects on performance.

Cross-functional cooperation must be viewed as an investment, and should thus be used only when integration of functions is critical and when simpler mechanisms for coordination, such as plans and schedules, are inadequate (Ketokivi et al., 2006). To achieve integrated plans of an organization's functions, their development should be coordinated since the initial phase so that each function of the organization has to know and understand what the others make. In addition, when developing plans for each function, each and every one must understand the impact of these actions on customers and the potential response from competitors.

The perpetually dynamic environments under which businesses operate require a gradual approach toward strategic integration in order to determine and pursue the appropriate organizational priorities. The process of strategic integration involves crafting and implementing strategic objectives from an informed perspective of an organization's competitive environment. The adoption of strategic integration portends the following implications to business organizations, adjusting structures and relationships that affect functional groups and related processes in organizations to achieve greater profit margins through shared organizational processes, adjusting targets, reward systems, and metrics to reflect changes in procedures and approach to production (Ketokivi et al., 2006).

Paiva et al. (2011) and Swink, Narasimhan and Wang (2007) agreed that all manufacturing integration aspects are positively related to sales growth, while manufacturing-R&D integration is positively related to profitability and that manufacturing integration throughout the value chain between internal and external actors positively influences business performance. Chen et al. (2007) found that

firm-wide cross-functional integration enhanced marketing/logistics collaboration which impacted positively on firm performance.

Luo et al. (2006) showed that cross-functional Coopetition has an important effect on performance outcomes through enhanced market learning, paving the way for new insight into how cross-functional interactions can affect a firm's competitive advantage. Stank, Daugherty and Ellinger, (1999) confirmed support for positive associations between the frequency of collaborative integration between marketing and logistics departments and logistics managers' perceptions of the effectiveness of the relationship between departments, as well as, departmental performance relative to competitors.

According to Schmidt (2008) organizations that view integration as a “strategy” and that focus their people, policies and investments around the strategy will have a clear competitive advantage. They will create an agile business where each link in the chain can change and adapt to meet local needs while the end-to-end chain remains strongly aligned with the overall operating model. A clear outcome of the process of functional integration will be a common action platform borne out of an amalgamation of the functional plans provided, which anchors the integrative role of strategic planning in the firm.

### **2.4.3 Strategic Orientation**

Strategic orientation describes the corporate posture that combines entrepreneurial and strategic behaviour traits needed to deal with the competitive forces in the environment (Escriba-Esteve, Sanchez-Penaido & Sanchez-Penaido, 2008). Gatignon and Xuereb (1997) defined strategic orientation as the strategic directions implemented by a firm to create the proper behaviours for the continuous superior performance of the business.

Strategic orientation is a mix covering entrepreneurial orientation, marketing orientation and learning orientation (Narver & Slater, 1990). Strategic orientation represents the strategy the firm implements to achieve and maintain performance.



The orientation of the company activates and steers the behaviours of the actors within the firm ensuring continuous performance (Gatignon & Xuereb, 1997).

Strategic Orientation is the ability to link long-range visions and concepts to daily work, ranging from a simple understanding to a sophisticated awareness of the impact of the world at large on strategies and on choices. A firm's strategic orientation reflects the strategic directions implemented by a firm to create the proper behaviors for the continuous superior performance of the business.

According to Noble (2002) strategic orientations are the guiding principles that influence a firm's marketing and strategy-making activities and indicated that, the mainstream of quantitative empirical studies of strategic orientation regards the strategic orientation as the competitive culture such as customer orientation, technology orientation, competitor orientation, inter functional coordination, entrepreneurship orientation and innovation orientation.

Based on an extensive review of the literature on sustainable competitive advantage and strategic marketing, Narver and Slater (1990) based on the cultural approach concluded that market orientation consists of three behavioral components--customer orientation, competitor orientation, and interfunctional coordination--and two decision criteria--long term focus and profit emphasis. They conceptualized an organization's degree of market orientation as the sum total of its emphasis on these five components. Kohli and Jaworski (1990) operationalized market orientation based on the behavioral approach, as comprising intelligence generation, intelligence dissemination, and organization wide responsiveness to it.

Racelis, (2006) emphasized strategic thinking, as an emerging critical characteristic of the management process, which includes the competitive moves and business approaches that produce successful performance and agreed that strategic thinking is an important step to achieving business success. Similarly, Ozen and Ulengin (2001) comparing the strategic orientations and thoughts of a firm built a framework for strategic thinking through a process called "Cognitive Mapping. Their study resulted in fourteen strategic "thoughts" or elements.

On the relationship between organizational performance and strategic orientation, studies have shown that there is a positive and meaningful relation between entrepreneurial and technological orientation and financial performance (Kaya & Seyrek, 2005). Narver and Slater (1990) indicated that market orientation has a substantial positive effect on profitability. Van Raaij and Stoelhorst (2008) argued that business processes is the central concern of being market oriented. That market orientation is seen as the ability of a firm to generate knowledge about markets and use the knowledge in its business processes for creation of superior customer value. While, Noble, et al. (2002) showed that firms possessing higher levels of competitor orientation, national brand focus, and selling orientation exhibit superior performance, Aragón-Sánchez and Sánchez- Marín (2005) found that organizations which continuously search for new market opportunities through processes of innovation and development in products outperform those which do not.

Subramanian and Gopalakrishna (2001) held that a greater level of market orientation has a positive influence on the four dimensions of manufacturing performance namely; cost, quality, delivery and flexibility. He explained that a market-oriented firm is likely to use its market information to achieve efficiency in its manufacturing operations. Market oriented firms are more likely to understand the importance of providing better products along with reducing customers' acquisition and usage costs. The efficiency and cost reduction that firms achieve through their understanding of the customers helps in enhancing the overall firm productivity. In addition, a better understanding of customers' expectations and the products, which competitors have on offer, helps firm produce superior quality products. Greenley et al. (2004) in Alpkan et al. (2007) argued that organizations adopting a strong customer and competitor orientation are more likely to develop learning capabilities for adapting to environmental changes, implementing new ideas, and initiating changes in strategic planning.

Idar, Yusoff and Mahmoud (2012) among Malaysian SMES found empirical evidence of significant link between strategic orientation operationalized as competitor orientation, customer orientation and interfunctional coordination and firm performance, while, Gaur, Vasudevan and Gaur (2011) found a positive link

between two sub-dimensions of market orientation—customer orientation and inter-functional coordination and manufacturing performance. Competitor orientation, however, did not have a positive impact on manufacturing performance.

However, Olufemi and Olayinka (2013), in their study on African textile manufacturing firms observed that results on the association between strategic orientation and performance varied depending on the type of firm performance measure used, but were emphatic that a customer orientation exhibited a negative association with sales.

McGee and Finney (2007) examined the role distinctive strategic orientation plays in attaining competitive advantage among a cross-section of 189 small and medium-retailers located in several rural Midwestern communities, addressing the direct relationship between distinctive customer focused choices and competitive advantage and concluded that choice of strategy should be aligned with the market and customers' needs. According to Parnell (2013) a finding common to most published strategic group work is the notion that businesses lacking a coherent and consistent strategic orientation, reactors within the Miles and Snow framework, are generally outperformed by others in their respective industries, but some studies have not confirmed this relationship.

Oreja-Rodriguez and Yanes-Estevez (2007) in Gkiliatis and Koufopoulos (2013) asserted that internal and external orientations are considered as essential factors in strategic management. Internal environment is defined as, those relevant physical and social factors within the boundaries of the organization or specific decision unit that are taken directly into consideration in the decision-making behaviour of individuals in that system. Camillus and Venkatraman (1984) refer to internal orientation in strategic planning as, the extent of attention devoted to an organization's recent history and current situation, past performance, and analysis of strengths and weaknesses.

Koufopoulos et al. (2013) describes external orientation as the ability to obtain reliable and timely research information in order to learn about external environmental opportunities and threats. According to McKinsey and Company

(2008), approximately 70% of executives around the world state that global social, environmental, and business trends are increasingly important to corporate strategy. Strategic orientation provides direction for the strategic planning process and behavior.

#### **2.4.4 Strategic Control**

In recent times organizations have experienced numerous changes in their organizational structures and business processes as a result of changing business environment. In response, patterns of management control in organizations are also changing and management theorists are paying attention to the changes in management control systems. Formal control mechanisms are widely used as opposed to informal channels of control. (Alharbi & Singh, 2013). Otley, (2003) asserted that the central theme of management controls involve helping an organization achieve its objectives.

Anthony (1965) (as cited in Hared, Abdullah & Rafiul Hoque, 2013), defined the function of control as the process of guiding a set of variables to attain a preconceived goal or objective. It is a broad concept applicable to people, things, situations and organizations. In organizations, it includes various planning and controlling processes. In this sense, the control function is very comprehensive and it encompasses the different aspects of organization's activities, as a "function" that completes other functions of management systems such as; planning, performance measurement, motivation, communication and feedback (Anthony, 1988).

A Management Control System (MCS) can be considered as a set of practices that a particular organization employs for controlling its activities, with different ends, among which is that of providing information that supports managerial decisions (Junqueira, Dutra, Filho & Gonzaga, 2015 ). While, Otley, Broadbent and Berry, (1995) considered management control systems, as a management activity that links operational control and strategic planning. Simons (1995) distinguishes between four control systems relevant in the analysis of the average firm. These control systems are diagnostic systems, beliefs systems, boundary systems, and interactive systems.

Malmi and Brown (2008) provide a comprehensive framework of management control research. They define management control systems as systems that direct employee behaviour. As a consequence, management controls are all the activities, rules, methods, tools, practices, and values that managers use to ensure that employees behave and make decisions consistent with the objectives and strategies of an organization. One can only control against a plan (or expectation), therefore Smit and Cronje (2002) state that strategic control is a continuous process that is interwoven with planning, organizing and leading.

Rwigena and Venter (2004) note that strategic control helps to determine the degree to which strategies fulfill goals and objectives (planning). This is because control is one of the states or an activity of the planning process. Performance measurement also has a supporting role in strategic planning (Tapinos et al., 2005) and to be effective, a firm's business strategy should align with its management control system. Otherwise, the managers will not be able to know whether the firm is making progress toward its goals.

Van der Stede and Chow (2006) were of the view that, maintenance of an effective performance management system is a fundamental issue that every organization must continuously pay attention to in order to ensure its survival as it plays an important role in leading the organization. This includes translating strategy into desired behaviors and results, communicating these expectations, monitoring progress, providing feedback, and motivating employees through performance-based rewards and sanctions.

Strategic control entails and state that it is where the corporate center is concerned with shaping the behavior in departments and divisions and with shaping the context within which managers are operating. (Johnson & Scholes, 1999). Kargar and Parnell (1996) conceptualized focus on control as the degree of emphasis placed on planning as a means of organizational control. There is a growing opinion expressing the need to tailor management control systems to support the development and implementation of organizational strategy (Kald et al., 2000). Part of management control systems is performance measurement.

Performance measurement system is at the heart of a company's performance management process and provides a proactive closed loop control system, where the corporate and functional strategies are deployed to all business processes, activities, tasks and personnel and through which feedback is obtained to enable appropriate management decisions (Tapinos et al., 2005). Part of managers' decision-making involves control and performance evaluation. For this purpose, firms use various metrics in order to assess whether they are indeed meeting goals and expectations (Racelis, 2006).

In the main management control literature, Ferreira and Otley (2009) defined performance management system (PMS) as, the set of the evolving formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management, for assisting the strategic process and ongoing management through analysis, planning, measurement, control, rewarding, and broadly managing performance, and for supporting and facilitating organizational learning and change.

Silvi, Moeller and Schlaefke (2010), (as cited in Alharbi & Singh, 2013) viewed a performance management system as one that incorporates the selective capturing, control, and communication of tangible and/or intangible elements within a causality-based coupling of inputs, processes, outputs, and outcomes in order to improve organizational performance and, thus, to understand relevant business dynamics.

Performance measurement system plays a key role in developing, implementing and monitoring a strategic plan. It enables managers to evaluate whether organizational objectives have been achieved, and is further used to develop and compensate managers. It helps managers monitor whether the company is moving in the direction they want it to go (Teeratansirikool et al., 2013). Performance measurement system helps to formulate, communicate and implement strategy throughout the organization; they are used to control and influence behaviour in the organization and guide the strategic planning process (Wouters, 2009). In general, PMS are used

by higher-level managers to steer the behaviour of the middle management and subsequent layers of the organization (Neely et al., 2012).

Gond, Grubnic, Herzig and Moon (2012) and Marginson, (2002) have added that Management Controls are central to strategy formation as they shape the emergence of strategy and help support the implementation of deliberate strategies and that while formal controls aid the achievement of deliberate strategies, informal controls provide input into the emergence of strategy.

Accordingly, formal management controls are purportedly well suited for monitoring the implementation of intended strategies (Osborn, 1998) where perceptions of market uncertainty pressure managers to review and fine-tune the scope of their intended strategies Chariet et al. (2014) (as cited in Ambrosini & Thomas, 2015). A broader view is that strategic control systems will: co-ordinate the efforts of employees; motivate individual managers; and alter direction dependent on circumstances. Another view is that strategic controls can be used as a means of: clarifying what good performance is; making explicit the trade-offs between profit and investment; introducing individual stretch targets; and; ensuring that corporate management knows when to intervene because business performance is deteriorating.

The strategic control systems should be used as a means to provide surveillance, motivation, monitoring performance, stimulating learning, sending signals, anticipating events, introducing constraints and managing scenarios to the operation systems. The control function is being defined by exploring the complementary features, mechanic and organic behavior, in other words, reacting and tracking the strategy but also renewing the system design (Neely, 2005: Henri, 2006). Neely and Bourne (2000) summarise that strategic control systems have multiple roles to play and, given that many authors argue that performance measurement is part of the strategic control process (Livia, Sorina & Radu, n.d). Pant and Yuthas (2000) have stressed importance of management control system to identify and build dynamic capabilities in order to improve organizational effectiveness.

According to Gates (1999) a business performance measurement (BPM) system reflects the procedures used to cascade down those performance metrics used to implement the strategy within the organization. While, Ittner et al. (2003) found that a BPM system is the system that not only allows an organization to cascade down its business performance measures, but also provides it with the information necessary to challenge the content and validity of the strategy.

Maisel (2001) (as cited in Franco-Santos, 2007) justified business performance measurement systems in a firm as a system that enables an enterprise to plan, measure, and control its performance and helps ensure that sales and marketing initiatives, operating practices, information technology resources, business decision, and people's activities are aligned with business strategies to achieve desired business results and create shareholder value. Ittner et al. (2003) described the roles of a strategic performance measurement system as one that provides information, that allows the firm to identify the strategies offering the highest potential for achieving the firm's objectives, aligns management processes, such as target setting, decision-making, and performance evaluation, with the achievement of the chosen strategic objectives.

Henri (2006) examined from a resource-based perspective, the relationships between the use of management control systems (MCS) and organizational capabilities. Focusing on the diagnostic and interactive uses of performance measurement systems (PMS), and four capabilities leading to strategic choices (i.e., market orientation, entrepreneurship, innovativeness, and organizational learning). He found that an interactive use of PMS fosters the four capabilities by focusing organizational attention on strategic priorities and stimulating dialogue. Also, by creating constraints to ensure compliance with orders, the diagnostic use of PMS exerts negative pressure on these capabilities. Furthermore, some evidence suggests the existence of dynamic tension resulting from the balanced use of PMS in a diagnostic and interactive fashion on capabilities and performance.

Davis and Albright (2004) in Franco-Santos, Lucianetti and Bourne (2012) assert that the use of performance measurement systems is frequently recommended for



facilitating strategy implementation and enhancing organizational performance. Ittner and Larcker (2003) suggest that performance measurement is used to help direct the allocation of resources; assess and communicate progress towards strategic objectives; and evaluate managerial performance. Accordingly, performance measurement employing indicators such as activity ratios to determine the efficiency of asset utilization will guide efficient deployment of resources and their alignment with the firm's strategies to optimize on performance.

Dyson et al. (2005) indicates that performance measurement stands as one of the four main factors characterizing the current practice of strategic planning and adds that it has significant influence in supporting the achievement of an organization's goals and the effectiveness and efficiency of its strategic planning process. Research has determined that complexity coming from organizational size and rate of change in the sector creates variation in the impact of performance measurement in strategic planning. Large organizations and organizations operating in rapidly changing environments make greater use of performance measurement for purposes of effecting organizational control. Ittner and Larcker (1998) found that there is a correlation between the types of performance measures in place and competitive strategy.

Analysis in SMEs, showed the influence performance measurement has been found to be one of the top management development practices to deal with rapid changes. This is explained by the need for information in organizations that face uncertainty. It is concluded that that performance measurements benefits to enhance the efficiency of strategic planning by providing the data and controls that are required either in the development or the implementation stages and by avoiding having to do ad hoc performance appraisals (Longenecker & Fink, 2001). Garver (2003) found that integrating customer performance measures with internal performance measures (internal quality and productivity) to identify improvement is positively linked to performance improvements.

The relationship between performance measurement and firm performance has attracted wide attention, (Maltz, Shenhar & Reilly, 2003). Gosselin (2005) affirm

that empirical studies confirm that there are relationships between strategy and performance measures and that strategy also has an indirect relationship to firm performance. A significant and positive relationship between strategic planning and strategic control is expected, since control is part of the planning process (Dhliwayo & van Vuuren, 2011). According to Hoque (2004) there is a significant and positive association between management's strategic choices and firm performance when management uses non-financial measures for performance evaluation.

Joiner et al. (2009) found that both non-financial measures and financial measures, which are associated with a flexible manufacturing strategy, enhance firm performance. Spencer et al. (2009) find an indirect association between differentiation strategic priorities and organizational performance through the use of non-financial and financial performance measures. According to Gosselin (2005) however, financial measures are still used, especially in unstable environments.

Nuansate and Mokhtar (2014), have identified two ways to judge business performance, that is, objectively and subjectively. Objective performance is determined by indicators such as finances, capacity utilization, profitability, and market shares while, subjective performance deals with customer and employee based measurements instead. These include service quality, customer satisfaction, and employee satisfaction. They point out that subjective measurements are becoming increasingly important to businesses.

Bourne (2003) argues that despite the critical need for research in the area, performance measurement systems themselves provided a normative window through which strategy can be viewed and themselves be evaluated. The very choice of measurement criteria ought to reflect the strategic goals of management. For example, firm strategies that stress on using the organizational resources to achieve cost leadership ought to measure and reward development of capabilities and competencies that enhance the lowest cost position e.g. process improvements. In accordance with the RBT, it then follows that the firm's resources are effectively employed to deliver competitive advantage.

Baker and Leidecker (2001) found that the use of strategic planning tools had a strong relationship with the firm's ROA. In particular, three specific tools including the use of a mission statement, long-term goals and on-going evaluation were found to have a strong relationship with profitability (Lopes & Ross, 2013). According to Tapinos, Dyson and Meadows (2005), an increase in complexity expressed either via the organizational size or via environmental turbulence, increases the need for information which can be provided by making effective utilization of performance measurement.

Mouritsen (2004) however, pointed out that, there is a misunderstanding when companies assume they can only manage what they are actually able to measure. The truth is that measuring performance is not a performance driver that is useful for gaining competitive advantage. The key concern should be to find a way to understand performance data and transform them into usable information that can effectively support management, control, and strategic planning as cited in (Alharbi & Singh, 2013). Alharbi, Gelaidan Al-Swidi and Saeed (2016), found that Anglo-Saxon countries heavily used impersonal types of control mechanisms, specifically bureaucratic formalized control and output control and that, relative to the USA, the level of control in Oriental subsidiaries enjoyed a greater degree of autonomy and conclude that, a focus that bends too much towards formal control or too much towards informal control may threaten a company's existence.

Dyson (2000) and McAdam and Baillie (2002), established the need for organizations to align their strategies with their performance measurement systems, hence, a great number of integrated frameworks have been developed such as the Balanced Scorecard, the Performance Prism, the Performance Pyramid, the Integrated Performance Measurement Methodology and the Cambridge Performance Measurement Methodology (Hudson et al., 2001). The evaluation of performance measurement revealed that it has significant influence in supporting the achievement of an organization's goals and the effectiveness and efficiency of its strategic planning process. Ittner et al. (2003) and Neely et al. (2000) consider the Balanced Scorecard is to be a business performance measurement system.

Management control literature is inconclusive on whether performance measurement, namely, financial and non-financial measures, is associated with firm performance. Studies in the African context are scarce and thus, it is worth investigating the relationship between performance measures, which are critical part of control systems and firm performance because performance measures help managers monitor and assess their firm's progress toward strategic goals and objectives.

Obinozie (2016) concluded, that both financial and non-financial management controls systems were positively related to organizational performance and added that it has been observed that strategic and management control systems inspire performance of firms. Arachchilage and Smith (2013) asserted that firms strategic control systems reinforce the strategic planning process as an integrative process, and give it the monitoring and evaluation capabilities to facilitate other key processes. Marginson, McAulay, Roush, and van Zijl (2014), averred that interactive utilization of non-financial performance measures can be particularly important for generating a positive psychological experience and (indirectly) increasing performance. Kariyawasam and Kevin (2014) found that management control system have an impact on normalized profits of manufacturing companies in Sri Lanka.

#### **2.4.5 Firm Performance**

Khatri and Ng (2000) defined performance as the way an organization performs vis-a-vis other similar organizations in its industry, not only on traditional financial indicators of performance but on important non-financial indicators as well (as cited in Elbanna & Naguib, 2009). Kargar and Parnell (1986) and Ramanujam and Venkatraman (1987) describe firm performance as, how well or badly a firm is performing both financially and non-financially. Phillips and Moutinho (2000) describing perform

ance as the accomplishments and outcomes of an entity, caution that generally agreed measures of performance of a company are hard to come but, adds that, the option to ignore performance is not viable, since performance improvement is an important strategic objective.

Measurement of organizational performance is not easy for business organizations with multiple objectives of profitability, employee satisfaction, productivity growth, corporate social responsibility and adaptability (Waiganjo, 2013). Ramanujan et al. (1986) asserted that an exclusive emphasis on financial performance is conceptually unsound. Elbanna (2009) and McLarney (2001) have noted that in measuring strategic planning effectiveness, traditional strategic planning research has neglected the role of a range of non-financial outcomes. These include efficiency in operations, public image, quality of products and employee satisfaction.

The firm performance criteria in general have traditionally focused on metrics based on financial information. However, financial measures are historical in nature, reporting outcomes and the consequences of past actions (Kaplan & Norton, 2001) thus; they are of little use in improving current performance (Kagioglou et al., 2001). This situation has led to criticism of business environments that rely on lagging financial measures, since these measures result in short-termism, lack of strategic focus, local optimization and misleading signals for continuous improvement and innovation that are not externally focused on customers and competitors (Bourne et al., 2000; Anderson & McAdam, 2004).

A number of studies have adopted a multi-dimensional approach to assessing firm performance. Non-financial measures suggested by Elbanna (2008) included, increased effectiveness in achieving strategic goals, increased commitment among line managers shared vision, fit between internal and external capabilities and consideration of the future implications of decision. Kaplan and Norton (2008) argue that the Balanced Score Card considers financial indications as one of the critical measures of firm performance. Performance in manufacturing firms is measured in terms of a firm's profit margins, volume of sales and employment opportunities created as a result of the firm's products and services being sold in the market place (Kiganane, 2013).

However, there is support for the use of both financial and non-financial performance measures in assessing firm performance. Joiner, Spencer and Salmon (2009) in their

study found that firms use both financial and non-financial performance measures to enhance both financial and non-financial organizational effectiveness. Non-financial measures are more actionable and future-oriented, and their use can improve an organization's capabilities in future planning and strategy implementation. Singh, Darwish and Potočnik (2016) argued that, with careful planning, subjective measures can be successfully employed to assess organization performance. This is because often consistent, reliable and comparable compatible objective data on organization performance measures particularly across countries and sectors is difficult to come by.

According to Kaplan and Norton (1992) the financial perspective use a financial performance measurement indicator as to whether the company's strategy, implementation and execution are affecting the bottom line enhancement. Awino (2015), studied structure- performance relationship among manufacturing firms in Kenya and used both financial and non-financial measures a reasoning that, one construct alone may not be strong enough to measure financial performance and thus used the composite of internal process and customer perspective.

Financial goals for large companies will be profitability, growth and shareholder's value. However, Amoako-Gyampah and Acquah (2008) limited themselves to sales growth and market share omitting other measures such as profitability because of desire to obtain a large response rate and observed that in Ghana, there is often reluctance by firms to divulge sensitive financial information on profitability and performance, even when the data requested were subjective. The study thus integrated financial and non-financial parameters with direct impact on performance. These parameters have been used together with the financial measures of sales growth, profitability growth, Assets growth and employment growth referring to employment opportunities created. Non-financial measures included; customer growth, internal business processes and firm learning and growth focusing on aspects such as, innovation, research and development. In line with Awino (2015), the study adopts the use of a composite measure of both financial and non-financial measures of firm performance.

#### **2.4.6 Firm Size**

Studies on the association between strategic planning and performance have been found inconclusive (Miller et al., 1994; Elbanna, 2010). One possible explanation for the strategic planning performance linkage inconsistencies could be the contingent role of firm characteristics such as size, age, firm ownership, technology among other. Namada *et al.*(2014) having observed apparel and textiles sub sector firms in Kenya's Export Processing Zone (EPZ) suggested that the relationship between management participation as a dimension of strategic planning and firm performance may be moderated by organizational culture, power politics and company size.

In Niresh and Velnampy (2014), firm size is a primary factor in determining the profitability of a firm due to the concept of economies of scale in the neo classical view of the firm. Akinyomi and Olagunju (2013) showed that in today's world firm size is very critical to performance due to the phenomenon of economies of scale. Essentially, it means larger manufacturing entities can obtain cost leadership relative to smaller firms. Firms size is seen by manufacturing companies as a resource in obtaining sustainable competitive advantage in terms of profit and market share.

Ramasamy, Ong and Yeung (2005) observed that the association between firm performance and firm size was ambiguous and cautioned need for industry specific consideration while, advising researchers to proceed on a case-by-case basis of analysis and avoid the tendency to generalize. Abdurahman, Awad, Erik and Jeffrey (2003) in Oladele et al. (2013) observed that the nature of the relationship that exists between firm size and profitability is an essential matter that may shed some light on the factors that enhance profits in firms.

The link between firm size and performance has been contentious since the days of Gibrat (1931) hypothesis, described that firm's growth rate is independent of its size. Palangkaraya, Stierwald and Yong (2005) in their study showed that larger and older firms were less productive, but found the evidence less than conclusive. In more recent studies, however, a positive relationship has been established between the size

of the firm and profit. Akinyomi et al. (2013) in their study found that firm size, both in terms of total assets and in terms of total sales, has a positive effect on the profitability in Nigerian manufacturing companies. Accordingly, Cabral and Mata, (2003) in their study of Portuguese manufacturing firms validated the view that availability of more accurate and complete data set has been adduced as the reason for the conflict between what was previously held as independent relationship between firm size and growth and new findings that there is positive relationship.

Wu (2006) in Prasetyantoko and Parmonon (2012) argued that larger firms have stronger competitive capability than the smaller ones as a result of their superior access to resources. Kannadhasan and Nandagopal (2009) examined the role of firm size as a moderator on the performance and strategy relationship and found there is a statistically significant relationship among strategy, firm size and performance of Indian automotive companies. Firm size has been acknowledged to play a moderating role for relatively smaller firms when they are internationalizing, size has its biggest impact when relatively smaller SMEs acquire international knowledge and experience. In the study, in order to identify contingent factors that interact in the strategic planning dynamics firm size was investigated as moderator in the relationship between strategic planning dimensions and performance of manufacturing firms in Kenya.

Overall, the findings support the RBT, indicating that New Zealand firms focusing on IT competencies will more likely gain significant benefits in market and development performance, although smaller sized firms achieve greater development performance than larger sized firms at all levels of IT competency. Pagano and Schivardi (2003) found a positive and robust association between average firm size and growth. , that that larger average size fosters productivity growth because it makes possible to take advantage of all the increasing returns associated with R&D and finally argue that firm size has a causal impact on growth.



## 2.5 Critique of Empirical Literature

Most studies have characterized firms as either planners or non-planners based on the extensiveness of the formal planning system. The presence of an elaborate system does not necessarily mean, however, that a firm's planning process will be effective. (Glaister et al., 2008). Song et al. (2011) challenged the traditional views of strategic planning, with new evidence suggesting that that strategic planning impedes, not enhances, the number of new product development projects and that larger firms benefit less, not more, from strategic planning for improving firm performance.

The RBT has also been criticized in that with few exceptions, this approach has focused on what is, in fact, a highly aggregated dependent variable, namely, firm performance and while this aggregated dependent variable may be of intrinsic interest to both scholars and managers, it may not always be the best way to test Resource-Based Theory. Madhani (2010) avers that the lack of commonality of terms with RBT research has received a lot of criticism in the literature (Fahy, 2000; Priem & Butler, 2001; Montealegre, 2002; Rugman & Verbeke, 2002; Foss & Knudsen, 2003; Hoopes et al., 2003; Wade & Hulland, 2004).

Similarly, Hax and Wilde (2001) suggest a significant limitation of RBT research is the vagueness of the theory. Another criticism leveled is that it is superfluous and repetitive. Hoopes et al. (2003) also challenged the premise of the RBT, suggesting that the view "seems to assume what it seeks to explain". Furthermore, the researchers posit that the lack of clarity about core aspects of the RBT impede the development of theory and fruitful debate.

Rouse and Daellenbach (1999) question the strong bias towards quantitative research methods suggesting that such a methodology is not appropriate for RBT research in general. The researchers suggest that the nature of advantages in organizations should be firm based and complex and, as such, qualitative and field based methodologies are much appropriate. Despite the limitations, the RBT theory is a viable alternative to Porters model in explaining firm performance In this current era of fast changing globalized world, if an organization is able to change swiftly and be more alert to changes in the competitive market, then they are more likely to gain

and sustain competitive advantage (Madhani, 2010). Newbert (2005) asserts that in addition to possessing these ingredients, firms seeking a competitive advantage must also demonstrate the ability to alter them in such a way that their full potential is realized.

Criticizing the Balance Score Card Model, Bourne (2008) found that, companies developed Balanced Scorecards by taking their existing Key Performance Indicators (KPIs) and populating the four scorecard perspectives. This created a balance of financial and non-financial measures but rarely reflected strategy or created direction and purpose; departments created measures that reflected their own internal logic.

However, performance comes from the processes and practices and how effectively people execute them. Measurement just keeps the score. Measurement may encourage, but alone does not create value. The balanced scorecard, for example, is strong in that it argues for a balanced set of measures, but weak in that it omits some extremely important stakeholder perspectives and those of employees and suppliers (Neely, 2007).

Ittner and Larcker (2003) outlined a set of guides for the development of useful measurement systems for non-financial resource measurement. They however listed four mistakes common in business measurement systems. Not connecting the measurements to strategy (or what really needs to be measured; Not ensuring that there are causal links between the measure and the phenomena to be measured.; Not setting the right performance metrics and targets; and Measuring incorrectly. The further mistakes that are made by measurement systems are as follows; Not dealing with redundancy or unwieldy measurement systems.

When the purpose of measurement is to support the external publication of company performance, then there have to be some additional requirements on the measurement system. ; Not auditable (by an independent third party) and hence unreliable and finally inability to generate the information needed by shareholders, investors or other relevant stakeholders. A final impediment to good measurement concerns the size of measurement systems. If management is over-dependent on measurement, justifiable accusations of micro-management are leveled and unwanted

behaviours tend to result. This latter point arises because people tend to want to improve performance, and tend to focus on many trivial elements in an over-elaborate measurement system. In doing this they lose sight of the bigger and more important picture. (Neely, 2007).

## **2.6 Research Gaps**

Strategic Approach to management has gained more popularity due to increasing complexity of the organizational environment, globalization, and shrinking resources as well recent economic turmoil at the global level. Most organizations manifest their strategic approach by getting involved in strategic planning process and putting in place a strategic plan for survival and sustainable growth. (Zommodian, 2011). The world over there is increased interest in strategic management. (Almani et al., 2011; Elbanna 2010; Debarliev & Suklev, 2012). Most studies in this stream of research occur in the developed and emerging economies. In the developing countries for the manufacturing firms, there prevail unique constraints and business conditions, demanding tailored solutions to meet the dynamic business environments and to achieve better performance outcomes. The study addresses this gap by focusing on the manufacturing firms in Kenya.

More over previous studies have been found to emphasize the unidimensional constructs in which firm performance is seen from the narrow prism of financial measurement. (Suklev et al., 2012; Elbanna, 2008). The study aims to expand the firm measurement criteria to include non-financial criteria to determine firm performance.

Research interests in the manufacturing sector in Kenya have been observed. Various scholars Waiganjo (2013); Kiganane (2013); Awino (2013); Arasa (2012); Arasa and K'Obonyo (2012); Aosa, (2011); Dimba and K'Obonyo (2009) focused on some aspects of firm performance in the corporate sector in Kenya. There is however, a significant lack of researches on the linkages between strategic planning practices and firm performance which can be generalized to Kenya's manufacturing sector. Moreover, the high adoption of strategic planning dimensions at firm level has been recognized, it is important to explore how the firms' strategic planning

practices relate to firm performance utilizing multidimensional measurement approaches in contrast to past studies within a resource based framework.

## **2.7 Summary**

The chapter reviewed empirical literature on strategic planning firm performance connexion. Extant literature have largely showed a mixed relationship between the strategic planning practices and firm performance. Top management is critical to the success of strategic planning and other firm level processes. The cross functional integration of the departments and functions within the organization is a key aspect of firm level managerial processes, it strives to create an interface between the various activities within the organization to achieve strategic goals.

The trend towards operationalizing both financial and non-financial measurement to assess firm performance has gained currency. Strategic orientation reinforces the strategic thinking that guides the firm level strategic planning processes and practices. Strategic control mechanisms including firm performance measurement is recognized as problematic and firms are motivated to adopt innovative and varied measurement systems that capture both financial and non-financial performance outcomes. The resource based view sees strategic planning as an integrative force that bundles firms resources in a way that enables the firm to strive to deliver sustainable competitive advantage.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter discusses the theoretical assumptions and also the design strategies underpinning this research study. The chapter also explains the target population, sampling and sampling techniques, instruments, and data collection and analysis methods. It finally, highlights the operationalization of the study variables and outlines the statistical measurement models used in the study.

#### **3.2 Research Design**

The study adopted a positivist philosophy for this research. The researcher assumed an uninterested posture, and was objective in data collection and analysis. Positivism adheres to the view that only “factual” knowledge gained through observation (the senses), including measurement, is trustworthy. The role of the researcher is limited to data collection and interpretation through objective approach and the research findings are usually observable and quantifiable (Wilson, 2010). This approach was adopted so as to enhance objective. Accordingly, quantitative approach was mainly used. Saunders, Lewis and Thornhill (2003) asserts that, this is strongly linked to deductive testing of theories through hypotheses, while a qualitative approach to research generally is concerned with inductive testing.

According to Myers (2009) the research method is a strategy of enquiry, which moves from the underlying assumptions to research design, and data collection. The study employed cross sectional survey research design and involved the use of both qualitative and quantitative approaches. Descriptive research design is the most commonly used descriptive method in educational and social science research, it gathers data at a particular point in time with the intention of describing the nature of existing conditions, identifying the standards against which existing conditions can be compared and to determine the relationship that exist between specific events.

Such cross sectional surveys are concerned with gathering of facts and figures rather than manipulating of variables (Orodho, 2005). Myers (2009) opines that qualitative research is designed to help researchers understand people, and the social and cultural contexts within which they live so that valid conclusion can be made on phenomena of interest. Quantitative approach is appropriate since the study is expected to generate substantial quantitative data. Qualitative approach helps the research to go beyond the statistical results reported in the quantitative research and best explains human behavior (Mugenda & Mugenda, 2003).

### **3.3 Target Population**

Mugenda and Mugenda (2003) define population as an entire group of individuals, events or objects having common observable characteristics. The population of the study was 466 manufacturing firms across twelve subsectors located in Nairobi and its environs as listed in the 2013, Kenya Association of Manufacturers (KAM) Directory of Manufacturers and Exporters. These firms were targeted by the study because of remarkable improvement in the sectors in performance shown in the preceding years 2012/2013 and, were thus considered appropriate for the study variables. Also, Bigsten et al. (2010) and KIPPRA (2013) established that productivity tends to be higher in Nairobi than in other areas. The human resource managers were easy to identify, have adequate knowledge about the firms strategic situation and relevant insights into the business considering their crucial role in top management involvement (Waiganjo, 2013). However, to expand reach and to cater for alternative respondents in the absence of human resource managers, other managers such as, the operations managers or their equivalents in the firm administrative structures were selected as respondents.

### **3.4 Sampling Frame**

Mugenda and Mugenda (2003) states that a sampling frame is a list of all items where a representative sample shall be drawn from for the purpose of research. The study sampling frame was all the manufacturing firms registered with the Kenya Association of Manufacturers (KAM), under the KAM administrative Chapter, Nairobi and its surrounding, as at December, 2013. The firms comprised 466 firms grouped into twelve sub sectors, namely; Building Mining and Construction; Chemical and Allied; Plastics and Rubber; Metal and Allied; Energy Electrical and Electronic; Pharmaceuticals and Medical Equipment; Leather and Footwear; Motor Vehicle and Accessories; Textiles and Apparel ; Timber Wood and Furniture; Paper and Board; Food and Beverage. The respondents comprised Human Resource Managers, or equivalents of the manufacturing firms in Nairobi and its surrounding. Studies where, such a sampling frame was used include, Waiganjo (2013) and Rukia (2015).

### **3.5 Sample and Sampling Techniques**

According to Mugenda and Mugenda (2003) a sample is a small proportion of a population selected for observation and analysis. This sub-set was carefully selected so as to be representative of the whole population. Gay (1992) suggests that for correlation research 30 cases or more are required. For descriptive studies 10 percent of the accessible population is enough and for experimental studies 30 cases are required for every group. The study assumes that 70% of the firms have adopted strategic planning. This assumption is supported by Aosa (2011). The acceptable margin of error in most educational and social research for categorical data of 5% margin of error and for continuous data a margin of error of 3% is acceptable (Krejcie & Morgan, 1970).

Stratified sampling was used to pick the 191 firms from the 466 in the twelve manufacturing sub sectors as per the KAM directory of 2014. This makes up 41% of the population and was adequately representative. The sample of 191 firms was selected on the basis of the following formula adopted from Mugenda and Mugenda (2003).

$$n = \frac{z^2 * p * q}{e^2}$$

$$n = \frac{1.96^2 * 0.7 * 0.3}{0.05^2}$$

$$n = 322.6944$$

$$n_{Adj} = \frac{Nn}{N + n}$$

$$\frac{466 * 322.6944}{466 + 322.6944}$$

$$n = 191$$

### Equation 3.1. Sample Size Determination

#### Where:

N= the population of interest

n=the desired sample size

z= the standard normal deviate at the required confidence interval (95%)

p= the proportion of target population estimated to have the desired characteristics  
i.e. adoption of strategic planning dimensions.

q= 1-p the proportion of target population estimated not to have the desired  
characteristics i.e. adoption of strategic planning dimensions.

e= the level of statistical significance set (5%).



**Table 3.1 sample size**

<b>S No.</b>	<b>Sub Sector</b>	<b>Population</b>	<b>Sample</b>
	Building Mining and Construction	13	05
	Chemical and Allied	71	29
	Plastics and Rubber	57	23
	Metal and Allied	53	22
	Energy , Electrical and Electronic	35	14
	Pharmaceuticals and Medical Equipment	22	09
	Leather and Footwear	04	02
	Motor Vehicle and Accessories	27	11
	Textiles and Apparel	16	07
	Timber Wood and Furniture	14	06
	Paper and Board Sector	60	25
	Food and Beverage	94	38
	Total	466	191

**Source:** (KAM, 2014)

### **3.6 Data Collection Instruments**

The researcher used structured and unstructured questionnaires to elicit appropriate responses for the study. In social science research the most commonly used research instruments are: Questionnaires, interview tools, observational forms and standardized tests (Mugenda & Mugenda, 2003). Questionnaires provide the researcher with a relatively easy accumulation of data and give a relatively objective data which is easy to analyze (Kothari, 2004). In this study, structured questionnaires and secondary data was used to obtain information from the respondents.

### **3.7 Data Collection Procedure**

Primary data was obtained through questionnaires administered to the HR Managers in the selected manufacturing firms based in Nairobi and its surrounding with the help of trained research assistants. In their absence, the Operations Manager or a senior manager in charge of strategy/corporate planning shall be the respondent. The researcher/research assistants assured the participants of a high degree of confidentiality and anonymity in the exercise. The questionnaires were submitted to the participating firms after the pilot test with a letter of introduction from the Department of Business Administration, the School of Business, College of Human Resource Development (COHRED) JKUAT, requesting the respondents to participate in the research. The researcher/research assistants made prior appointments with the Human Resource Manager, Operations manager or their equivalents who are well informed about strategic/corporate planning in the respective firms. The questionnaires were then picked later for data processing and analysis.

### **3.8 Pilot Test Results**

Polit et al. (2001) described pilot studies as small scale version[s] or trial run[s] done in preparation of a major study. A pilot test is important to identify any ambiguous and unclear or poorly constructed or inappropriate questions on the questionnaire. By doing a pilot study, the researcher can recognize and address some of the problems by obtaining information for improving the study, making adjustments to the instruments, to research plan, to protocol, to time schedule and to other parts of the project or re-assessing feasibility of the study. The preferred mark-up is 10% (Brink et al., 2006). Lancaster, Dodd & Williamson, (2010) indicated that for high precision pilot studies a sample of between 1 to 10% is acceptable.

Mugenda and Mugenda (2003) recommended, 1% to 10% of the sample as adequate for purpose of piloting. Hence, the pilot sample comprised 10% of the sample firms. Consequently, nineteen questionnaires were administered through both email and drop and pick method. In this study, out of the 19

questionnaires administered, a total of 15 questionnaires were returned in time for inclusion into the analysis, representing, 79% of the pilot sample, which is in the acceptable range. Mugenda and Mugenda, (2003) Elbanna (2008) Yusuf and Saffu (2009), all agree that a response rate of 50% or less is adequate for analysis.

The study population was the manufacturing firms in the specific sectors and the respondents were the human resource managers or their equivalents. The participants in the pilot were excluded from the main study. For purposes of more efficient data collection, three independent research assistants were contracted. The research assistants were trained on the tools before embarking on the data collection process. The researcher actively supervised the assistant researchers. Finally, improvements were made on the final instrument in the light of findings and observations relating to individual items or variables. The pilot study was used to review the instruments for ambiguity, lack of clarity and to test the reliability status of the items.

All the items in the variables were noted for acceptable ratings on the Cronbach's alpha. Management participation in strategic planning showed a Cronbach's alpha of 0.9. This falls within the excellent range and is highly accepted. The variable, Functional Integration returned a Cronbach's alpha of 0.76 This above the of 0.7 minimum acceptable range in the Cronbach's alpha. The variable, Strategic Orientation exhibited a Cronbach's alpha of 0.869 representing implying a consistently reliable tool. Strategic Control returned a Cronbach's alpha of 0.911 and demonstrated a highly reliable instrument. The researcher keenly, explored ways of further improving the consistency of the stem, clarification of statements and increasing the number of items in each variable.

### **3.8.1 Reliability of Instruments**

Nunnally, (1994) asserts that measures are reliable to the extent that, they are repeatable and that any random influence which tends to make measurements different from occasion to occasion or circumstance to circumstance is a source of measurement error. Smithson (2005) (as cited in

Tharenou et al., 2007) defined reliability as, the extent to which a measure is free of random measurement error. It is the ratio of the true score variance to the observed score variance because each observed or measured score is composed of a true score and measurement error. Reliability tests ensures the quality of the instrument and confirms it is free from error.

Various estimates of reliability used in research include; test re-test, which asks does the same question have the same response over time? Cronbach's Alpha is perhaps the most widely used reliability coefficient. It estimates test score reliability from a single test administration using information from the relationship among test items. It is a measure of squared correlation between observed scores and true scores. Cronbach's Alpha applies to the more general case of items scored dichotomously or otherwise such as Likert-type scale (Webb et al., 2006). In the study, the reliability of the instrument was estimated using Cronbach's Alpha Coefficient at the acceptable reliability coefficient of 0.7 and above (Nunnally et al., 1994).

### **3.8.2 Validity of Instruments**

Validity is the extent to which a measure measures what it is supposed to measure. Remenyi et al. (1997) suggests that reviewing a large body of literature to carefully identify concepts, ideas, relationships and issues under study, developing the questionnaire from existing related studies and pre-testing the questionnaire formally with executive and academic experts to evaluate whether individual items. These measures have be undertaken in this study and all suggestions and comments regarding structure, wording and questions were considered in the final draft of the questionnaire.

Face validity was carried out through relevant literature review, peer review including by use of accepted methods used in other relevant studies. To ensure content and construct validity, the preliminary questionnaire was pre-tested with a sample of respondents from managers of manufacturing firms in Nairobi and its surrounding areas for comprehension, logic, relevance and validation.

### **3.9 Data Processing and Analysis**

#### **3.9.1 Quantitative Data Analysis**

This study generated both quantitative and qualitative data. Quantitative data was observed for inconsistencies, incomplete questions and unusable data. It was then cleaned, edited and coded. The data was then be analyzed through descriptive statistics including measures of central tendency through the computer based statistical packages such as Statistical Package for Social Sciences (SPSS). In the study, inferential data was analyzed using correlation and regression analysis to establish the direction and intensity of relationship between the independent and dependent variables. Simple regression analysis was employed to test stated and research Hypothesis.

#### **3.9.2 Qualitative Data**

The qualitative data was analyzed, by describing, structuring and categorizing and combining them into interpretable themes.

#### **3.9.3 Measurement of Variables**

##### **i. Measurement of Independent Variables**

Strategic Planning dimensions were measured through four constructs including, Management participation, functional integration, strategic orientation and strategic control. Each of these was measured using, a five point Likert scale with responses on each of the variables ranging from 1 to 5 for Strongly Disagree (SD) to Strongly Agree (SA) with 3 representing Neutrality or Indifference.

##### **ii. Measure of Dependent Variable**

In measuring firm performance both financial measures including ; sales growth, profitability and employee growth were used together with other non-financial measure, including, customer perspective, internal processes and learning and growth to allow for a comprehensive assessment of firm performance. According

to Arasa et al., (2012) respondents in such type of research are more willing to indicate the range where their respective firms fall on the indicators as opposed to stating absolute figures or values.

The KAM Manufacturing Survey (2012) revealed that turnover is regarded as top secret by most manufacturing firms and hence used a banding figure of percentages to show their turnover. Similarly most firms were able to indicate that their profit levels based on their expectations. Further, perceptual measures of performance including more subjective measures have been recommended when objective data is not available or relevant (Kathuria *et al.*, 2003).

Through a structured questionnaire, self-reported measures of firm performance were elicited. Waiganjo (2013) observed the importance of the use of self-reported measures of firm performance owing to the difficulty of obtaining public financial data and absence of formal verification mechanism to corroborate the financial data since it is, held in confidence by the firm's managers. Responses on non-financial data was also obtained using a five point Likert scale with responses to opinion statements ranging from 1 to 5 the ranging from Strongly Disagree (SD) to Strongly Agree (SA).

### 3.9.4 Statistical Measurement Model

The general multiple regression models for the study are:

#### Single Variable:

$$Y = \beta_0 + \beta_i X_i + e \quad (i=1, 2, 3, 4);$$

$$Y = \beta_0 + \beta_i X_i + \beta_m M + e;$$

$$Y = \beta_0 + \beta_i X_i + \beta_m M + \beta_{mi} X_i M + e$$

#### Multiple Variables:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_m M + e$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_m M + \beta_{m1} M X_1 + \beta_{m2} M X_2 + \beta_{m3} M X_3 + \beta_{m4} M X_4 +$$

e

Where; Y = Firm Performance

$\beta_0$  = Constant

$\beta_i$  = Coefficient of  $X_i$  (i=1, 2,3,4)

$\beta_m$  = Coefficient of Moderator

$\beta_{im}$  = Coefficient of Interaction term

$X_1$  = Management Participation

$X_2$  = Functional Integration

$X_3$  = Strategic Orientation

$X_4$  = Strategic Control Practices

M = Moderating Variable (Firm Size)

$X_i M$  = Product term/ interaction term of the moderating variable with each  
of the study variables ( $X_1, X_2, X_3, X_4$ )

e = Error Term

### 3.9.5 Study Hypothesis

**Table 3.2: Study Hypothesis**

Objective	Hypothesis	Type of Analysis	Interpretation
To determine the effect of management participation on the performance of Kenya's manufacturing firms	<b>H<sub>01</sub>:</b> Management participation has no significant effect on the performance of Manufacturing firms in Kenya.	Pearson Correlation  Linear Regression analysis	If p-value < 0.05, Reject the null hypothesis.
To establish the effect of functional integration on the performance of Manufacturing firms in Kenya.	<b>H<sub>02</sub>:</b> Functional integration has no significant effect on the performance of Manufacturing firms in Kenya.	Pearson Correlation  Linear Regression analysis. F-test, t-test.	If p-value < 0.05, Reject the null hypothesis.
To find out the relationship between strategic orientation and the performance of Manufacturing firms in Kenya.	<b>H<sub>03</sub>:</b> There is no significant relationship between strategic orientation and the performance of Manufacturing firms in Kenya.	Pearson Correlation  Linear Regression analysis	If p-value < 0.05, Reject the null hypothesis.
To examine the association between strategic control and the performance of Manufacturing firms in Kenya.	<b>H<sub>04</sub>:</b> There is no significant association between strategic control and the performance of Manufacturing firms in Kenya.	Pearson Correlation  Linear Regression analysis.	If p-value < 0.05, Reject the null hypothesis.
To establish the moderating effect of firm size on the relationship between Strategic planning dimensions and the performance of Manufacturing firms in Kenya.	<b>H<sub>05</sub>:</b> Firm Size has no significant moderating effect on the relationship between Strategic planning dimensions and the performance of Manufacturing firms in Kenya.	Correlation, Moderated Multiple Regression Analysis, F-test, t-test.	If p-value < 0.05, Reject the null hypothesis.



## **CHAPTER FOUR**

### **RESEARCH FINDINGS AND DISCUSSIONS**

#### **4.1 Introduction**

The Chapter details the results of the study performed to test the study model and Hypothesis . It outlines the response rate, assesses the reliability and confirms the validity of the study constructs. The chapter further outlines the demographic characteristics of the respondents. The chapter exhibits the results of the statistical analysis as well as test of Hypothesis and concludes with broad discussion of the results and findings of the study.

#### **4.2 Response Rate**

Response rate is the percentage of questionnaires returned. One hundred and ninety one questionnaires were distributed to the respondents out which, 111 were returned and were considered usable, thus , achieving a response rate of 58%. According to Mugenda (2008) a response rate of more than 50% was enough to analyze and draw conclusions. French and Kelly (2004) obtained a survey response of 17.9% which was acceptable in this kind of strategy research. While assessing strategy types, planning practices and performance, Yusuf and Saffu (2009) obtained a low response rate of 38% and this was still considered adequate for analysis, while, Elbanna (2008) accepted 25% response rate as within acceptability limits for analysis. In view of the foregoing discussions, the study obtained a response rate of 63% and was thus considered adequate for the purpose of further analysis, reporting and publication.

#### **4.3 Validity of the Research Instruments**

Validity is the extent to which a test measures what it is supposed to measure. Validity is the degree to which the results obtained from the analysis of the data actually represents the phenomenon under study (Mugenda, 2003). Face validity was carried out through relevant literature review, peer review, including by use of accepted methods used in other relevant studies. To ensure content and

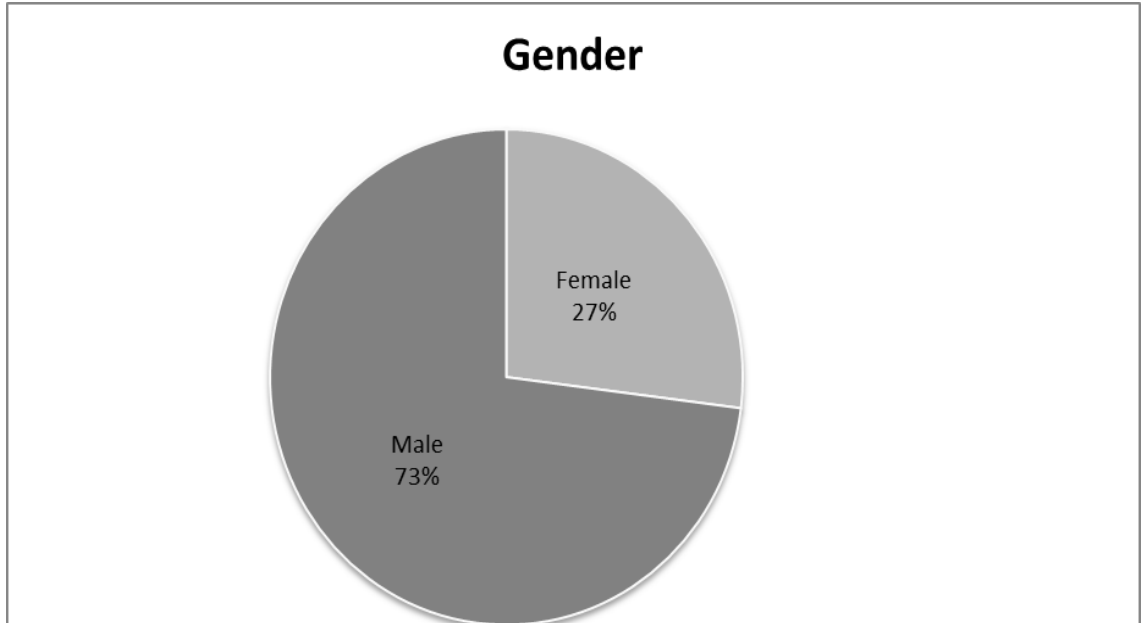
construct validity, the preliminary questionnaire was pre-tested with a sample of respondents from managers of manufacturing firms in Nairobi and its surrounding areas for comprehension, logic, relevance and validation. A 65% response rate was realized in the pilot data collection and was found adequate for final data collection. Corrections were made as appropriate in the final tool.

#### **4.1 Descriptive Analysis**

Descriptive analysis is meant to provide background to the study before further analysis can be carried out. This was done through presentation of percentages, frequencies, means, standard deviation by means of Tables and graphs.

##### **4.4.1 Gender of the Respondents**

The respondents were requested to state their gender. Of the managers and the designates who responded, 73% were male, leaving 27% female managers. This means the sector is largely male dominated. While it also gives an indication of the Human resource landscape in the manufacturing sector, it is clear it does not meet the constitutional threshold that demands at least thirty percent of either gender in positions of responsibility. The sector therefore should have proactive and deliberate strategies to bring about gender equity as per the constitutional requirements. This is shown in figure 4.1.



**Figure 4.1: Gender of Respondents**

#### **4.4.2 Cross Tabulation of Gender and Education Levels**

The respondents' highest level of educational and their gender was cross tabulated to show level of education as per gender among managers in the manufacturing firm in Kenya. Among the male managers 7.2% had certificate level of education, while among the female managers none had certificate level of education, implying the bar of educational qualification was higher for the female managers than their male counterparts in the manufacturing sector. 25% of the female managers had diploma level education comparing favorably with 24.6% of their male colleagues. Majority or 60% of the female managers had attained a Bachelor's degree compared to 40.6% of their male colleagues, 24.6% of the male managers attained master's level qualifications slightly higher than the number of female managers standing at 15%. Finally, a paltry 2.9% of the male managers had a PhD with none of the female managers having accomplished it. The implication for the study is that the managers were well educated and able to interact well with the instrument. This is displayed in table 4.1 below.

**Table 4.1: Cross Tabulation of Gender and Education Levels**

		<b>Gender * Level of education Cross tabulation</b>						
		Level of education					Total	
		Certificate	Diploma	Bachelor	Masters	PhD		
Gender	Female	Count	0	5	12	3	0	20
		%	.0%	25.0%	60.0%	15.0%	.0%	100.0%
		within Gender						
	Male	Count	5	17	28	17	2	69
		%	7.2%	24.6%	40.6%	24.6%	2.9%	100.0%
		within Gender						
Total		Count	5	22	40	20	2	89
		%	5.6%	24.7%	44.9%	22.5%	2.2%	100.0%
		within Gender						

#### **4.4.3 Cross tabulation of Gender and Firm Size**

Gender was also cross tabulated with firm size in order to observe the status of gender empowerment within both the SMEs and large manufacturing firms. It became evident that in both the Small and Medium manufacturing concerns and in the large firms males dominated the top and middle echelons of management. In the SMEs , 8 % of the managers were female, while , 21% were, male. This gender gap is extended in the large firms, where while 19% were women, 52% were, men.

Studies have shown that heterogeneity in management is a factor in firm performance. Christiansen, Lin, Pereira, Topalova and Turk ( 2016) believed that, in Europe, increased female representation in senior positions, could play an important role in boosting Europe’s potential output and asserted that to the extent that, higher involvement by women in senior positions improves firm profitability, it may also help support corporate investment and productivity, mitigating the

slowdown in potential growth. However, Yusuf and Saffu (2009) found that firms managed or owned by males to have more sophisticated planning compared with those owned by females. Gender and firm size is shown in table 4.2

**Table 4.2: Cross tabulation of Gender and Firm Size**

<b>Firm Size * Gender Cross tabulation</b>				
Count		Gender		Total
		Female	Male	
Firm Size	Small and Medium	8	21	29
	Large	19	52	71
Total		27	73	100

#### **4.4.4 Cross tabulation of Gender and Firm Ownership Type**

When gender was cross tabulated with firm ownership type, it became evident that in all types of ownership males dominate among the top and middle echelons of management gender empowerment was not in compliance with constitutional requirement threshold of 30%. Underscoring the gender gap and potential to close it, in Kenya, ability of women to rise to positions of enterprise leadership was scored at 4.8 out of 7.0 yielding, 68%, while firms with female top managers formed 13% of firms surveyed. Understanding aspect of gender aspect in strategic planning performance discourse is important; Yusuf and Saffu (2009) found that in Ghana firms managed or owned by males to have more sophisticated planning compared with those owned by females. Thus, while there is strong potential to empower more women in the manufacturing sector, currently the situation is still below par across the board in all firms (The Global Gender Gap Report, 2014). This is depicted in table 4.3 below

**Table 4.3: Cross tabulation of Firm Ownership Type and Gender**

				Gender		Total
				Female	Male	
<b>Firm Ownership Type</b>	Local	Count	19	48	67	
		% within Firm Ownership Type	28.4%	71.6%	100.0%	
	Foreign	Count	5	16	21	
		% within Firm Ownership Type	23.8%	76.2%	100.0%	
	Joint ownership (Local/foreign)	Count	6	14	20	
		% within Firm Ownership Type	30.0%	70.0%	100.0%	
<b>Total</b>	Count	30	78	108		
	% within Firm Ownership Type	27.8%	72.2%	100.0%		

#### 4.4.5 Cross tabulation of Gender and Firm Type of Private Ownership

When gender was cross tabulated with type of private ownership, it became clear that in family owned firms there was more male than female in top echelons of management. However, in individual owned firms, there was a marked empowerment of females and actually at 53%, there were more females than male. The difference in female empowerment could be explained by patriarchal nature of family owned firms and hence, aver that, characteristics which are sources of strength for family firms include, long-term commitment, patriarchal leadership, but caution that, the same can also be sources of concern, particularly during leadership transitions (Kleiman & Peacock , 1996).

Owing to the family's legacy being one and the same with the firm's welfare, family owners are often disinclined to relinquish their power to external managers. Hence, family owners may block non-family members from gaining key managerial positions in the company (Westhead & Howorth, 2006; as cited in Al-Dubai et al.,

2014). A recent survey in Germany found that, out of the 250 largest family-owned businesses, not a single woman is represented in senior management at 211 of these companies, and only 59 women have seats on their supervisory boards and further reveal that out of the top 100 family businesses, only one has a female CEO. This is shown in table 4.4 below.

**Table 4.4: Cross tabulation of Gender and Firm type of private ownership**

<b>Firm Private Ownership Type and Gender</b>						
				Gender		Total
				Female	Male	
<b>Firm Ownership Type</b>	<b>Private</b>	Family owned	Count	11	35	46
			% within Firm Private Ownership Type	23.9%	76.1%	100.0%
		Individual	Count	8	7	15
			% within Firm Private Ownership Type	53.3%	46.7%	100.0%
<b>Total</b>			Count	19	42	61
			% within Firm Private Ownership Type	31.1%	68.9%	100.0%

#### 4.4.6 Sub Sector Responses

Data for the study was collected from 111 manufacturing firms representing, eleven sub sectors of the manufacturing sector in Nairobi and its surroundings. These included, Food and Beverage, Pharmaceutical and Medical Equipment, Plastic and Rubber, Building, Mining and Construction, Motor Vehicle and Accessories, Energy, Electrical and Electronics, Chemical and Allied, Metal and Allied, Leather and Footwear, Paper and Board and Timber, Wood and Furniture.

The food and beverage sub sector constituted the majority of the firms that responded (27.9%), followed by Metal and Allied (11.7%), Chemical and

Allied and the Paper and board sub sector each contributed (10.8%) of the respondents. Plastics and Rubber sub sector had (9.9%) participation in the study while , the Energy, Electrical and Electronic sub sector delivered 9% of the respondents. Pharmaceuticals and Medical Equipment’s sub sector availed 8.1% of the respondents , whereas, the Motor Vehicle and Accessories Sub sector returned 6.3 % of the questionnaires. Timber, Wood and Furniture sub sector registered 3.6% participation in the study. The Building, Mining and Construction and the Leather and Footwear sub sectors produced the least number of respondents tying at 0.9%. Table 4.5 provides an outline of the response rate per sub sector.

Eleven of the twelve sub sectors targeted participated in the study meaning, the response was obtained across the largest cross section of the firms in the manufacturing sector in Nairobi and its surrounding areas. This is outlined in Table 4.5.

**Table 4.5: Firm Sub Sector**

<b>Sub Sectors</b>	<b>Number Sampled</b>	<b>Percent</b>
Food and Beverage	31	27.9
Pharmaceutical and Medical Equipment	9	8.1
Plastic and Rubber	11	9.9
Building , Mining and Construction	1	.9
Motor Vehicle and Accessories	7	6.3
Energy, Electrical and Electronics	10	9.0
Chemical and Allied	12	10.8
Metal and Allied	13	11.7
Leather and Footwear	1	.9
Paper and Board	12	10.8
Timber, Wood and Furniture	4	3.6
<b>Total</b>	<b>111</b>	<b>100.0</b>



#### 4.4.7 Firm Size

Firm Size was measured by the number of employees. This approach was used in a number of studies including Awino (2007) and IFC, (2012) Majority of the firms (60.4%) had over a hundred employees. While 38.7% of the manufacturing firms employed between 11 and 50 employees. Only 1% of the firms employed less than 10 employees. Majority of the participating firms were classified as large manufacturing establishments. Wu (2006) in Prasetyantoko and Parmonon (2012) argued that larger firms have stronger competitive capability than the smaller ones as a result of their superior access to resources and hence are likely to be resilient, technologically advanced, have bigger resource outlay, likely to have developed processes and on a growth trajectory. They are more likely to have developed planning processes and procedures. Based on the World Bank's Regional Programme on Enterprise Development (RPED) Project data collection which he described as the best attempt ever made to collect comparable and detailed firm level data on Africa's manufacturing sector in a multi-country setting, Nkuruzinza, (2015), classified average firm size in Kenya, according to employee numbers and suggested that larger firms develop resilience to economic shocks, while positing that, access to credit facilities while, catalyzing and facilitating growth and expansion in larger firms has the opposite effect on smaller sized firms and hastens their demise. This is shown in Table 4.6 below.

**Table 4.6: Firm Size**

<b>Employee Numbers</b>	<b>Frequency</b>	<b>Percent</b>
1-10	1	0.9
11-30	6	5.4
31-50	16	14.4
51-100	21	18.9
Over 100	67	60.4
<b>Total</b>	<b>111</b>	<b>100.0</b>

#### 4.4.8 Age of Firm in Years

The firms that were less than 10 years old comprised 13.5% of the total. A half of the firms participating in the study were between 11 and 37 years old. The firms aged between 38-65 were 27.9 percent and while, 6.3% were aged between 66 and 93 years, it is noteworthy that, less than 2% were older than 94 years. A lot has been said about the relationship between firm age and efficiency or sustainability. Firm's age may capture the extent of a firm's learning experience. Older firms are usually considered to be more efficient than younger ones, because owners, managers and employees have gained experience from past operations. Furthermore, firms' survival, per se, may reflect their superior efficiency (Jovanovic, 1982). This is detailed in Table 4.7 below.

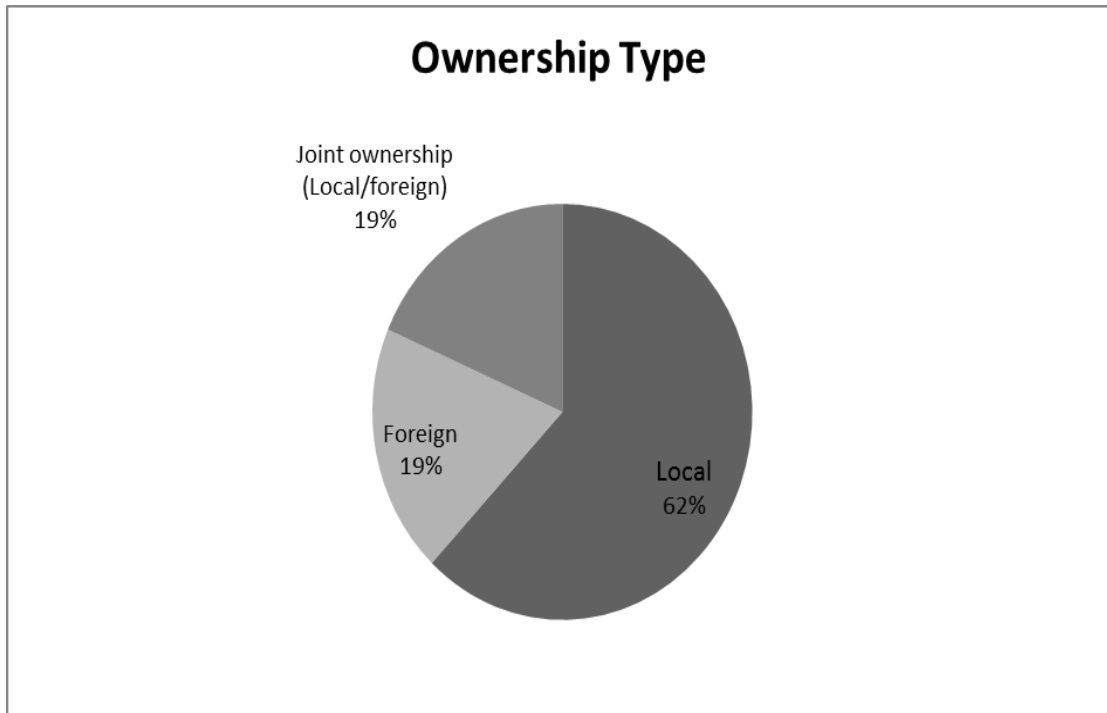
**Table 4.7: Age of Firm in Years**

<b>Firm Age</b>	<b>Percent</b>
Less than 10	13.5
11-37	50.0
38-65	27.9
66-93	6.7
94-116	1.9
<b>Total</b>	<b>100.0</b>

#### 4.4.9 Firm Type of Ownership

The respondents were required to state the type of firm ownership to determine whether the firm was locally owned or had dominant foreign interests such as in Multi nationals (MNCs) or whether they were jointly owned by Kenyan and foreign entities. It was observed that a majority of the sampled firms were locally owned with the survey results reporting (62%), purely international firms constituted 19.4% while a similar number (19.5%) stated they had joint local and foreign interests. This was important to the study owing to arguments that

companies with substantial foreign interests have taken the lead in strategy practices (Aosa, 2011). In total 38% of the surveyed firms had varying levels of foreign interests. This is outlined in figure 4.2



**Figure 4.2: Firm Ownership Type**

#### **4.4.10 Firm Nature of Private Ownership**

The study interrogated the nature of firm private ownership. This was to bring out whether the sample firms were owned by individuals, family ownership or other entities such as community organizations, etc. It was observed that this aspect was highly sensitive with most managers resisting to disclose the nature of ownership. As a result 55% only identified the nature of ownership in their respective firms. 75% of the firms indicated they were family owned, with 25% declaring individual ownership. This is expressed in Table 4.8.

**Table. 4.8: Nature of Private Ownership**

<b>Ownership</b>	<b>Frequency</b>	<b>Percentage</b>
Family owned	46	75.4
Individual	15	24.6
<b>Total</b>	<b>61</b>	<b>100.0</b>

#### **4.4.11 Firm Business Diversification**

The respondents were probed to discover whether their firms practiced business diversification strategies. The study found that 73% of the firms implemented some form of diversification strategy. The remaining 27% practiced focus strategies, in which they concentrated in their business lines. This is reported in the Table 4.9.

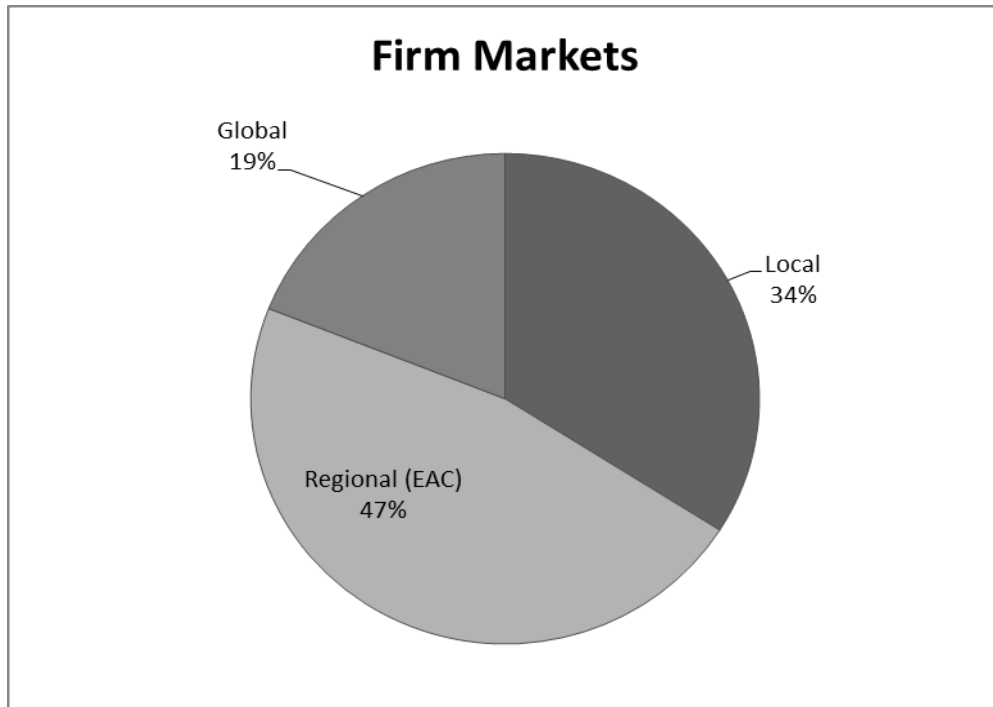
**Table 4.9: Business diversification in the Company**

<b>State of business diversification in the company</b>		
<b>State</b>	<b>Frequency</b>	<b>Percent</b>
Diversified	78	72.9
Not Diversified	29	27.1
<b>Total</b>	<b>107</b>	<b>100.0</b>

#### **4.4.12 Type of Market**

The respondents were queried on the markets in which their firm was mainly involved in whether local, regional (EAC). Majority of the firms (47%) operated in the regional East African market. A substantial number of firms 34% focused solely on the local market, while only, 19% of the firms played in the global market. According to Granér and Issakson (2007) even though only some 10 per cent of manufacturing output is exported, many manufacturing firms participate in export activities. The regional export market has attracted a higher number of

firms the relatively well developed manufacturing sector in Kenya in the region. This is illustrated in Figure 4.3.



**Figure 4.3: Firm Markets**

#### **4.4.13 Effect of Management Participation on Firm Performance**

Employing a five point likert scale, the study sought to obtain managers responses regarding aspects of management participation in strategic planning practice. The statements were opinions which required the respondent to Strongly Disagree, Disagree, be neutral about it, Agree or Strongly Agree . Descriptive statistics such as means, standard deviation and percentages were used to present the findings in Table 4.3.. Majority 53.2 % of the respondents agreed strategic planning in their firm was highly systematic, while, 35.7 percent equally concurred strategic planning was systematic. A total of 88.9 percent had positive views that strategic planning in the firms was highly systematic. This was also confirmed by the high mean shown (4.17), a minority (5.47%) disagreed or highly disagreed, that such a situation prevailed in the firms. 89.1 percent were of the opinion that top management was strongly involved in strategic planning.

The participants who strongly disagreed or disagreed, that strategic planning was rarely carried out comprised 65.5% of the total respondents. These respondents expressed counter opinion on the statement that strategic planning was rarely carried out, which implied that strategic planning was probably not carried out in 65.5% of the firms. As indicated by the high mean score of 4.03, 83.7% of the respondents agreed that departmental managers were highly involved in strategic planning in the departments. That management had the requisite expertise in strategic planning was confirmed by 78.3% of the participants with a mean of 4.0. Top management also showed high levels of participation in strategic planning meetings. This was attested to by 84% of the respondents showing a mean score of 4.18. There is regular communication between strategic planning players in the organization, this was verified by 84.6% of the subjects.

That managerial actions on strategic planning is of good quality was corroborated by 79% of the respondents, while commitment of top management to strategic planning process and activities through availing adequate funding resources was supported by 65.3% of the respondents. That management plans for contingencies was verified by 73.8% of the participants. It is worth noting that majority of the items had a standard deviation less than 1.0. Only two items had a deviation exceeding 1.0, while one was a deliberate control statement used by the researcher. The other meant respondents were not sure about the funding aspects of strategic planning. This in the province of the CEOs and other middle management may not have had adequate information. The means of the statements was majorly above 3.5 which means there was high agreement of the respondents on the views that management participation was a critical factor in the firms. Studies by Suklev and Debarliev (2012) indicated that the management participation in the strategic planning processes leads to improving the strategic planning effectiveness, especially, when all participate in the strategic planning process with joint efforts, they improve the strategic planning effectiveness in the Macedonian companies and this effectiveness translates into performance. This is demonstrated in Table 4.10.

**Table 4.10: Management Participation and Performance**

<b>Management Participation</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>M*</b>	<b>S.D</b>
The strategic planning process is highly systematic	1.8	3.67	5.5	53.2	35.7	4.1743	.837
Top management is strongly involved in strategic planning process	1.8	3.6	5.4	42.3	46.8	4.2883	.867
Departmental Managers are involved in in strategic planning	2.7	4.5	9.0	54	29.7	4.0360	.904
Management has high level of expertise in strategic planning	1.8	9.0	10.8	44.1	34.2	4.0000	.990
Top management shows high level of participation in strategic planning meetings	1.8	2.7	10.8	45.0	39.6	4.1802	.865
There is regular communication between the levels of management on strategy	4.50	4.50	6.30	53.1	31.5	4.0270	.985
Managerial actions on strategic planning is of very high quality	1.81	3.63	15.4	51.8	27.2	3.9909	.862
Top management team allocates adequate funding for strategic planning activities	4.54	10	20	39	26.3	3.7273	1.099
Strategic Planning is rarely carried out	41.4	25.2	7.2	18	8.1	2.261	1.373

n=107 (SD = Strongly Disagree; Disagree =D; N = Neutral; A=Agreed; SA = Strongly Agreed) \*Mean = (Strongly Disagree = 0- 1.8; Disagree=1.8-2.6; Neutral=2.6- 3.4; Agreed=3.4- 4.2; Strongly Agreed= 4.2-5.0)

#### **4.4.14 Effect of functional Integration on performance**

The study specifically sought to establish the effect of functional integration on performance of the manufacturing firms as a dimension of strategic planning. An analysis of the perceptions of managers was sought through opinion statements which elicited response through a five point likert scale. Results were demonstrated by use of means, standard deviation, frequency and percentages presented.

When respondents were questioned on the alignments of departmental plans to the firm strategic plan. Of the 80% that were in agreement, 30% had strong views on the same. This item returned a mean of 4.0 which according to the scale is very high. To appreciate whether the firm has a positive Human Resource policy of attracting and retaining talented employees to remain competitive, the respondents were asked to rate the statements, it was found that, 77.4% were positive and agreed, that indeed such orientation prevailed in their respective firms.

The participants were required to share their views on the whether the firm produces at low costs compared to the competition., while 20.86 % disagreed implying that their firms were not cost competitive, however, 51.88% revealed their firms were cost competitive relative to the industry. A matter of concern was the 27.2% who were indifferent. This could imply this was not an important issue in their firms or it was sensitive. To check on the extent to which the firm leverages on technology to be competitive, the managers were queried on whether they integrate technology in the key functions. This showed that while 47.7% agreed, 33.3% felt strongly that technology was used in the various functions of the firm. In total over 77% agreed on technology to integrate functions and ensure smooth operations that the firm leverage.



The role management in facilitating organization learning and knowledge exchange was interrogated. Majority of the managers at 82.8%, confirmed, that knowledge and experience sharing was a regular feature in their firms. With favorable response of the element of coordination of plans between departments existed in 84.6% of the sample, while 80.8% of the managers verified that pre planning activities meant to contribute to the success of the planning process actually took place in their firms. Finally, most of the respondents concurred that management indeed extended support to departmental coordination to anchor the process of functional integration within their firms. The above observation is outlined in the Table 4.11. In only two items was a standard deviation of above 1.0 recorded, this implies the diversity responses to the set of items was within expectation. This is clarified in the Table 4.11.

**Table 4.11: The Effect of Functional Integration on performance**

<b>Functional Integration</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>*M</b>	<b>S.D</b>
Departmental functional plans are aligned to the firm strategic plan	1.81	4.54	13.6	50	30	4.01	.888
We strive to attract and retain high quality employees to ensure competitiveness	3.6	5.4	13.5	45.9	31.5	3.96	.999
The firm produces at low costs compared to competition	6.36	14.5	27.27	33.6	18.18	3.42	1.137
The firm promotes strong use of technology to integrate key functions	1.8	4.5	12.6	47.7	33.3	4.06	.897
Regular exchange of knowledge and experience among different departments within the firm is highly supported	0.9	5.4	10.8	61.2	21.6	3.97	.791
Plans are always coordinated between departments	1.8	2.7	10.8	57.6	27	4.05	.807
Preplanning activities to aid the strategic planning process are emphasized	1.8	4.5	12.7	55.4	25.4	3.98	.856
Top Management is not supportive of Departmental Coordination	36.69	24.7	13.76	9.17	15.59	3.57	1.455

n= 107 (SD = Strongly Disagree; Disagree =D; N = Neutral; A=Agreed; SA = Strongly Agreed) \*Mean = (Strongly Disagree = 0- 1.8; Disagree=1.8-2.6; Neutral=2.6- 3.4 ; Agreed=3.4 4.2; Strongly Agreed= 4.2-5.0)

#### **4.4.15 Relationship between strategic orientation and performance**

The respondents were asked to give their opinions on whether their firms established deliberate plans to cope with environmental opportunities. 77.2 percent corroborated the statement. With a standard deviation of 0.84, the managers were almost unanimous. Further, bulk of the managers representing, 87.3% concurred that the management develops and establishes broad scale, long term objectives and goals corresponding to the vision and mission of the

firm, that was the case in firms. Sixty percent described their firms as not alive to and oriented for competitive 'wars' described as responding to the competition.

Majority of the managers making up 88.2% of the respondents confirmed that their firms emphasized customer orientation in their marketing strategy. When the participants were prodded to verify the validity of the statement that their firms rarely sacrificed profit for increased market share and whether they cut prices to gain market share, it elicited mixed reactions from the managers with a given mean of 3.2 and 2.7 respectively which is within the range for neutrality with a wide a deviation of 1.26 and 1.27. The responses were diverse and inconclusive. Majority, representing 84.5% of the firms agreed they do have formal procedures to coordinate different functional areas.

Most respondents agreed firm goals were mainly linked to financial budgets. Majority of the managers or 87.3 % maintained that they responded fast to customer needs. A substantial number of respondents or 78.3% contended that customer feedback was integrated in the firm's planning while at the same time customer focus was used a key strategy by almost all the firms or 90%. Over 87.3% of the firms were constantly in search of new markets, while in 80% of the firms, that options were analyzed before strategic investment decisions were made. Competitor analysis was conducted regularly in 61.7% of the establishments, while in 78.45 of the businesses marketing surveys were a regular feature. Results of the responses are detailed in Table 4.12. below.

**Table 4.12: Relationship between strategic orientation and performance**

(SD = Strongly Disagree; Disagree =D; N = Neutral; A=Agreed; SA = Strongly

<b>Strategic Orientation</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>*M</b>	<b>S.D</b>
Established deliberate plans to cope with environmental opportunities and threats	2.7	2.7	17.2	57.2	20	3.89	.849
Management develops and establishes broad scale, long-term objectives, goals or projects	1.8	1.8	9	52.2	35.1	4.17	.807
The firm emphasizes customer orientation of the firm to marketing strategy	0	2.7	9	55.8	32.4	4.18	.703
Firm avoids competitive 'wars'	7.3	11	21.1	38.5	22	3.56	1.165
Firm rarely sacrifices profit to gain market share	9	26.3	17.2	30	17.2	3.2	1.262
Firm regularly cuts prices to gain market share	9	33.3	16.2	24.3	17.1	3.07	1.277
Firm rarely introduces new products, services, techniques or procedures	24.5	31.8	7.2	20	16.3	2.7	1.447
There are formal areas to coordinate different areas	1.8	2.7	9.9	54	31.5	4.1	.824
Management is able to analyze and comprehend organizational goals and strategies developed by others	1.8	3.6	9.1	56.8	28.4	4.06	.830
Firm corporate goals are mostly linked to financial budgets	0.9	0.9	11.7	54	32.4	4.16	.733
We respond fast to the wishes of customers than our competitors	0	2.7	9.9	48.6	38.7	4.2	.738
As a firm we do not know strong and weak points of our main competitors	22.5	28.8	12.6	15.3	20.7	2.8	1.470
Customer feedback is strongly incorporated in the strategic planning process	1.8	6.3	13.5	44.1	34.2	4.02	.948
Customer focus is highly emphasized as a competitive strategy.	0.9	0.9	8.1	49.5	40.5	4.2	.728
Firm constantly looks for new markets	1.8	2.7	8.1	48.6	38.7	4.19	.840
Options are analyzed always to inform the best investment decisions		2.70	17.1	51.3	28.8	4.06	.754
Top manager prefer high risk projects with chances of very high returns	5.4	16.2	32.4	34.2	11.7	3.3	1.051
Assessment of the new project is always based on intuition rather than analysis	15.3	24.3	26.1	18	16.2	2.9	1.303
Competitor analysis is conducted regularly	3.6	15.4	19.09	37.2	24.5	3.6	1.123
The marketing department carries out market surveys regularly	0.9	8.1	13.5	47.7	29.7	3.9	.919

Agreed) n=106 \*Mean = (Strongly Disagree = 0- 1.8; Disagree=1.8-2.6; Neutral=2.6-3.4; Agreed=3.4- 4.2; Strongly Agreed= 4.2-5.0)

#### **4.4.16 Strategic Control and Performance**

This section elicited responses on the association between strategic control practices as a dimension of strategic planning and firm performance. The managers largely agreed by 81% that assessment of internal controls systems and process was conducted often. That measurement tools and procedures were routinely clarified and formalized was attested to by 80.1 percent. That the firm invests substantial resources in performance measurement infrastructure was supported by 64.8% of the managers.

Participation in choice and implementation of the performance measurement systems tools and techniques was confirmed by 64.8% of the respondents. Majority agreed there was adequate levels of competence to utilize the various performance measurement tools. Majority, representing 69.9%, agreed the performance measurement reporting system was highly effective. That the firm uses the employee performance measurement as a control mechanism was established in 69.3% of the firms. Similarly, in 59.9% of the firms innovation measurement was integrated a control mechanism. New tools and techniques for performance measurement were adopted in 52% of the firms. Finally, in 70.2% of the establishments it was observed that external audit of performance measurement and control tools was regularly carried out. This is detailed in the Table 4.13.

**Table 4.13: Association between control practices and performance**

<b>Strategic Control Practices</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>*M</b>	<b>S.D</b>
Assessment of internal control systems and processes is conducted regularly	0	7.2	11.7	44.1	36.9	4.1081	.878
Measurement tools and procedures are routinely identified, clarified and formalized	0.9	5.4	13.5	47.7	32.4	4.0541	.872
The firm invests heavily in performance measurement infrastructure	2.7	9	23.4	43.2	21.6	3.7207	.992
All levels of management participate in the design and selection of performance measurement system tools and techniques	2.7	10.8	21.6	39.6	25.2	3.7387	1.042
There is technical competence in using the various tools	2.7	9	23.4	45	19.8	3.7027	.978
Performance measurement system reporting is highly effective for the whole organization	2.7	10.9	16.3	42.7	27.2	3.8091	1.045
Firm regularly uses employee performance measurement as a control mechanism	4.50	7.20	18.9	42.3	27	3.8018	1.060
Firm continuously utilizes innovation performance measurement as a control mechanism	4.54	10.9	24.5	43.6	16.3	3.5636	1.036
Performance measurement system reporting is ineffective for reporting within and between managers and subordinates	14.6	20.9	20.1	29.3	15.5	3.1101	1.307
New performance measurement techniques and tools are always adopted	3.6	9.9	14.4	51.3	20.7	3.7568	1.011
External strategy audit is done to assess effectiveness of our measurement tools	7.2	9.9	12.6	43.2	27	3.7297	1.175

n=107 (SD = Strongly Disagree; Disagree =D; N = Neutral; A=Agreed; SA = Strongly Agreed) \*Mean = (Strongly Disagree = 0- 1.8; Disagree=1.8-2.6; Neutral=2.6- 3.4 ; Agreed=3.4- 4.2; Strongly Agreed= 4.2-5.0)

#### **4.4.17 Reliability Analysis**

Reliability is the degree to which a test consistently measures whatever it measures (Gay, 1987). Various estimates of reliability used in research, however, the Cronbach's A is perhaps the most widely used reliability coefficient. It estimates test score reliability from a single test administration using information from the relationship among test items. It is a measure of squared correlation between observed scores and true scores. Cronbach's  $\alpha$  applies to the more general case of items scored dichotomously or otherwise e.g., Likert-type scale (Webb *et al.*, 2006). Similarly, a Cronbach's A coefficient of 0.7 means an instrument is sufficiently reliable (Nachmias & Nachmias, 2006 ; Kothari, 2004; Sekaran, 2006). In the study, the reliability of the instrument was estimated using Cronbach's A Coefficient at the acceptable reliability coefficient of 0.7 (Nunnally et al., 1994). In the study reliability coefficient for all the variables registered above the benchmark 0.7 Cronbach's Alpha and was deemed reliable for further analysis. This is given in Table 4.14

**Table 4.14: Reliability Coefficient of the Independent Variables**

<b>Strategic Planning practices</b>	<b>No. of Items</b>	<b>Reliability of Cronbach's A</b>	<b>Remarks</b>
<b>Management Participation (X<sub>1</sub>)</b>	9	.906	Excellent
<b>Functional Integration (X<sub>2</sub>)</b>	8	.738	Good
<b>Strategic Orientation (X<sub>3</sub>)</b>	22	.830	Very good
<b>Strategic Control Practices (X<sub>4</sub>)</b>	10	.884	Very good
<b>Total</b>	<b>49</b>		

#### **4.4.18 Aggregation of Independent Variables**

Having met the required reliability threshold, the items corresponding to each variable were aggregated by taking the average (Mean and Standard Deviation). From the descriptive, it was found that Management Participation had the highest rating while also displaying the second highest variation in responses (M=4.0029, SD= 0.69038). Functional Integration(X<sub>2</sub>) exhibited the second highest rating but, highlighted moderate variation between responses(M=3.8848, SD= .59673) Strategic Orientation (X<sub>3</sub>) displayed moderate rating in responses but at the same time, displayed low variation(M=3.7324, SD= .49559). The lowest rating was found in Strategic control(X<sub>4</sub>), which also displayed the highest variation in responses (M=3.6966, SD= .74491). Based on the rating, strategic control(X<sub>4</sub>) is the worst predictor, closely followed by strategic orientation. The most significant predictor is management participation displaying the highest rating followed closely by functional integration (X<sub>2</sub>). The aggregation is illustrated in Table 4.15.



**Table 4.15: Aggregation of Study Variables**

<b>Variables</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Management Participation X <sub>1</sub>	111	4.0029	.69038
Functional Integration X <sub>2</sub>	111	3.8848	.59673
Strategic Orientation X <sub>3</sub>	111	3.7324	.49559
Strategic Control X <sub>4</sub>	111	3.6966	.74491
N	111		

Key: X<sub>1</sub>=Management Participation; X<sub>2</sub> Functional Integration; X<sub>3</sub> = Strategic Orientation; X<sub>4</sub>= Strategic Control

#### **4.5 Inferential Statistics**

After highlighting the independent variables through descriptive statistical analysis, the study sought to establish the relationship between management participation, functional integration, strategic orientation and strategic control practices and firm performance using both financial and non-financial data. This necessitated the determination of the bivariate nature of both the independent and dependent variables. To assess the strength and direction of a relationship among the variables, correlation analysis was used. Linear regression analysis was further utilized to determine the nature of relationship. Inferential statistics was applied to test the hypothesis and reject or fail to reject the H<sub>0</sub> or Null hypothesis. At 5% level of significance, the Null was rejected if p-value was < 0.05. Firm performance (Y) was aggregated as both Financial and Non-Financial measures of performance.

##### **4.5.1 Normality Tests for All Variables**

Many of the statistical procedures in parametric tests, including correlation, regression, t-tests, and analysis of variance are based on the assumption that the data follows a normal distribution. Ghasemi and Zahediasl (2012). The normal distribution peaks in the middle and is symmetrical about the mean. Data does not need to be perfectly normally distributed for the tests to be reliable. However, with large enough sample sizes (> 30 or 40), the violation of the normality assumption

should not cause major problems (Pallant, 2007). Elliot and Woodward (2007) agree that, this implies that we can use parametric procedures even when the data are not normally distributed. Ghasemi et al.,(2012) agree that the Kolmogorov-Smirnov (K-S) test seems to be the most popular test for normality, but, cautions that, it should no longer be used owing to its low power and recommends that normality be assessed both visually and through normality tests, of which the Shapiro-Wilk test, is highly recommended. Such that given  $H_0$  and  $H_1$ , set  $\alpha = 0.05$ , the rule is that reject  $H_0$  if P-value is less than  $\alpha$  else fail to reject  $H_0$  : where

$H_0$ : The data is normally distributed

$H_1$ : The data is not normally distributed.

**Table 4.16: Test of Normality**

	Test of Normality					
	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Management	.139	110	.000	.893	110	.000
Participation						
Functional Integration	.128	110	.000	.949	110	.000
Strategic Orientation	.082	110	.067	.976	110	.041
Strategic Control	.120	110	.001	.956	110	.001
Firm Performance	.105	110	.004	.942	110	.000

a. Lilliefors Significance Correction

Table 4.16 gives the tests results for all variables. Using Shapiro-Wilk tests of normality which is recommended by Ghasemi *et al.*,(2012), All the five variables had P-values less than 0.05. that is, Management participation, ( $X_1$ ), Functional Integration ( $X_2$ ), Strategic Orientation ( $X_3$ ) and strategic control ( $X_4$ ) and Firm Performance ( $Y$ ). According to Field, (2009), if the test is non- significant ( $p < 0.05$ ), then data is significant ( $p > 0.05$ ), then data is significantly different from normal distribution, (in

other words, it is not normal) and if test is not significantly not different from normal distribution. This study, therefore, reject their corresponding null hypotheses (H<sub>01</sub>, H<sub>02</sub>, H<sub>03</sub>, H<sub>04</sub> and H<sub>05</sub>.) respectively and concludes that the data sets for these five variables are not normally distributed. However, both Pallant (2007) and Elliot and Woodward (2007), agree that we can use parametric procedures even when the data are not normally distributed. Table 4.15 shows the results of the normality test for all the variables,. To test significance of departure form normality, Q-Q Plots were done and the results shown in figures 4.4,4.5,4.6,4.7,4.8.

#### 4.6.1 (a) Normal Q-Q Plot of Management Participation

Management Participation, the departure from normality was not much as can be seen from the approximation to the line of fit. This shows that the data was near normal distribution and could therefore be used in a regression analysis. This can be depicted in figure 4.4.

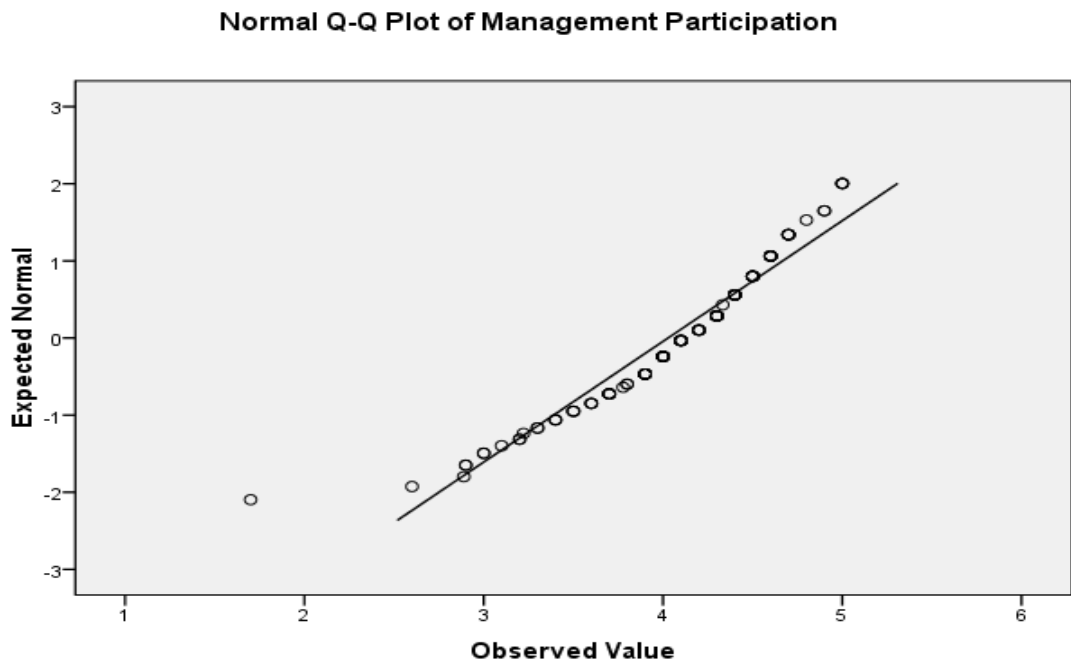
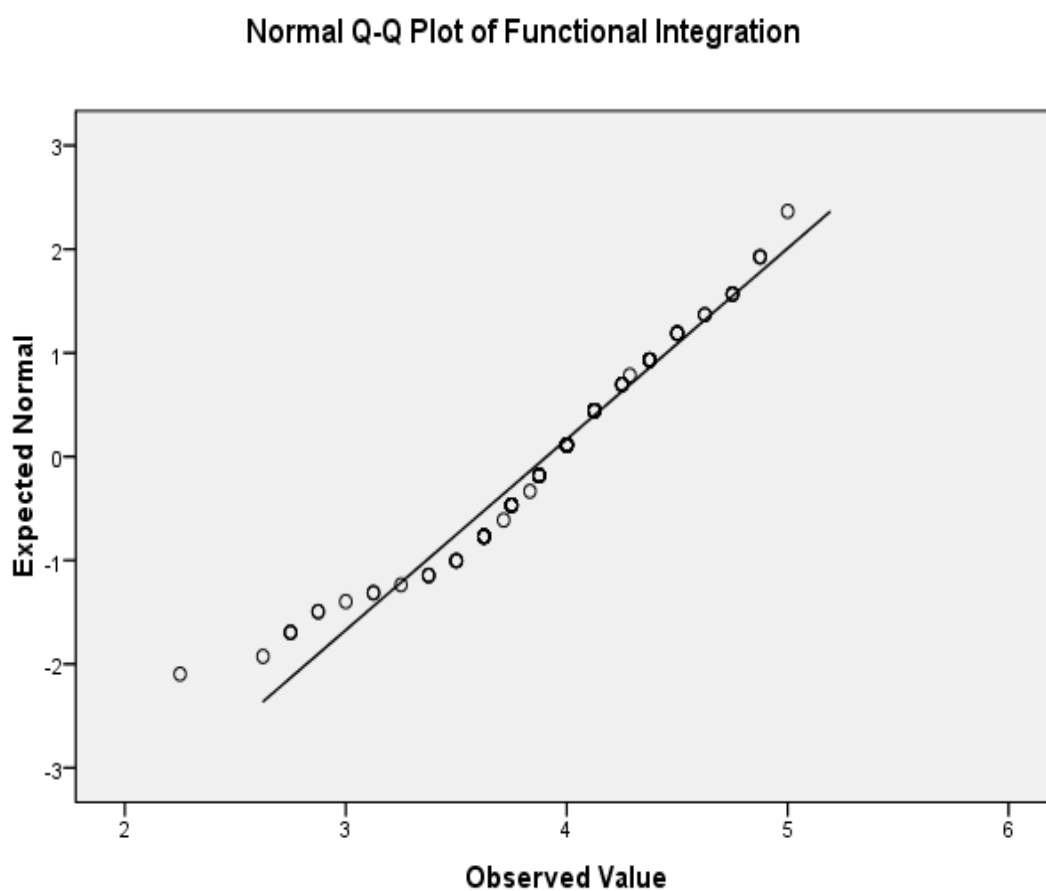


Figure 4.4: Normal Q-Q Plot of Management Participation

#### 4.6.1 (b) Normal Q-Q Plot of Functional Integration

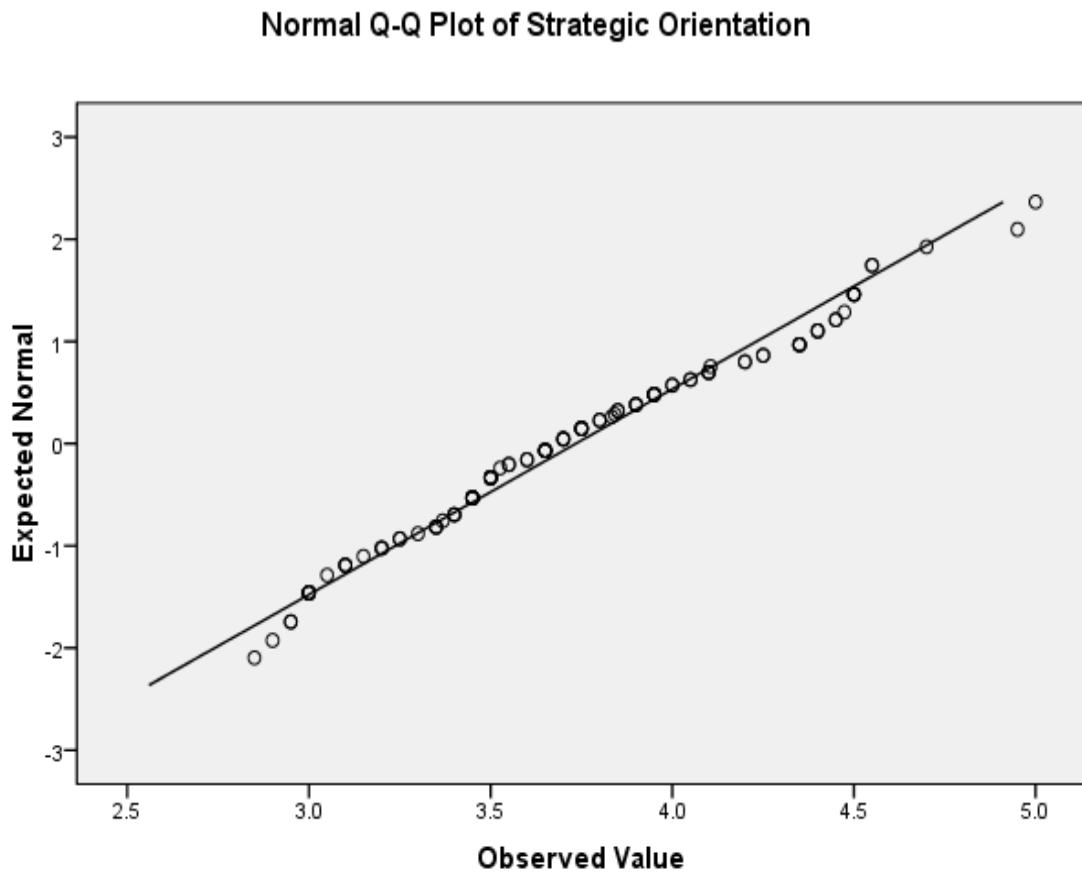
In Functional Integration, the departure from normality was not much as can be seen from the approximation to the line of fit. This shows that the data was near normal distribution and could therefore be used in a regression analysis. This is illustrated in figure 4.5.



**Figure 4.5: Normal Q-Q Plot of Functional Integration**

#### 4.6.1 (c) Normal Q-Q Plot of Strategic Orientation

In strategic orientation, the departure from normality was not much as can be seen from the approximation to the line of fit. This shows that the data was near normal distribution and could therefore be used in a regression analysis. This can be depicted in figure 4.6.



**Figure 4.6: Normal Q-Q Plot of Strategic Orientation**

#### 4.6.1 (d) Normal Q-Q Plot of Strategic Control

In strategic control, the departure from normality was not much as can be seen from the approximation to the line of fit. This shows that the data was near normal distribution and could therefore be used in a regression analysis. This can be depicted in figure 4.7.

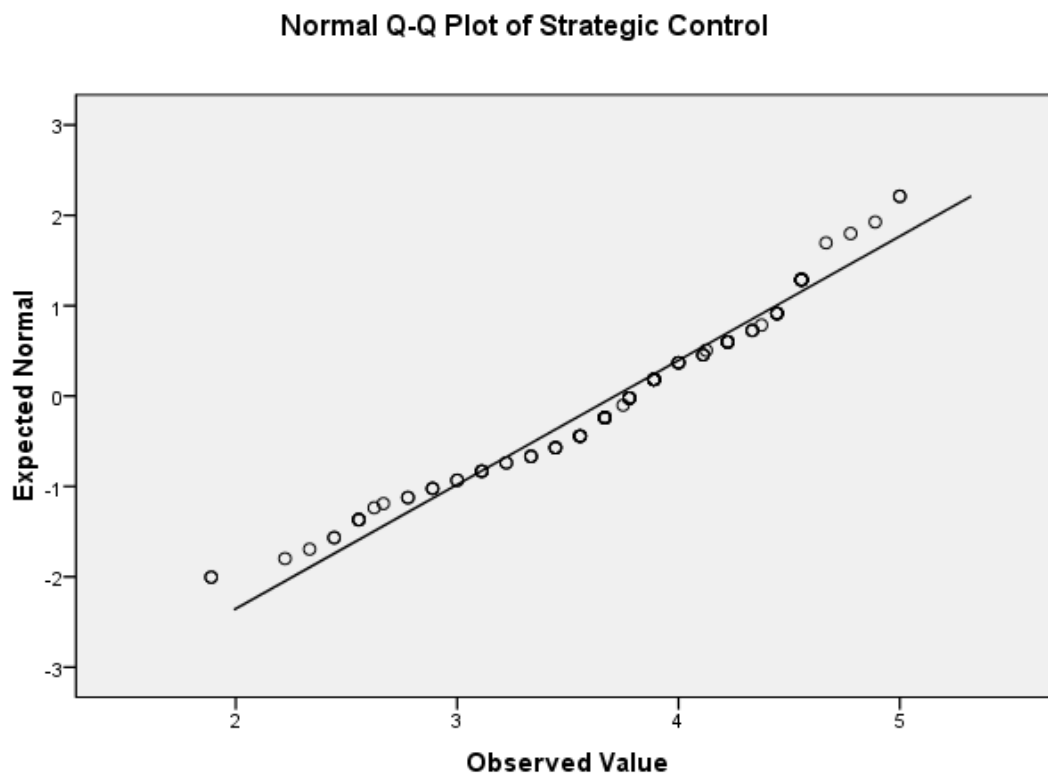


Figure 4.7: Normal Q-Q Plot of Strategic Control

#### 4.6.1 (e) Normal Q-Q Plot of Firm Performance (Dependent Variable)

Although the Wilkins Shapiro test shows that  $P < 0.05$  for firm performance, and therefore the null should be rejected the Q-Q Plot shows data not very far from the normal data approximation and can therefore be used in regression analysis. This is showed in figure 4.8

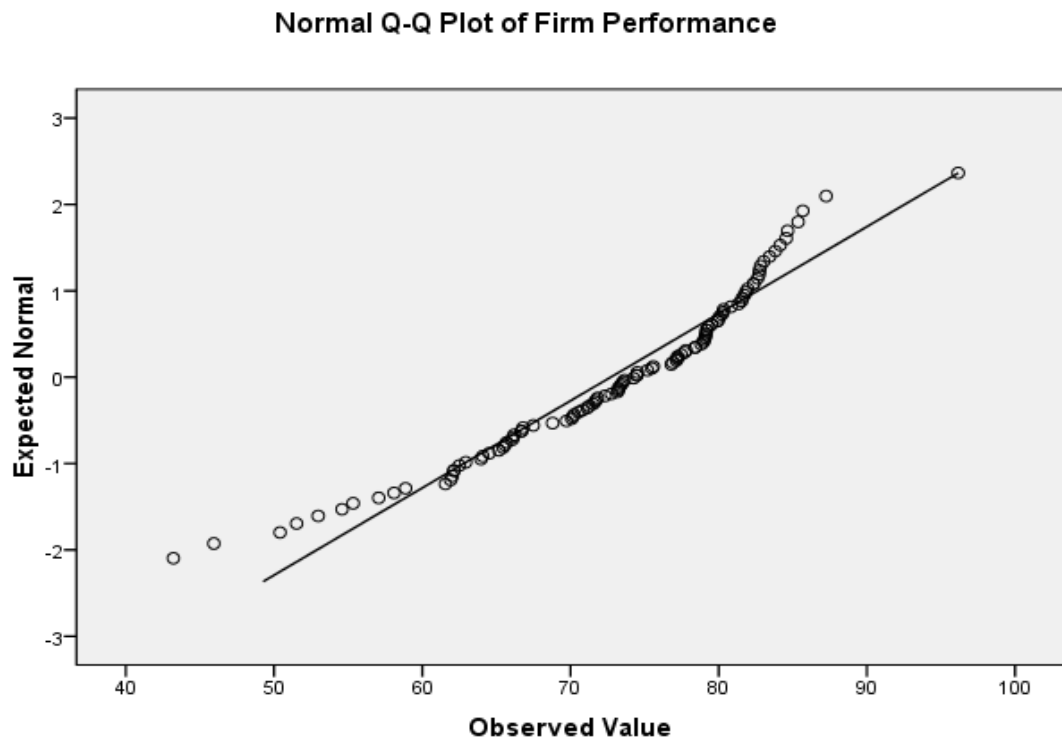


Figure 4.8: Normal Q-Q Plot of Firm Performance

#### 4.6.2 Correlation Analysis for the Linear Relationship between the Study Variables

A correlation matrix was run in order to identify the existence of relationship between the variables. Pearson Product Moment Correlation coefficient was used for the correlation analysis, the  $(r)$  was used to determine the linear relationship between the variables of interest to the study, the  $(r^2)$  the coefficient of determination was equally meant to identify the goodness - of - fit. The

correlation coefficient ( $r$ ) yield a statistic that varies in ranges in value from -1 to 1. (Mugenda, 2003) A zero value of 'r' indicates that there is no association between the two variables. When  $r = (+) 1$ , it indicates perfect positive correlation and when it is  $(-) 1$ , it indicates perfect negative correlation, meaning thereby that variations in independent variable explain 100% of the variations in the dependent variable. It also means that a unit change in independent variable, if there happens to be a constant change in the dependent variable in the same direction, correlation will be perfect positive (Kothari, 2004).

The results of the correlation analysis revealed that there was positive correlation between management participation and firm performance ( $r=0.334$ ,  $p$ -value  $<0.001$ ), Thus an increase in emphasis on management participation in the firm resulted in an increase in overall firm performance of 33.4%. Functional integration also exhibited a positive correlation with firm performance ( $r=0.328$ ,  $p$ -value  $< 0.001$ ). This meant that increased use of functional integration increased company performance. Strategic orientation presented a weak positive correlation with firm performance ( $r = 0.392$ ,  $p$ -value  $<0.001$ ), while strategic control practices displayed the moderately weak positive correlation with firm performance, ( $r = 0.458$ ,  $p$ -value  $<0.001$ ). The highest correlation was noted between strategic control and firm performance, relative to the other variables. Company size as determined from the number of employees, showed a weak positive correlation with company performance ( $r= 0.150$ ,  $p$ -value = 0.139). The  $p$ -value for Firm Size was above the criteria  $\alpha$  of  $<0.05$  and thus not statistically significant. The correlation analysis result essentially exhibited positive results, hence the variables were selected for further regression analysis to test their individual contributions. The correlation results were shown in Table 4.17.



**Table 4.17: Correlation Matrix for the Study Variables**

		Y	X1	X2	X3	X4	M
Y	Pearson Correlation	1	.334**	.328**	.392**	.458**	.150
	Sig. (2-tailed)		.000	.000	.000	.000	.139
	N	110	110	110	110	110	99
X1	Pearson Correlation	.334**	1	.737**	.494**	.709**	-
	Sig. (2-tailed)	.000		.000	.000	.000	.038
	N	110	111	111	111	111	100
X2	Pearson Correlation	.328**	.737**	1	.448**	.670**	-
	Sig. (2-tailed)	.000	.000		.000	.000	.056
	N	110	111	111	111	111	100
X3	Pearson Correlation	.392**	.494**	.448**	1	.665**	-
	Sig. (2-tailed)	.000	.000	.000		.000	.011
	N	110	111	111	111	111	100
X4	Pearson Correlation	.458**	.709**	.670**	.665**	1	.056
	Sig. (2-tailed)	.000	.000	.000	.000		.583
	N	110	111	111	111	111	100
M	Pearson Correlation	.150	-.038	-.056	-.011	.056	1
	Sig. (2-tailed)	.139	.707	.577	.912	.583	
	N	99	100	100	100	100	100

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

Key: Y=Form Performance; X1=Management Participation; X2= Functional Integration; X3= Strategic Orientation; X4= Strategic control ; M Firm Size

#### 4.7 Regression Analysis of the Independent Variables and Dependent Variable

The study used multiple regression analysis to determine the linear statistical relationship between the independent, moderating and dependent variables of the study. The six null hypothesis of the study were tested using linear regression models. F- test was used to test the validity of the model, while ( $r^2$ ) was meant to measure the model's goodness of fit. The regression coefficient was used to describe the results of regression analysis and outline the nature and intensity of the relationships between the variables under study.

##### 4.7.1 Regression Results for the relationship between Management Participation and Firm Performance

The regression model of  $X_1$  and Y was significant ( $F(1,108) = 13.597, P\text{-value} < 0.001$ ), management participation is a valid predictor in the model. See Table 4.13(b). The Coefficient of determination  $R^2$  of 0.112 showed that 11.2% of firm performance can be explained by the dimension of management participation in strategic planning. The adjusted  $R^2$ , explained 11.2% , remaining can be explained by other factors not included in the model. The R of 0.334 shows there is moderately weak positive correlation between extent of management participation in strategic planning and firm performance. The standard error of 0.939 shows the deviation from the line of best fit results are shown in Table 4.18 (a)

The study hypothesized **H<sub>01</sub>**: There is no significant relationship between Management Participation the performance of Manufacturing firms in Kenya.

The results of the survey revealed that there was positive relationship between management participation and performance of manufacturing firms in Kenya. ( $\beta_1=5.189, t=4.158, p\text{-value} < 0.001$ ). To test the relationship the Regression Model fitted was  $Y = \beta_0 + \beta_1 X_1 + e$

The null hypothesis ( $H_{01}$ ): management participation has no significant effect on the performance of manufacturing firms in Kenya or ( $H_{01}: \beta_1 = 0$ ) is therefore rejected ( $\beta_1=5.189$ ,  $t= 3.687$ ,  $p\text{-value} <0.001$ ) and conclude that Management Participation ( $X_1$ ) significantly influences firm performance (Y).

The Model equation is  $Y= 51.811+ 5.189 X_1$

Where, Y is Firm Performance,  $X_1$ , is management Participation.

The beta coefficient for management participation was significant ( $\beta_1=5.189$ ,  $t= 3.687$ ,  $p\text{-value} <0.001$ ). It implies that , One (1) unit increase in the dimension of management participation in strategic planning leads to an increase of 5.189 in firm performance index . This is displayed by Table 4.18(a)

**Table 4.18: The relationship between Management Participation and Firm Performance Model Summary**

<b>(a) Model Summary</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics F Change	df1	df2	Sig. F Change
1	.334 <sup>a</sup>	.112	.104	9.388	.112	13.597	1	108	.000
a. Predictors: (Constant), Management Participation									

<b>(b) ANOVA</b>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1198.459	1	1198.459	13.597	.000 <sup>a</sup>
	Residual	9519.039	108	88.139		
	Total	10717.498	109			
a. Predictors: (Constant), Management Participation						
b. Dependent Variable: Firm Performance						

<b>(c) Coefficients</b>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	51.811	5.740		9.027	.000		
	Management Participation	5.189	1.407	.334	3.687	.000	1.000	1.000
a. Dependent Variable: Firm Performance								

**X<sub>1</sub>= Management Participation; Y= Firm Performance**

## **Discussion of the findings on the Relationship between Management Participation and Firm Performance**

The Pearson's Correlation Coefficient for management participation and firm performance ( $r=0.334$ ,  $p\text{-value}<0.001$ ), was significant at 0.05 level of significance. The Regression Analysis results showed that management participation had a moderate influence on firm performance in the manufacturing firms in Kenya. For every unit increase in the extent of management participation in strategic planning, there was a corresponding increase in firm performance index by 5.189. The dimension of management participation in strategic planning positively influences performance among manufacturing firms in Kenya.

This results on the effect of management participation on firm performance have been supported by Gerbing , Hamilton, and Freeman (1994) that management participation enhances the effectiveness of the strategy process. In the study management also include middle management who are involved in operational activities and participate in strategic planning in their firms. Aosa (1992) reported that companies reporting high managerial involvement were able to successfully implement strategic decisions than those with low involvement. Managers do not only affect individual process of strategic sense making but also, respective team processes.

Bloom et al. (2010) found that, the quality of management practices is positively associated with various measures of firm performance. In particular, an improvement in management practices led to an increase in operating revenue, an increase in profit margins by more than 85 per cent, and an increase in the return on total assets by almost 20 per cent. The study findings also dovetail with the results of, Bloom et al. (2012) who found that management practices were found to be positively correlated with firm performance and that Management scores were positively and significantly associated with higher productivity, firm size , profitability, sales growth, market value and survival.

The research findings also support, Ogbeide and Harrington (2009) who found that greater levels of involvement by a variety of management levels was related to greater strategy implementation success and financial performance. Tzempelikos (2015) found that effective key accounts management requires top management commitment to be followed and relationship quality positively affects financial performance. This again lends credence to the findings that management participation in organizational processes such as strategic planning impacts on organizational performance. Nohria et al. (2003) (as cited in Gavrea, Ilieş & Stegorean, 2011) assert that others have suggested that the leadership is a key element that ensures the connection between the success factors of an organization. Overall, the report finds compelling evidence that better management practices are significantly associated with higher productivity and other indicators of corporate performance, including return on capital employed, sales per employee, sales growth and growth in market share (Bloom, Dorgan, Dowdy, Rippin & Van Reenen, 2005).

## **Hypothesis Two:**

### **4.7.2 Regression Results for the relationship between Functional Integration and Firm Performance**

The regression model of  $X_2$  and  $Y$  was significant ( $F(1,108) = 13.053$ ,  $p$ -value  $< 0.001$ ), functional Integration is a valid predictor in the model. See Table 4.13(b). The Coefficient of determination  $R^2$  of 0.108 showed that 10.8% of firm performance can be explained by the dimension of Functional Integration in strategic planning. The adjusted  $R^2$ , explained 0.100 or 10%, the rest can be explained by other factors not included in the model. The  $R$  of 0.328 shows there is weak positive correlation between extent of Functional Integration in strategic planning and firm performance. The standard error of 0.941 shows the deviation from the line of best fit results are shown in Table 4.19.

The study hypothesized **H02**: there is no significant relationship between functional integration and performance of Manufacturing firms in Kenya.

The results of the survey revealed that there was positive relationship between Functional Integration and performance of manufacturing firms in Kenya. ( $\beta_2=5.994, t= 3.613, p\text{-value} < 0.001$ ). To test the relationship the Regression Model fitted was  $Y = \beta_0 + \beta_2 X_2 + e$

The null hypothesis ( $H_{01}$ ): Functional Integration has no significant effect on the performance of manufacturing firms in Kenya or ( $H_{02}: \beta_2 = 0$ ) is therefore rejected ( $\beta_2=5.994, t= 3.613, p\text{-value} < 0.001$ ) and conclude that Functional Integration ( $X_2$ ) significantly influences firm performance ( $Y$ ). The Model equation is:

$$Y = 49.287 + 5.994X_2$$

Where,  $Y$ , is Firm Performance;  $X_2$ , is Functional Integration

The beta coefficient for Functional Integration was significant ( $\beta_2=5.189, t= 3.687, p\text{-value} < 0.001$ ). It implies that, One (1) unit increase in the dimension of Functional Integration in strategic planning leads to an increase of 5.994 in firm performance index. This is displayed by Table 4.19.

**Table 4.19: Regression Results for the relationship between Functional Integration and Firm Performance**

<b>(a) Model Summary</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change in R Square	F Change	df1	df2	Sig. F Change
1	.328 <sup>a</sup>	.108	.100	9.40934	.108	13.053	1	108	.000

a. Predictors: (Constant), Functional Integration

<b>(b) ANOVA</b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1155.645	1	1155.645	13.053	.000 <sup>a</sup>
	Residual	9561.853	108	88.536		
	Total	10717.498	109			

a. Predictors: (Constant), Functional Integration

b. Dependent Variable: Firm Performance

<b>(c) Coefficients</b>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	49.287	6.547		7.529	.000
	Functional Integration	5.994	1.659	.328	3.613	.000

a. Dependent Variable: Firm Performance

X2=Functional Integration; Y= Firm Performance



## **Discussion of findings on the relationship between Functional Integration and firm Performance**

The findings on Table 4.19 confirm that functional integration positively influenced firm performance ( $\beta=5.994$ ,  $t= 3.613$ ,  $p\text{-value} <0.001$ ). The Regression Analysis results showed that functional integration positively influenced firm performance in the manufacturing firms in Kenya. For every unit increase in the extent of functional integration, there was a corresponding increase in firm performance index by 0.328 or 32.8%. The Pearson's Correlation Coefficient for functional integration and firm performance ( $R=0.328$ ,  $p\text{-value}<0.001$ ), was significant at 0.05 level of significance. Functional integration positively influences performance among manufacturing firms in Kenya.

This study supports the hypothesis by Paiva et al. (2011) who found that all manufacturing integration aspects are positively related to sales growth, while manufacturing-R&D integration is positively related to profitability. Similarly, Swink, Narasimhan and Wang (2007) also showed that manufacturing integration throughout the value chain between internal and external actors positively influences business performance. Chen et al. (2007) found that marketing/logistics collaboration increases firm performance through the mediation of firm-wide cross-functional integration.

Luo et al. (2006), agreed that the degree to which a firm's departments cooperate in conjunction with various levels of competition in the firm's social structure jointly defines the firm's level of cross-functional Cooperation. Their study, showed that cross-functional Cooperation has an important effect on performance outcomes through enhanced market learning, paving the way for new insight into how cross-functional interactions can affect a firm's competitive advantage. Analysis provided support for positive associations between the frequency of collaborative integration between marketing and logistics departments and logistics managers' perceptions of the effectiveness of the relationship between departments, as well as, departmental performance relative to competitors (Stank, Daugherty & Ellinger, 1999).

## Hypothesis Three

### 4.7.3. Regression Results for Relationship between Strategic Orientation and firm Performance

The regression model of  $X_3$  and  $Y$  was significant ( $F(1,108) = 19.555$ ,  $p$ -value  $< 0.001$ ), Strategic Orientation is a valid predictor in the model. See Table 4.15b. The Coefficient of determination  $R^2$  of 0.153 or 15.3% of firm performance can be explained by the dimension of Strategic Orientation in strategic planning. The adjusted  $R^2$ , explained 0.145 or 14.5%, the rest can be explained by other factors absent in the model. The  $R$  of 0.392 implies, there is weak positive correlation between extent of Strategic Orientation in strategic planning and firm performance. The standard error of 0.917 shows the deviation from the line of best fit results are shown in Table 4.20.

The study hypothesized **H03**: There is no significant relationship between strategic orientation and the performance of Manufacturing firms in Kenya.

The results of the survey revealed that there was positive relationship between Strategic Orientation and performance of manufacturing firms in Kenya. ( $\beta_3=7.810$ ,  $t= 4.422$ ,  $p$ -value  $< 0.001$ ). To test the relationship the Regression Model fitted was  $Y = \beta_0 + \beta_3 X_3 + e$

The null hypothesis ( $H_{03}$ ): Strategic Orientation has no significant effect on the performance of manufacturing firms in Kenya or ( $H_{03}: \beta_3 = 0$ ) is therefore rejected ( $\beta_3=7.810$ ,  $t= 4.422$ ,  $p$ -value  $< 0.001$ ) and conclude that Strategic Orientation ( $X_3$ ) significantly influences firm performance ( $Y$ ). The Model equation is :  **$Y=43.546 + 7.810X_3$**

Where,  $Y$ , is Firm Performance,  $X_3$ , is Strategic Orientation

The beta coefficient for Strategic Orientation was significant ( $\beta_3=7.810$ ,  $t= 4.422$ ,  $p$ -value  $< 0.001$ ). It implies that, One (1) unit increase in the dimension of Strategic Orientation in strategic planning leads to an increase of 7.810 in manufacturing firm performance index. This is displayed by Table 4.20.

**Table 4.20: Strategic Orientation and Firm Performance Model Summary**

<b>(a) Model Summary</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.392 <sup>a</sup>	.153	.145	9.16640	.153	19.555	1	108	.000
a. Predictors: (Constant), Strategic Orientation									
<b>(b) ANOVA<sup>b</sup></b>									
Model		Sum of Squares	df	Mean Square	F	Sig.			
1	Regression	1643.035	1	1643.035	19.555	.000 <sup>a</sup>			
	Residual	9074.464	108	84.023					
	Total	10717.498	109						
a. Predictors: (Constant), Strategic Orientation Dependent Variable: Firm Performance									
<b>(c) Coefficients<sup>a</sup></b>									
Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.	Collinearity Statistics Tolerance	VIF	
1	(Constant)	43.546	6.654		6.544	.000			
	Strategic Orientation	7.810	1.766	.392	4.422	.000	1.000	1.000	
a. Dependent Variable: Firm Performance									

**X3=Strategic Orientation; Y= Firm Performance**

**Discussion of findings on the relationship between Strategic Orientation and Firm Performance**

The findings on Table 4.20(c) confirm that Strategic Orientation positively influenced performance ( $\beta=7.810$ ,  $p\text{-value} < 0.001$ ). The Regression Analysis results showed that strategic orientation had a strong influence on firm performance in the

manufacturing firms in Kenya. For every unit increase in the practice of Strategic Orientation, there was a corresponding increase in firm performance index by 7.810. The Pearson's Correlation Coefficient for Strategic Orientation and firm performance ( $R=0.392$ ,  $p\text{-value} < 0.001$ ), was significant at 0.05 level of significance. The extent of strategic orientation positively influences performance among manufacturing firms in Kenya.

This study supports the findings of Idar, Yusoff and Mahmoud (2012) among Malaysian SMES who found empirical evidence of significant link between strategic orientation operationalized as competitor orientation, customer orientation and interfunctional coordination and firm performance. Gaur, Vasudevan and Gaur (2011) found a positive link between two sub-dimensions of market orientation—customer orientation and inter-functional coordination and manufacturing performance. Similarly, Yilmaz et al. (2005) in Alpkhan, Yilmaz, and Kaya (2007) uncovered that customer orientation (as a component of market orientation) increases corporate financial performance substantially. Competitor orientation, however, did not have a positive impact on manufacturing performance. Mazzarol (2003) underscoring the importance of strategic orientation, accepted that the degree of an entrepreneur's strategic orientation seems to be a key factor for the strategic focus of the enterprise.

## **Hypothesis Four**

### **4.7.4 Regression Results for Relationship between Strategic control and firm Performance**

The regression model of  $X_4$  and  $Y$  was significant ( $F(1,108) = 28.692$ ,  $p\text{-value} < 0.001$ ), Strategic Control Practices is a valid predictor in the model. See Table 4.20 (b) The Coefficient of determination  $R^2$  of 0.210 or 21% of firm performance can be explained by the dimension of Strategic Control Practices in strategic planning. The adjusted  $R^2$ , explained 0.203 or 20.3%, the rest can be explained by other factors not present in the model. The  $R$  of 0.458 implies, there is moderate positive correlation between Strategic Control Practices in

strategic planning and firm performance. The standard error of 0.885 shows the deviation from the line of best fit results are shown in Table 4.21 (b)

The study hypothesized **H<sub>04</sub>**: There is no significant relationship between strategic control and the performance of Manufacturing firms in Kenya.

The results of the survey revealed that there was positive relationship between Strategic Control Practices and performance of manufacturing firms in Kenya. ( $\beta_4=6.242, t= 5.356, p\text{-value} < 0.001$ ). To test the relationship the Regression Model fitted was  $Y = \beta_0 + \beta_4 X_4 + e$

The null hypothesis (H<sub>04</sub>): Strategic Control Practices has no significant association on the performance of manufacturing firms in Kenya or (H<sub>04</sub>:  $\beta_4 = 0$ ) is therefore rejected ( $\beta_4=6.242, t= 5.356, p\text{-value} < 0.001$ ) and conclude that Strategic Control Practices (X<sub>4</sub>) significantly influences firm performance (Y). The Model equation is:  **$Y = 49.540 + 6.242X_4$**

Where, Y, is Firm Performance, X<sub>4</sub>, is Strategic Control Practices

The beta coefficient for Strategic control was significant ( $\beta_4=6.242, t= 5.356, p\text{-value} < 0.001$ ). It implies that, One (1) unit increase in the dimension of Strategic Control Practices in strategic planning leads to an increase of 5.356 in manufacturing firm performance index. This is displayed by Table 4.21.

**Table 4.21: Strategic control and firm performance Model Summary**

<b>(a) Model Summary</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.458 <sup>a</sup>	.210	.203	8.85474	.210	28.692	1	108	.000
a. Predictors: (Constant), Strategic Control									
<b>(b) ANOVA<sup>b</sup></b>									
Model		Sum of Squares	Df	Mean Square	F	Sig. <sup>a</sup>			
1	Regression	2249.614	1	2249.614	28.692	.000			
	Residual	8467.884	108	78.406					
	Total	10717.498	109						
a. Predictors: (Constant), X4									
c. Dependent Variable: Y									
<b>(c) Coefficients<sup>a</sup></b>									
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
		B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	49.540	4.408		11.238	.000			
	Strategic Control	6.242	1.165	.458	5.356	.000	1.000	1.000	
a. Dependent Variable: Firm Performance									

**X4= Strategic Control; Y= Firm Performance**

## **Discussion of findings on the relationship between Strategic Control and Firm Performance**

According to Simons (1995b) strategic management control refers to the formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities. While, Merchant and van der Stede (2007), added that management controls include, but are not limited to, all managerial activities that enable managers to design and implement organizational strategies. The findings of the study lend support to those of Obinozie (2016), who concluded, that both financial and non-financial management controls systems were positively related to organizational performance. It has been observed that strategic and management control systems inspire performance of firms.

Arachchilage and Smith (2013) asserted that Management Control Systems enable managers to provide strategic direction to the innovative efforts of their organizations through efficient resource utilization. Control systems motivate and help managers in negotiating their key performance targets with their superiors. The firms strategic control systems reinforce the strategic planning process as an integrative process, and give it the monitoring and evaluation capabilities to facilitate other key processes.

According to Marginson, McAulay, Roush, and van Zijl (2014), interactive utilization of non-financial performance measures can be particularly important for generating a positive psychological experience and (indirectly) increasing performance. diagnostic and interactive use of performance measures support role clarity and help reduce role ambiguity among managers. Diagnostic control is able to reduce role ambiguity by setting clear goals and supports learning through single loop feedback. While interactive control helps to reduce role ambiguity through face-to-face interactions. Kariyawasam and Kevin (2014) found that Management Control System have an impact on normalized profits of manufacturing companies in Sri Lanka.

#### **4.7.5 Regression Model for the Joint Relationship between strategic planning dimensions and performance of manufacturing firms in Kenya**

##### **Joint Effects Model Summary**

Under this section regression analysis was run in order to validate whether firm size influenced the joint relationship between strategic planning dimensions and firm performance. In the optimal model, the study hypothesized that:

**H<sub>05</sub>: There is no significant relationship between strategic planning dimensions and performance of Manufacturing firms in Kenya.**

The study used multiple regression analysis to establish the joint effects of the study variables, Management participation (X<sub>1</sub>), functional integration (X<sub>2</sub>) strategic orientation (X<sub>3</sub>) and strategic control practices (X<sub>4</sub>) aggregated together as strategic planning dimensions and regressed on the dependent variable, firm performance (Y) of manufacturing firms in Kenya. To test the hypothesis the following models were fitted:

**Model 1:  $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$**

In the joint model, all the variables were valid predictors of the model, (p-value < 0.001). The role of some of the independent variables diminished in the presence of others. In the model, X<sub>4</sub> was found to be correlated with all other variables and with Y. However, the level of correlation did not violate collinearity requirements.

The study hypothesized that, strategic planning dimensions (management participation, functional integration, strategic orientation and strategic control) have no significant relationship with the performance of manufacturing firms in Kenya.

The results of the survey reveal that there was positive relationship between strategic planning dimensions, (management participation, functional integration, strategic orientation and strategic control) and performance of manufacturing firms in Kenya. ( $\beta = 0.473$ , p-value < 0.001).



The Regression Model is  $Y = 41.720 - 0.007X_1 + 0.828X_2 + 2.993X_3 + 4.473X_4$

Under the null hypothesis, Strategic planning dimensions (management participation, functional integration, strategic orientation and strategic control) have no significant relationship with performance of Manufacturing firms in Kenya. Regression analysis results revealed that management participation had negative and insignificant relationship with firm performance ( $H_{01}: \beta_1 \neq 0$ ), since,  $t = -.003$ ,  $p\text{-value} = .997$ ). We therefore, fail to reject the null hypothesis and conclude that Management Participation ( $X_1$ ) has no significant influence on firm performance ( $Y$ ). It means a unit increase in the extent of management participation led to decrease of 0.007 in performance in the manufacturing firm.

Functional Integration had positive and insignificant effect on firm performance ( $H_{02}: \beta_2 = 0$ ), since,  $t = 0.362$ ,  $p\text{-value} = .0.718$ ). We fail to reject the null hypothesis and conclude that Functional Integration ( $X_2$ ) has no significant influence on firm performance ( $Y$ ). It means a unit increase in the extent of functional integration led to an increase of 0.828 in performance in the manufacturing firm.

Strategic orientation had positive and insignificant relationship with firm performance ( $H_{03}: \beta_3 = 0$ ), since,  $p\text{-value} = .0.201$ ). We fail to reject the null hypothesis and conclude that strategic Orientation ( $X_3$ ) has no significant influence on firm performance ( $Y$ ). It means a unit increase in the emphasis on strategic orientation dimension led to increase of 2.993 in performance in the manufacturing firm.

Strategic control had positive and significant relationship with firm performance

( $H_{04}: \beta_4 = 0$ ), since,  $p\text{-value} = .0.025$ ). We reject the null hypothesis and conclude that strategic Orientation ( $X_3$ ) has significant influence on firm performance ( $Y$ ). It means a unit increase in the focus on strategic control dimension led to increase of 4.473 in performance in the manufacturing firm. This is depicted in the Table 4.22.

**Table 4.22: The Joint Relationship Model Summary**

<b>(a) Model Summary</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change in R Square	F Change	df1	df2	Sig. F Change
1	.473 <sup>a</sup>	.224	.194	8.900	.224	7.574	4	105	.000

a. Predictors: (Constant) Management Participation, Functional Integration, Strategic Orientation, Strategic Control.

<b>(b) ANOVA<sup>b</sup></b>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2399.782	4	599.945	7.574	.000 <sup>a</sup>
	Residual	8317.717	105	79.216		
	Total	10717.498	109			

a. Predictors: (Constant), X1, X2, X3, X4

b. Dependent Variable: Firm Performance

<b>(c) Coefficients<sup>a</sup></b>							
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
		B	Std. Error	Beta			Tolerance VIF
1	(Constant)	41.720	7.735		5.394	.000	
	Management Participation	-.007	2.050	.000	-.003	.997	.424 2.361
	Functional Integration	.828	2.286	.045	.362	.718	.471 2.122
	Strategic Orientation	2.993	2.325	.150	1.287	.201	.544 1.838
	Strategic Control	4.473	1.960	.328	2.282	.025	.357 2.800

a. Dependent Variable: Firm Performance

X1=Management Participation, X2=Functional Integration, X3= Strategic Orientation, X4=Strategic Control. Y= Firm Performance

## **Discussion of the Joint Effects Model**

The fundamental objective of the study was to determine the relationship between strategic planning dimensions aggregating (management participation, functional integration, strategic orientation and strategic control) and performance of Kenya's manufacturing firms. It was widely believed that if a firm has emphasized a wide of array of strategic planning dimensions, it will be able to impact positively on its bottom line and obtain positive outcomes in terms of both financial and non-financial performance. In the regression results, however, Strategic planning dimensions, when disaggregated reveal mixed results.

Management participation ( $\beta = -.007$ ,  $p\text{-value} = .997$ ), showed negative and insignificant effect on firm performance. It means that a unit increase in the dimension of management participation in strategic planning, leads to drop in firm performance index by 0.007. The study findings support those of Elbanna (2008) who found no significant relationship between management participation and strategic planning effectiveness and observed the results somewhat surprising given the frequently made claim that the broad involvement of members of the organization is positively associated with organizational outcomes. He further explained the main reason for this finding may be that the influence of management participation on strategic planning effectiveness may be moderated by other variables.

Lopez-Perez, Perez-Lopez and Rodriguez-Ariza (2013) in their study of Spanish-Moroccan international joint ventures (IJVs) firms discovered that owners while participating as members of the board had a positive influence on performance and thus the success of the IJV, but, when they form part of the management team (a less frequent situation), the influence on performance is negative and not significant and concluded that Participation by owners in the management team is not associated with the IJV's performance. Thus embedding owners in management participation was negatively correlated with firm performance. The findings imply that a reasonable degree of autonomy should be accorded to the management

teams. Namada et al. (2014) based on their study of companies in the EPZ also stated that management participation is a dynamic phenomenon which may be moderated by other factors such as culture and firm size and this could mean there are other possible exogenous factors impacting on the relationship between management participation and firm performance.

Functional Integration ( $\beta_2 = .828$ , p-value= 0.718) showed a positive and insignificant effect on firm performance in the manufacturing sector. Strategic Orientation ( $\beta_3 = 2.993$ , p-value= 0.201) similarly illustrated a positive but insignificant influence on performance. Strategic Control Practices ( $\beta_4 = 4.473$ , p-value= 0.025) displayed a positive and significant influence on firm performance. Essentially, it meant strategic control practices positively affects both financial and non-financial performance of the firm. Past studies on the effect of control systems on firm performance have been largely positive. The findings support those of Kariyawasam and Kevin (2014) who established that Management Control System have an impact on normalized profits of manufacturing companies in Sri Lanka.

Strategic management control systems serve to augment non-financial performance in the firm. Diagnostic and interactive use of performance measures support role clarity and help reduce role ambiguity among managers. Diagnostic control is able to reduce role ambiguity by setting clear goals and supports learning through single loop feedback. While interactive control helps to reduce role ambiguity through face-to-face interactions, (Marginson, McAulay, Roush, & van Zijl 2014). Obinozie(2016) in his study examined the effect of financial and non-financial management control on organization performance and found empirical evidence that both financial management control and nonfinancial management control system is positively related to organizational performance. In the study, the joint effects of strategic planning dimensions on firm performance has returned a mixed result and falls in the pattern of studies done earlier, showed that firms that plan do not necessarily experience increased performance, with the exception of the manufacturing sector (Yusuf & Saffu, 2009).

Ghobadian, O'Regan, Thomas and Liu, (2008) concluded that, strategic planning is perceived to enhance a firm's survival chances, but not necessarily its short-term performance.

#### **4.7.6 Multicollinearity**

The problem of multicollinearity occurs if two or more explanatory variables are linearly dependent, or near linearly dependent (Lovric, 2011). Multicollinearity describes the existence of strong correlations among predictor variables which can cause problems in multiple regression analysis because it can make it difficult to identify the unique relation between each predictor variable and the dependent variable (Urdan, 2010). When two or more explanatory variables overlap completely, with one a perfect linear function of the others, such that the method of analysis cannot distinguish them from each other. This condition will prevent a multiple regression from estimating coefficients; the equation becomes unsolvable (Voss, 2004). Because of the overlap, methods of analysis cannot fully distinguish the explanatory factors from each other or isolate their independent influence. Harvey (1977) avers that multicollinearity is a matter of degree; it is not a “problem” that does or does not appear.

In this study, the potential problem of multicollinearity was resolved by centering the mean of the study variables. As advanced by Jaccard, Wan and Turissi (1990) and Aiken and West (1991), multicollinearity problem can be mitigated by mean-centering all the independent variables that constituted an interaction term. A review of the influential marketing journals over the past decade reveals that mean-centering has become the standard method by which marketing researchers deal with collinearity concerns in moderated regression models (Echambadi & Hess, 2007). To assuage the effects of multicollinearity in the study, this method was adopted. As shown in the joint moderation model table 4.21., the model is not constrained by presence of multi collinearity.

## **Hypothesis Six**

Ho6. Firm Size has no significant moderating influence on the relationship between Strategic planning dimensions and performance of Manufacturing firms in Kenya.

### **4.7.7 The Moderating Effect of Firm Size on the Relationship between Strategic planning dimensions and Firm Performance.**

Under hypothesis five, the study sought to establish the moderating effect of firm size on the relationship between strategic planning dimensions and performance of manufacturing firms. Firm Size was based on number of employees in the firm. Firms were classified into Small and Medium size enterprises (SMEs) and Large establishments. The researcher applied multiple regression analysis to find out the influence of firm size on the relationship between strategic planning and performance of the manufacturing firms in Kenya. The Regression results and findings are discussed. To test the moderation, each of the study variables were examined individually against firm size (moderator) as a predictor and also with the interaction term. The moderating effects of firm size on the joint relationship between strategic planning practices and firm performance was also tested in the overall model.

### **The Moderating Effect of Firm Size on the Relationship between Management Participation and Firm Performance.**

Under this section regression analysis was run in order to validate whether firm size influenced the relationship between management participation and firm performance. The study hypothesized that:

**Ho6(a1)** Firm Size has no significant moderating effect on the relationship between management participation and performance of Manufacturing firms in Kenya.

To test the hypothesis the following models were fitted:

**Model 1:**  $Y = \beta_0 + \beta_1 X_1 + e$

**Model 2:**  $Y = \beta_0 + \beta_1 X_1 + \beta_M M + e$

**Model 3:**  $Y = \beta_0 + \beta_1 X_1 + \beta_M M + \beta_{1M} X_1 M + e$

The three models were all significant (p-value < 0.001 in all the three cases), Table 4.23(b) refers. The Coefficient of Determination ( $R^2$ ) for the first model was .121, see Table 4.23(a) meaning that management participation, on its own, contributed 12.1% to the change in the performance of the manufacturing firms. However, the nature of this relationship between management participation and the performance of Kenya manufacturing firms changed significantly with the introduction of firm size a predictor. Table 4.22(a) indicates that the,  $R^2$  before the introduction of firm size was .121. However, upon the introduction of Firm Size as predictor, the  $R^2$  significantly changed from .121 (12.1%) to .157 (15.7%) an increase of 0.36. This means that management participation with Firm Size can, explain up to 15.7 % of the performance of Kenyan manufacturing firms. With addition of the interaction term ( $X_1 * M$ ), the model further improved albeit marginally to  $R^2$  of .175, an increase of 0.19, however the model became negative and insignificant (p-value=0.144).

On the moderating effect of M on the relationship between  $X_1$  and Y, all the three models were found to be significant (p-value, <0.001, p-value, <0.001; and p-value <0.001 respectively). The F Change for  $X_1$  was significant (F Change=13.352, p-value, <0.001), implying that,  $X_1$  significantly influences Y as discussed earlier.

On adding M (Firm Size) as a predictor to the model containing  $X_1$ , the F Change reduced substantially but was still significant (F Change=4.050, p-value = 0.047). With the introduction of the interaction term ( $X_1 M$ ) to this model, the model deteriorated and became insignificant, revealing (F Change =2.172, p-value=0.144).

This implied that M (Firm Size) has some predictive value but does not moderate the relationship between management participation ( $X_1$ ) and firm performance (Y). The equation of the models is as follows:

**Model 1:  $Y = 72.612 + 5.303 X_1$**

**Model 2:  $Y = 69.570 + 5.619 X_1 + 4.237 M$**

**Model 3:  $Y = 69.570 + 5.619 X_1 + 4.237M - 5.356 X_1M$**

Regression results are shown in Table 4.23.

**Table 4.23: The Moderating Effect of Firm Size on the Relationship between Management Participation and Firm Performance**

(a) Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.348 <sup>a</sup>	.121	.112	9.52457	.121	13.352	1	97	.000
2	.396 <sup>b</sup>	.157	.139	9.37828	.036	4.050	1	96	.047
3	.419 <sup>c</sup>	.175	.149	9.32156	.019	2.172	1	95	.144

a. Predictors: (Constant), X1  
b. Predictors: (Constant), X1, M  
c. Predictors: (Constant), X1, M, X1M





### **Discussions on the Moderating Effects of Firm Size on the Relationship between Management Participation and Firm Performance.**

The beta for Management participation in Model 1 was 5.303 ( $\beta=5.303$ ,  $t= 3.654$ ,  $p\text{-value}<0.001$ ), that is management participation alone contributed, 5.303 to performance of firms. In Model 2, when firm size was combined with management participation and firm performance, the beta improved marginally from ( $\beta=5.303$ ,  $t= 3.654$ ,  $p\text{-value}<0.001$ ) to ( $\beta=5.619$ ,  $t\text{-value}=3.908$ ,  $p\text{-value}<0.001$ ) hence statistically significant. Firm size beta was ( $\beta =4.237$ ,  $t=2.012$ ,  $p\text{-value} =0.047$ ) It was concluded that firm size as a predictor, was significant in the model. In Model 3, the introduction of the interaction term ( $X_1*M$ ) saw an enhanced beta for management participation ( $\beta=9.946$ ,  $t=3.046$ ,  $p\text{-value}=0.003$ ). This was found to be positive and significant. With the addition of the interaction term, it was observed that, firm size was also enriched and revealed positive and significant results ( $\beta=4.693$ ,  $t=2.218$ ,  $p\text{-value}=0.029$ ). However, the interaction term( $X_1*M$ ) showed negative and insignificant effects ( $\beta= -5.356$ ,  $t= -1.474$ ,  $p\text{-value}=0.144$ ). This validated the views that firm size does not moderate the relationship between management participation and firm performance in the manufacturing firms in Kenya and in some context has negative effects on firm performance.

This finding support that of Amato and Burson (2007) (as cited in Pervan & Višić, 2012) who tested size-profit relationship for firms operating in the financial services sector and found the link statistically insignificant. Becker-Blease, Kaen and Etebari (2010) concluded the relationship between size and profitability was industry specific. The results is somewhat surprising given that a number of studies (Pagano & Schivardi, 2003; Abbasi & Malik, 2015; Acquaah & Agyapong, 2015) have supported the role of firm size in enhancing firm performance. Looking at characteristics of top management, Richard, Kirby and Chadwick (2013) indicated that group heterogeneity alone may not be advantageous to firm performance among the top management. For, Joshi and Roh, (2009), management team diversity effects were found to be positive in the services industries and negative in manufacturing sector.

However, Elbanna (2008) has refuted these arguments and showed empirical evidence that management participation has insignificant relationship to strategic planning effectiveness. He further explained that this could be as result of other factors which may moderate the relationship between management participation and strategic planning effectiveness including the cultural context in which planning is being implemented.

#### **4.7.8 The Moderating Effect of Firm Size on the Relationship between Functional Integration and Firm Performance**

##### **The Moderating Effect of Firm Size on the Relationship between functional integration and Firm Performance**

Under this section regression analysis was run in order to validate whether firm size influenced the relationship between functional integration and firm performance. The study hypothesized that:

**H<sub>06(a2)</sub>** Firm Size has no significant moderating effect on the relationship between functional integration and performance of Manufacturing firms in Kenya.

To test the hypothesis the following models were fitted:

**Model 1:**  $Y = \beta_0 + \beta_2 X_2 + e$

**Model 2:**  $Y = \beta_0 + \beta_2 X_2 + \beta_M M + e$

**Model 3:**  $Y = \beta_0 + \beta_2 X_2 + \beta_M M + \beta_{2M} X_2 M + e$

The three models were all significant (p-value=0.002, p-value=0.001, p-value =0.004, respectively), refer to Table 4.24(b). The Coefficient of Determination ( $R^2$ ) for the first model was .091, see Table 4.24(a) meaning that functional integration, on its own, contributed 9.1% to the change in the performance of the manufacturing firms. However, the nature of this relationship between functional integration and the performance of Kenya manufacturing firms changed substantially, with the introduction of firm size a predictor. Table 4.23(a) indicates that the,  $R^2$  before the

introduction of firm size was 0.091. However, upon the introduction of Firm Size as predictor, the  $R^2$  significantly changed from .091 (9.1%) to .139 (13.9%) an increase of 0.38 and was still significant, This means that functional integration with Firm Size can explain up to 15.7 % of the performance of Kenyan manufacturing firms. With addition of the interaction term ( $X_2 * M$ ), the model further improved albeit marginally to  $R^2$  of .132, an increase of 0.003, however the model became insignificant (p-value=0.574).

On the moderating effect of M on the relationship between  $X_2$  and Y, all the three models were found to be significant (p-value=0.002, p-value=0.001, p-value =0.004, respectively).

The F Change for  $X_2$  was significant (F Change=9.683, p-value=0.002), implying that,  $X_2$  significantly influences Y as discussed earlier in 4.6.2.

On adding M (Firm Size) as a predictor to the model containing  $X_2$ , the F Change reduced substantially, however the predictor, remained significant (F Change=4.172, p-value = 0.044). With the introduction of the interaction term ( $X_1M$ ) to this model, the model deteriorated and became insignificant, revealing (F Change =0.318, p-value=.574). This implied that M (Firm Size) has some predictive value, but negatively moderates the relationship between functional integration ( $X_2$ ) and firm performance (Y). This means that one unit of functional integration decreases firm performance index by 2.516. The equation of the models is as follows:

**Model 1:  $Y = 72.563 + 5.659 X_2$**

**Model 2:  $Y = 69.405 + 6.186 X_2 + 4.390M$**

**Model 3:  $Y = 69.128 + 8.178X_2 + 4.661M - 2.516 X_2M$**

**Table 4.24: The Moderating Effect of Firm Size on Functional Integration and Firm Performance Model Summary**

<b>(a) Model Summary</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.301 <sup>a</sup>	.091	.081	9.687	.091	9.683	1	97	.002
2	.359 <sup>b</sup>	.129	.110	9.532	.038	4.172	1	96	.044
3	.363 <sup>c</sup>	.132	.104	9.566	.003	.318	1	95	.574

a. Predictors: (Constant), X2  
b. Predictors: (Constant), X2, M  
Predictors: (Constant), X2, M, X2M

<b>(b) ANOVA<sup>d</sup></b>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	908.640	1	908.640	9.683	.002 <sup>a</sup>
	Residual	9102.247	97	93.838		
	Total	10010.886	98			
2	Regression	1287.704	2	643.852	7.086	.001 <sup>b</sup>
	Residual	8723.182	96	90.866		
	Total	10010.886	98			
3	Regression	1316.773	3	438.924	4.796	.004 <sup>c</sup>
	Residual	8694.113	95	91.517		
	Total	10010.886	98			

a. Predictors: (Constant), X2  
b. Predictors: (Constant), X2, M  
c. Predictors: (Constant), X2, M, X2M  
d. Dependent Variable: Firm Performance

<b>(c) Coefficients<sup>a</sup></b>								
Model		Unstandardized		Standardized	T	Sig.	Collinearity	
		Coefficients		Coefficients			Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	72.563	.974		74.492	.000		
	X2c	5.659	1.819	.301	3.112	.002	1.000	1.000
2	(Constant)	69.405	1.819		38.157	.000		
	X2c	6.186	1.808	.329	3.421	.001	.980	1.021
	M	4.390	2.149	.197	2.042	.044	.980	1.021
3	(Constant)	69.128	1.891		36.565	.000		
	X2c	8.178	3.972	.435	2.059	.042	.204	4.891
	M	4.661	2.210	.209	2.109	.038	.933	1.072
	X2M	-2.516	4.464	-.118	-.564	.574	.209	4.795

**a. Dependent Variable: Firm Performance**

X2= Functional Integration; M= Firm Size; X2M= Interaction Term

### **Discussion on the Moderating Effect of Firm Size on the Relationship between Functional Integration and Firm Performance**

The results of the multiple regression analysis gives conclusive evidence that while firm size is a predictor of the relationship between functional integration and firm performance.

It does not moderate the link between functional integration and firm performance.

While, Functional Integration, has been accepted to enhance a firm's operational performance through facilitating the acquisition and transformation of information

within the company (Liu, Shah & Schroeder, 2012). However, Paiva, et al.,(2011) did not find evidence of support for the positive linkage between integration of manufacturing and marketing function on firm performance. They explained that the manufacturing integration in the different stages of the value chain have different effects on performance and asserted that this could be because, primarily manufacturing actually interacts directly with R&D, and even in the most successful plants, the interaction of manufacturing with suppliers and marketing is indirect.

#### **4.7.9 The Moderating Effect of Firm Size on the Relationship between Strategic Orientation and Firm Performance.**

##### **The Moderating Effect of Firm Size on the Relationship between Strategic Orientation and Firm Performance**

Under this section regression analysis was run in order to validate whether firm size influenced the relationship between Strategic Orientation and firm performance. The study hypothesized that:

**Ho5(c)** Firm Size has no significant moderating effect on the relationship between functional integration and performance of manufacturing firms in Kenya To test the hypothesis the following models were fitted:

**Model 1:**  $Y = \beta_0 + \beta_3 X_3 + e$

**Model 2:**  $Y = \beta_0 + \beta_3 X_3 + \beta_M M + e$

**Model 3:**  $Y = \beta_0 + \beta_3 X_3 + \beta_M M + \beta_{3M} X_3 M + e$

The three models were all significant (p-value <0.001 in all the three models), refer to Table 4.25 (b). The Coefficient of Determination ( $R^2$ ) for the first model was .170, see Table 4.25(a) meaning that Strategic Orientation, on its own, contributed 17% to the change in the performance of the manufacturing firms. However, the nature of this relationship between Strategic Orientation and the performance of Kenya manufacturing firms changed substantially, with the introduction of firm size a

predictor. Table 4.25(a) indicates that the,  $R^2$  before the introduction of firm size was 0.170.

However, upon the introduction of Firm Size as predictor, the  $R^2$  significantly changed from 0.170 (17%) to .192 (19.2%) an increase of 0.22 and became insignificant. This means that Strategic Orientation with Firm Size can explain up to 19.2 % of the performance of Kenyan manufacturing firms. With addition of the interaction term ( $X_2*M$ ), the model remained static at ( $R^2$ , 0.192) and became insignificant (p-value=0.987).

On the moderating effect of M (Firm Size) on the relationship between  $X_3$  and Y, all the three models were found to be significant (p-value < 0.001 in all cases). The F Change for  $X_3$  was significant (F Change=19.887, p-value<0.001), implying that,  $X_3$  significantly influences Y as discussed earlier in 4.6.3.

On adding M (Firm Size) as a predictor to the model containing  $X_3$ , the F Change reduced considerably, and the model also became insignificant (F Change=2.620, p-value = 0.109). With the introduction of the interaction term ( $X_1M$ ) to this model, the model remained the same and became insignificant (F Change =0.00, p-value=.987). This implied that M (Firm Size) has some predictive value, but does not moderate the relationship between Strategic Orientation ( $X_3$ ) and firm performance (Y). The equation of the models is as follows:

**Model 1:  $Y = 72.870 + 8.528 X_3$**

**Model 2:  $Y = 70.492 + 8.519X_3 + 3.315M$**

**Model 3:  $Y = 70.486 + 8.346X_3 + 3.309M + 0.046 X_3M$**



The models are detailed in Table 4.25 below.

**Table 4.25: Regression Results for the Moderating Effect of Firm Size on the Relationship between Strategic Orientation and Firm Performance**

<b>(a) Model Summary</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Change	F Change	df 1	df 2	Sig. F Change
1	.412 <sup>a</sup>	.170	.162	9.25452	.170	19.887	1	97	.000
2	.438 <sup>b</sup>	.192	.175	9.17819	.022	2.620	1	96	.109
3	.438 <sup>c</sup>	.192	.167	9.22635	.000	.000	1	95	.987

a. Predictors: (Constant), X3  
b. Predictors: (Constant), X3, Firm Size  
c. Predictors: (Constant), X3, Firm Size, X3M

<b>(b) ANOVA<sup>d</sup></b>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1703.215	1	1703.215	19.887	.000 <sup>a</sup>
	Residual	8307.672	97	85.646		
	Total	10010.886	98			
2	Regression	1923.934	2	961.967	11.419	.000 <sup>b</sup>
	Residual	8086.953	96	84.239		
	Total	10010.886	98			
3	Regression	1923.956	3	641.319	7.534	.000 <sup>c</sup>
	Residual	8086.930	95	85.126		
	Total	10010.886	98			

a. Predictors: (Constant), X3  
b. Predictors: (Constant), X3, Firm Size  
c. Predictors: (Constant), X3, Firm Size, X3M  
d. Dependent Variable: Firm Performance

<b>(c) Coefficients<sup>a</sup></b>						
Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	72.870	.931		78.247	.000
	X3c	8.528	1.912	.412	4.459	.000
2	(Constant)	70.492	1.735		40.624	.000
	X3c	8.519	1.896	.412	4.492	.000
	M	3.315	2.048	.148	1.619	.109
3	(Constant)	70.486	1.782		39.550	.000
	X3c	8.346	10.799	.404	.773	.442
	M	3.309	2.099	.148	1.576	.118
	X3M	.046	2.828	.008	.016	.987

a. Dependent Variable: Firm Performance

X3=Strategic Orientation; M=Firm Size; X3M = Interaction Term( X3\*M)

### **Discussion on The Moderating Effect of Firm Size on the Relationship between Strategic Orientation and Firm Performance.**

The results of the survey reveal that there was positive relationship between strategic orientation and performance of manufacturing firms in Kenya. ( $\beta=0.170$ ,  $p\text{-value} < 0.001$ ). It means a unit increase in the extent of strategic orientation in strategic planning led to increase of 0.170 or 17% in performance index of the manufacturing firms. However in this study firm size was not a significant factor in moderating the link between strategic orientation and firm performance. Ilaboya and Ohiokha (2013) found that firm size, both in terms of total assets and in terms of total sales, had a positive effect on the profitability of Nigerian manufacturing companies. In the same vein, a study by Parvan and Višić (2012) revealed that firm size has a significant weak positive influence on firm

profitability. Stonehouse and Pemberton (2002) in their study of MSMEs in the UK established that while there are strong indications of business planning among the organizations surveyed, there was less evidence of strategic thinking except among larger businesses. This findings of the study validate the inconsistencies in the association between firm size and strategic orientation and firm performance linkage. However, Ramasamy, Ong and Yeung, (2005) observed that the association between firm performance and firm size was ambiguous and cautioned need for industry specific consideration while, advising researchers to proceed on a case-by-case basis of analysis and avoid the tendency to generalize.

#### **4.7.10 The Moderating Effect of Firm Size on the relationship between Strategic control Practices and Firm Performance**

##### **The Moderating Effect of Firm Size on the Relationship between Strategic control and Firm Performance.**

Under this section regression analysis was run in order to validate whether firm size influenced the relationship between Strategic Control Practices and firm performance. The study hypothesized that:

**H<sub>0 5(a)</sub>** Firm Size has no significant moderating effect on the association between strategic control and performance of Manufacturing firms in Kenya.

To test the hypothesis the following models were fitted:

**Model 1:**  $Y = \beta_0 + \beta_4 X_4 + e$

**Model 2:**  $Y = \beta_0 + \beta_4 X_4 + \beta_M M + e$

**Model 3:**  $Y = \beta_0 + \beta_4 X_4 + \beta_M M + \beta_{4M} X_4 M + e$

The three models were all significant (p-value <0.001 in all the three models), refer to Table 4.26 (b). The Coefficient of Determination ( $R^2$ ) for the first model was .200 see Table 4.26(a) meaning that strategic control practices, on its own, contributed 20% to the change in the performance of the manufacturing firms. However, the

nature of this relationship between Strategic Orientation and the performance of Kenya manufacturing firms changed marginally, with the introduction of firm size a predictor. Table 4.26(a) where upon, the introduction of Firm Size as a predictor, the  $R^2$  significantly changed from 0.200 (20%) to .219 (21.9%) an increase of 0.19 and became insignificant. This means that strategic control with Firm Size can explain up to 21.9 % of the performance of Kenyan manufacturing firms. With addition of the interaction term ( $X_2 * M$ ), the model remained static at ( $R^2$  0.219) and became insignificant (p-value=0.938).

On the moderating effect of M on the relationship between  $X_4$  and Y, all the three models were found to be significant (p-value < 0.001 in all cases). The F Change for  $X_4$  was significant (F Change=24.309, p-value<0.001), implying that,  $X_4$  significantly influences Y as discussed earlier in 4.6.4.

On adding M (Firm Size) as a predictor to the model containing  $X_4$ , the F Change diminished considerably, and the model also became insignificant (F Change=2.309, p-value = 0.132). With the introduction of the interaction term ( $X_4M$ ) to this model, the model remained the same and became insignificant (F Change =0.06, p-value=.938). This implied that M (Firm Size) has some predictive value, but does not moderate the relationship between strategic control practices ( $X_4$ ) and firm performance (Y). The equation of the models is as follows:

**Model 1:  $Y = 72.754 + 6.303 X_4$**

**Model 2:  $Y = 70.558 + 6.249X_4 + 3.061M$**

**Model 3:  $Y = 70.549 + 6.060X_4 + 3.075M + 0.241X_4M$**

Regression models are displayed in Table 4.26.

**Table 4.26: Regression Results for the Moderating Effect of Firm Size on the Relationship between Strategic Control Practices and Firm Performance**

<b>(a) Model Summary</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.448 <sup>a</sup>	.200	.192	9.08428	.200	24.309	1	97	.000
2	.468 <sup>b</sup>	.219	.203	9.02361	.019	2.309	1	96	.132
3	.468 <sup>c</sup>	.219	.195	9.07069	.000	.006	1	95	.938

a. Predictors: (Constant), X4  
b. Predictors: (Constant), X4, Firm Size  
c. Predictors: (Constant), X4, Firm Size, X4M

<b>(b) ANOVA<sup>d</sup></b>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2006.045	1	2006.045	24.309	.000 <sup>a</sup>
	Residual	8004.841	97	82.524		
	Total	10010.886	98			
2	Regression	2194.040	2	1097.020	13.473	.000 <sup>b</sup>
	Residual	7816.847	96	81.425		
	Total	10010.886	98			
3	Regression	2194.535	3	731.512	8.891	.000 <sup>c</sup>
	Residual	7816.351	95	82.277		
	Total	10010.886	98			

a. Predictors: (Constant), X4  
b. Predictors: (Constant), X4, Firm Size  
c. Predictors: (Constant), X4, Firm Size, X4M  
d. Dependent Variable: Firm Performance

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**( c ) Coefficient**

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Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	72.754	.913		79.670	.000
	X4	6.303	1.278	.448	4.930	.000
2	(Constant)	70.558	1.706		41.351	.000
	X4	6.249	1.270	.444	4.919	.000
	Firm Size	3.061	2.014	.137	1.519	.132
3	(Constant)	70.549	1.719		41.041	.000
	X4	6.060	2.748	.430	2.205	.030
	Firm Size	3.075	2.033	.138	1.513	.134
	X4M	.241	3.106	.015	.078	.938

a. Dependent Variable: Firm Performance

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X4= Strategic Control Practices; M=Firm Size; Y= Firm Performance

### **Discussion on The Moderating Effect of Firm Size on the Relationship between Strategic Control Practices and Firm Performance**

The study found that strategic control systems had positive correlation with firm performance, however firm size had positive correlation with strategic control but found not a significant moderating factor in the association between strategic control practices and firm performance. This supports the findings by Jamil and Mohamed (2013) among Malaysia's hotel industry, whose result revealed that while Management Control Systems were found to be positively correlated to performance measurement system design and overall hotel performance. However, they cautioned that the finding did not advance that hotel performance will be influenced by the MCS except for diagnostic control system. Jamil and Mohamed (2013), however other researchers have contradicted these findings. El-Ebaishi et al.(2003) found that firm size appears to be an important factor in the use of management control systems and indicated that Large

enterprises use MCS quite extensively, whereas smaller firms are less inclined to do and that in less developed countries firm size had an impact on the use of strategic or management control systems. Costs of adoption have been cited as impediments in adoption and use of management control systems in the Small enterprise (Redda, 2007).

#### **4.8 The Joint Moderation Effect**

##### **4.8.1 Joint Moderation Effect of Firm Size on the relationship between Strategic Planning Dimensions and Performance of manufacturing firms in Kenya**

Under this section regression analysis was run in order to validate whether firm size influenced the relationship between Strategic planning and Firm performance. The study hypothesized that:

**H<sub>06</sub>:** Firm Size has no significant moderating effect on the relationship between strategic planning and performance of Manufacturing firms in Kenya.

To test the hypothesis the following models were fitted:

**Model 1:**  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e$

**Model 2:**  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_M M + e$

**Model 3:**  $Y = \beta_0 + \beta_1X_1 + \beta_M M + \beta_{1M} X_1 + \beta_2X_2 + \beta_M M + \beta_{2M} X_2 + \beta_3X_3 + \beta_M M + \beta_{3M} X_3 + \beta_4X_4 + \beta_M M + \beta_{4M} X_4 + e$

The three models were all significant (p-value <0.001 in all the three models), refer to Table 4.27 (b). The Coefficient of Determination ( $R^2$ ) for the first model was 0.223 see Table 4.27(a) meaning that strategic planning jointly, on its own, contributed 22.3% to the change in the performance of the manufacturing firms. However, the nature of this relationship between strategic planning and the performance of Kenya manufacturing firms changed marginally, with the introduction of firm size a predictor as indicated in Table 4.27(a), where upon, the  $R^2$  significantly changed from 0.223 (22.3%) to 0.246 (24.6%) an increase of 0.23 and became insignificant. This means that strategic planning with Firm Size can explain up to 24.6 % of the performance of Kenyan manufacturing firms. With addition of the interaction term ( $X*M$ ), the model further improved to ( $R^2$ , 0.294) and became insignificant (p-value=0.203). Therefore, Firm size (M) has no moderating effect on the joint relationship. This is depicted in Table 4.26.



**Table 4. 27: The Regression Results for the joint overall model.**

<b>(a) Model Summary</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.457 <sup>a</sup>	.209	.175	9.17939	.209	6.202	4	94	.000
2	.482 <sup>b</sup>	.232	.191	9.09294	.023	2.796	1	93	.098
3	.500 <sup>c</sup>	.250	.174	9.18431	.018	.540	4	89	.707

a. Predictors: (Constant), X4c, X2c, X3c, X1c

b. Predictors: (Constant), X4c, X2c, X3c, X1c, Firm Size

c. Predictors: (Constant), X4c, X2c, X3c, X1c, Firm Size, X3M, X1Mc, X2M, X4M

<b>(b) ANOVA<sup>d</sup></b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2090.340	4	522.585	6.202	.000 <sup>a</sup>
	Residual	7920.546	94	84.261		
	Total	10010.886	98			
2	Regression	2321.497	5	464.299	5.616	.000 <sup>b</sup>
	Residual	7689.390	93	82.682		
	Total	10010.886	98			
3	Regression	2503.605	9	278.178	3.298	.002 <sup>c</sup>
	Residual	7507.281	89	84.351		
	Total	10010.886	98			

a. Predictors: (Constant), X4c, X2c, X3c, X1c

b. Predictors: (Constant), X4c, X2c, X3c, X1c, Firm Size

c. Predictors: (Constant), X4c, X2c, X3c, X1c, Firm Size, X3M, X1Mc, X2M, X4M

d. Dependent Variable: Firm Performance

( C) Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistics	
		B	Std. Error				Tolerance	VIF
1	(Constant)	72.732	.944		77.035	.000		
	X1c	-.071	2.153	-.005	-.033	.974	.434	2.304
	X2c	.186	2.527	.010	.073	.942	.465	2.150
	X3c	3.670	2.546	.176	1.441	.153	.563	1.776
	X4c	4.410	2.075	.318	2.126	.036	.375	2.665
2	(Constant)	70.196	1.782		39.396	.000		
	X1c	.255	2.142	.016	.119	.906	.430	2.323
	X2c	.803	2.530	.043	.317	.752	.455	2.196
	X3c	3.728	2.523	.179	1.478	.143	.563	1.776
	X4c	3.849	2.082	.278	1.848	.068	.366	2.736
	Firm Size	3.481	2.082	.156	1.672	.098	.950	1.053
3	(Constant)	69.472	1.942		35.766	.000		
	X1c	3.157	3.385	.204	.933	.354	.176	5.686
	X2c	4.976	5.067	.265	.982	.329	.116	8.636
	X3c	-.281	4.655	-.014	-.060	.952	.169	5.928
	X4c	2.663	3.533	.192	.754	.453	.130	7.718
	Firm Size	4.181	2.245	.187	1.862	.066	.833	1.200
	X1Mc	-3.693	3.893	-.216	-.949	.345	.162	6.179
	X2M	-5.168	5.839	-.247	-.885	.378	.108	9.239
	X3M	4.896	5.617	.204	.872	.386	.154	6.489
	X4M	1.834	4.487	.118	.409	.684	.100	9.969

a. Dependent Variable: Firm Performance

X1, = Management Participation, X2=Functional Integration, X3= Strategic Orientation, X4=Strategic Control; M= Firm Size; Y= Firm Performance, X<sub>i</sub>M =Interaction Term

## **Discussion on the Joint Overall Model**

The study sought to establish the relationship between strategic planning operationalized as dimensions of management participation, functional integration, strategic orientation and strategic control and performance of manufacturing firms in Kenya. The analysis revealed that the strategic planning dimensions were significant predictors of firm performance.

The findings support those of Emeka (2015) and Sosiawani, Ramli, Mustafa and Yusoff, (2015) who found that irrespective of firm size strategic planning has critical contributions to make to firm performance. Yusuf and Saffu (2009) found that firm size did not moderate planning performance and that planning affected performance equally in both large and small firms in our study. Elbanna (2010), also concurs that in the UAE, both large and small firms use strategic planning tools and it can be said that, firm size is not a discriminant between adopters and neglectors of strategic planning dimensions among firms.

French, Kelly and Harrison (2004), found results on link between strategic planning and performance of small service firms inconclusive but found evidence of a general weak link between planning and performance. The findings of the meta-analysis suggest that strategic planning does in fact have a positive effect on corporate performance, although it is smaller than the strategic management literature existing to date has proclaimed it to be (McIlquham-Schmidt, 2010). Beamish, (2000); Allison & Kaye, (2005); Akinyele and Fasogbon, (2007) (as cited in Amurle, 2013) affirm that, there is conclusive evidence to demonstrate the usefulness and, in fact, the necessity of having a formal, proactive strategic planning process in an organisation, whether it be large or small.

This study lends further support to Chavunduka, Chimunhu and Sifile (2015) who established that there was a positive relationship between strategic planning intensity variables and organizational performance. There is link between strategic planning and organizational survival and performance (Taiwo *et al.*, 2007). The study lends credence to widely held views on the positive relationship between strategic planning and firm performance.

The study also sought to establish the moderating role of firm size in the association between strategic planning dimensions and firm performance and concluded that M had no significant moderating effect in the relationship between strategic planning dimensions of management participation, functional integration and strategic orientation and strategic control and firm performance. While firm size has been a contentious notion in the dynamics of strategy and performance linkage, research results have been often mixed. Bergen and Karabay (2013) in Awino (2015) studied, 1000 largest manufacturing firms in Turkey, found that firm related factors do not significantly influence performance. Stierwald and Yong (2005) showed that, larger and older firms were less productive, but found the evidence less than conclusive. Vintila and Florinita (2013) in their study on the linkage between firm size and profitability found a significant negative relationship between firm size and profitability.

Tale (2014) investigated the relationship between capital structure and firm size and found that there was negative relationship between financial performance and firm size and growth. Vithssonthi and Tongurai (2015) concluded that across firm size sub samples, financial leverage has negative effect on firm performance and particularly for larger firms. The study found firm size as a moderator insignificant and negative when regressed with management participation, functional integration and strategic orientation. Size thus has a contextual role in firm performance which the study finds is negative. This further, supports Shehu , Aminu, Nik Mat, Nasiru, Johnson, Tsagem, and Kura (2013) who discovered a negative relationship between firm size and SMEs performance and technical competence services and SMEs performance..

Kraus, Reiche and Reschke (2007) observed that even though, small and large enterprises differ considerably in terms of size and type of resources, SMES also apply planning, although in many cases rather intuitively and/or informally. They recommend that it is essential to foster a respective awareness among entrepreneurs, the existing concepts and instruments have to be adapted accordingly, there cannot be one-size-fits-all or standard strategies and instruments that are equally effective in large companies and SMEs. Thus, to make strategic planning in SMEs worthwhile,

the respective instruments have to be aligned with the cultural, organizational and financial conditions of the specific enterprise in order to be successful.

#### 4.8.2 Summary of Hypothesis Tested

**Table 4.28: Results of the Hypothesis Tests**

<b>SNo.</b>	<b>Hypothesis</b>	<b>Decision</b>
Ho <sub>1</sub>	Management Participation has no significant effect on the performance of Manufacturing firms in Kenya	Reject Ho <sub>1</sub>
Ho <sub>2</sub>	Functional Integration has no significant effect on the performance of Manufacturing firms in Kenya	Reject Ho <sub>2</sub>
Ho <sub>3</sub>	There is no significant relationship between Strategic Orientation and performance of Manufacturing firms in Kenya	Reject Ho <sub>3</sub>
Ho <sub>4</sub>	There is no significant association between Strategic Control Practices with performance of Manufacturing firms in Kenya.	Reject Ho <sub>4</sub>
Ho <sub>5</sub>	There is no significant relationship between Strategic Planning Dimensions and Performance of Manufacturing firms in Kenya.	Reject Ho <sub>5</sub>
Ho <sub>6a1</sub>	Firm Size has no significant moderating influence on the relationship between management participation and performance of Manufacturing firms in Kenya.	Fail to reject Ho <sub>6(a1)</sub>
Ho <sub>6a2</sub>	Firm Size has no significant moderating effect on the relationship between functional integration and performance of Manufacturing firms in Kenya.	Fail to reject Ho <sub>6(a2)</sub>
Ho <sub>6a3</sub>	Firm Size has no significant moderating effect on the relationship between strategic orientation and performance of Manufacturing firms in Kenya.	Fail to reject Ho <sub>6(a3)</sub>
Ho <sub>6a4</sub>	Firm Size has no significant moderating effect on the relationship between strategic control practices and performance of Manufacturing firms in Kenya.	Fail to reject Ho <sub>6(a4)</sub>
Ho <sub>6b</sub>	Firm Size has no significant moderating influence on the relationship between strategic planning and performance of Manufacturing firms in Kenya.	Ho <sub>6(b)</sub>

**Table 4.29: Summary of Moderating Effect Results**

<b>Hypothesis</b>	<b>Variables</b>	<b>F-Change</b>	<b>P-Value</b>	<b>Decision</b>
H06a1	Firm Size (M) * Management Participation & Performance	2.172	0.144	Fail to reject Ho
H06a2	Firm Size (M) * Functional Integration & Performance	0.318	0.574	Fail to reject Ho
H06a3	Firm Size (M) * strategic Orientation & Performance	2.620	0.109	Fail to reject Ho
H06a4	Firm Size (M) * Strategic Control & Performance	0.06	0.938	Fail to reject Ho
H06b	Firm Size(M) * All Variables& Performance (Joint Moderating Effect)	1.519	0.203	Fail to reject Ho

#### **4.9 Qualitative Analysis**

The study utilized both quantitative and qualitative means for generating data and for purposes of triangulation, data was obtained from the respondents using open ended questions. Triangulation refers to the use of multiple methods or data sources in qualitative research to develop a comprehensive understanding of phenomena (Patton, 1999). Respondents were probed for their suggestions on the ways of improving the effectiveness of strategic planning dimensions in the firm. Content Analysis was done using SPSS and results are presented.

#### **4.9.1 Suggestions on improving strategic planning dimensions in the firm**

The respondents were requested to share their opinions on way of improving strategic planning dimensions in the firm. Most of the respondents felt there was need for involvement of all top level and middle managers in strategy formulation and implementation (10.9%). Strategic planning need to be structured with input from relevant managers (10.9) and that the process should be a simple one that can be understood by all while 12.7% suggested that for enhanced capacity in strategic planning there is need for frequent strategy meetings and educational conferences (1.8%). These suggestions dovetail with the views of Namada et al. (2014) that management participation is a complex phenomenon which may be influenced by other factors such as cultural paradigms, firm size and age.

Still other respondents have viewed the firm as an integrated whole and suggested that, there should be enhanced team working between departments (10.9%). Still there is call to outsource strategic planning training (9.1%) and employing qualified staff (7.3%) to take the process of strategic planning forward. This dovetails with the functional integration dimension of the strategic planning in the firm. It has also captured that, while improving product quality through new designs is imperative(10.9%), there is need to put in place for aggressive marketing and market surveys (7.1%) buttressing the competitor and market orientation aspects of strategic orientation. Finally, there is a call for the firms to invest in modern mechanism. This is understood to be enhanced capacity for obtaining relevant and timely information for decision making and hence effective control system in the firm (3.6%). This is presented in table 4.30 below.

While, O'Regan, Sims, and Gallear (2008) in Namada et al. (2014) believed that management involvement reduces organizational resistance and creates a higher level of psychological commitment among employees towards the proposed changes. Elbanna (2010) found that, management participation led to qualitatively better strategic decisions and hence enhanced firm performance and recommended that external consultants should be considered by the firms for more effective strategic planning.

**Table. 4.30: Suggestions do you make to improve strategic planning practices in the firm**

Statements	Responses		Percent of Cases
	N	Percent	
Employing qualified workers	4	7.3%	8.9%
Redefining of products	6	10.9%	13.3%
Team working between departments	6	10.9%	13.3%
Involvement of all top level and middle managers in strategy formulation and implementation	8	14.5%	17.8%
Ready to marketing ideas and our strategy	4	7.3%	8.9%
Strategic planning need to be structured with input from relevant managers	6	10.9%	13.3%
Outsourcing training providers to train on strategic planning	5	9.1%	11.1%
The process should be a simple formulated process that can be understood by all	1	1.8%	2.2%
Frequent meetings	5	9.1%	11.1%
Educational conferences	2	3.6%	4.4%
Market surveys	4	7.3%	8.9%
Invest resources on modern mechanism	2	3.6%	4.4%
Satisfied with strategic planning	2	3.6%	4.4%
<b>Total</b>	<b>55</b>	<b>100.0%</b>	<b>122.2%</b>

#### **4.9.2 Influence of strategic planning dimensions in the firm.**

The respondents were asked about the influence of strategic planning on the firms' performance. Respondents were upbeat that strategic planning has positively influenced firm performance in terms of operations and profitability (12.9%), the process has increased participation of all including lower level management in the process of strategic planning (9.7%). This is in line with views on the positive linkage between strategic planning dimensions. On functional integration, 11.3% reported enhanced efficiency in production and distribution. 8.1% of the respondents, felt departments are sufficiently aligned as a result of strategic planning dimensions in the firm. The strategic planning process has impacted



on the firm's strategic orientation, it has enabled exploration of new opportunities with new products (8.1%), facilitated new product development (9.7%), enabled introduction of new technology (9.7%), boosted market position(6.5%) and aligned resource allocation and budget with firm strategy. The findings are in line with (Agyapong & Muntaka, 2012, Taiwo, 2007; & Awino et al., 2012) who found that strategic planning dimensions positively influence firm performance. This is shown in table 4.37 below.

**Table. 4.31: Influence of strategic planning dimensions in the firm**

STATEMENT	Responses		Percent of Cases
	N	Percent	
Introduction of new products has increased performance	6	9.7%	9.8%
It has reduced production delay	2	3.2%	3.3%
Budget and resource allocation in line with strategy	2	3.2%	3.3%
Explore new opportunities with new products	5	8.1%	8.2%
Strategic planning practices have improved performance in terms of operations and profitability	8	12.9%	13.1%
Everyone including junior management is involved in strategic planning	6	9.7%	9.8%
It has enabled us to keep our competitive advantage as market leader	4	6.5%	6.6%
All depts are aligned	5	8.1%	8.2%
Continuously reviewed our products to meet local needs	2	3.2%	3.3%
It has increased efficiency in production and distribution	7	11.3%	11.5%
Motivating the employees	3	4.8%	4.9%
It has enabled us to meet our goals	4	6.5%	6.6%
New technology has benefited the firm	6	9.7%	9.8%
<b>Total</b>	<b>62</b>	<b>100.0%</b>	<b>101.6%</b>

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1 Introduction

This chapter highlights the summary of the study findings as guided by the specific objectives of the study, the conclusions, as well as policy recommendations and directions into new research vistas drawn from the study findings.

The study sought to determine the relationship between Strategic planning dimensions and performance of Manufacturing firms in Kenya. Specifically, the study aimed to determine the relationship between management participation on the performance of the manufacturing firms in Kenya, to establish the relationship between functional integration on the performance of Manufacturing firms in Kenya, to find out the relationship between strategic orientation and the performance of Manufacturing firms in Kenya, to examine the relationship between strategic control practices and the performance of manufacturing firms in Kenya and finally to determine the moderating influence of firm size on the relationship between strategic planning dimensions and performance of the manufacturing firms in Kenya.

#### 5.2 Summary of Study Findings

##### **Specific Objective 1: Determine the relationship between management participation on the performance of the manufacturing firms in Kenya**

The pivotal role of top management participation in the strategic planning process cannot be effectively gainsaid especially in today's market place and business environment characterized by the shifting sands of globalizations and dynamism hitherto unseen. Organizations can survive and succeed when there is cooperation and team work between and among the key players in management and other stakeholders.

Top managers are expected to express the context, develop organization structures, processes and reward systems which increase pervasive results oriented culture and motion. According to the findings of this study, management participation in strategic planning had significant effect on both the financial and non-financial measures of the manufacturing firms performance. Hence management participation in strategic planning is a significant factor among strategic planning dimensions that enhance overall firm performance.

The study found that, while firm size alone contributes marginally to firm performance, it is not a significant moderator in the relationship between management participation and firm performance. Managers need to take cognizance of their pivotal role in the strategic planning of the firm in order to enhance both accounting measures and non-financial performance of the manufacturing firms.

**Specific Objective 2: Establish the relationship between functional integration on the performance of Manufacturing firms in Kenya.**

Functional integration has been variously defined as way of ensuring the different parts of the firm perform as consciously so as to improve the organization bottom line, while at the same time harnessing and developing internal capabilities so as to position the firm at a strategic advantage. As an integrative force strategic planning in the firm, the study sought to establish the effect of the phenomena on firm performance.

The study found that functional integration positively influenced firm performance. Functional integration had a moderate influence on firm performance in the manufacturing firms in Kenya. Hence, the study confirms that functional integration has a critical role to play in the birth and implementation of strategy in the firm. It is clear from the study, that, functional integration can be developed into cross functional integration which enhance the working of all functional departments as they cooperate and share in the spirit of positioning the firm for sustainable competitive edge.

**Specific Objective 3: Find out the relationship between strategic orientation and the performance of Manufacturing firms in Kenya.**

Described as the strategic directions implemented by a firm to create the proper behaviours for the continuous superior performance of the business. Strategic orientation is core to planning, without strategic thinking and direction, the process of strategic planning lacks the philosophical basis and moral force to move the firm along the path towards desired strategic positioning and advantage. Strategic orientation was operationalized through marketing orientation, competitor orientation and customer.

The study found out that strategic orientation positively influenced firm performance. Strategic orientation had a moderate influence on firm performance in the manufacturing firms in Kenya. The study confirmed there exists a significant relationship between strategic orientation and firm performance among manufacturing firms in Kenya hence, emphasis on strategic orientation is key to firm performance. The more oriented the firm's strategic planning to strategic orientation the higher the performance experienced by the manufacturing firm. Essentially, the study has shown that a combination of marketing orientation, competitor orientation and customer orientation contributed to energizing other firm's processes and the company's bottom line. The study established that firms that emphasize on strategic orientation aspects perform better than those that do not.

**Specific Objective 4: Examine the relationship between strategic control and the performance of Manufacturing firms in Kenya.**

According to Smith, (1995b) control refers to the formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities. Strategic control encompasses all the procedures routines and systems designed to allow monitoring and evaluation of the strategy process to ensure minimum deviations , through continuous feedback loops and opportunities for corrections.

The study revealed that, there was positive relationship between strategic control and performance of manufacturing firms in Kenya. Firms with greater focus on strategic control improved their performance significantly and hence, strategic control positively influenced performance of manufacturing firms in Kenya.

**Specific Objective 5: Establish the joint relationship between strategic planning dimensions on the performance of the manufacturing firms in Kenya.**

The main objective of the study was to establish the joint relationship between strategic planning dimensions aggregating (management participation, functional integration, strategic orientation and strategic control) and performance of Kenya's manufacturing firms. It was widely believed that if a firm has emphasized a wide of array of strategic planning dimensions, it will be able to impact positively on its bottom line and obtain positive outcomes in terms of both financial and non-financial performance. The study reveals mixed results, with management participation revealing a negative relationship with firm performance, while functional integration exhibited positive but insignificant relationship with firm performance in the manufacturing sector in Kenya. Strategic orientation similarly, showed positive but insignificant relationship with firm performance among manufacturing entities in Kenya. Strategic control, however, indicated positive and significant relationship with performance of manufacturing firms in Kenya.

**Specific Objective 6: Determine the moderating influence of firm size on the relationship between strategic planning dimensions and performance of the manufacturing firms in Kenya.**

**a) Moderating effect of firm size on the relationship between management participation and firm performance.**

The study sought to assess the moderating effect of firm size on the relationship between management participation and firm performance. The construct of firm size as a factor in firm profitability and growth has been contentious

since the days of Gibrat (1930s), that it can moderate the dynamics of strategic planning and organizational performance has also attracted attention. While some studies affirmed the casual relationship between firm size and profit, others held middle ground confirming partial results, while still, others have equally discounted it. The study has found the moderating effect of firm size in management participation performance link, to fall in this latter category.

Firm size was found a valid predictor, in the model, however, the study, that firm size does not moderate the relationship between management participation and firm performance in the manufacturing firms in Kenya. Firm size has displayed a negative insignificant relationship with firm performance. An increase in management participation decreases performance. Therefore there not only may be other moderating factors but also management participation dynamics that deteriorate firm performance. The study suggested there may be other factors that explain the negative effect of firm size in the relationship between management participation and firm performance.

**b) Moderating effect of firm size on the relationship between functional integration and firm performance.**

Based on the findings, the study shows that firm size, displayed predictive value in the model but again showed it does not moderate the relationship between functional integration and firm performance. The results of the multiple regression analysis gave conclusive evidence that while firm size is significant in the relationship between functional integration and firm performance. However, it does not moderate the link between functional integration and firm performance. This means that as the firm size increases there is equal impact on both medium and small firms as well as large firms. There is stronger need for coordination and cooperation between the departments so as to synchronize their efforts and departmental strategies and action plans through information sharing and regular updates to facilitate inter departmental and cross functional integration.

**c) Moderating effect of firm size on the relationship between strategic orientation and firm performance**

Based on the study findings, the results reveal that there was positive relationship between strategic orientation and performance of manufacturing firms in Kenya. The integration of firm size into the model further improved strategic orientation contribution to the model. However, with the addition of the interaction term ( $X_3 * M$ ) the model depreciated and became insignificant. It was thus found that firm size was not a significant factor in moderating the association between strategic orientation and firm performance.

**d) Moderating effect of firm size on the relationship between strategic control practices and firm performance.**

Based on findings, the study shows that strategic control had positive and significant association with firm performance and had the highest contribution to firm performance. However with the introduction of firm size, the study model depreciated and became insignificant. Thus it was observed that firm size was not a moderator in the relationship between strategic control practices and firm performance.

### **5.3 Conclusion of study**

**Specific Objective 1: Determine the effect of management on the performance of the manufacturing firms in Kenya.**

The study concludes that management participation dimension in strategic planning was a significant factor in the performance of Kenya's manufacturing firms. It means top management has fundamental role in driving the strategy agenda in the manufacturing firm. That strategic planning process requires management participation, commitment, presence and leadership is evident.

Top management quality of decision making, level of expertise, leadership in ensuring coordination of the processes and availing resources to ensure implementation of strategies were all pointed out as critical in management participation dimension of strategic planning.

**Specific Objective 2: Establish the effect of functional integration on the performance of Manufacturing firms in Kenya.**

Functional integration was found to be significant and positively associated with performance of manufacturing firms in Kenya. The practices of coordinating, knowledge sharing with other department and functional areas, alignment of departmental planning with division and corporate plans was found in place. Top management support or coordination was also established. Functional integration in the Resource based view of the firm is a vital resource and capability. Firms utilize functional integration as a mode of enhancing cooperation, which combines cooperation and competition among departments, while focused on the strategic outcomes of the firm. Cross functional integration is also emerging as a higher level of functional integration in which there is intense relationship between departments to accentuate the operation efficiencies of the firm.

**Specific Objective 3: Find out the relationship between strategic orientation and the performance of Manufacturing firms in Kenya.**

The study concludes that strategic orientation as a dimension of strategic planning is significant and positively linked to firm performance. It represented the dimension with the highest contribution to firm performance in the manufacturing sector. A firm's strategic orientation reflects the strategic directions implemented by a firm to create the proper behaviors for the continuous superior performance of the business. It represents the philosophies underpinning the firms strategic outlook and thoughts This combined marketing orientation, competitor orientation and customer orientation. While most firms were customer oriented in their marketing strategies, most were not competitor oriented , avoided competitor 'wars' and preferred to 'live and let live'.



This phenomena is akin to burying the head in the sand analogy in the face of stiff competition from foreign companies from the BRICITS and other emerging economies. It was evident, however, that firms that emphasized stronger strategic orientation outlook enhanced their performance.

**Specific Objective 4: Examine the association between strategic control and the performance of Manufacturing firms in Kenya.**

The study concludes that there was a significant and positive relationship between strategic control dimension of strategic planning and firm performance. This could be explained by the fact that , strategic control systems motivate and help managers in developing and negotiating key performance targets with their superiors. The firms strategic control systems reinforce the strategic planning process as an integrative process, and give it the monitoring and evaluation capabilities to facilitate other key processes. Among the Kenya manufacturing firms, focus on control played a central role in ensuring deviations and quality lapses are mitigated. Control functions also enhance, organization learning and innovation by providing feedback loops and information for decision making. Firms that ensured robust control systems were designed, customized and implemented improved their capabilities and performance. Thus, firms out to pursue competitive positioning strategies , of necessity need to advance their strategic control system and capabilities and integrate the same in their planning systems and processes.

**Specific Objective 5: Establish the joint relationship between strategic planning dimensions on the performance of the manufacturing firms in Kenya.**

The study concluded that while strategic planning dimensions individually positively influence firm performance, the joint effect of the strategic planning dimensions reveal mixed results and show that management participation negatively affects firm performance, while both functional integration and strategic orientation have insignificant positive influence on performance. Strategic control only directly and positively influences firm performance among

the manufacturing sector firms. The study concludes that emphasis on strategic control is a prerequisite for successful strategic planning and implementation and firm performance.

**Specific Objective 6: Determine the moderating influence of firm size on the relationship between strategic planning and performance of the manufacturing firms in Kenya.**

The study concluded that firm size had no significant moderating effect in the relationship between Strategic planning dimensions (management participation, functional integration, strategic orientation and strategic control practices) and performance of manufacturing firms in Kenya. This means irrespective of size the benefits of strategic planning will accrue to both the SMES and the larger firms. While large firms have access to a higher outlay of resources and possibilities of cost leadership through economies of scale among others, smaller firms have the other trade-offs in terms of planning advantages of entrepreneurial orientation, faster decision making and innovation. While SMEs have their unique sets of circumstances, including time financial, human resource constraints, a main finding of the study is that regardless of size of the firms in Kenya, they carry out varying degrees of strategic planning. Strategic planning thus is analogous to an expansive ocean in which everyone has enough space to swim.

#### **5.4 Recommendation of the study**

Based on the findings contained in chapter 4 and summarized in section 5.2 of this thesis, the study recommends that:

**Specific Objective 1: Determine the relationship between management and the performance of the manufacturing firms in Kenya.**

From the study it is evident that management participation as a dimension of strategic planning is fundamental, it underscores the critical role played by top management in providing the strategic direction to all other levels of

management. The effect of management participation has been in contestation. The study provides empirical evidence that regardless of the size of the firm, management participation is key to improved firm performance.

The study therefore recommends, that the participation and involvement of top management in the whole process of strategic planning from conceptualization to closure. A valid recommendation will be that managerial skills and capabilities should be enhanced and developed. Firms should build strategy development capacities such as strategy development units, which calls for appropriate and adequate training and capacity building. Lack of diversity in top management has also been brought into question, particularly that top management homogeneity does not positively influence performance. Hence there is need for proactive measures to increase the visibility and participation of both gender in top management in the manufacturing firms.

**Specific Objective 2: Establish the relationship between functional integration and the performance of Manufacturing firms in Kenya.**

The study found functional integration as a capability available to all firms and which regardless of their size can be exploited by the firms. It is recommended that functional integration is not limited to mundane coordination of routines and operational activities. It should be taken to next higher level, in which there is deep and embedded cooperation, exchange of ideas and Coopetition between the various functional areas. The study recommends anchoring of cross functional integration between specific areas such as marketing, procurement, logistics, finance and human resource management. Thus cross functional integration in the firm shall help in cost reduction and competitive positioning. Firms should leverage on technology to be effective in this regard.

**Specific Objective 3: Find out the relationship between strategic orientation and the performance of Manufacturing firms in Kenya.**

Manufacturing managers should combine marketing orientation, with competitor orientation and customer focus so as to avail the widest choice and highest

value addition to the customer. It is evident that firms that have strategic orientation informing their strategic planning will succeed in the dynamic market place. Managers ought to focus on marketing, customer focus and how to be ahead of the competition through various strategies. While this study is not specific on particular competitive strategies, but it is evident that companies that are alert to the competition and plan for the eventuality succeed where others falter and fail. Strategic orientation should thus be embedded in the firm's philosophical paradigms in order to position itself ahead of the competition.

**Specific Objective 4: Examine the relationship between strategic control and the performance of Manufacturing firms in Kenya.**

The study confirmed that firms that focused on strategic control enhanced their performance among the manufacturing firms. The study recommends that firms develop, design and customize performance measurement systems to emphasize their strategic control systems. Firm control systems should be constantly reviewed while linking all the types of controls in an integrated system. The study recommends the firms to utilize the control systems as avenues for learning, growth and innovation by ensuring analysis of information is done in a timely manner and availed to appropriate parties. The study recommends that firms should benchmark with global quality standards in order to be competitive outside.

**Specific Objective 5: Establish the joint relationship between strategic planning dimensions and performance of the manufacturing firms in Kenya.**

The study revealed that, while emphasis on specific strategic planning dimensions of management participation, functional integration, strategic orientation and strategic control contribute positively to firm performance, when the same are implemented simultaneously, there is mixed result, with only strategic control standing out in its positive influence on firm performance. This could mean strategic control is more important in strategic planning performance relationship than the other dimensions. This is a clarion call to captains of industry and firm managers that

there is strong need to emphasize and strengthen strategic control systems in order to have successful strategic planning that can enhance firm performance.

**Specific Objective 6: Determine the moderating influence of firm size on the relationship between strategic planning and performance of the manufacturing firms in Kenya.**

While the study has negated the notion, that firm size is a moderator in the relationship between strategic planning dimensions and firm performance, yet again, it is instructive to note that firm size can play an important role in calibrating the extent of strategic planning in both the large firm small ones, while smaller firm will require a lot less resources than the larger firm, however, the approach should answer the question how do we position our company in order to not only survive but also to succeed. While appreciating that SMEs face unique circumstances, it is clear that they have planning systems in place. It is imperative that industry regulators, manufacturing associations and lobbies and other players, create acute awareness of the indispensability of strategic planning expertise in the dynamic market place and thus while large establishments have a greater interest in strategic planning, it is important to help SMEs design and customize planning systems that will add value to their performance.

The study sought to determine the relationship between strategic planning as a multidimensional construct comprising, the dimensions of management participation, functional integration, strategic orientation and strategic control and performance of manufacturing firms in Kenya. While large number of works on strategic planning performance stream of research were domiciled in western countries and other advanced economies the study was based on a developing economy context. Thus the study contributes to the strategic planning performance discourse in a developing country context.

The study alive to the need for a more comprehensive treatment of firm performance has used the balanced score card grid to capture both financial and

nonfinancial performance measures. It will thus lend support to views on use of financial and nonfinancial measures of firm performance in strategy literature.

The study augments the strategy-as-practice literature and further examines, the aspect of the moderating effect of firm size in strategic planning performance linkage which has been a contentious area in strategy literature. Thus the study fills a much recognized gap in the strategic planning performance research in a developing economy context.

### **Recommendation for Policy and Practice**

The study was mainly based on the Resource Based View of the firm, coupled with the contingency theory and strategic choice theory. Both financial and non-financial parameters of firm performance were assessed. The findings revealed that strategic planning dimensions were positive and significant factors in firm performance. Each of the strategic planning dimensions on their own was positively related to performance in the manufacturing firms in Kenya, implying that they contributed to firm performance. Based on the findings, the study makes following specific policy recommendations:

The study recommends that top management fully participate in the conceptualization, formulation, implementation and control of strategic planning process in the firms. The performance of top management is influenced by its characteristics and collective experience, there is need to enhance top management experiences, skills and capacity through specific tailor made programmes. The study recommends the establishment of inclusive round tables between industry players, regulatory bodies, academics and industry lobbies so as to enhance the conceptual and managerial outlook of the managers. This will help cross fertilize ideas and processes and mitigate inbreeding of ideas especially among family owned firms. The study recommends the increased use of external consultants to help jump start strategic planning in SMES and trouble shoot and support those with ongoing processes.

While advancing and supporting functional integration as a key capability in the firms, managers are thus guided to enhance the concepts of coopetition in the organization. This entails striking a balance between cooperation and competition between the departments is a necessity in the firm. This can be done through planning meetings, sharing, learning and exchange sittings between the managers and other operational staff aimed at reviewing areas of confluence, divergence and improvements in strategic planning dimensions and outcomes .

The study emphasizes that strategic orientation of the firm is crucial in driving the interface between firms internal capabilities and its growth and expansion opportunities. The strategic orientation dimension made the highest unit contribution to firm performance. This means that firms of necessity need to enhance their market orientation, customer orientation and competitor orientation so as to enhance firm competitive positioning. Firms need to allocate more resources to strengthen their strategic orientation which is crucial for their performance.

Strategic control was discerned as pivotal in establishing standards, quality control and performance measurement systems for feedback and learning while contributing to innovation. Its recommended that the firms design, customize and implement strategic control systems to enhance monitoring and evaluation of the strategic planning process outcomes. This will improve production and organizational efficiencies and enhance cost leadership.

The study recommends that while individual strategic planning dimensions all contribute positively to the performance of manufacturing firms in Kenya, there is need to emphasize strategic control as it takes on some roles played by the other strategic planning dimensions. As a result in the joint model strategic control stands out as contributing directly and positively to firm performance. It is imperative therefore that managers emphasize the role and capabilities of strategic control so as to boost the other strategic planning dimensions.

The study having established that firm size has no moderating effect on the relationship between strategic planning dimensions and firm performance among

both large firms and SMEs in the manufacturing sector argues that there cannot be a one-size-fits-all kind approach to strategic planning among the large sized firms and smaller firms in the manufacturing sector. The study recommends that strategic planning systems and process are customized to the needs of organizations, so as to reflect their priorities, stages of growth, level of expertise, resource outlay and their unique economic, regulatory and environmental realities.

### **5.5 Areas for Further Research**

This study sought to examine the relationship between strategic planning dimensions and firm performance and the moderating effect of firm size on the relationship between strategic planning dimensions and firm performance in the manufacturing sector in Kenya's, however, there are a number of areas that need further empirical research for clarity and to put them in perspective.

The study looked at specific dimensions of strategic planning, namely management participation, functional integration, strategic orientation and strategic control. There is need to also examine other dimensions strategic planning from literature including, time horizon of planning, tools of planning, employee participation, creativity in planning and formality.

The study employed cross sectional research design, with the effect that such cross sectional studies are restricted by the time constraints which, longitudinal studies would mitigate. The researcher thus suggests other researchers to employ other methods to obtain more time elastic data to analyze the phenomena of Strategic planning dimensions and performance in the manufacturing sector.

The researcher focused on one geographical area, Nairobi and its surroundings, this was because of the high factor productivity among firms in Nairobi and its surroundings. The sample was also limited to members of the Kenya Association of Manufacturers as indicated in the 2013 Directory of Kenya Manufacturers and Exporters. It is worthwhile, that other researchers compare the realities of strategic planning and firm performance in other regions notably,



Kenya's Rift Valley, Central, Coast among others with a view to replicating or confirming study findings or for comparative strategic planning.

The study focused on the manufacturing sector in a developing country context, it is important that researchers replicate the study in other emerging and developing countries and in varied sectors of their economy.

The current study focused on the establishing the relationship between strategic planning dimensions and firm performance and determining the moderating effect of size on the dimensions of strategic planning and firm performance. It will be useful for other researcher to look at the strategic planning dimensions and performance dichotomy with other moderators such as firm level characteristics such as firm types, ownership types, managerial characteristics, firm age and cultural diversity among others.

Furthermore, the study used perceived measures and also composite firm performance measures. It will thus be, of interest to future researchers to consider disaggregating financial and non-financial measures of firm performance and analyze firm performance based on actual financial and non-financial measures.

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## APPENDICES

### **Appendix i: Letter of Introduction**

Jomo Kenyatta University of Agriculture and Technology

College of Human resource Development

School of Business

Department of Business Administration

Juja,

05/12/2015

Dear Respondent,

### **Re: Questionnaire on the Relationship Between Strategic planning dimensions and Performance of Kenya's Manufacturing Firms:**

I am a post graduate student, pursuing a PhD. in Business Administration at Jomo Kenyatta University of Agriculture and Technology. I am currently carrying out a study on the relationship between Strategic planning dimensions and Firm Performance in the manufacturing firms in Nairobi and its surrounding areas. You have been carefully selected to participate in this study. Your assistance in responding to all the items in the questionnaire to the best of your knowledge will generate data that will go a long way in enlightening on the effect of strategic planning in the manufacturing sector firms. This research is purely for academic purpose and your response will be treated with utmost confidence.

Thank you for your co-operation.

Yours faithfully

Mohamud Jama Ali

PhD Student

Jomo Kenyatta University of Agriculture and Technology (JKUAT)

## Appendix ii: Survey Questionnaire

### Survey Questionnaire for Human Resource Managers, Operations Managers or Designates

Serial No. \_\_\_\_\_ Name of Firm

\_\_\_\_\_

Please answer the following questions.

#### Part A: Background Information

1. Gender: Male [ ] Female [ ] (Tick as appropriate).
2. What is your level of education (Tick as appropriate).

- i. Certificate
- ii. Diploma
- iii. Bachelor
- iv. Masters
- v. PhD
- vi. State other qualifications \_\_\_\_\_

3. What is your designation in the firm \_\_\_\_\_

#### Part B: Organizational Information

4. Age of the firms in years \_\_\_\_\_
5. In which sub sector does your firm operate in \_\_\_\_\_
6. How many years has your firm operated in the sub sector \_\_\_\_\_



7. Products and services of your firm include \_\_\_\_\_

8. Please specify the number of employees in your firm including yourself  
\_\_\_\_\_

9. Indicate whether the firm is of Local or Foreign owned (tick inappropriate box)

- i. Local
- ii. Foreign
- iii. Joint Ownership(Local/Foreign)

10. Specify the nature of private ownership in your firm (Tick in the appropriate box)

- i. Individual
- ii. Family Owned
- iii. Other..... ( Specify)

11. What is the state of business diversification of your firm? (Tick in the appropriate box)

- i. Diversified
- ii. Not Diversified

12. In which of the following markets is your firm involved in? (Tick in the appropriate box)

- i. Local
- ii. Regional (EAC)
- iii. Global

### **PART C: Strategic planning dimensions**

The statements are meant to obtain your views on strategic planning practice in your firm. Indicate your level of agreement with the following statements by rating your responses on a scale of ranging from Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A) and Strongly Agree (SA) by ticking in the appropriate .

<b>OPINION STATEMENTS/ITEMS</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
<b>NO</b>					
1. The firm strategic planning process is highly systematic.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Strategic planning is rarely carried out in the firm.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Top management is strongly involved strategic planning process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Departmental Managers are regularly involved in strategic planning.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Management has high level of expertise in strategic planning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Top management shows a high level of participation in strategic planning meetings.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. There is regular communication between the levels of management on strategy.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Managerial actions on strategic planning is of very high quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Top management team regularly allocates adequate funding for the strategic planning activities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Management ensures contingency plans exist for possible situations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Departmental functional plans are aligned to the firm Strategic Plan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. We constantly strive to attract and retains high quality employees to ensure competitiveness
13. The firm produces at low costs compared to competition.
14. The firm promotes strong use of technology to integrate key functions
15. Regular exchange of knowledge and experience among different departments within the firm is highly supported
16. Plans are always coordinated between departments
17. Preplanning activities to aid the strategic planning process are strongly emphasised.
18. Top management very rarely supports coordination between departments
19. Established deliberate plans to cope with environmental opportunities and threats.
20. Management develops and establishes broad scale, longer-term objectives, goals, or projects
21. The firm emphasizes customer orientation of the firm to marketing strategy
22. Our firm always avoids competitive 'wars'
23. Our firm rarely sacrifices profit to gain market share
24. Our firm regularly cuts prices to gain market share
25. Our firm is rarely introduces new products, services, techniques or procedures.
26. There are formal procedures to coordinate different areas

27. Management is able to analyze and comprehend organizational goals and strategies developed by others
28. Firm corporate goals are mostly linked to financial budgets
29. We respond very fast to the wishes of customers than our competitors
30. As a firm we do not know strong and weak points of our main competitors.
31. Customer feedback is strongly incorporated in the strategic planning process
32. Customer focus is highly emphasised as a competitive strategy.
33. Firm constantly looks for new markets.
34. Options are analyzed always to inform the best investment decisions.
35. Our top managers prefer high risk projects with chances of very high returns.
36. Assessment of new projects is always based on intuition rather than analysis
37. Competitor analysis is conducted regularly.
38. The marketing department carries out market surveys regularly
39. Assessment of internal control systems and processes is conducted regularly in the firm.
40. Measurement tools and procedures are routinely identified, clarified and formalized.
41. The firm invests heavily in performance measurement infrastructure
42. All levels of management participate in the design and selection of performance measurement systems

tools and techniques

- 43. There is technical competence in using the various tools
- 44. Performance measurement reporting is highly effective for the whole organization.
- 45. Firm regularly uses employee performance measurement as a control mechanism
- 46. Firm continuously utilizes innovation performance measurement as a control mechanism
- 47. Performance measurement system is always ineffective for reporting within departments.
- 48. New performance measurement techniques and tools are always adopted.
- 49. External strategy audit is done always to assess effectiveness of our measurement tools

50. Which suggestions do you make to improve strategic planning practices in the firm?

.....

.....

.....

.....

**PART D: Firm Performance:**

1. Regarding the following aspects of your firm, insert letter **(I)** for **Increase** **(D)** for **Decrease** and **(U)** for Unchanged.

Item/Year	2012	2013	2014
Employees			
Sales growth rate			
Customers growth rate			
Profit growth rate			
Network branches			
Overall performance			
Assets			
Expenditure			
<b>New products</b>			

2. Based on your profit expectations how would you place your firm's overall level of profitability for the last three years i.e. , (2014,2013,2012) (tick one expectation as appropriate)

Expectation	Level
Profit above expectation	<input type="checkbox"/>
Profit within expectation	<input type="checkbox"/>
Profit expectation	<input type="checkbox"/>
Break even within expectation	<input type="checkbox"/>
Loss making bearable	<input type="checkbox"/>

3. Based on your expectations , how would you rate your firm's turnover for the last three years i.e. , 2014, 2013 & 2012 (tick one expectation as appropriate)

<b>Expectation</b>	<b>Rating</b>
Turnover above expectation	<input type="checkbox"/>
Turnover within expectation	<input type="checkbox"/>
Turnover expectation	<input type="checkbox"/>

**Indicate your level of agreement with the following aspects in your firm by ticking in the appropriate**

<b>SN</b>	<b>Firm Aspects</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
4.	Firm market share is growing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Firm market share is reducing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Firm customers are highly dissatisfied with our products/services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	High percentage of sales is delivered on schedule	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	The number of repeat customers is considerably high.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Firm customer compliments received is always high.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	Firm customer complaints received in our firm is always low.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.	Firm level of customer retention is very low.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	The level of plant utilization in the firm is high.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.	Firm level of production efficiency is low.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.	Firm constantly benchmarks with industry leaders in key area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.	In the firm the cost of scrap is low	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16. The firm cost of warranty is high
17. Firm investments in process and product design is low.
18. Management implements a robust information system
19. Firm Product defect level in is low.
20. The frequency of machine breakdown in the firm is very high.
21. The firm has a very strong distribution network.
22. Firm quality management system is highly effective.
23. The firm always has a quick response time to queries complains and other concerns from stakeholders.
24. Management strongly emphasizes employee skills and capabilities
25. Management empowers employees in the firm through recognition of talent.
26. The firm regularly updates its information system.
27. Firm regularly introduces new products.
28. There is little sharing of knowledge and experience in the firm
29. The Company invests heavily in process development.
30. Firm product innovation is satisfactory
31. The Company strongly emphasizes value addition to customers.
32. The Company invest poorly in staff training and development



33. The firm greatly emphasizes on continuous       
improvement

34. The Company regularly underfinances product       
development

35. In your opinion have the Strategic planning dimensions in your firm  
influenced your firm's performance? Please explain.

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

**Respondent**                      **Signature**.....

**Date**.....

**Thank you for your time**

### Appendix iii: List of Manufacturing Firms Sampled

1. AA Growers
2. African Cotton Industries Ltd
3. Al Mahra
4. Alfa Gas Ltd
5. All Pack Industries
6. Alpine Coolers Ltd
7. Apex Ltd
8. ASL Ltd
9. Ashut Engineers Ltd
10. Bag and Envelope Converters
11. Baraka Flour Mills
12. BAT
13. Bayer EA
14. Becton Dickinson
15. Beta Healthcare Ltd
16. Bierdorf Ltd
17. Bhachu Engineering
18. Bilco Engineering Works
19. Bio Food Products Ltd
20. Bio deal
21. Blue Rings
22. Bobmil Industries Ltd
23. BoC Gases
24. Brush Ltd
25. Budget Shoes Ltd
26. C Dorman's
27. C and P Shoe Industries Ltd
28. Cadbury
29. Candy Kenya
30. Car & General
31. Carton Manufacturers
32. City Engineering
33. Centurion Systems Ltd
34. Chemid (K) Ltd
35. Chirag Kenya Ltd
36. Chloride Exide
37. Chui Autosprings
38. Coats Bothers
39. Coca Cola East and Central Africa
40. Complast
41. Corrugate Packing Ltd
42. Cosmos Ltd
43. Crescent Construction Ltd
44. Crown Paints
45. Crown Berger
46. Davis and Shirtliff
47. Dawa Ltd
48. Desbro
49. Diversity Eastern & Central Africa Ltd
50. Dodhia Packaging Limited
51. DPL Festive Ltd
52. EABL
53. EAFW (K) Ltd
54. East Africa Packaging Industries
55. East African Cable(EAC)
56. Edible Oils Products
57. Elgitread
58. Elite Tools Ltd
59. Elliots
60. Elson Plastics Of Kenya Ltd

- |                                   |   |
|-----------------------------------|---|
| 61. Flamingo Tiles                | 92. Kenafric Ltd                        |
| 62. Ely's Chemical Industries Ltd | 93. Kenbro Ltd                          |
| 63. English Press                 | 94. Kens Metal                          |
| 64. Eurochem Ltd                  | 95. Kenwest Cables                      |
| 65. Euro Pack                     | 96. Kenwood Ltd                         |
| 66. Farmers Choice                | 97. Kenya Sweets Ltd                    |
| 67. Fine Wood Works Ltd           | 98. Kevian Ltd                          |
| 68. Gahiir Engineering Works Ltd  | 99. Khetshi Dharamshi & Co Ltd          |
| 69. Galaxy Paints                 | 100. King Plastic Industries            |
| 70. Gas Africa                    | 101. Kip Melamine                       |
| 71. General Motors East Africa    | 102. Koba Waters                        |
| 72. General Plastics              | 103. Kplc                               |
| 73. General Printers Limited      | 104. Kridha Ltd                         |
| 74. Giloil                        | 105. Kuguru Food Complex Ltd            |
| 75. Glacier Products              | 106. KWAL Ltd                           |
| 76. Gonas Best Ltd                | 107. International Energy<br>Techniques |
| 77. GSK                           | 108. Laneed Plastics                    |
| 78. Halar Industries Ltd          | 109. LG Harris                          |
| 79. Henkel Kenya Ltd              | 110. Mac's Pharmaceuticals Ltd          |
| 80. Holman Brothers               | 111. Manson Hart (K) Ltd                |
| 81. Impala Ltd                    | 112. Manufacturers and Suppliers<br>Ltd |
| 82. Insteel Ltd                   | 113. Maroo Polymers Ltd                 |
| 83. JB Motors Ltd                 | 114. Match Master Ltd                   |
| 84. Kakuzi                        | 115. MEA Ltd                            |
| 85. Kaluworks                     | 116. Medivet Products Ltd               |
| 86. KAM Industries                | 117. Metal Crowns Ltd                   |
| 87. Kamba Manufacturing 1986(Ltd) | 118. Metlex                             |
| 88. Kamco Steel                   | 119. Midco                              |
| 89. Kapa Oil Refineries Ltd       | 120. Mini Bakeries(Nairobi) Ltd         |
| 90. Ken Clean                     |   |
| 91. Ken Coat                      |   |

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|--|--|
| 121. Miritini                          | 152. PZ Cussons                        |
| 122. Murphy Chemicals                  | 153. Reliable Electrical Engineering   |
| 123. Mutsimoto                         | 154. ReSuns                            |
| 124. Nairobi Bottlers Ltd              | 155. Richfield Engineering Ltd         |
| 125. Nairobi Flour Mills Ltd           | 156. Sadolin Paints (E.A) Ltd          |
| <b>126.</b> Nails & Steel Products Ltd | 157. Saj Ceramics                      |
| 127. Napro Industries                  | 158. Salmore Engineering               |
| 128. NAS Servair                       | 159. Scania EA Ltd                     |
| 129. New KCC Ltd                       | 160. Shamco Industries Ltd             |
| 130. Nestle                            | 161. Shanga engineering Ltd            |
| 131. Ombi Rubber Products              | 162. Shiwan Enterprises                |
| 132. Orbit Engeering Ltd               | 163. Signode Packaging Systems         |
| 133. Osho Chemicals                    | 164. Silpack Industries Ltd            |
| 134. Packaging Industries ltd          | 165. Skylight Chemicals Ltd            |
| 135. Packaging masters                 | 166. Smart Coat Ltd                    |
| 136. Paperbags Ltd                     | 167. Spice World Ltd                   |
| 137. Patco Industries Ltd              | 168. Sunflag                           |
| 138. Pearl Industries Ltd              | 169. Supa Brite Ltd                    |
| 139. Pembe Flour Mills Ltd             | 170. Super Foam Ltd                    |
| 140. Pipe Manufacturers Ltd            | 171. Synresins                         |
| 141. Plastic Products Co. Ltd          | 172. Tarmal wires                      |
| 142. Plastics & Rubber(2005) Ltd       | 173. Tasha Enterprise(K)Ltd            |
| 143. Polyflex Industries Ltd           | 174. Tetra pack Ltd                    |
| 144. Polymers                          | 175. Thermopack Ltd                    |
| 145. Polythene Industries Ltd          | 176. Timsales                          |
| 146. Premier Food Industries Ltd       | 177. Toyota Kenya Ltd                  |
| 147. Premier Flour Mills               | 178. Treadsetters Tyres Ltd            |
| 148. Premier Industries Ltd            | 179. Trufoods Ltd                      |
| 149. Primetech Industry Ltd            | 180. Twiga Chemicals Industries<br>Ltd |
| 150. Proctor & Allan                   | 181. Ultravetis Ltd (EA)               |
| 151. Prosel Ltd                        |  |

- |                                |                                |
|--------------------------------|--------------------------------|
| 182. Unifilters                | 187. Wrigley EA Ltd            |
| 183. Unga Ltd                  | 188. Wire Products Ltd         |
| 184. Unilever                  | 189. Wood Manufacturers Ltd    |
| 185. Universal Corporation Ltd | 190. Vita foam ltd             |
| 186. Weetabix EA Ltd           | 191. Zingo Investments Limited |

**Appendix iv: Budget**

<b>ITEM DESCRIPTION</b>	<b>TOTAL (KSHS.)</b>
Stationery	20,000
Typing and editorials	30,000
Purchase of relevant books and equipment	30,000
Printing and binding of proposal ( 6 Copies)	50,000
Printing of questionnaire (pilot testing) and data collection	50,000
Statistical Consultancy	80,000
Research Assistants (2)	60,000
Transport	20,000
Airtime	10,000
Data Analysis	80,000
Publications	50,000
Printing, binding , photocopying of Draft Report	80,000
Miscellaneous	15,000
<b>Total</b>	<b>575,000</b>