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Abstract

Purpose: The main objective of the study was to determine the effect of strategic planning on the financial performance of small ICT companies in Nairobi County.

Methodology: The descriptive research design was adopted in the study. A total of 584 small ICT companies based in Nairobi County formed the target population. The researcher grouped the population into strata according to their years in operation. Due to time and resource constraints, it was not possible to study the entire population. A sample of 232 small ICT companies was therefore selected from the target population to participate in the study. Respondents consisted of one member from the top management of each company in the sample. The main data collection instrument was questionnaires. The questionnaires were distributed to the respondents. Respondents were expected to complete the questionnaires within a period of two weeks, after which the researcher personally collected them. Data collected was analyzed using SPSS. To determine the effect of the four independent variables on the dependent variable, multiple regression was applied. Tables and charts were used to present the results of the study.

Results: From the results, strategic planning in the confines of environmental scanning, formality, time horizon and evaluation was found to have a significant effect on financial performance, collectively accounting for 60% for the changes in the financial performance of small ICT companies. An ANOVA test revealed that environmental scanning, formality and evaluation have a significant effect on the financial performance of small ICT companies. Time horizon was however found to have no significant effect on financial performance of small ICT companies. The study therefore concluded that strategic planning has a positive effect on the financial performance of small ICT companies in Nairobi County.

Unique Contribution to Theory, Practice and Policy: The study recommends that there is need for the government, policy makers and regulators to provide regular information and insight into the ICT sector. This information can be beneficial in understanding the contribution of the sector, services on demand, service providers, technologies, the state of competition, compliance requirements and regulations.

Key Words: *Strategic Planning, Financial Performance and Small ICT Companies*

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1.0 INTRODUCTION

A company without a strategy is like an airplane weaving through the skies, hurled up and down, slammed by winds and lost in the thunder heads. If lightning or crushing winds do not destroy it, it will simply run out of gas. Such is the analogy drawn by Toffler (2003) in an attempt to emphasize the importance of strategy to organizations in the present age. Over the past decade, a lot of external changes have taken place in the global business environment. Today, the business environment is characterized by globalization, liberation of markets and increased competitiveness. Change being a certainty, the ability to actively anticipate, recognize and deal with change in the internal and external environment is what sets apart successful businesses from their counterparts. In order to grow and prosper, managers must engage in a process that identifies change and modifies business activities to take best advantage of change (Isaac, n.d.). That process is strategic planning. The concept of strategy dates back to the early 20th century. With the onset of industrial revolution, the military lexicon, strategy, was borrowed into business to mean configuration of resources to achieve advantage against competitors (Yabs, 2007). Later on, the concept of strategic planning emerged focusing on identifying competitive moves and business approaches to grow the business, compete successfully, attract and please customers, and conduct operations to achieve the targeted level of performance (Thompson et al., 2007). Strategic planning metamorphosed from the widely known financial planning of the 1950s and long range planning of the 1960s into strategic management of today (Chogo, 2015). Strategic management is a relatively new field of study that is still at a pre-paradigmatic stage; it is multidimensional and unifies the concepts of strategy and strategic planning in the broad endeavor of an organization to achieve its purpose (Johnson et al., 2008).

Strategic Planning

Strategic planning can be defined as a tool to determine the mission, vision, values, goals, objectives, roles and responsibilities, time-lines and personnel responsible for moving an organization or institution from the current to the desired state in future (Kiumi & Chiuri, 2005). According to Sababu (2007), strategic planning is a top management function concerned with making decisions with regards to the determination of the organization mission, vision, philosophy, objectives, strategies and functional policies. It encompasses making of strategic choices to position a firm at an advantage against competitors in the long-term (Johnson et al., 2008). Strategic planning is therefore an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy (Khan & Khalique, 2014).

Several approaches to strategic planning exist. A typical strategic planning process examines an organization's present situation, its desired future, its aspirations as an organization, and its intentions for moving forward. Gates (2010) explains that these high-level elements are described as: The What - descriptions of what the organization does and what it aspires to achieve in terms of its organizational targets, including its goals, objectives, and quantitative performance measures; The Present - the present situation, or current environment, is typically described in terms of the organization's mission, guiding principles, organizational strengths, and organizational barriers or weaknesses; The Future - this is described by the organizational vision and targets; The How - the preferred route to achieving the organizational goals, objectives, and mission is communicated as a strategy or as strategic

goals. Strategic goals typically reflect the primary goals of an organization or enterprise and imply a particular set of strategies (Gates, 2010).

ICT Companies in Nairobi County

Kenya has been affected by international trends such as recession and globalization of competition. Information and Communication Technology (ICT) has played an important role in this, greatly affecting the way we do business. As a key enabler of socioeconomic progress and development, ICT is enhancing productivity and therefore economic growth, reducing poverty and improving living standards in many ways (The Global Information Technology Report, 2009). The IT sector in Kenya has risen to become an important contributor to economic growth. Nairobi is now recognized as the most vibrant technology hub in East Africa. The Government has recognized the importance of ICT as a powerful tool in steering the productivity of all sectors and empowering people to meet the challenges of the 21st century. The broad application of ICT and its ability to increase business efficiency has seen a rapid increase in the demand for ICT software and hardware products, owing to the fact that many companies are now integrating it into their business processes. To meet this demand, entrepreneurs and investors alike are rushing in to take advantage of the growing number of opportunities in the sector.

Many new ICT firms are being formed every day in Kenya. Dubbed startups, these firms are saturated by talent from industry-ready ICT graduates. A number of ICT hubs and development groups in Kenya established to promote the development and use of ICT technologies through co-working, collaboration and incubation services, have seen Kenya earn the title of Silicon Savannah. Such include iLab, iHub, Nailab, University of Nairobi's C4DLab and infoDev's mlabs in Kenya. These bring together technologists, investors, tech companies and hackers, creating an ecosystem of creators and users of ICT and mobile technologies. Through these hubs, youths benefit from training in tech-entrepreneurship, contributing to the uprising of ICT companies in the country. As a result, tech-entrepreneurship creates many employment opportunities for the youth in Kenya, greatly contributing to the country's economy.

Kenya's ICT industry is dominated by the success of mobile phone penetration and concomitant innovative new services driven by ICT, especially that of mobile money and mobile applications, for which Kenya has a strong reputation (Peake, 2013). Since liberalization of the telecommunications sector in 2001, the mobile phone sector has experienced phenomenal growth especially with innovative ideas like mobile money transfer, a concept that is unique in the world. Kenya is now the global leader in mobile money transfer. As this trend continues, the ICT sector is set to contribute up to eight percent to the country's GDP through IT-enabled services and create 180,000 jobs by end of the year 2017 (Ventures Africa, 2015 March 5). While the Government and the private sector have been investing heavily in the ICT infrastructure, there has comparatively been little investment in the human resources required to design, develop and operate this infrastructure and the associated e-applications.

Statement of the Problem

Although SMEs contribute immensely to the economy of a country, they are characterized by low performance and high failure rate (Jocumsen, 2004; Majama & Magang, 2017). This is often blamed on lack of resources such as funds and skilled labour (Wijetunge &

Pushpakumari, 2014). Even on the availability of such resources, some SMEs still fail due to lack of strategic planning (Majama & Magang, 2017). Like SMEs, small ICT companies in Nairobi County are faced with various challenges and constraints that affect their growth, contributing to their high failure rate (Awino, 2013). These include among others, unfavorable policy environment, limited access to financial resources, inadequate business skills, lack of knowledge about customer's needs, increased need for innovation, reduced go-to-market time for products and limited time for planning. Emerging opportunities and threats present such businesses with increased internal and external uncertainty resulting in lack of awareness and direction (Taiwo & Idunnu, 2007). They therefore spend most of their time realizing and reacting to unexpected changes and problems instead of anticipating and preparing for them (Taiwo & Idunnu, 2007). Competition and the costs of operation eventually deems the environment unfavorable for many small ICT companies. These companies end up making massive losses, which may result in their collapse. Since strategic planning is perceived relevant in diagnosing the prevailing competitive and turbulent business environment and enabling appropriate resource allocation (Barney, 2007), it may help address some of the challenges faced by small ICT companies in Nairobi County. This can in turn gear the firm towards achievement of its short-term objectives and long-term goals which determine a firm's performance level in the markets and industries it operates (Barney, 2007).

The purpose of this study was to determine the effect of strategic planning on the financial performance of small ICT companies in Nairobi County. Several studies exist which address the strategic planning-performance relationship. Kraus et al. (2007) investigated the contribution of strategic planning formalization, time horizon, strategic instruments and control to the organizational performance, measured by growth of the firm in Austrian organizations. While the study by Kraus et al. gauged performance in terms of organizational measures, the researcher in this study will focus on financial measures as indicators of performance. In Nigerian banks, Taiwo & Idunnu (2007) conducted a research on strategic planning and organizational performance. They generally examined the link between strategic planning and performance, strategic planning and organization survival as well as the determinants of planning intensity. Aldehayyat (2011) studied strategic planning and organizational effectiveness in Jordanian hotels. In as much as his study provided insight on the nature of strategic planning practice in small firms, the focus was generally on Middle East countries. Not only are the above three studies outside the Kenyan and specifically Nairobi County context, but also, none of these focused on the ICT sector.

In Kenya, although past studies on the same topic have focused on other industries, only a few are focused on the ICT sector. Jarso (2012) sort out to establish the extent of strategic planning within the ICT industry, Kenya and further establish the relationship between strategic planning and firm financial performance. Amurle (2013) focused on the contribution of strategic planning on learning and growth, internal business processes improvement, competitive advantage and financial performance of ICT SMEs. This study sought to focus the relationship between key strategic planning dimensions namely: environmental scanning, formality, time horizon and evaluation on the financial performance of small ICT companies in Nairobi County.

2.0 LITERATURE REVIEW

Theoretical Review

Chaos Theory

Chaos theory is the study of complex, nonlinear, dynamic systems. The theory was pioneered by Lorenz (1963) while studying the dynamics of turbulent flow in fluids. The problem can be illustrated by observing the motion of a metal ball suspended over two or more magnets (Levy, 2008). The ball will trace a series of patterns that never exactly repeat themselves, and yet are not totally random (Levy, 2008). If we knew precisely the original location, speed, and direction of the ball, we ought to be able to predict its path with a reasonable degree of accuracy. But this is not the case. How is it that deterministic systems can give rise to unpredictability? The explanation is that tiny variations in the motion of the ball are magnified every time it swings by one of the magnets. It is the combination of these variations and the repeated interactions that give rise to chaotic behavior. At the limit, chaotic systems can become truly random (Levy, 2008). One of the major achievements of chaos theory is its ability to demonstrate how a simple set of deterministic relationships can produce patterned yet unpredictable outcomes. Chaotic systems never return to the same exact state, yet the outcomes are bounded and create patterns that embody mathematical constants (Feigenbaum, 1983, as cited in Levy, 2008).

In order to relate the theory to strategy, we need to conceptualize industries as complex, dynamic, nonlinear systems. Firms interact with each other and with other actors in their environment, such as consumers, labor, the government, and financial institutions (Levy, 2008). These interactions are strategic in the sense that decisions by one actor take into account anticipated reactions by others, and thus reflect a recognition of interdependence. If industries do behave as chaotic systems, a number of implications for strategy can be drawn: i) long-term planning is very difficult ii) industries do not reach a stable equilibrium iii) dramatic change can occur unexpectedly iv) short-term forecasts and predictions of patterns can be made v) guidelines are needed to cope with complexity and uncertainty. Therefore, by understanding industries as complex systems, managers can improve decision making and search for innovative solutions (Levy, 2008).

The Industrial Organization Theory

Industrial organizational theory emphasizes the influences of the industry environment upon the organization (Wright et al., 2005). Additionally, the theory asserts that organizations which develop a strategic fit within the industry's forces will survive and prosper; and that the firm's profitability is determined by the core competences working within the external environment (Wright et al., 2005). The central tenet of this theory is that a firm's performance is mainly a function of the industry environment in which it competes. The industrial organization theory is deterministic by its assumption that the continuity of an organization relies heavily on its ability to adapt to an industry's forces, and that an organization's strategies, resources, and competencies are reflections of the industry's environment (Wright et al., 2005).

Tang and Thomas (2002) argued that in order to be effective, an organization can choose to become proactive by operating in industries where the opportunities and threats are similar to the organizations strengths and weaknesses. Should the forces of the industry turn unfavorable, the firm may choose to relocate to a more favorable location where its resources

and competencies could be better utilized (Tang & Thomas, 2002). Strategic choices alone are not enough to explain the ability of an organization to compete with clusters of firms in a saturated industry. Furthermore, any proactive initiatives the organization implements to differentiate itself from its competitors will depend on the ability of the firm to react to its competitor's strategic initiatives in a systematically different manner (Tang & Thomas, 2002).

This theory is therefore important in explaining the extent to which firms engage in strategic planning activities for profitable operations. A look at the external environment of a firm can help reveal industrial trends which in turn act as a basis for evaluation and control of the strategic planning. These key learnings when formally documented and time-lines well observed constitute a company's core competence.

Empirical Review

Most studies agree that environment scanning is the most important stage that SMEs should look into in order to survive in the intensity of market competition (Cheng etal, 2014). This is mainly due to the fact that many companies are now competing in a global market. There must be a strategic fit between what the environment wants and what the business has to offer, as well as between what the business needs and what the environment can provide. Environmental scanning is thus widely viewed as the first step in the process of linking strategy and environment (Karami, 2008). Scanning provides information about events and trends in their relevant environments, which facilitates opportunity recognition (Grant, 2000). According to Thagana (2013), firms that compete in high velocity environments such as electronics, computer software, biotechnology, and health care industries must adopt short planning horizons and develop scanning mechanisms that focus on detecting shifts in environmental trends that provide opportunities for new products and services.

Grant (2006) explains the need to include specific timescales, detailed documentation and written reports, standardized methodologies, and planning specialists in a strategic plan. The literature indicates that the aim of a strategy, that is competitive advantage, may be achieved only when a plan is well-designed and implemented. Phillips and Peterson (2009) mention that the strategic planning process is considered formal when it is preordained, seeks others' commitment, and results in written documents. Strategic planning is formal when the "process involves explicit systematic procedures used to gain the involvement and commitment of those principal stakeholders affected by the plan" (Glaister & Falshaw, 2009).

The duration of strategic plans has remained controversial since writings in the 1980s and 1990s. A number or past studies have found that timing is linked with enhanced performance (Montebello, 2001, Capon et al, 2004). Geiss (2003) confirms that an institution's ability to appropriately envision its future results in the proper allocation of current resources to ensure sustained growth. Planning is more formalized, the longer the time span it covers (Crittenden & Crittenden, 2000). Veskaisri et al. (2007) states that timing plays a key role in determining the level of impact strategic choices may have on institutional performance. Glaister and Falshaw (2009) explained further that an effective strategic planning system is one that links long-term strategies with both medium-term and operational plans. Mitchelmore and Rowley (2013), recommend that firms should lengthen the time horizon of strategic planning in order to gain better performance. Depending on the environment the research was conducted in,

authors recommend strategic plans ranging from one to two years to up to 10 years (Boateng et al., 2014).

According to Arasa and K'Obonyo (2012), strategic planning, or any other management technique is of limited value by itself, and only a partnership with all parts of the management particularly execution, controls and rewards can result in synergy and lead to substantial advancement. David (2003) states that the best formulated and best implemented strategies become obsolete as a firm's external and internal environments change. In their survey to see how successful companies translate their strategies into performance, Mankins and Steele (2005) observed that companies typically realize only about 60 percent of their strategies potential value because of defects and breakdowns in planning and execution. Hofer and Schendel (2008) argue that strategy is important and therefore its formulation should be managed and not left to chance. It is essential, therefore, that strategists systematically review, evaluate, and control the execution of strategies (David, 2003).

Empirical evidence indicate that SMEs that engage in strategic planning are more likely to be those that achieve higher sales growth, higher returns on assets, higher margins on profit and higher employee growth compared to those that do not (Bracker, Keats & Pearson 2008; Berman et al. 2007; Carland & Carland 2003). With respect to performance, strategic planning is generally more common in better performing SMEs (Gibson & Casser 2005). Arasa and K'Obonyo (2012) studied the relationship between strategic planning and firm performance with focus on the steps of the strategic planning process. Their study conceptualized that firms that have effectively embraced strategic planning, record better performance as compared to those that have not. Laitinen (2002), in O'Regan and Ghobadian (2007) explain performance as the ability of an object to produce results in a dimension determined a priori, in relation to a target. Bernardin and Russel (2009) state that performance is the record of the result which is gained from the function of certain work or certain activities in certain period of time. Ayieko (2009), reports a meta-analysis of 21 studies including 29 samples and 2,496 organizations done by Boyd (2001), who concluded that there were modest positive correlations between strategic planning and financial performance.

Conceptual Framework

This study looks at the dimensions of strategic planning and their implications on financial performance. The focus of this study is on small ICT companies in Kenya and specifically, Nairobi County. The specific variables of interest are: environmental scanning, formality, time horizon and evaluation. This study seeks to determine the effects of these on the financial performance of small ICT companies in Nairobi County.

The study variables are conceptualized as shown in figure 1:

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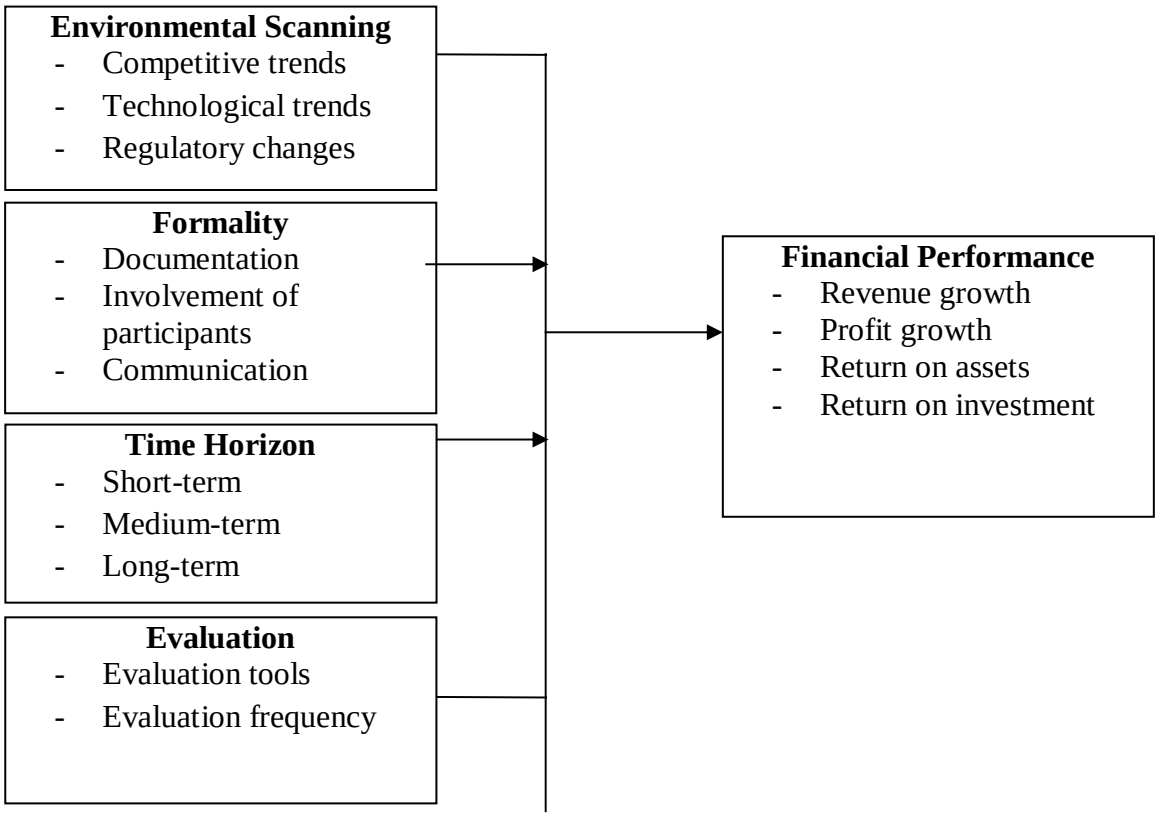

Figure 1: Conceptual Framework

3.0 RESEARCH METHODOLOGY

The descriptive research design was adopted in the study. A total of 584 small ICT companies based in Nairobi County formed the target population. The researcher grouped the population into strata according to their years in operation. Due to time and resource constraints, it was not possible to study the entire population. A sample of 232 small ICT companies was therefore selected from the target population to participate in the study. Respondents consisted of one member from the top management of each company in the sample. The main data collection instrument was questionnaires. The questionnaires were distributed to the respondents. Respondents were expected to complete the questionnaires within a period of two weeks, after which the researcher personally collected them. Data collected was analyzed using SPSS. To determine the effect of the four independent variables on the dependent variable, multiple regression was applied. Tables and charts were used to present the results of the study.

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4.0 FINDINGS

4.1 Respondents Profile

4.1.1 Gender

From the results, majority of the respondents were male. Only 9% of the responses were obtained from females, an indication that either the ICT industry is dominated by males, or that top-management positions are predominantly held by males. Table 1 shows the gender breakdown of the respondents.

Table 1: Gender

Gender	Frequency	Percent (%)
Male	167	91
Female	17	9
Total	**184**	**100**

4.1.2 Age Group

The respondents in the study were classified according to their age groups. Table 2 illustrates the results of this classification.

Table 2: Age Group

Age Group	Frequency	Percent (%)
18 – 29 years	4	2.2
30 – 39 years	58	31.5
40 – 49 years	103	56.0
50 – 59 years	18	9.8
60+ years	1	0.5
Total	**184**	**100**

Most of the respondents or 56% were between 40 and 49 years followed by those between 30-39 years old at 31%. The remaining 13% of the respondents occupied the other age groups with 2% falling between 18 and 29 years and 9% between 50 and 59 years old. One respondent was over 60 years old and was the owner of the company he worked for. The results revealed that ICT industry is endowed with a mix of human capital that is both young and mature. This is likely to encourage flexibility, innovation, and creation of new core competencies and hence the likelihood of enhanced firm capabilities.

4.1.3 Level of Education

According to the results tabulated in table 3, the highest level of education observed was post graduate with 11 respondents having at least one doctorate degree and constituting 6% of the total respondents. This was followed by those with masters degrees at 29.4%. 63% of the respondents had a university degree. The lowest level of education observed was college diplomas and certificates with 1.6% of the total respondents. All respondents had more than high school education. This suggests that, small ICT companies have the potential to be more productive, and more likely to engage in strategic planning, potentially increasing the performance and growth of the sector.

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Table 3: Level of Education

Level of Education	Frequency	Percent (%)
Primary School	0	0.0
High School	0	0.0
College	3	1.6
Undergraduate	116	63.0
Graduate	54	29.4
Post Graduate	11	6.0
Other	0	0.0
Total	**184**	**100**

4.1.4 Experience in the Company

In terms of the number of years worked in the company, 59 respondents had over 3 years' experience, constituting 32% of the total respondents. As evident from table 4.5, 67% of the respondents were relatively new to the firm, having worked in their respective companies for below 3 years. This can be explained by the fact that only 85 of the total 184 companies have been in operation for over 3 years.

Table 4: Years worked in the Company

Years in the company	Frequency	Percent (%)
Less than 1 year	5	2.7
I-2 year	34	18.5
2-3 years	86	46.7
Over 3 years	59	32.1
Total	**184**	**100**

Companies Profile

In terms of the number of years in operation, the study found that majority of the companies had been in operation for over 3 years at 46%, followed closely by companies which had been in operation for between 2 and 3 years at 35%. Only 2% of the respondents were from companies that are less than one year old. The results suggest that only a small number of the small ICT companies are endowed with experienced and competent human capital that are more likely to adopt strategic planning practices in an effort to adapt to the environmental challenges. With the focus of the study being small companies, all the respondents were from companies with between 10 and 49 employees.

Table 5 Years in Operation

Years in operation	Frequency	Percent (%)
Less than 1 year	4	2.2
I-2 year	29	15.8
2-3 years	66	35.8
Over 3 years	85	46.2
Total	**184**	**100**

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4.2 Environmental Scanning

The researcher sought to determine the level at which environmental scanning is conducted in small ICT companies in Nairobi County. Questions were posed with regards to the existence of an environmental scanning system and its effectiveness in the collection, application and communication of data related to competitive, technological and legal trends affecting the organization. Table 6 summarizes the results.

Table 6: Environmental Scanning

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Existence of a formal scanning system	32.1	56.0%	0.0%	11.9%	0.0%	**100%**
Environmental data needs are communicated to stakeholders	7.1%	38.6%	11.4%	34.2%	8.7%	**100%**
Environmental scanning is a continuous activity	27.7%	43.5%	9.2%	11.4%	8.2%	**100%**
There is staff involvement in collecting and reporting on environmental data	9.2%	24.0%	19.5%	47.3%	0.0%	**100%**
The environmental scanning process is proactive	17.4%	38.0%	18.5%	14.1%	12.0%	**100%**
Information on competitors is available and up to date	13.5%	62.0%	12.5%	12.0%	0.0%	**100%**
Availability of information on emerging technologies in the business environment	27.7%	64.1%	8.2%	0.0%	0.0%	**100%**
Awareness of new and pending government laws that may impact the business	14.7%	46.2%	33.1%	6.0%	0.0%	**100%**
Output is applied in strategic planning and decision-making	12.0%	48.9%	5.4%	33.7%	0.0%	**100%**
The scanning function is perceived as highly effective	13.0%	50.0%	11.4%	25.6%	0.0%	**100%**
The company is able to adapt to environmental changes	8.7%	29.9%	61.4%	0.0%	0.0%	**100%**
Scanning alerts managers on issues not currently on their agenda	15.8%	79.3%	4.9%	0.0%	0.0%	**100%**
Leads to competitive advantage and innovation	14.1%	77.2%	8.7%	0.0%	0.0%	**100%**
Mean/Average	**16.4%**	**50.6%**	**15.7%**	**15.1%**	**2.2%**	**100%**

The results were an indication that most of the participating companies have a formal environmental scanning system in place. This consisted of 32% who strongly agreed to the existence of a scanning system and 56% who agreed to the same. 12% of the respondents stated that they did not have a formal mechanism of collecting, utilizing and communicating environmental data. The results were close to those from a study by Karuiki (2015). The study was aimed at determining the factors affecting the development of strategic plans in

SMEs. The results showed that 18.3% of the respondents strongly agreed, 54.8% agreed 22.2% remained neutral whereas 1.6% of the respondents disagreed regarding whether environmental scanning is important to any corporation.

On whether environmental information requirements are communicated to all stakeholders, 46% of the respondents agreed to making known the environmental data needs to all parties in the company, with 7% and 39% strongly agreeing or agreeing to adhering to this respectively. 34% of the respondents did not make known environmental data needs to all stakeholders while the remaining neither agreed nor disagreed. A majority of the respondents consisting of 43%, stated that only specific individuals, mainly from top management, participate in the collection and dissemination of environmental data. While 19% were undecided, a total of 31% confirmed the involvement of staff members in collecting and reporting of information regarding the environment. 71% of the respondents in the study treat environmental scanning as a continuous activity, constantly looking for information from within and without the organization that could affect it in one way or another. This percentage consisted of those who agreed as well as those who strongly agreed. A total of 20% only collect and make use of environmental information when necessary, often subject to changes in the environment. 9% of the respondents were neutral to the subject.

From this study results, a total of 76% of the respondents were well informed about competition, 12% did not have updated information on their competitors while 12% remained unsure regarding the availability of detailed information on who their competitors were. Amurle (2013) found that 85% of the respondents had knowledge on their competitors concluding that the ability to understand competitors' moves, strengths and weaknesses is likely to provide small firms with strategic information, consequently laying the foundation for success.

ICT companies being in the technology industry, 92% of the respondents were well informed about the latest technological trends. Only 8% were undecided. This could be due to the fact that the companies thrive through the application of technology, and hence their research tend to be focused around the same. 61% of the respondents were aware of new and pending legal requirements that applied to their companies. The figure constituted 14% of those who strongly agreed and 46% who agreed to being informed about the current laws and how it would affect their companies. 33% were not sure whether all the legal information was available while only 6% did not now about the latest and upcoming legal requirements. 14% of the respondents felt strongly that environmental scanning helped put their companies ahead of competition. A majority agreed that the scanning function resulted in innovation, eventually making them competitive. The remaining 8% were yet to understand the link between conducting environmental research and competitive advantage in their companies.

55% of the respondents deemed the scanning process as proactive in identifying potential areas that needed attention while to 26% of the respondents, the process was not quick enough in identifying and dealing with changes in the business environment. Asked whether the information acquired from environmental scanning was applied in strategic planning and decision making, a majority of 61% were in agreement. 33% did not or were unable to use the information on decision making and strategic planning while 5% neither agreed nor disagreed to putting the information into use. From the results of the study, a total of 63% consisting of 13% who strongly agreed and 50% who agreed, deemed the environmental

scanning function in their companies as highly effective. 25% felt that the scanning function in its current form was not effective while 11% neither agreed nor disagreed.

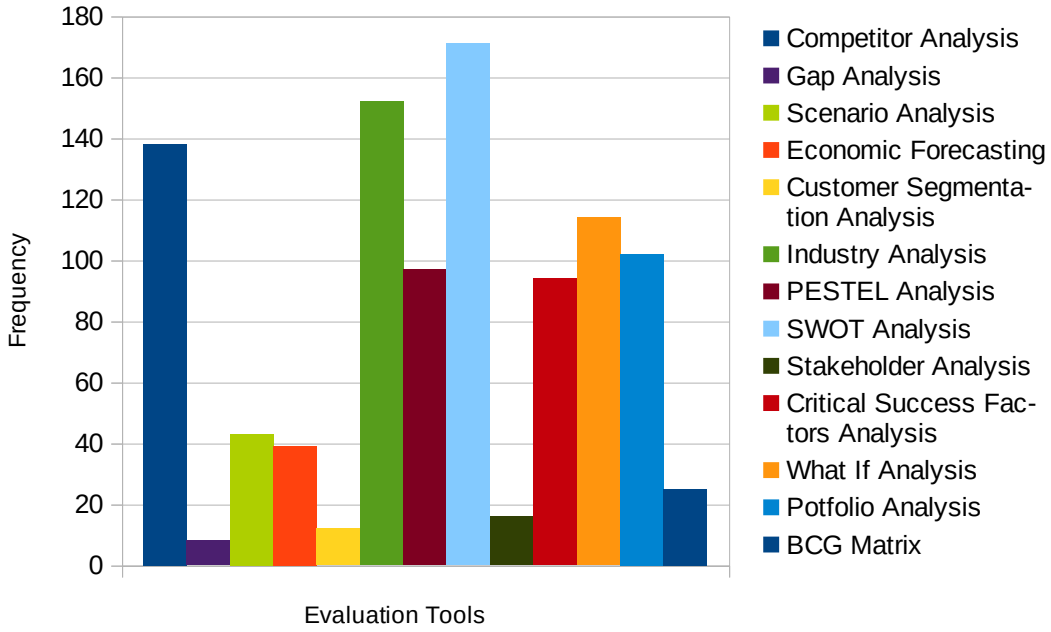
As to the ability of the company to adapt to changes in the business environment, 8% of the respondents agreed strongly while 29% were in agreement. The remaining 61% were not sure whether their companies were resilient to changes in the environment. When asked whether environmental scanning was able to alert managers on issues currently outside their focus, almost all of the respondents responded positively bringing the number to 95%. Only 5% of the respondent remained neutral. None of the respondents responded negatively to the subject. Generally, an average of 67% of the respondents agreed or strongly agreed to performing environmental scanning to an extent and that the results proved effective in achieving the company objectives. 15% neither agreed nor disagreed to the general adoption of environmental scanning practices or its benefits as applies to their companies. A total of 17% felt that environmental scanning was not being practiced effectively in their companies and as such, its impact was not being felt.

The ICT sector is highly volatile and is characterized by changes in the business environment often brought about by rapid innovation, increased competition and changes in government policies. The study findings show that many small ICT companies recognize this fact. As a result, the companies are in constant attempt to survive the numerous environmental factors that may affect their performance. This is in support of the open system theory which states that organizations must be aware of the effects of the environment in which they operate in (Cole, 2004). The results of the study reveal that majority of the companies in the study were armed with the latest information regarding technological trends, competition as well as legal requirements. This study notes that technological changes were considered as more disruptive, compared to competition and legislative changes. Amurle (2013) however, found that, political instability had the greatest potential to affect the firms and thus, likely to affect growth and expansion of the ICT industry in Kenya. In this study, changes in technological trends are seen as the key trigger to other factors including competition, and may attract new government laws. The ability of a firm to apply technology in a creative manner is what sets it apart from competition, eventually dictating its performance and survival.

The nature of environmental scanning practiced in small ICT companies from the study is worth noting. Environmental scanning was considered by a number of companies as less proactive and more reactive with most companies struggling to stay abreast of environmental changes. This could be due to the view that strategies limit an SME's scope of activity too much, thereby reducing its flexibility. The process is continuous and its output used in decision making, perhaps a reflection of the rapid innovation and the need for quicker go-to-market time.

With regards to the most commonly used tools in collecting environmental scanning data, figure 2 indicates that most companies use SWOT analysis. The least commonly used tool from the results of the study was GAP Analysis.

Figure 4.1: Strategic Planning Tools



4.3 Formality

The study considered three aspects of strategic planning formality namely: documentation, stakeholder involvement and communication. Statements were put across with regards to the existence of a well-defined and documented strategic plan; whether strategic planning meetings were conducted and whether these were scheduled or impromptu meetings; whether all stakeholders were invited to the meetings; whether the meetings were characterized by open discussions and; whether the plan was communicated to all stakeholders. Responses were inform of a 5-point likert scale ranging from strongly agree to strongly disagree, with strongly agree being scored at five points while strongly disagree was scored at one point. The results are summarized in table 7

Table 7: Formality

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Existence of well-defined strategies	12.5%	23.9%	15.2%	48.4%	0.0%	100%
The strategic planning process, activities and participants is documented in a manual	6.5%	15.8%	32.6%	28.3%	16.8%	100%
Strategic meetings are conducted	19.0%	70.1%	10.9%	0.0%	0.0%	100%
Strategic planning meetings are scheduled	7.1%	33.7%	11.4%	26.6%	21.2%	100%
All stakeholders participate in strategic planning meetings	3.3%	26.6%	18.5%	51.6%	0.0%	100%
Open discussion during strategic planning meetings	7.6%	31.0%	20.7%	27.7%	13.0%	100%
Organizational strategies are well documented	3.8%	33.2%	26.1%	25.0%	11.9%	100%
Top managers decide the way forward based on changes in the business environment	6.0%	63.0%	20.7%	10.3%	0.0%	100%
The plan is communicated to all stakeholders	2.7%	26.1%	25.0%	26.6%	19.6%	100%
Total	**7.6%**	**35.9%**	**20.1%**	**27.2%**	**9.2%**	**100%**

While most respondents, agreed to conduct strategic planning meetings with the aim of deciding on the direction of the company, only a total of 36% defined the agreed company strategy in detail. This is constituent of 12% who strongly agreed to having well defined strategies and 23% who agreed to the same. 48% of the respondents denied the existence of well-defined strategies. 15% neither agreed nor disagreed. Documentation of the working strategic plan is one of the proofs of a well-defined strategic plan. As to the availability of such documentation to serve as a reference point, only a total of 22% were in agreement. 28% did not have a documented plan to guide the strategic planning process and activities. 16% definitely did not have the process written down anywhere. 32% of the respondents remained neutral.

Strategic planning meetings were conducted by a total of 89% of the respondents. Of these meetings, 41% were well planned and scheduled. 48% of the respondents confirmed that their strategy meetings were impromptu, bringing about the possibility that some of the strategies adopted were mainly emergent not planned strategies. These could have been triggered by key learnings by the companies and/or happenings in the business environment. The notion was further strengthened by the fact that a total of 69% were in agreement that top managers often decided on the company's direction based on changes in the business environment.

With regards to participation, 7% of the respondents agreed strongly that their strategic planning meetings were characterized by open discussion while 31% felt that all parties were given a chance to express their opinions. In total, 40% of the respondents felt that the planning meetings were not participatory. 21% thought the process was to an extent participatory but with an element of command and control. On the subject of communication,

an aggregate of 29% of the respondents were in agreement that the strategic plan was communicated to all stakeholders. This percentage entailed about 3% who strongly agreed and 26% who agreed. 25% of the respondents neither agreed nor disagreed to the extent to which the plan was communicated while a majority of 46% stated that the plan was not communicated to all the organizational stakeholders.

In summary, the study results revealed that 8% of the respondents strongly agreed to practicing formal strategic planning while 36% agreed to the same. In total, 43% of the respondents agreed to having documented plans as well as involving and communicating the plan to all stakeholders. 37% disagreed to the adoption of formal planning in their organizations. Of the 20% who neither agreed nor disagreed, some of the respondents did not want to comment on the subject.

The researcher noted from the results that strategic planning in small ICT companies considered in the study was to an extent informal. This was evident in the fact that: most of the strategic plans were not well documented; majority of the planning meetings were not scheduled; there was little stakeholder involvement; in most cases, top-managers decided on the way forward without proper consultation; less than half of the respondents communicated the company direction to all stakeholders; in addition, more than half of the respondents could not classify their strategic plans as well defined.

4.4 Time Horizon

Time horizon in strategic planning refers to the length of time covered by a strategic plan. This study sought to find out the most common time horizon adopted by small ICT companies in Nairobi County. The results presented in table 4.9 indicated that majority of the companies or 60% of the respondents have plans which cover a period of one year. The maximum time horizon observed was 5 years. This applied to 28 respondents and was categorized together with those respondents whose strategic plans covered a period of over 3 years.

Table 8: Period covered by Strategic Plans

	Frequency	Percent (%)
Less than 1 year	8	4.3
1 year	112	60.9
2 years	11	6.0
3 years	16	8.7
Over 3 years	37	20.1
Total	**184**	**100**

In an attempt to ascertain the extent to which time horizon is considered by the study respondents, statements were presented on whether the plan covered a well-defined time; whether there were proper consultations on deciding on the time period to be covered by the plan; whether the company is satisfied with the set time-lines; whether there was a well-defined work plan; and whether the time horizon was sufficient for achieving the set objectives. An average of 55% of the respondents responded positively supporting that the aspect of time horizon was considered in their strategic plans, with 7% out of these giving the subject more attention. While 25% neither agreed nor disagreed to the subject, 19% felt that

their companies have not being paying attention to the subject of time horizon. These results were summarized in table 9.

Table 9: Time horizon

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
The plan covers a defined time period	13.6%	73.9%	2.2%	10.3%	0.0%	100%
The company is satisfied with set time-lines	9.2%	56.0%	22.8%	9.8%	2.2%	100%
The time span is sufficient for achieving the set objectives	4.3%	29.3%	45.1%	21.3%	0.0%	100%
Best practices when defining the time horizon are observed	3.3%	26.1%	48.4%	22.2%	0.0%	100%
There is proper consultations in deciding on the time frame	12.5%	54.9%	10.3%	20.1%	2.2%	100%
There is a proper work plan schedule in the strategic plan	2.7%	47.3%	21.2%	23.9%	4.9%	100%
Average	**7.6%**	**47.9%**	**25.0%**	**17.9%**	**1.6%**	**100%**

A detailed look at the results on time horizon revealed that a total of 87% of the respondents responded positively to having strategic plans that covered a defined time period. This figure constituted of 13% of those who strongly agreed and 73% of those who agreed. 10% of the respondents adopted open plans with no defined time frames while 2% remained neutral.

Out of those whose plans covered a definite time horizon, 9% of the respondents strongly agreed that their companies were satisfied with the set time-lines. An additional number of 56% of the respondents confirmed their company's satisfaction bringing the total number of those who were satisfied to total of 65%. About 10% were non-committal as to whether they were in agreement or not. With regards to whether they felt the time period covered by the plan was sufficient for achieving the set objectives, 34% responded in the affirmative with 4.3% extremely confident about this. 21% of the respondents felt the time-lines were unrealistic while a majority of 45% were unsure.

A look into the time horizon considered by most respondents in the study revealed that most strategic plans in small ICT companies are short term. Short-term planning involves looking at the present characteristics of the company and developing strategies for improving these within a year. The plans are not cast in stone and are designed to be changed with most respondents adopting a build-measure-learn approach and others in wait and see mode. This is evident in the fact that most of the respondents were not sure whether the time-lines were sufficient in meeting the objectives while others do not define the work plan in detail. The results therefore show that planning in ICT companies is flexible and adaptive.

4.5 Evaluation

On the subject of evaluation, the researcher wanted to establish whether strategic plans, formal or informal, were evaluated for their effectiveness in meeting the set organizational objectives. It was observed that while all the respondents conduct evaluation of their strategic

plans, only 33.7% of the respondents conduct evaluation regularly. The remaining majority of 66.3% carry out impromptu strategic planning evaluations either as the situation calls for it or subject to availability of the parties involved in the process.

Table 10: Evaluation Frequency

	Frequency	Percent (%)
Regularly	62	33.7
Randomly	122	66.3
Never	0	0.0
Total	**184**	**100**

Out of those who conducted regular evaluations of their strategic plans, 56% evaluated their plans annually, 17% conducted monthly reviews and 21% conducted quarterly evaluations. The remaining 6% evaluated the plan at the end of the time period covered by the plan. These companies consisted of those with over two year plans. Figure 3 shows the results for the evaluation frequency

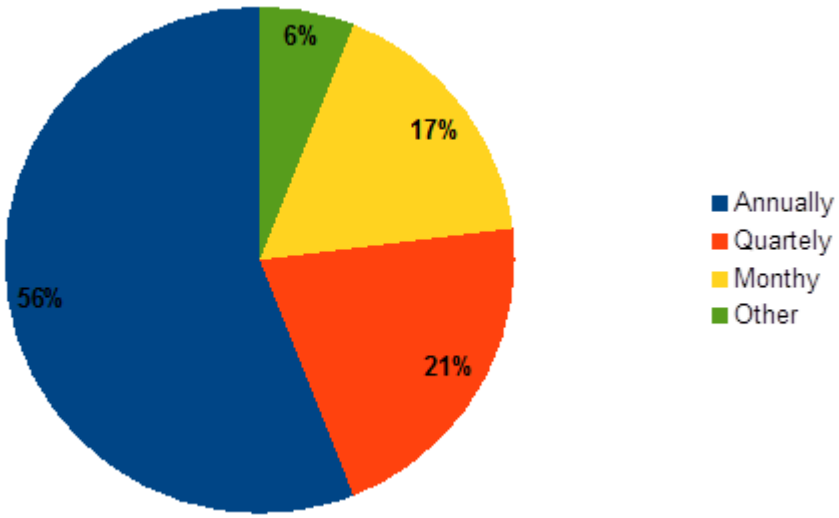


Figure 4.2: Evaluation Frequency

In an attempt to determine the characteristics, extent and effectiveness of the evaluation process, respondents were required to give a score on the extent to which a set of statements applied to their companies on a scale of 1-5 with five being strongly agree and one being strongly disagree. The results were tabulated as shown in table 11. The results indicate that 64% of the respondents evaluated their strategic plans periodically while 26% conducted random evaluations. 7% of the respondents neither agreed nor disagreed to conducting regular evaluations to inquire into the feasibility of each planned programme or to assess the progress and overall impact of implemented programmes.

Table 11: Evaluation

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
The strategic plan is periodically evaluated	25.0%	38.6%	7.1%	24.4%	4.9%	100%
A committee monitors the performance of the plan	4.3%	23.9%	3.8%	60.9%	7.1%	100%
There is feedback mechanism in place	13.6%	39.2%	17.9%	26.6%	2.7%	100%
A set of per-defined KPIs exist against which the plan is evaluated	23.4%	68.4%	2.2%	6.0%	0.0%	100%
Evaluation results are monitored for performance against plan	8.2%	52.7%	22.8%	16.3%	0.0%	100%
Evaluation results are communicated to all stake holders	5.4%	22.3%	31.5%	39.7%	1.1%	100%
Evaluation results are used to modify the strategy	7.6%	62.5%	26.6%	3.3%	0.0%	100%
The evaluation process is able to identify where corrective action is needed	16.8%	64.1%	13.0%	4.5%	1.6%	100%
Any identified gap(s) is dealt with accordingly	14.7%	48.4%	25.0%	8.7%	3.2%	100%
The impact of changes after initial strategy formulation can be effectively determined	21.2%	58.2%	16.8%	2.7%	1.1%	100%
Total	**14.0%**	**47.8%**	**16.7%**	**19.3%**	**2.2%**	**100%**

Most of the respondents did not have a special committee to monitor the performance of strategic plans. Only 28% had a special team in charge of performance monitoring. Asked about the existence of a feedback mechanism in the evaluation process, 13% strongly agreed while 39% had a means of collecting feedback on the performance of the strategic plan. 62% of the respondents generally agreed that the evaluation process adopted by their firms were effective, with 14.1% of the 62% strongly affirming the importance of this process in identifying gaps and potential loopholes in the strategic plan. 19% did not have an effective evaluation process in place. 2.2% strongly disagreed to the effectiveness of the process. In total, 21% responded negatively towards the existence of an effective evaluation process and its ability to assist in adapting the strategic plan to change.

The researcher was interested in knowing which evaluation tool was considered most by the companies participating in the study. Respondents were presented with a list of tools and were required to select each that they have used in evaluating performance. A tally was taken

against each tool mentioned. Figure 4.3 illustrates the results. The results indicated that the most commonly used tool in evaluation was Gap analysis while critical success factors was least used.

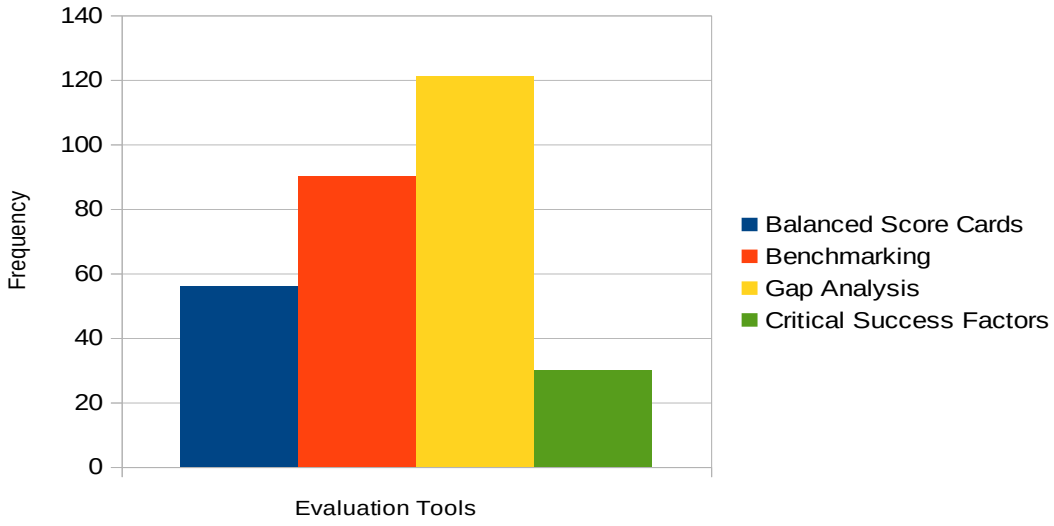


Figure 4:Evaluation Tools

This study shows that planning evaluation is taken seriously by most small ICT companies in Nairobi County. The role of evaluation is highly regarded, perhaps in recognition of the volatility in the operating environment. Performance milestones are defined beforehand. Evaluation happens in the backdrop of resource constraints including limited budgets and human resource constraints evident in the fact that majority of these small ICT companies neither have a special unit nor a committee in charge of performance evaluation. This notwithstanding, planning evaluation is carried out against a set of predefined performance indicators. Results of the evaluation are factored in to the plan and as a result, the impact of changes can be determined.

It is worth noting that in most cases, a feedback mechanism barely exists in which stakeholders can report progress on performance while in most of the companies, evaluation results are not communicated back to all stakeholders. Management however needs continuous awareness of challenges so that they can develop timely responses to these. These coping mechanisms ensure that the success of the strategic plan is kept on course. Kioko (2012), in a study on strategic planning practices and performance, concluded that among other things, appropriate feedback mechanism is deemed to have the greatest contribution towards performance.

4.6 Financial Performance

To determine financial performance, respondents were required to provide a score based on growth on their profitability, gross revenue, return on assets and decrease in their operational costs in the last three years, or since the company became operational for those that have been in operation for less than three years. The likert scale scores ranged from 5, for strongly agree, to 1 for strongly disagree. Table 12 presents the tabulated results.

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Table 12: Financial Performance

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Net profitability has increased	8.7%	29.3%	23.4%	32.6%	6.0%	**100%**
Gross Revenue has grown	17.9%	51.6%	20.7%	6.5%	3.3%	**100%**
Return on Assets is higher	11.9%	37.0%	28.3%	15.2%	7.6%	**100%**
Operational costs have gone down	15.8%	53.8%	14.6%	10.9%	4.9%	**100%**
Total	**13.6%**	**43.0%**	**21.7%**	**16.3%**	**5.4%**	**100%**

It was observed that 13% of the respondents were satisfied with their general financial performance and felt that they were on a growth path. 43% reported a good performance given their ability to control their costs as well as an increase in revenue and profitability. The two groups resulted in a total of 56% of respondents who reported an improvement in financial performance in the last 3 years. A total of 21% reported negative performance. Out of this, 5% strongly felt that their expenses were out of control given their reduced revenue and increased losses while 16% were struggling to operate below the budget line. 21% neither agreed nor disagreed to witnessing growth in their financial performance for the period in consideration. Some of those who were neutral felt that their financial performance was average with no growth per se. Others did not want to disclose this information. Three respondents, out of those who remained neutral, reported not monitoring their financial performance. These were from companies which had been operational for less than 2 years.

4.7 Strategic planning and Financial Performance

The main objective of this study was to determine the effect of strategic planning on the financial performance of small ICT companies in Nairobi County. Multiple regression with financial performance as the dependent variable against the independent variables namely: environmental scanning, formality, time horizon and evaluation, was calculated using SPSS. The regression against the independent variable indicators yielded the results indicated in table 13.

Table 13: Model Summary

Model	R	R Square
1	.774[a]	.600

The multiple regression model resulted in an R-Squared value of 0.6. R-Squared is a measure that determines how well the model fits the data and is also referred to as the coefficient of determination. It is the proportion of the variance in the dependent variable that can be explained by the independent variables collectively. In this case, 60% of the variance in financial performance can be explained by the four independent variables in the study.

The Analysis of Variance (ANOVA) test was used to determine the overall significance of the model. The test obtained a value of 0.000. This was lower than the 0.05 level of significance considered by the study at 95% confidence level. Consequently, the value was enough proof that the sample data conclude that the regression model fits the data better than the model with no independent variables. The null hypothesis that strategic planning has no effect on the financial performance of small ICT companies in Nairobi County was rejected.

Instead, the study results concluded that indeed strategic planning has an effect on the financial performance of small ICT companies in the county.

Table 14: ANOVAa

Model		Sum of Square	df	Mean Square	F	Sig.
1	Regression	128.956	4	32.239	67.004	.000[b]
	Residual	86.126	179	.481		
	Total	215.082	183			

Where a. stands for the dependent variable financial performance and b. represents the predictors which consists the constant, environmental scanning, formality, time horizon and evaluation. When all the independent variables are held constant, financial performance would be equivalent to the constant value of -0.053, as reported by the B value. Table 4.16 illustrates the individual contribution of each strategic planning indicators to the dependent variable.

Table 15: Model Coefficients

Model	B	t	sig
(Constant)	-0.053	-0.235	0.814
Environmental	0.356	5.281	0.000
Formality	0.211	3.792	0.000
Time Horizon	0.114	1.537	0.126
Evaluation	0.327	5.042	0.000

As seen from the significance values in table 4.16 above, three of the four independent variables were significant to the study. Of the three, environmental scanning had the biggest contribution in the model. This means that with all other factors held constant, a unit increase in environmental scanning led to an increase in financial performance by 0.356. Time horizon had a significance of 0.126. This being greater than 0.05, the variable was proved to have no significance in the study and therefore did not contribute to the multiple regression model.

5.0 CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The study concluded that small ICT companies conduct environmental scanning in an attempt to uncover technological trends, understand their competitive environment and to gain awareness of legal regulations affecting the industry. The study also concluded that formality had a positive effect on financial performance. This means that that companies which adopt formal strategic planning practices including documentation, involvement and communication are likely to obtain better financial results compared to those that do not. The study further concluded that although short term goals are preferred by many small ICT companies in Nairobi County, the length of time covered by the strategic plan has no significant effect on financial performance. The study also led to conclusion that evaluation in strategic planning had an effect on the financial performance of small ICT companies in

Nairobi County. The study also revealed that many ICT companies regularly evaluate their strategic planning process.

Recommendations

The study recommends that since strategic planning has been shown to improve performance of ICT companies, the government and other policy makers should encourage heads of small ICT companies to strengthen their strategic planning skills. Providing subsidized training and short courses on strategic planning can help improve their knowledge on the subject. The study also recommends that there is need for the government, policy makers and regulators to provide regular information and insight into the ICT sector. This information can be beneficial in understanding the contribution of the sector, services on demand, service providers, and technologies, the state of competition, compliance requirements and regulations. The study further recommends that to increase financial performance and eventual survival, small ICT companies in Nairobi County should engage in formal and systematic strategic planning practices. The study also recommends that Managers of small ICT companies should regularly evaluate the strategic plan. The evaluation process should be guided by a formal and documented process and against predefined performance indicators and Strategic plans should leave room for flexibility and where necessary, emergent strategies should be adopted.

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