# EFFECT OF STRATEGIC RISK ON ORGANIZATIONAL PERFORMANCE AMONGST QUOTED MANUFACTURING AND ALLIED COMPANIES IN KENYA

**PHYLIS KWAMBOKA MAKORI**

**A project research submitted in partial fulfilment of the requirements for the award of Master of Business Administration in the Business School of Africa Nazarene University**

**June 2021**

## DECLARATION

I declare that this document and the research that it describes are my original work and that they have not been presented in any other university for academic work.

Name: PHYLIS KWAMBOKA MAKORI

18/06/2021

Student Signature Date

This research was conducted under my supervision and is submitted with my approval as university supervisor.

Supervisor name: DR. GRACE KIIRU

18/06/2021

University supervisor signature Date

**Africa Nazarene University,**

**Nairobi, Kenya**

## DEDICATION

This project is dedicated to God Almighty, my strength, protector and source of inspiration. I also dedicate this project to my husband Evans for being a strong pillar and source of encouragement to complete this project. To my lovely children Michal, Jason and Jadon may God be your guide as you pursue your education now and in future. God bless you.

## ACKNOWLEDGEMENTS

I thank the Almighty God for giving me strength and endurance and complete the program. Without His grace it would not have been possible. I also thank all those who helped me to ensure successful completion of this project. Firstly, my colleagues in the office who understood the many times I had to be away to undertake the MBA course. This also applies to the managers of different companies that took time to respond to my questionnaire.

Special thanks to my Supervisor, Dr. Grace Kiiru for her dedication and invaluable assistance in ensuring that this research project was done to acceptable standards. May God richly bless her.

## TABLE OF CONTENTS

## LIST OF TABLES

## LIST OF FIGURES

## ABSTRACT

The study sought to investigate the effect of strategic risks on organizational performance of amongst quoted manufacturing and allied companies in Kenya. The research was based on three specific objectives: to establish the effect of competition risk, regulatory requirements, economic risk on organizational performance of amongst quoted manufacturing and allied companies in Kenya. The study was guided by protection motivation theory and habitual action theory as the theoretical reviews of the study. The research adopted descriptive survey research design. The target population was the manufacturing and allied companies quoted at the Nairobi Securities Exchange (NSE) where there were 9 companies in this category. The study also targeted 90 strategic risk management and management team as the respondents from the three levels of management that is top, middle and lower management as unit of observation. A census of the 104 respondents was carried out of a target of 109. 5 respondents were used for pilot study. The census technique was more appropriate because strategic risk staff and management team were relatively few and therefore, it was possible to include all of them in the study. Data was collected using structured questionnaires. The data was then analyzed using descriptive statistics and linear regression analysis were used to show the relationship between independent variable and dependent variable. Data was presented in form of frequency tables, figures, percentage, and description forms. The study found that the regression coefficient for competition risk was positive implying that competition risk increased the organizational performance amongst quoted manufacturing and allied companies in Kenya. The coefficient had a p-value of 0.002 which was less than 0.05 leading to the rejection of the null hypothesis. The regression coefficient for regulatory requirements was found to be positive. This implied that the more regulatory requirements the higher the organizational performance amongst quoted manufacturing and allied companies in Kenya. The coefficient had a p-value of 0.001 which was less than 0.05. Thus, the null hypothesis was rejected. In the case of economic risk, the regression coefficient was also positive implying that organizational performance amongst quoted manufacturing and allied companies in Kenya improved by putting economic risk strategies. The coefficient had a p-value of 0.001 which was less than 0.05 leading to the rejection of the null hypothesis. Thus, economic risk had a significant effect on organizational performance amongst quoted manufacturing and allied companies in Kenya. The conclusion was that competition risk, regulatory requirements, economic risk had a significant effect on organizational performance amongst quoted manufacturing and allied companies in Kenya. Overall, the study recommends that organizations should remain agile and responsive to strategic risk through continuous scenario analysis of strategic risk. On competition risk, the study recommends that companies need to innovate products and services which will compete favorably with other companies' products and capture a larger market. Based on the importance of regulatory framework, it is necessary for manufacturing and allied organizations to develop systems for tracking emergence and compliance to regulatory requirements to enhance organizational performance. There is also need for managers in the manufacturing and allied institutions to pay adequate attention to the economic risk by continuous analysis of costs to ensure the organizational performance is within set standards.

## DEFINITION OF TERMS

**Competition:** This is where other businesses offer the same products and are a threat to take away part of the market share currently held by a particular business. (The Economic Times, 2019)

**Economic risks:** Market Business News (2018) highlight that this is the possibility that conditions in the wider business environment say a country may affect a business. These conditions may include exchange rates changes, change in government policies, economic sanctions, change in taxes etc.

**Manufacturing:** Manufacturing is the processing of finished goods from raw materials using human labor and various technologies and equipment in a cost-effective way. (Corporate Finance Institute, 2021).

**Organizational Performance:** This is the measure of how well and organization is using its resources to ensure growth and survival of the firm. It is a measure of growth and survival and fit with environment. It measured using many metrics but most commonly profitability, customer satisfaction and sales growth (Fatihudin and Mochklas, 2018).

**Quoted Companies:** According to Kenya's Capital Markets Authority (2019), these are companies where a part or all its shares are traded on a stock or securities exchange. This enables companies to raise capital and enables investors to sell the shares they hold to other investors.

**Regulatory Requirements:** These are standards set by laws and regulations that businesses must adhere to. Failure to adhere to the standards may lead to business closure or major fines and penalties.

**Strategic Planning:** This is an organization wide process applied to select and set priorities, ensure key inputs and energies are targeted to the set priorities, strengthen business operations, assure management of unity of purpose and adjust the organization's goals and purpose to respond to the changes in its environment (Balanced Scorecard Institute, 2018).

**Strategic Risk:** These are the likely adverse events that either have implications on or are brought about by business strategy and could affect a business' long-term positioning and organizational performance (Deloitte, 2013). According to the

Association of Chartered Certified Accountants (ACCA), Strategic risks are categorized into two: Business risks being risks that arise from the products or services that the business supplies and non-business risks being risks not arising from products or services supplied for example competitor activity and availability of funding. (ACCA, 2020).

## ABBREVIATIONS AND ACCRONYMS

| | |
|---|---|
| **GDP:** | Gross Domestic Product |
| **KAM:** | Kenya Association of Manufacturers |
| **KNBS:** | Kenya National Bureau of Statistics |
| **MSME:** | Micro Small and Medium Enterprises |
| **NSE:** | Nairobi Securities Exchange |
| **PMT:** | Protection Motivation Theory |
| **US:** | United States |
| **UK:** | United Kingdom |

# CHAPTER ONE

# INTRODUCTION

## 1.1 Introduction

This chapter focused on the following sections: introduction, background of the study, statement of the problem, objectives of the study (both general and specific objectives), research questions, and significance of the study, scope of the study, limitations and delimitations of the study, conceptual framework as well as operation definition of key terms.

## 1.2 Background of the Study

Research reveals those businesses systematically and consistently applying strategic planning achieve better business results than those that do not. For better operational performance results, companies should improve in the preparing and assessing phases of using strategic management (Cesnovar, 2016). The ideal scenario is that risks should be assessed before formulating a strategic plan. This way risks in the business environment can be incorporated to determination of achievable operational performance targets. Further some risk mitigation activities have a strategic dimension for instance divestiture and product diversification. These activities should also be included in the strategic plan. Further, by incorporating risk information in business operations management, management have visibility into the return and risk of proposed activities providing an appropriate balance to decision-making (OECD, 2014). Emerging risks should be detected and considered during the process of managing operational performance (Barr, 2012).

Strategic risk arises from key decisions by management. Some risks exist at the point of making the decision while others emerge over time (ACCA, 2020). Emerging risks are new risks or familiar risks that become clear in new or unfamiliar conditions. Further a key part of success is the ability to operate in a dynamic risk environment—one that changes quickly and materializes in unforeseen ways. Such changes modify known risks and create new ones hence the need for businesses to scan the operating environment for future risks and adjust their organisational operations accordingly. In many cases, new

risks are about unclear or changing framework conditions, such as regulatory developments or litigation trends. Therefore, while we may think of new risks as being mostly entirely new, a good number of them are known risks that become new or (re)emerging, as their contextual conditions change. Some risks are changing their characteristics continuously hence they continue to count as emerging risks—cybersecurity risk is a good example (Weyman and Egloff, 2018).

In many cases, emerging risks are unquantified, even though they may pose a high impact potential for businesses. Inadequate data is one characteristic of emerging risks. That means they are in many cases not yet fully documented and researched and might lead to unexpected outcomes. Therefore, early identification of possible changes to the risk environment is important. In this situation, scenario planning is a helpful tool to evaluate possible future outcomes risk assessments, risk mitigation measures and business opportunities. To ensure that a strong risk culture for emerging risk detection and assessment, it is important to conduct business wide discussions involving different stakeholders (Weyman and Egloff, 2018).

There are strategic risks facing businesses globally. Technological disruption has become a major risk affecting businesses globally and in Kenya. A 2013 survey by Placed, a United States of America (USA) based research firm, revealed that retailers most threatened by Amazon's business are Bed, Bath and Beyond, Petsmart and the toy shop Toys R Us. Visitors to these retailers, as found out, are among most likely to view products in the stores and then later buy them at reduced prices through Amazon, an online shopping platform (Wacksman and Stutzman, 2014). Hence the emergence of new technologies such as online shops pose a challenge to the traditional businesses that sell through physical stores. Today, there are significant shifts in consumer behavior and product and service distribution methods. There have been dramatic changes brought about by technologies like the internet, social media, and mobile banking (Brett, 2014). Businesses that do not innovate to align their processes to emerging technological trends may report poor operational performance and be forced to close.

Another risk related to technological disruption is the globalization phenomena. Customers can buy products online from almost any part of the world. Globalization is a major force affecting business in the world today as stated by Goldin (2021) who found that globalization has introduced new types of risk, especially systemic risk. Because of the increasing interrelationship of global systems, risks now transmit much further and faster than before, moving from one industry or country into entire continents and sectors. By affecting businesses' present conditions and influencing the way institutions change, globalization shapes the future of business in most parts of the world. Globalization affects aspects of the business context ranging from the changing tastes of urban consumers to international sourcing hence international competition to improved communications in remote rural areas. As Boss (2010) asserts the globalization phenomena creates both winners and losers at business levels and even at the level of country economies with countries like Denmark and Ireland benefitting greatly from globalization.

For local firms, the global risks apply. Cusolito and Cirera (2016) observed that in Kenya the manufacturing sector showed a lackluster performance compared to the services sector. Specifically, the firms are faced with increased competition because of cheap imports from countries with lower production costs such as China. Mutegi (2016) highlighted that Eveready East Africa, one of the manufacturing companies quoted at the Nairobi Securities Exchange (NSE) was unable to grow and diversify due to high levels of competition from cheap alternatives from China. As a result, the company had to terminate a contract with Energizer. Under the cancelled contract Eveready had been obtaining products that accounted for 70% of the company's sales. As a result, Eveready posted a Sh58.9 million loss for the six months to March 2016 compared to the Sh12.4 million loss it made during a similar period the in 2015. In a similar case, Ngugi (2016) also highlighted the case of Sameer Africa where the company closed its Yana tyres manufacturing factory in Nairobi citing increased competition from cheaper imports.

The NSE listed businesses are also faced with increased regulatory requirements. The business environment in Kenya continues to be shaped in major ways by the actions of government and the regulators. In a report by Safaricom Limited (2015), major firms

continue to be involved and make contribution to the discussions on upcoming legislation and regulations as they get ready to comply. Other regulatory matters include high tax rates and corruption in the process to attain regulatory compliance.

Another risk facing NSE quoted manufacturing companies is reduced economic growth possibilities. Kenya has maintained a stable macroeconomic environment despite challenges of financial management in the devolved system of governance and rising wage costs. According to The World Bank Group (2017) Kenya Economic Update, Kenya's Gross Domestic Product (GDP) growth was projected to decelerate to 5.5%, a 0.5 percentage point mark lower than the forecast. The report also indicated that Kenya is currently facing headwinds that are likely to dampen GDP growth. Some of the factors that will dampen the growth are climatic changes and slowdown in credit growth to the private sector that is weighing on private investment and household consumption.

The firms are also faced with other economic issues particularly liquidity and solvency risks. The two interact in complex ways (Montes, 2009). According to a study by Owele (2014) a firm's profitability and survival depends on the working capital management. The liquidity is essential for company existence (Eljelly, 2004) hence firms must borrow from financial institutions to maintain liquidity and sustain operations. According to a World Bank (2009) report in several African countries, including Kenya, investment spending is financed by credit from banks, which poses a significant problem as loans fall due, due to declined commodity prices and growing difficulty in access to credit, leading to liquidity challenges.

Another economic factor is expensive infrastructure services (electricity and transportation). Ngugi (2016) also found that the locally listed manufacturers had exited the Kenyan market due to a difficult operating environment particularly high cost of energy. In his report, he highlighted over a 5-year period to 2016, 2.2 million small enterprises had closed shop with many of the firms indicating a harsh business environment as the reason for their closure.

In the period December 2019 and April 2020, the world was faced with the Covid 19 pandemic. While lives have been lost, businesses have also suffered a great deal. According to a survey by Kenya Association of Manufacturers (KAM) and KPMG

(2020), top priorities for manufacturers were cost reduction (78% of respondents), retaining jobs (61% of respondents) and improving cashflows (53% of respondents). This shows that the pandemic has brought to the fore two major strategic economic risks discussed above, that is, cost of production and financing considerations including availability of internally generated funds. In the survey, the findings showed that as working capital continued to be a significant challenge, 58% of respondents found the moratorium on loans very helpful or helpful and 45% of respondents and 50% of Micro, Small and Medium Enterprises (MSMEs) have sought additional financial support from other individuals or institutions such as banks and other financial institutions. Further the study stated that the lending institutions had become stricter in evaluating credit, further reducing the chances that the manufacturing companies would have access to financing. Further as a response to the pandemic the government put in place a raft of measures to contain the spread of the Covid-19 virus. This also brought to the fore new regulatory requirements that businesses are required to adhere to.

With these strategic risks, organizations must continually cultivate strategic responsiveness. Andersen (2016) found that a new knowledge-based economic order featuring a need for continuous innovation in response to rapidly changing market conditions is emerging. Strong organizational performance depends on business capabilities that promote the learning about the current business environment and allowing the business to consider aligning its strategic position in response to shifting market and economic conditions. Whereas sustainable competitive advantage may rest on existing firm-specific competencies, the focus on dynamic abilities suggest that ongoing value creation is supported by a learning processes that enhances the business' potential to be strategically adaptive (Andersen, 2016).

The above issues reported in earlier years remain a key current impediment to the growth of manufacturing in Kenya. This is mainly due low investment by the government in the enablers of the economy. The existence of these risks had been exacerbated by the Covid 19 pandemic. Going into the future, the government is working on investing in the key drivers of industrialization that is the energy sector, infrastructure development (railway, road network and airports), expanding the Mombasa port and progress in the ensuring the

ease of doing business in Kenya (Mohamed, 2017).Businesses are also reviewing their operations, particularly in view of the Covid 19 pandemic to ensure they put up an appropriate response to the risks increased by covid 19 i.e. containment of costs, managing economic risks such as availability of financing to ensure successful organizational performance (KPMG and KAM, 2020).

Strategic risks will have various impacts on businesses. Key of these impacts starting from the least significant, as stated by Williams (2018), are fines, employee turnover, customer dissatisfaction, missed opportunities, damaged reputation, product failure, loss of profits or financial loss and business failure. According to the above impacts of strategic risk, loss of profits is only second to business closure as an impact of strategic risk, signifying it is the highest indication of good risk management practices.

Integration of the strategic risk or issues into management can occur at several different levels. First is the identification of a new risk, which then enters the cycle of opportunities and threats analysis, assessment of the stakes in terms of strategy and the decision on control measures if required. This should happen at the strategic planning process. Second is reassessment of a risk that has already been identified, for which the likelihood of occurrence and/or the magnitude of the impact should be modified. Final level is integration of emerging issues into the decision-making process for strategic projects (Barr, 2012). Reassessment of a risk and integration of emerging issues into the decision-making process should be a continuous process to ensure all strategic risks and emerging strategic risks are considered on an ongoing basis (Marchetti, 2011).

### 1.3 Statement of the Problem

As shown in the background, organizational performance is impacted by strategic risk. Further strategic risk change as the business environment changes. Managing operations may seem like a natural course of action for management but risk management faces many barriers including lack of risk management at the board and lack of a visible executive level risk management champion (Andersen, 2016). In many companies in Kenya, individuals who are responsible for operational management and organizational performance do not have an overall view of risk. Therefore, companies do not consider aspects like, ‘What will tomorrow's customers want? What will competitors do?’ in their

strategic plans. Companies do not monitor new risks emerging in their business environment therefore over time their strategies are rendered unsuitable leading to significant loss of market share due to customer dissatisfaction, decline in profitability and reduced shareholder value when the risks materialize. (OECD,2014).

This is evident in the unpredicted dynamic changes in the manufacturing sector. Businesses have been impacted adversely leading to closures and significant loss of market share. Many firms are not able to survive market and industry-wide shocks. Risks impact both market participants and firms based on their strength. Management can take specific measures to reduce exposure to unforeseen events, reducing the persistence and contagion in risks and preparing for downturns (Russel, 2013). Emerging strategic risks should be detected and considered on an ongoing basis. (Barr, 2012). However, this is not always be the case. Most firms do not have formal risk management processes as stated by OECD (2014) who in their study found that while risk-taking is an important driving force in business and entrepreneurship, the cost of risk management failures is often underestimated including the cost in terms of management time needed to rectify the incidents.

In the foregoing sections of this study, we have analyzed many possible strategic risks that are facing organizations. Top three risks facing businesses according to NI Business, (2020) are strategic risk – for example a competitor coming on to the market, compliance and regulatory risk for instance introduction of new rules or legislation and economic risk for example interest rate rise on your business loan. This study focused on assessment of the effect of the three risks above on organizational performance. Based on cited cases above, companies in the manufacturing sector are affected much hence the focus on companies listed in the Manufacturing and Allied category at the NSE.

## 1.4 Purpose of the Study

The purpose of this study was to establish the effect of strategic risk on organizational performance amongst quoted manufacturing and allied companies in Kenya.

### 1.4.1 Specific Objectives

The study was guided by the following specific objectives:

i. To establish the effect of competition risk on organizational performance amongst quoted manufacturing and allied companies in Kenya.
ii. To assess the effect of regulatory requirements on organizational performance amongst quoted manufacturing and allied companies in Kenya.
iii. To evaluate the effect of economic risk on organizational performance amongst quoted manufacturing and allied companies in Kenya.

### 1.4.2 Research Hypotheses

The study was guided by the following null hypotheses:

**$H_0$1:** Competition risk does not significantly affect organizational performance amongst quoted manufacturing and allied companies in Kenya.

**$H_0$2:** There is no significant relationship between regulatory requirements and organizational performance amongst quoted manufacturing and allied companies in Kenya.

**$H_0$3**: There is no significant relationship between economic risk and organizational performance amongst quoted manufacturing and allied companies in Kenya.

## 1.5 Significance of the Study

The findings from the study will enable the private sector players, and indeed all enterprises, to recognize the significance of considering strategic risks throughout as they operate their businesses. Particularly, Chief Executive Officers and those charged with formulating strategies benefits on how to avoid the business failures noted in the past by incorporating key risks in the organizations they lead. The results may enable them to put in place systems to evaluate key business risks and incorporate the same the day to day and long-term plans. Basically, on an ongoing basis management should be able to identify strategic risks facing their businesses and realign their businesses to survive.

The findings are relevant to investors and business owners who would want to know the key threats to the business and how those will be addressed. For potential investors, they are interested to know the key risks facing the business they want to buy into and how that affects the organizational performance of the businesses. Therefore, the findings will inform investors on whether to buy into certain businesses or what changes they need to

make to the businesses they buy into. The shareholders will also know what kind of analyses to require from management to be assured that management is considering key strategic risks in running their business. Further findings from the study contributes to the body of scholarly knowledge especially on the strategic risk in organizational performance and the effect on businesses in Kenya. Based on the data obtained, several manufacturing businesses are collapsing due to strategic risks that that should have been foreseen and mitigating plans incorporated into the strategic plans of those companies.

### 1.6 Scope of the Study

This research focused on the manufacturing and allied companies quoted at the Nairobi Securities Exchange. The research covered the effect of strategic risk on organizational performance. This research covers a population of entities that are faced by several strategic risks leading to closures, financial losses, or significant reduction in the level of organizational performance as highlighted above.

### 1.7 Limitations of the Study

The research was based on current strategic issues facing manufacturing and allied companies quoted at the Nairobi Securities Exchange. Over time as the market evolves the issues may change hence more current issues should be considered. However, the fundamental principle of effect of strategic risk on organizational performance is applicable regardless the type of risks faced by companies. Further the research focused on manufacturing and allied companies quoted at the Nairobi Securities exchange. While these companies serve a significant part of the economy and it is of great importance to understand how they are ensuring long term success, the study findings may not be easily applicable to other sectors such as the Financial Services sector. This was overcome by the fact that the overall framework remains the same that is strategic risks have impact on organizational performance of businesses. Further in the areas for further research a study in other sectors other than manufacturing were recommended.

The research approached representatives from all the firms in the manufacturing and allied category of the NSE, we may not have obtained information from all departments in the companies. This we mitigated by the fact that the departments selected were critically involved top management and served in important roles in the organizations.

## 1.8 Delimitations of the Study

In other research, concentration has been pegged on small, medium and large in manufacturing sector. Therefore, study focused on the manufacturing and allied companies quoted at the NSE. This is because the issues facing the manufacturing sector may be significantly different from issues affecting the other sectors.

## 1.9 Assumptions of the study

The first assumption was that all respondents approached for responses would give the responses and give honest and truthful information. Second assumption was those strategic risks facing manufacturing companies are similar for all companies quoted in the manufacturing and allied category at the NSE.

## 1.10 Theoretical Framework

This section first covers the protection motivation theory which states that people take protection when they are informed and motivated to do so. Next is the situated rationality theory that states that some people may fail to consider risks due to their thrill-seeking tendencies. Continued high risk practices may lead to reduced perception of risk as the high-risk practices start seeming normal to the decision maker as explained by the habituated action theory.

### 1.10.1 Protection Motivation Theory

There are many theories associated with explaining risk, Protection Motivation Theory (PMT) is one of the most cited. The PMT theory states people protect themselves when they anticipate adverse results and have the willingness and ability to avoid them. That people take protective action when they are motivated and have the agency to do so (Inuoye, 2017). This shows that there are strategic risks that should be considered to ensure great organizational performance. Further, his theory applies to all strategic risks including competition risk, regulatory requirements, and economic risks. Management will avoid these risks if they are motivated and have the agency to do so and hence impact organizational performance.

In applying this theory, management needs to be motivated to identify strategic risks and have them considered on an ongoing basis to ensure organizational performance meets set standards. Further the theory clearly states that the ability for management to take into

consideration the strategic risks then two factors come into play: the motivation and ability of management. In this study, it is expected that in businesses where management is motivated to take risk mitigation actions, they will do so and help to ensure that their businesses survive challenging phases when strategic risk materializes. Further the theory states that with ability and motivation, management can take mitigating actions against risks facing the business including competition, economic and regulatory risks. The consideration of the strategic risks and taking actions to mitigate the risks will lead to meeting organizational performance requirements.

### 1.10.2 Habituated Action Theory

Involvement in high-risk behavior on several occasions without negative results may decreases the perceived risk associated with that behavior. Those repeatedly involved in high-risk actions without any adverse outcomes eventually become desensitized to the risk. Risk perception continues to reduce and risk tolerance continues to increase in this cycle (Inuoye, 2017). As Rhodes (1997) states, “Behaviors which are habitual do not demand risk assessment or calculation for their doing; they are simply done”. This theory applies to all the strategic risks in this study, that is, competition risk, regulatory requirements, and economic risks. Management may continue with operations as usual without factoring in strategic risk, hence impact the organizational performance negatively.

This theory shows that in cases where risks are emerging, management may continue to operate their businesses normally because there have been no adverse events in the past hence fail to consider emerging risks such as new entrants in the market and new government policies. In consideration of the research objectives, this theory states that management may not notice competition, regulatory and compliance risks that may arise.

## 1.11 Conceptual Framework

Miles and Huberman (2016) defined a conceptual framework as a visual or written product, one that explains, either graphically or in narrative form, the main things to be studied the key factors, concepts, or variables -and the presumed relationships among them. Here, the study used the term in a broader sense that includes the actual ideas and beliefs that you hold about the phenomena studied, whether these are written down or

not. This may also be called the theoretical framework or idea context for the study. Robson (2017) defines the conceptual framework of a study as the system of concepts, assumptions, expectations, beliefs, and theories that supports and informs your research is a key part of your design.

A conceptual framework links together independent and dependent variables that seek to explain the outcome. Independent variables are those that researchers use to determine how to influence other variables while dependent variables are those that indicate the effects arising from the independent variables (Mugenda & Mugenda, 2003).In this study, the dependent variable was organizational performance while the independent variables are competition risk, regulatory requirements, economic risk as illustrated in figure 2.1 below. A diagrammatic representation of the variables is as shown below:

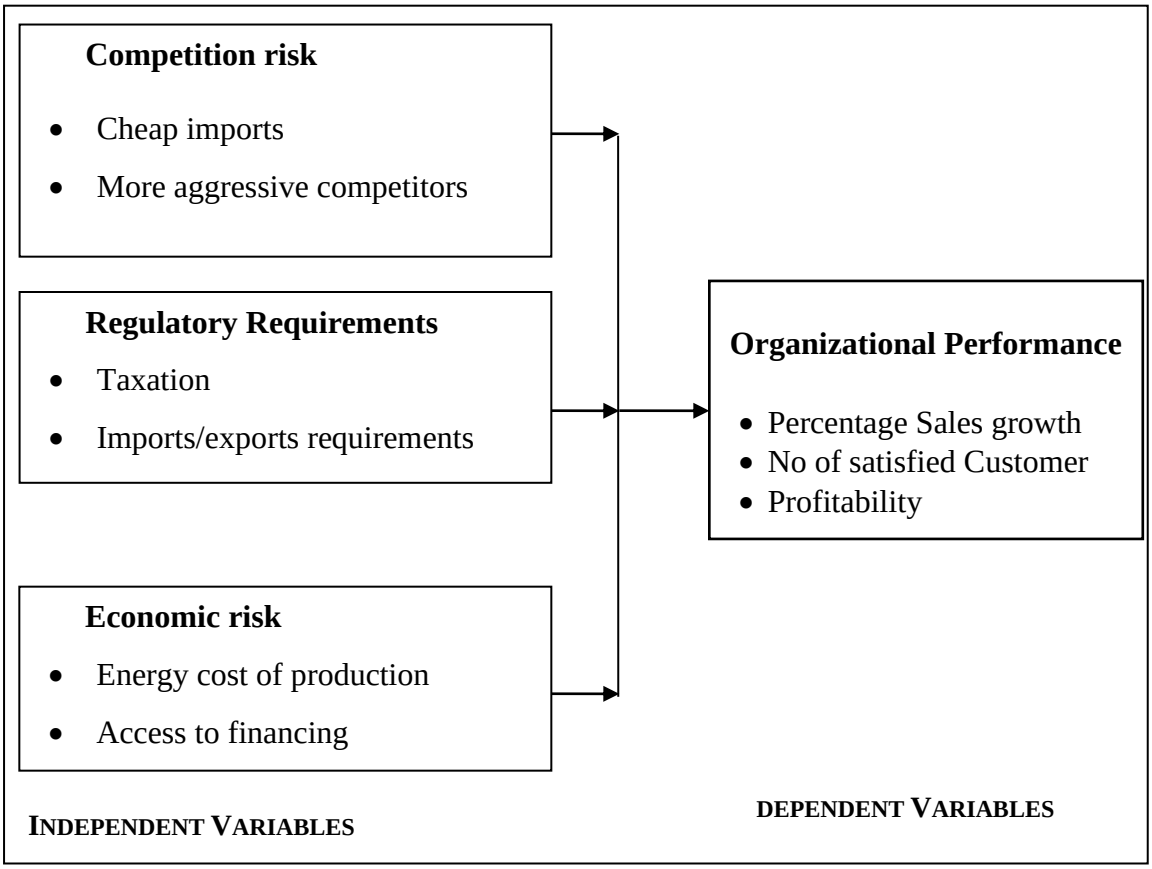


**Figure 1. 1: Conceptual framework**

**Source: Author (2021)**

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter discussed the empirical literature review which covers data and research findings available on each of the specific research objectives, which is the effect of competition, regulatory requirements and economic risks consideration organizational performance amongst quoted manufacturing and allied companies quoted at the NSE. The chapter furthermore presented a summary of the literature reviewed and identified knowledge gaps.

## 2.2 Review of Literature

The effect of strategic risk variables namely competition risk, regulatory requirement and economic risk on organizational performance have not yet been analyzed in a large-scale empirical study. However, it is imperative to understand the effect of strategic risk on organizational performance to provide business leaders with clear business cases to invest in risk management initiatives (Kern, Moser, Hartmann, & Moder, 2012). Other studies also corroborate that few studies have studied the model of strategy implementation and its associated risks. One study sought to address this research gap and risks associated with organizational performance using the grounded theory approach for the evaluation of changes and innovation in medical education packs (Vahidet al., 2017). This study was based on medical education packs and no focus was given on manufacturing firms. In their research on strategic flexibility, a term used to define an organization's ability to respond to strategic risk by committing or stopping resources utilization, Robert & Stockport (2017) found that various researchers had adopted an operational definition based on the research topic at hand. Therefore, this study will add firm-based knowledge on strategic risks impact on organizational performance because no research has been done focusing on manufacturing and allied firms listed at the NSE.

### 2.2.1 Competition Risk and Organizational Performance

Increased competition decreases an organization's market share as found by Gartenstein (2018) who also asserted that this leads to reduction of the business' customer base.

Increased competition may force a business to reduce its product prices to remain competitive. Reduced prices mean reduced return on every product produced and sold. According to Matray (2015) the rise of competition from cheap imports, has been identified as a significant source of disruption for the manufacturing sector in many economies. The increase in China's exports in the last two decades has resulted in up to 25% decline of United States (US) manufacturing employment. As such management consideration of competition risk leading to innovation is the defense against cheap import competition. The best hope for firms facing cheap import competition is to innovate and escape competition by ensuring quality products.

Further Ngugi (2016) states that a number of manufacturing have discontinued or significantly reduced operations in Kenya including Sameer where the directors decided to stop the manufacture of tyres and allied products in Nairobi and to start offshore production by tires manufacturers domiciled in China and India because products from the two countries were cheaper due to lower operating costs. Secondly Eveready East Africa closed its Nakuru-based battery plant in 2014 in what the management attributed to stiff and increased competition from cheap battery imports.

There is little evidence that firms have exploited innovation as a way of countering effects of cheap imports (Matray et al., 2015). Further, Andae (2018) in an analysis of the sugar market in Kenya found that local sugar millers had been forced to reduce their commodity prices due to influx of cheap imported sugar. In most Nairobi retail outlets, a two-kilogram sugar packet reduced from Kes230 in January 2018 and February 2018 to retail at Kes205 for Kabras sugar and Kes175 for Neutral Meal. Other brands were missing on the shelves. The increase in competition made it difficult for millers to compete with the cheaper imported products, leaving them with high stock levels that could lead to closure of their activities. Millers held over 22,000 tonnes of inventory as distributors opted to buy from other traders at a lower cost.

The studies cited above indicate the impact of increased competition on the manufacturing entities based on impact on price changes and in some cases the decisions

to close operations in Kenya. These studies do not show a relationship of competition risk on organizational performance which is what this study sought to establish.

### 2.2.2 Regulatory Requirements and Organizational Performance

In a case of impact of inadequate regulation, Sigurjonsson (2010) in his October 2008 study of a period of various bank collapses in Iceland noted that the saga began with reduction of regulation and privatization through the liberalization process of financial markets and capital movement in the 1990s. These changes, initiated by the government, caused a regulatory environment where the Icelandic financial service industry could thrive, and where risk taking, and an adventurous business culture were cultivated. This was embraced by government, industry, and the entire Icelandic society. The lack of critical insights into core processes prevented sufficient criticism of actions by the banks. In year 2008, three large Icelandic banks were put into receivership, marking the end of a seven-year period of significant growth where banks had grown from small local banks, serving mostly native Icelandic customers, to become major players in the Europe banking industry. A few days after the collapse, it was evident that a major crisis could not be avoided and the whole Iceland plunged into a crisis. On the case of excessive regulation, the World Bank (2008) noted that with an average30 percent corporate tax rate, African businesses are among the most highly taxed businesses in the world. A similar situation arises when we look at property taxes. Africa has the highest property tax. Firms on the continent pay on average 7.5% of the value of the property in taxes. That is a lot higher than the 4.7% and 2.7% businesses in East Asia and Latin America and the Caribbean respectively pay.

Customs clearance is another significant regulatory regulation and cost. In many countries, majority of firms import and export their inputs and goods. The costs associated with the importation requirements include document preparation, administrative fees, and technical control charges. When these costs are summed up we note that once more that Africa is one of the most expensive region among those studied. Businesses in Africa must pay US$585 to US$682 every time they are required to comply with import and export regulatory requirements. Firms in other regions pay a lot less; for instance, in East Asia businesses pay around 60% of the amount African businesses get

charged (World Bank, 2008). The reduced ability of firms to change their costs according to business cycles also leads to losses that reduce their profitability, hence lower organizational performance, and in the end the businesses' competitiveness. (World Bank, 2008).

The above studies sought to establish overall how Kenya compares to other markets in terms of the level of taxation and imports and export costs. This study sought to establish the impact of regulatory requirements on manufacturing sector rather than the overall economy. Further this study sought to establish the effect of the said high taxation and import and export costs on the organizational performance of the manufacturing entities, as opposed to the general country level studies above.

### 2.2.3 Economic Risk and Organizational Performance

Ngugi (2016) citing a survey by the Kenya National Bureau of Statistics (KNBS) asserts that as of 2016 about 2.2 million micro small and medium enterprises (MSMEs) shut down the previous five years including 2016. The report, Micro, Small and Medium Establishments, stated that most of the businesses that shut down were in wholesale and retail trade, the main movers of manufactured goods. The report said that businesses went down at an average age of 3.8 years. The main reason cited for business closures was economic in nature as reported by 30 per cent of the businesses surveyed. The 30 percent of firms stated that their closure was due to shortage of operating funds owing to increased operating expenses, declining sales and losses incurred from businesses. Many firms that shut down including Sameer, Eveready, Procter and Gamble, Reckitt Benckiser and chocolate maker Cadbury shut down its factory in Nairobi, dealing a blow to Kenya's quest to industrialize by 2030.

In the area of access to credit and availability of operating funds, most of the times firms are required to provide collateral to secure loans. This restriction limits access to credit. For example, African firms are required to give collateral for 137 percent of the value of the loan to be borrowed therefore they can only apply for loans equivalent to only approximately 57 percent of the value of their assets compared to East Asia and South

Asia, where firms issue collateral at only 13 percent and 3 percent more than the value of the loan, respectively (World Bank, 2008).

Further most of the affected companies cited high cost of doing business mainly driven by high cost of energy as reason to relocate. Manufacturing is energy intensive (Liddle, 2012) and energy is becoming a strategic factor globally. According to a World Bank (2008) report Africa is not competitive in terms of power costs, a key infrastructure cost. Various studies have been conducted on the impact of power or energy costs. One study carried out in India found that in response to a rise in electricity prices, businesses change to less electricity-intensive production processes and reduce their machine intensity leading to and have lower output and productivity. (Abeberese, 2016). This would lead to reduced sales and reduced customer satisfaction if the business reduces their product range to avoid electricity-intensive production processes.

Another study conducted by Stephen (2015) in Kumasi, Ghana, resulted in a similar impact, that is increase in production costs leads to lower profitability. In the study it was found that lack of consistent power supply forced businesses to use alternative energy sources including LPG and generators to meet their energy needs. These alternative sources of energy increased their overall energy costs. Such increase in energy costs were termed by respondents as significantly high compared to their costs without power back up. Based on the above studies on impact of energy costs on organizational performance have not been conducted in Kenya. There are general comments that the energy costs are high and no detailed findings on the organizational performance impact. This study is more specific as it sought to focus on impact of the energy costs and lack of operating funds on organizational performance of companies in the manufacturing sector.

### 2.2.4 Organizational Performance

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, 2017). Several studies have adopted a multi-dimensional approach to assessing organizational performance. Kaplan and Norton (2018) argue that the Balanced Score Card considers financial indications as one of the

critical measures of organizational performance. Organizational performance in manufacturing firms is measured in terms of a firm's profit margins, volume of sales and employment opportunities created because of the firm's products and services being sold in the marketplace (Kiganane, 2018).

Organizational performance goals for large companies will be profitability, growth, and shareholder's value. However, Amoako-Gyampah and Acquah (2018) limited themselves to sales growth and market share omitting other measures such a s 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 organizational performance, even when the data requested were subjective.

In a research on achieving superior organizational performance via big data predictive analytics, Gupta et al., 2019, stated that manager try hard to overcome the constraints and work edge-to-edge to achieve higher organizational performance (Market, Financial and Operational performance). Many organizations desire to exploit to the full their injected resources, but often fail to reap their actual potential. This research showed that firms try to achieve high organizational performance standards, but they do not due to other factors that hinder their performance, including strategic risks.

### 2.3 Summary and Research Gap

From the empirical data we note that in Kenya there have been significant firm failures due to high operating costs, strict regulatory requirements, and stiff product competition. There is limited literature on the impact of strategic risk on organizational performance. In several cases noted the risks were cited as the cause of business closure when the firms ceased operation but there were no insights on the extent to which this risk reduced their organizational performance. For instance, as Matray (2015) observed, there is little evidence that firms have exploited innovation as a way of countering effects of cheap imports. In this study we sought to establish the effect of strategic risk on organizational performance and how this affects the firms. Further the studies above have not focused on the manufacturing and allied firms listed at the NSE, therefore this research provides valuable additional insights.

# CHAPTER THREE
# RESEARCH DESIGN AND METHODOLOGY

## 3.1 Introduction

The chapter covered the following sections, research design addressing broad approach to the study, research site and rationale, target population and sampling procedures, data collection procedures, research instruments, data collection procedures, research instruments, piloting, validity and reliability. Finally, other sections covered techniques of data analysis and ethical considerations.

## 3.2 Research Design

The research applied the descriptive survey research design. The design offered the researcher a broad coverage of the population under study and facilitated comparisons. Mugenda and Mugenda (2003) observed that survey research is used for studying a status of two or more variables at a certain point in time. The research design further showed the full characteristics of the population, enabled collection of data from a large population and relatively free from errors such as in generalizing data of a sample to a larger population. Compared to exploratory research, descriptive research is structured to determine the trend therefore the results can be generalized to the population (Walliman, 2011). This justifies the use of the survey research design for this study. The research design involved issuance of a semi structured questionnaire to management of companies in the study population and picking responses later. The data was then analyzed in averages, standard deviation, and mode to ascertain the effect of strategic risk on organizational performance.

## 3.3 Research Site

The research was conducted at the premises or offices of the manufacturing and allied companies quoted at the NSE. This is because senior management of the companies was an organizational representative that was selected to respond to the research instrument because of their broad organizational knowledge. The location was also found to be convenient for the respondents.

### 3.4 Target Population

This is the group of study elements where data will be collected from. According to Mugenda and Mugenda (2008), a target population is group that the study chooses for data collection and then generalizes the results. It is the population about which information is required (Ngechu, 2004). The target population was the manufacturing and allied companies quoted at the NSE where there were 9 companies in this category as shown on Appendix V. The study also targeted 90 strategic risk management and management team as the respondents from the three levels of management that is upper, middle and lower management.

Table 3. 1: *Target population*

| Companies | Population | Percentage |
|---|---|---|
| B.O.C Kenya Ltd | 10 | 9 |
| British American Tobacco Kenya Ltd | 14 | 13 |
| Carbacid Investments Ltd | 10 | 9 |
| East African Breweries Ltd | 15 | 14 |
| Mumias Sugar Co. Ltd | 14 | 13 |
| Unga Group Ltd | 13 | 12 |
| Eveready East Africa Ltd | 12 | 11 |
| Kenya Orchards Ltd | 10 | 9 |
| Flame Tree Group Holdings Ltd | 11 | 10 |
| **Total** | **109** | **100** |

**Source: Feld Data, (2021)**

### 3.5 Study Sample

A census of the 104 respondents was carried out of a target of 109 respondents. 5 respondents were used for pilot study. The census technique was more appropriate because strategic risk staff and management team were relatively few and therefore, it was possible to include all of them in the study. The technique was suitable for the study because if sampling was to be used and there could have poor responses from the respondents, it would have greatly affected data analysis. Management team who

comprised of top level, middle level and lower-level management from each of nine (9) quoted manufacturing and allied companies in Kenya s formed part of the respondents giving a total population size of 104 respondents. These respondents were considered to have a better understanding of the variables under study in their respective area of expertise.

### 3.6 Data Collection

The study used primary data. Primary data is data collected to be used specifically in the study at hand. The advantage of primary data over secondary data is that the researcher tailors their questions to elicit data that helps in the specific study. The researcher used drop and pick technique which involved issuance of questionnaires and picked the responses later. The data was collected through open and closed ended questions in a semi-structured questionnaire. The questionnaire mode of data collection is advantageous because the respondents can give considered responses and does not put pressure on respondents as opposed to interviews (Hair et al, 2011).It is also economical and suitable to collect responses to repetitive questions and ensures uniformity. The research instrument was administered to personnel in management particularly the person charged with overall organizational performance and monitoring of strategic risk in the listed firms.

#### 3.6.1 Data Collection Instruments

From the foregoing sections, this study adopted use of semi-structured questionnaire to collect data. The semi-structured questionnaire was found suitable for this research because it ensures consistency of format of responses hence data obtained can be analyzed, can be referenced and can be mailed to respondents who are far as opposed to verbal interviews. The close-ended questions facilitated more structured responses that facilitated important recommendations. The open-ended questions provide more information not captured in the close-ended questions. Kombo and Tromp (2006) asserted that semi structured questionnaires are commonly used in research where there is a need to accommodate a diverse range of responses from the population. The questionnaire was divided into various sections for closed-ended questions and open-ended questions.

### 3.6.2 Pilot Testing of Research Instruments

To establish the validity of the data collection instruments, a pre-test was conducted in British American Tobacco Kenya Ltd to 5 management officers who gave their responses relating to the effect of strategic risk on organizational performance amongst quoted manufacturing and allied companies in Kenya. It is suggested that tools used in study must have CVI of about 0.75 or higher and three or more specialists should be used indication of good content validity (Amin, 2005).

### 3.6.3 Instrument Validity

The findings were as shown in Table 3.2. From the findings in Table 3.2 shows that all the four variables were valid then their CVI standards exceeded the agreed threshold of 0.75. This shows that the tools was dependable as recommended by Amin (2005) as the validity of test produced an normal index score of 84%.

Table 3. 2: *Content validity index*

| Variables | Fraction | Comment |
|---|---|---|
| Competition risk | 0.820 | Accepted |
| Regulatory requirements | 0.889 | Accepted |
| Economic risk | 0.808 | Accepted |

### 3.6.4 Instrument Reliability

To measure the reliability of the data collection instruments an internal consistency technique Cronbach's alpha was computed using SPSS. The pilot study involved questionnaires from 5 Strategic management officers of allied and manufacturing companies. The data obtained from these respondents was analyzed using SPSS Cronbach's alpha. According to Zinbarg, (2005) Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalizability. Table 3.2 indicates that the obtained data was reliable since data obtained from all independent variables had a Cronbach’s alpa values of between 0.923 to 0.960 and this was above 0.75 satisfying

Zinbarg (2005) that an alpha coefficient higher than 0.75 indicates that the gathered data had relatively high internal consistency and could be generalized to reflect opinions of all respondents in the target population on the effect of strategic risk on organizational performance amongst quoted manufacturing and allied companies in Kenya

Table 3. 2: *Reliability results*

| **Constructs** | **Cronbach's Alpha Values** | **Comments** |
|---|---|---|
| Competition risk | 0.923 | Accepted |
| Regulatory requirements | 0.941 | Accepted |
| Economic risk | 0.960 | Accepted |

### 3.6.5 Data Collection Procedure

The questionnaires were administered to managers at senior levels in the quoted manufacturing companies using a drop and pick method. Questionnaires were dropped and responses picked later as agreed by the respondents to allow for time to respond to the questionnaires.

## 3.7 Data Analysis and Presentation

Questionnaires received were reviewed for completeness and cross-checked for errors and omissions. Data was keyed in for analysis using statistical packages of social sciences (SPSS). Further quantitative data was analyzed using descriptive statistics and inferential statistics. Qualitative data analysis is the process of making sense from research participants' views and opinions of situations, assessing related patterns, themes, categories, and regular similarities (Cohen, Manion, & Morrison, 2007). Descriptive data was presented using percentages, means and standard deviations. The resulting information were presented by use of frequency tables and figures.

For each identified strategic risk, a frequency table was drawn with the sum of respondents who considered that strategic risk to the stated extent. A percentage of the same was also derived. Similarly for every strategic risk under study correlation scores were presented on a scale between 0 and 1 which measured the relationship between the independent and the dependent variables on weak, moderate and strong correlation. Correlation measured the extent to which say an increase in a strategic risk was followed by an increase in organizational performance.

To make inferences, a multiple regression model and analysis of variance (ANOVA) Model was used. A multiple regression model was applied to determine the relative importance of each of the three independent variables with respect to dependent variable. Multiple regression model was also used to model the relationship between the dependent variable Y and independent variables X. The dependent variable, Y, is a discrete variable that represents a category, from a set of mutually exclusive categories. Multiple regression measures the relationship between a categorical dependent variable and one or more independent variables by using predicted values of the dependent variable. The variable organizational performance is a measure of the total contribution of all the independent variables used in the model. The analysis was done using SPSS model version 24.0, Analysis of variance test was used to test the statistical significance of the variables in satisfying the set objectives. The regression model was tested on how well it fitted the data. The significance of each independent variable was also tested.

The regression model was presented as follows. $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$,

where: Y = Organizational Performance amongst Quoted Manufacturing and Allied Companies in Kenya

$\beta_0$= Constant Term

$\beta$ í= Beta coefficients to be estimated

$X_1$= Competition risk

$X_2$= Regulatory requirements

$X_3$= Economic risk

$\varepsilon$ = error term

The model was based on the following various assumptions. Firstly the dependent variable is linearly related to the coefficients of the model and the model is correctly specified. Secondly the independent variable are uncorrelated with the equation error term, the mean of the error term is zero, the error term has a constant variance and the error terms are uncorrelated with each other. Thirdly no perfect multi-collinearity on the variables whereby no independent variable has a perfect linear relationship with any of the other independent variables.

Coefficient of determination ($R^2$) was computed for every strategic risk to show the extent to which a change in organizational performance was influenced by the specific strategic risk. Secondly the F statistics, regression coefficients and Test of Anova were used to determine the impact of tested scores on the research outcomes of independent variables over dependent variable.

### 3.8 Legal and Ethical Considerations

The study complied with legal and ethical considerations. The Center for Innovation for Research and Teaching (2018) recommends that ethical considerations in research are critical as they determine the standard of acceptable and unacceptable research practices. First, ethical standards prevent falsification of data so that the findings are based on actual data obtained. Secondly, the considerations ensure that the public can trust and rely on the research findings. In this study, the questions were fully explained to the respondents to ensure informed consent as they respond. Further the findings were based on the actual data collected. The researcher embraced honesty, objectivity, respect for intellectual property, confidentiality, non-discrimination, and other ethical considerations.

# CHAPTER FOUR

# DATA ANALYSIS, PRESENTATION AND DISCUSSION

## 4.1 Introduction

In this fourth chapter the analysis, presentation and discussion of the findings was shown. The goal of the research was to establish effect of strategic risk on organizational performance amongst quoted manufacturing and allied companies in Kenya. The data was analyzed on the grounds of study objectives and presented using tables, figures and charts.

## 4.2 Response Rate

A total of 104 questionnaires were administered out of which 90 were completely answered and returned recording a response rate of 86.5%. Therefore, the instruments were regarded as responsive and formed the basis for data analysis. Mugenda (2008) explained that response rate of 50% was deemed adequate, 60% was good, and 70% was excellent. Similarly, Babbie (2010) stated that a response rate of 70% was very good. The high response rate was due to the procedures of data collection where the researcher first notified the sampled respondents prior to collecting the data, used questionnaires that were distributed by the researcher and through the follow up calls that were made to ensure the respondents didn't forget to fill the questionnaires.

## 4.3 Reliability Analysis

For each objective, a Cronbach's alpha test was determined. This is to measure the internal consistency of the research items. A co-efficient of over 0.7 implies the sufficient reliability of the research instruments. While a co-efficient of below 0.7 implies the inconsistency of the research items.

**Table 4. 1:** *Cronbach's Alpha*

| Variables | Cronbach's Alpha |
|---|---|
| Competition risk | .856 |
| Regulatory requirements | .846 |
| Economic risk | .813 |
| Organizational performance | .932 |

**Source: Author, 2021**

From the analysis cronbach's Alpha fell between .813 and .932 which is within the acceptable levels. Therefore the data was reliable.

## 4.4 Demographic Information

This section sought to establish information on the respondent`s demographic characteristics. Specifically, the researcher focused on participant highest academic qualification levels, years worked in the institution and job category.

### 4.4.1 Highest Level of Academic Qualification of Respondents

Academic qualification of an individual is associated with ability to respond to various issues and how to solve them. In view of this, the study sought to ascertain respondents' ability to respond to research questions by requesting them to state their highest level of academic qualification.

**Table 4. 2:** *Level of education*

| Education level | Frequency | Percentage |
|---|---|---|
| College Diploma | 32 | 35.5 |
| Undergraduate Degree | 36 | 40 |
| Master's degree | 14 | 15.5 |
| Others | 8 | 8.8 |
| Total | 90 | 100.0 |

Table 4.2 shows that 40% majority of the staffs participated in this study had an undergraduate degree, 15.5% of the respondents were master's degree holders, 35.5% of

the staff indicated that they were holders of college Diplomas while 8.8% of the participants revealed that they had other academic qualifications. The results indicate that majority of the respondents have good education background and are therefore able to make good Organizational performance decisions. The implication of this is that the respondents had the academic training to respond to the questions that the study sought.

### 4.4.2 Number of Years Worked in the Organization

Employee service period is highly related with knowledge of employees on operations in a firm. Therefore, to gauge the quality of information that respondents were likely to provide to the study questions, the respondents were required to specify the number of years they worked in their organizations. The study findings are as analyzed in Figure 4.1.

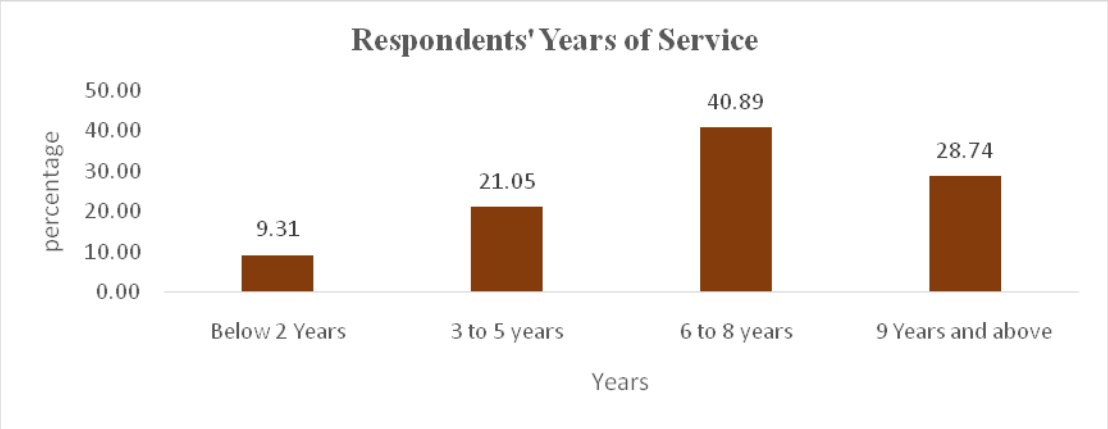


**Figure 4. 1: Number of years worked in the manufacturing and allied company**

Figure 4.1 revealed that most of the participants had worked in the manufacturing and allied companies for a period of 6 to 8 years representing 37.2% followed by those who had worked with the manufacturing and allied companies for a period of 9 and above years at 28.7%. The study findings established that 11.7% of the participants were employees of the manufacturing and allied companies for a period of less than two years while 22.3% had worked for the manufacturing and allied companies for a period of 3 to 5 years. This means that the highest percentage of the respondents had worked with manufacturing and allied companies for more than five years thus were in position to understand strategic risk management on organizational performance. The findings also

implied that respondents had the necessary knowledge and information which was considered useful for this study.

### 4.4.3 Respondents' Management Level

Further the researcher sought to establish the management level for the staffs participated in this study. Results are analyzed in table 4.3

Table 4. 3: *Management level*

| Management Level | Frequency | Percentage |
|---|---|---|
| Top management | 22 | 24.4 |
| Middle management | 32 | 35.5 |
| Low management | 36 | 40 |
| **Total** | 90 | 100.0 |

All the management levels were well represented in the study and therefore these respondents were the most suitable to provide the information that the study sought. Majority (40%) of the respondents were in lower management, 35.5% were in the middle management while 24.4% were in the low management or supervisor level. These results implied that all the respondents were involved directly with the day-to-day operations of the manufacturing and allied companies hence well conversant with the study topic.

## 4.5 Descriptive Analysis of Variables

The purpose of descriptive statistics was to enable the study to meaningfully describe a distribution of scores or measurements using indices or statistics. The type of statistics or indices used depends on the type of variables in the study and the scale of measurements.

### 4.5.1 Competition Risk

The respondents were presented with questions and statements to seek answers to the first research objective on to establish the effect of competition risk on organizational performance amongst quoted manufacturing and allied companies in Kenya. The findings of the study are discussed below.

**Table 4. 4:** *Competition risk*

| Statements on Competition risk | Strongly agree | Agree | Neutral | Disagree | Strongly | Mean | Stdev |
|---|---|---|---|---|---|---|---|
| Our organization considers the competitors activities in the market for good organizational performance | 37% | 26% | 20% | 10% | 7% | 3.93 | .78 |
| Our organization considers change of strategy in response to the competitor's activity | 38% | 34% | 15% | 8% | 5% | 4.37 | .63 |
| Competitors' activities affect the organizational performance of our organization | 30% | 26% | 18% | 10% | 16% | 3.89 | .89 |
| There is a significant increase in competition in our key market segments | 32% | 31% | 17% | 15% | 5% | 5.0 | .77 |
| The company considers the influence cheaper products in the market from competitors to realize higher level of organizational performance | 28% | 33% | 22% | 11% | 6% | 7.8 | .86 |
| **Composite Mean and Std** | | | | | | 4.18 | 0.71 |

**Source: Field Data, 2021**

A Lickert scale was used to examine the effect of competition risk on organizational performance amongst quoted manufacturing and allied companies in Kenya. The result

indicated that 37% of the respondent strongly agreed to the statement that their organization considers the competitors activities in the market for good organizational performance; 26% agreed, 20% were neutral, 10% disagreed, 7% strongly disagreed with a mean of 3.93 and standard deviation of 0.78 respectively. In finding out if their organization considers change of strategy in response to the competitor's activity; 38% strongly agreed, 34% agreed, 15% were neutral, 8% disagree and 5% strongly disagreed with a mean of 4.37 and standard deviation of 0.63 respectively; To determine if competitors' activities affect the organizational performance of their organization 30% strongly agreed, 26% agreed, 18% were neutral, 10% disagreed while 16 strongly disagreed with the statement as shown by a mean of 3.89 and standard deviation of 0.89 respectively.

On statement to find out if there is a significant increase in competition in their key market segments 35% strongly agreed, 27% agreed, 21% indicated were neutral, 8% disagreed while 9% strongly disagreed with a mean of 4.11 and standard deviation of 0.80 respectively. The respondents agreed with statement that there was a significant increase in competition in their key market segments. Majority of the respondents indicated that by 32% who strongly agreed, 31% agreed, 17% indicated that they were neutral, 15% disagreed while 5% strongly disagreed with the statement with a mean of 4.50 and standard deviation of 0.77, respectively.

On the statement regarding if the company considers the influence cheaper products in the market from competitors to realize higher level of organizational performance. 33% of the respondents strongly agreed, 28% agreed, 22% were neutral, 11% disagreed while 6% strongly disagreed with a mean of 3.7 and standard deviation of 0.86 respectively. Majority of the respondents indicated that competition risk affects organizational performance amongst quoted manufacturing and allied companies in Kenya. This corroborates with the findings by Matray (2015) who found out that the rise of competition from cheap imports, has been identified as a significant source of disruption for the manufacturing sector in many economies.

### 4.5.2 Regulatory Requirements

The respondents were presented with questions and statements to seek answers to the research objective which sought to assess the effect of regulatory requirements on organizational performance amongst quoted manufacturing and allied companies in Kenya. The findings of the study are discussed below.

Table 4. 5: *Regulatory requirements*

| **Regulatory Requirements Statements** | **Strongly agree** | **Agree** | **Neutral** | **Disagree** | **Strongly disagree** | **Mean** | **Stdev** |
|---|---|---|---|---|---|---|---|
| Our organization considers key regulatory requirements to ensure organizational performance | 34% | 31% | 19% | 7% | 9% | 4.07 | .92 |
| Taxation is a key regulatory requirement for our organization | 45% | 26% | 20% | 7% | 2% | 3.85 | 1.13 |
| The organization considers the impact of import and export measures as requirements to measure level of organizational performance | 38% | 36% | 11% | 3% | 7% | 3.59 | 1.19 |
| The organization gets involved in the formulation of regulatory requirements in manufacturing sector | 30% | 26% | 21% | 9% | 4% | 3.89 | .85 |
| The company significantly adheres to regulatory measures on importation and export of products | 40% | 28% | 15% | 9% | 8% | 3.99 | .89 |
| **Composite Mean and Std** | | | | | | 3.78 | 1.01 |

**Source: Field Data, 2021**

The second objective of the study sought to find out the effect of regulatory requirements on organizational performance amongst quoted manufacturing and allied companies in Kenya. From the findings respondents agreed to the statement that their organization considers key regulatory requirements to ensure organizational performance; 34% Strongly agreed, 31% agreed, 19% were neutral, 7% disagreed and 9% strongly disagreed with a mean of 4.07 and standard deviation of 0.92 that taxation is a key regulatory requirement for their organization. 45% strongly agreed, 26% agreed, 20% were neutral, 7% disagreed, and 2 % strongly disagreed with a mean of 3.85 and standard deviation of 1.13 that their organization considers the impact of import and export measures as requirements that impact level of organizational performance. 38% strongly disagreed, 36% disagreed, 11% were undecided, 3% agreed, and 7% strongly agreed with a mean of 3.59 and standard deviation of 1.19.

That the organization gets involved in the formulation of regulatory requirements in manufacturing sector, 30% strongly agreed, 26% agreed, 21% were neutral, 19% disagreed, and 4% strongly disagreed with a mean of 3.89 and standard deviation of 0.85. On the question of whether their company significantly adhered to regulatory measures on importation and export of products, 40% strongly agreed, 28% agreed, 15% were neutral, 9% disagreed, and 8% strongly disagreed with a mean of 3.99 and standard deviation of 0.89. The results show that the respondents acknowledged the impact of regulatory requirements on ensure organizational performance. Besides, the results imply that staff should be trained on the regulatory requirements as it influences organizational performance. The findings agreed with the findings of Nyaboke et al. (2018) who found out that policy regulatory framework had a significant impact on organizational performance. Additionally, the research findings showed that policy regulatory framework maximizes the level of service provision within the organization.

### 4.5.3 Economic risk

The respondents were presented with questions and statements in order to seek answers to the research objective on the effect of economic risk on organizational performance

amongst quoted manufacturing and allied companies in Kenya. The findings of the study are discussed below.

**Table 4. 6:** *Economic risk*

| Economic Risk Statements | Strongly agree | Agree | Neutral | Disagree | Strongly disagree | Mean | Stdev |
|---|---|---|---|---|---|---|---|
| The company considers economic changes during strategic risk management | 38% | 34% | 11% | 10% | 7% | 4.03 | .93 |
| Our organization considers adjustments in strategy based on changes of the economy | 41% | 41% | 9% | 4% | 5% | 3.74 | 1.09 |
| Our company considers increased production cost as significant driver of organizational performance | 31% | 28% | 23% | 10% | 8% | 3.4 | 1.18 |
| Our company anticipates risks in changes to cost of our products | 36% | 30% | 13% | 12% | 9% | 3.85 | .86 |
| Our organization develops alternative plans on risk mitigation to ensure high organizational performance | 38% | 29% | 18% | 8% | 7% | 3.90 | .89 |
| **Composite Mean and Std** | | | | | | **3.86** | **0.87** |

**Source: Field Data, (2021)**

The third objective of the study sought to evaluate the effect of economic risk on organizational performance amongst quoted manufacturing and allied companies in Kenya. From the findings respondents agreed to the statement that their companies considered economic changes during strategic risk management; 38% strongly agreed, 34% agreed, 11% were neutral, 10% disagreed, 7% strongly disagreed with a mean of 4.03 and standard deviation of 0.93. The study found out that organization considered adjustments in strategy based on changes of the economy where 41% strongly agreed and 41% agreed to that statement. On the same statement 9%, were neutral, 4% disagreed, 5% strongly disagreed with a mean of 3.74 and standard deviation of 1.09.

The respondents also indicated that their company considered increased production cost as significant driver of organizational performance because31% strongly agreed and 28% agreed to that statement. A further 23% were neutral, 10% disagreed, and 8% strongly disagreed giving a mean of 3.04 and standard deviation of 1.18. Further the study indicated that their company anticipated risks in changes to cost of their products where 36% strongly agreed, 30% agreed, 13% were neutral, 12% disagreed, and 9% strongly disagreed with the statement, resulting in a mean of 3.85 and standard deviation of 0.86.The respondents also indicated that their organization developed alternative plans on risk mitigation to ensure high organizational performance as shown I the results where 38% strongly agreed, 29% agreed, 18% were neutral, 8% disagreed, and 7% strongly disagreed to the statement and the mean was 3.90 and the standard deviation was 0.89.

The findings show that majority of management team who were respondents managed the risks well. This findings on economic risk agreed with literature review by Stephen (2015) in Kumasi, Ghana, who found out that increase in production costs leads to lower profitability. In the study it was also found that lack of consistent power supply forced businesses to use alternative energy sources including LPG and generators to meet their energy needs.

### 4.5.4 Organizational Performance

The study sought to determine the views of respondents on the various statements on organizational performance.

Table 4. 7: *Organizational performance*

| Statements | Strongly agree | Agree | Neutral | Disagree | Strongly disagree | Mean | Stdev |
|---|---|---|---|---|---|---|---|
| Customers are satisfied with our products/services | 39% | 27% | 19% | 8% | 7% | 4.14 | 1.16 |
| Sales growth is delivered on schedule amongst quoted manufacturing and allied companies | 33% | 30% | 16% | 11% | 10% | 3.99 | 1.85 |
| Profitability of quoted manufacturing and allied companies is growing and within targets | 34% | 30% | 10% | 14% | 12% | 3.56 | 1.88 |
| Sales volume amongst quoted manufacturing and allied companies is within targets | 36% | 30 | 14% | 11% | 9% | 4.27 | 1.63 |
| Level of production efficiency is within or above targets amongst quoted manufacturing and allied companies | 30% | 26% | 18% | 10% | 16% | 3.89 | .89 |
| **Composite Mean and Std** | | | | | | **3.48** | **1.83** |

**Source: Feld Data, (2021)**

The study sought to find out the level of agreement /disagreement with statements regarding the organizational performance amongst quoted manufacturing and allied companies in Kenya. From the findings respondents agreed to the statements that Quoted manufacturing and allied companies' customers are satisfied with their products/services where 39% strongly agreed, 27% agreed, 19% were neutral, 8% disagreed, 7% strongly disagreed with a mean of 4.14 and standard deviation of 1.16.

In finding out if sales growth is delivered on schedule amongst quoted manufacturing and allied companies; 33% strongly agreed, 30% agreed, 16% were neutral, 11% disagreed, 10% strongly disagreed with a mean of 3.99 and standard deviation of 1.85.On the question of if profitability of quoted manufacturing and allied companies is growing and high; 34% strongly agreed, 30% agreed, 10% were neutral, 11% disagreed, 9% strongly disagreed with a mean of 3.56 and standard deviation of 1.88 and in determining if sales volume amongst quoted manufacturing and allied companies is per agreed targets; 36% strongly agreed, 30% agreed, 14% were neutral, 11% disagreed, and 9% strongly disagreed with a mean of 4.27 and standard deviation of 1.63.In establishing if the level of production efficiency is within set targets amongst quoted manufacturing and allied companies; 30% strongly agreed, 26% agreed, 18% were neutral, 10% disagreed, 16% strongly disagreed with a mean of 3.89 and standard deviation of 1.83.

These findings agreed with findings of Waiganjo, (2017) who found out that measurement of organizational performance is not easy for business organizations with multiple objectives of profitability, employee satisfaction, productivity growth, corporate social responsibility and adaptability. As a result, a number of studies have adopted a multi-dimensional approach to assessing organizational performance as shown in this study.

## 4.6 Inferential Statistics

### 4.6.1 Regression Analysis

The study further carried out regression analysis to establish the statistical significance relationship between the independent variable, competition risk, regulatory requirements,

economic risk and the dependent variable, organizational performance amongst quoted manufacturing and allied companies in Kenya. According to Green and Salkind (2018) regression analysis is a statistics process of estimating the relationship between variables. It helps in generating equation that describes the statistical relationship between one or more predictor variables and the response variable. The regression analysis results were presented using regression model summary tables, analysis of variance (ANOVA) table and beta coefficient tables.

**Table 4. 8:** *Model summary*

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 0.848114 | 0.719298 | 0.714658 | 1.22801 |

Table 4.8 shows that adjusted R square was 0.714658. This implies that 71.4 percent of the variation in the dependent variable (organizational performance amongst quoted manufacturing and allied companies in Kenya) was explained by the independent variables Competition risk, Regulatory requirement, and economic risk. These results implied that there existed a strong positive relationship between independent variables and the dependent variable (organizational performance amongst quoted manufacturing and allied companies in Kenya).

The ANOVA technique was used to test the model significance, the study results are as tabulated in Table 4.9.

**Table 4. 9:** *ANOVA results*

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 946.743 | 4 | 236.6858 | 155.0307 | .000 |
| | Residual | 369.462 | 86 | 1.526702 | | |
| | Total | 1316.205 | 90 | | | |

The ANOVA statistics showed a valid regression model at (F = 155.031, P < 0.05). this implies that the independent variables are good predictors of organizational performance amongst quoted manufacturing and allied companies in Kenya. Moreover, the research employed the coefficient table to assess the model of the study among the independent and dependent variables. The results are as tabulated in Table 4.10.

**Table 4. 10:** *Coefficients*

| **Model** | **Unstandardized Coefficients** | | **Standardized Coefficients** | **t** | **Sig.** |
|---|---|---|---|---|---|
| | **B** | **Std. Error** | **Beta** | | |
| (Constant) | 3.315 | 0.999 | | 3.318 | .001 |
| Competition risk | 0.562 | 0.187 | 0.506 | 3.005 | .002 |
| Regulatory requirements | 0.493 | 0.156 | 0.437 | 3.160 | .001 |
| Economic risk | 0.327 | 0.100 | 0.309 | 3.270 | .001 |

The generated output as per the SPSS is as presented in Table 4.10 above, thus the equation is as shown below:

$Y= 3.315 + 0.562X_1+ 0.493X_2 + 0.327X_3$

From Table 4.10, the regression coefficient for competition risk was positive implying that competition risk has an impact on organizational performance amongst quoted manufacturing and allied companies in Kenya. The coefficient had a p-value of 0.002 which was less than 0.05 leading to the rejection of the null hypothesis and the conclusion was that competition risk had a significant effect on organizational performance amongst quoted manufacturing and allied companies in Kenya. This means that hypothesis one did not accurately predict the outcome of the study, leading to the rejection of null hypothesis one. These findings were consistent with those of Gartenstein (2018) who asserts that increased competition decreases market share hence reducing the business' customer base.

### 4.6.2 Hypotheses Testing

The regression coefficient for regulatory requirements was found to be positive. This implied that the more regulatory requirements the higher the organizational performance amongst quoted manufacturing and allied companies in Kenya. The coefficient had a p-value of 0.001 which was less than 0.05. Thus, the null hypothesis was rejected, and the conclusion was that regulatory requirements plays a critical role on organizational performance amongst quoted manufacturing and allied companies in Kenya. The rejection of null hypothesis implied that hypothesis two did not accurately predicted the outcome of the study, leading to rejection of null hypothesis two. These findings concur with those of Nyaboke et al. (2013) who found out that policy regulatory framework has a significant impact on organizational performance.

In the case of economic risk, the regression coefficient was also positive implying that organizational performance amongst quoted manufacturing and allied companies in Kenya improved by putting economic risk mitigation strategies. The coefficient had a p-value of 0.001which is less than 0.05 leading to the rejection of the null hypothesis. Thus, economic risk had a significant effect on organizational performance amongst quoted manufacturing and allied companies in Kenya. The results implied that hypothesis three did not accurately predict the outcome of the study, leading to the rejection of null hypothesis three. The findings concur with that of Saunders (2014) who asserted that strategic risk management strategies are great solutions for a firm to efficiently achieve the desired organizational performance.

The overall model as shown on Table 4.10 indicated that competition risk, regulatory requirements and economic risk were highly significant at p=0.002, p=0.001, and p=0.001 respectively. The overall test result is shown by the following equation:

$Y= 3.315 + 0.562X_1+ 0.493X_2 + 0.327X_3$

Where; Y was Organizational performance amongst quoted manufacturing and allied companies in Kenya, $X_1$wascompetition risk, $X_2$ was regulatory requirements, and $X_3$ was economic risk.

# CHAPTER FIVE

# SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

This section covered a summary of the research results. In addition, it highlighted the study conclusion, recommendations and suggestions for future research with regards to the research objectives of the study.

## 5.2 Summary of Findings

Overall, the study revealed that competition risk affects organizational performance amongst quoted manufacturing and allied companies in Kenya. The study revealed that manufacturing and allied companies considers the competitors activities in the market for good organizational performance; organizations change strategies in response to the competitors' activity; competitors' activities affect the organizational performance of the organizations; that there is a significant increase in competition in the organizations' key market segments and that the companies consider the influence cheaper products in their markets from competitors to realize higher level of organizational performance. The implication was that competition risk mitigation actions led to an increase on organizational performance amongst quoted manufacturing and allied companies.

Regulatory requirements had a significant effect on organizational performance amongst quoted manufacturing and allied companies in Kenya which implied that an increase in regulatory requirements mitigation plans led to an increase on organizational performance amongst quoted manufacturing and allied companies in Kenya. It was also noted that the organizations considered key regulatory requirements to ensure organizational performance; that taxation is a key regulatory requirement for the organizations studied; that the organization considered the impact of import and export measures as requirements parameters with an impact on organizational performance; that the organization management gets involved in the formulation of regulatory requirements in manufacturing sector, and that the company significantly adheres to regulatory measures on importation and export of products.

The results also showed that economic risk change while keeping all other factors constant would affect organizational performance amongst quoted manufacturing and allied companies in Kenya. Therefore, the more economic risk management was adopted by manufacturing and allied companies, the better the organizational performance. Further, it was noted that the companies studied considered economic risk changes as having impact on organizational performance; that the organizations considered adjustments to strategy based on changes of the economic risks; that manufacturing and allied companies considered increased production cost as significant driver of organizational performance; that the companies anticipated risks in changes to cost of their products; that organization developed alternative plans on economic risk mitigation to ensure high organizational performance.

Overall on organizational performance amongst quoted manufacturing and allied companies in Kenya, the findings indicated that customers are highly satisfied with companies products/services; that high percentage of sales is delivered on schedule amongst quoted manufacturing and allied companies; that profitability of quoted manufacturing and allied companies is growing within set targets; that Sales volume amongst quoted manufacturing and allied companies was within set targets; that Level of production efficiency is within set targets amongst quoted manufacturing and allied companies.

## 5.3 Conclusions

On competition risk the study concluded that activities such as service quality and customer relationship are the most effective competitive strategy used by manufacturing and allied companies as well as customer satisfaction. This is crucial in creation of competitive edge and ensuring great organizational performance. Organizations that consider change of strategy in response to the competitors' activity gives a customer effective and efficient services and products from which they can achieve growth in sales and profitability that is within set targets.

The findings of the research show that indeed, adherence to regulatory requirements within the manufacturing and allied sector plays a very important role in improving

organizational performance. Majority of respondents who participated in the research showed that regulatory requirements led to improvement in organizational performance. The research also revealed that adherence to regulatory requirements led to improvement in organizational performance. It was also concluded that compliance to regulatory requirements had a significance effect on organizational performance of manufacturing and allied companies.

The study evaluated the effect of economic risk on organizational performance amongst quoted manufacturing and allied companies in Kenya. The study found that economic risk, had significant effect on organizational performance amongst quoted manufacturing and allied companies. Thus, the study concludes that economic risk affects the organizational performance amongst quoted manufacturing and allied companies in Kenya to a significant extent. All variables used in this study were found to significantly influence organizational performance amongst quoted manufacturing and allied companies in Kenya and therefore, all the null hypotheses were rejected. This study has contributed to the empirical literature reviewed and various theories used in the study. The study concludes that the relationship between competition risk, regulatory requirement and economic risk, and organizational performance amongst quoted manufacturing and allied companies were positive and significant.

## 5.4 Recommendations for Study

The following recommendations were derived from the results, findings and conclusions of the study. Overall, there is great need for businesses to continuously scan their environment and identify strategic risk that would have great impact on the organizational performance of their businesses and respond accordingly by adopting new or changes to existing strategies to ensure survival. This is because the findings showed that strategic risk have a significant impact on organizational performance. This calls for organisational agility and constant scenario analysis of the strategies adopted. Weyman and Egloff (2018) indicated that scenario planning is a good tool to assess possible future risks and plan on possible courses of action. Another overall recommendation is that businesses need to develop risk management frameworks to manage risk The first action for any business will be to understand the type and causes of risk, and the potential

vulnerabilities within their organizations. Businesses must then build resilience to risk by developing their risk management systems and strategies. Companies should conduct risk audits, develop contingency management plans and test scenarios that explicitly include potential risks cascading (Goldin, 2021)

On the first objective, the study found that increased competition influenced organizational performance. To cope with competition risk, companies need to develop strategies that make the company products to be relevant in the market. The study recommends that manufacturing and allied companies should continue investing in coming up with unique and innovative products and services that can differentiate their products and mitigate competition risk. Further the company may at the same time carry out aggressive marketing to change the perception which the customers have regarding to capture a larger market.

On the second objective the study found that regulatory requirements have an influence on organizational performance. From a regulator perspective, these aspects need to be considered to ensure requirements on manufacturers are not onerous. From a business operator perspective, considering risks involved with regulatory requirements, companies need to ensure they are compliant with regulatory requirements on an ongoing basis to build a favourable manufacturing environment that meets the required standards. This entails putting in place systems involving all the three lines of defense to ensure regulatory requirements are identified, tracked and monitored on an ongoing basis to avoid fines and penalties (Deloitte, 2020). Businesses should also structure their operations to optimise profits based on current regulatory requirements for example though tax planning. Further businesses should monitor upcoming legislations and find ways to influence those legislations to reduce impact on their businesses. This can be direct involvement or through lobby groups such as KAM.

Finally, on the last objective, the study found that economic risk has an influence on organizational performance. Companies need to be keen on economic risks that are involved in manufacturing which, in this study, included inadequate financing risks and production costs. With the unanticipated economic challenges, the study recommends that companies need remain agile should there be significant changes in the operating

environment. Key changes may include increase in cost of production which may call for review of selling prices or discontinuation of a product line or reduced access to financing that may lead to need to slow down say expansion plans. Therefore, businesses should put in place systems to ensure continuous tracking of costs and profitability for major business segments. For example, due to the Covid-19 pandemic, an on account of reduced sales proceeds, many companies have halted their expansion and other capital-intensive plans to conserve cash flow (KPMG & KAM,2020). There is also need for continuous analysis of costs as shown by Deloitte, (2018) who indicated that economic risks require experts that can perform operational risk analysis. Further all major decisions should be preceded by risk assessment and feasibility analysis based on costs (Liddle et al., (2012).

## 5.5 Suggestions for Further Study

The three variables jointly explained only 84% on the current study which sought to establish the effect of strategic risk on organizational performance amongst quoted manufacturing and allied companies in Kenya. In view of the above the study it indicates that there is a gap of 16% which is unexplained or was not studied. It would be important to conduct a study on the other factors that were not studied to establish strategic risk on organizational performance amongst quoted manufacturing and allied companies in Kenya for purpose of comparison. A similar study to the current one can also be conducted with a different target.

## REFERENCES


Abeberese, Ama. (2016). Electricity Cost and Firm Performance: Evidence from India. Review of Economics and Statistics. 99. 10.1162/REST_a_00641.

ACCA. (2020). Strategic and operational risks. Retrieved from https://www.accaglobal.com/my/en/student/exam-support-resources/professional-exams-study-resources/strategic-business-leader/technical-articles/strategic-and-operational-risks on 07-04-2021

Amoako-Gyampah., & Acquah, M. (2018). Manufacturing strategy, Competitive strategy and Firm Performance: An Empirical Study in a Developing Economy Environment. International Journal of Production Economics, 111,(2) 575-592.

Andersen, T. J. (2016). Perspectives on Strategic Risk Management, Copenhagen Business School Press, 2006. ProQuest EbookCentral. Created from aunke-ebooks on 2017-09-27 23:40:14.

Angulo-Brunet, A., & Doval, E. (2017). A journey around alpha and omega to estimate internal consistency reliability. *Annals of Psychology*, *33*(3), 755-782.

Babbie, E. (2019) The practice of social research. 12th Edition, Wadsworth, Belmont.

Balanced Scorecard Institute. (2018). Strategic planning basics. Accessed on http://www.balancedscorecard.org/BSC-Basics/Strategic-Planning-Basics on29 August 2018.

Barr, A. (2012). Emerging Risks: A Strategic Management Guide. ProQuest Ebook Central, http://ebookcentral.proquest.com/lib/aunke-ebooks/detail.action?docID =870758. Created from aunke-ebooks on 2017-12-27

Baruch, Y., &Holtom, B. C. (2008). Survey response rate levels and trends in organizational research. *Human relations*, *61*(8), 1139-1160.

Boss, M. (2010), Nation-State in Transformation: Economic Globalization, Institutional Mediation and Political Values, Aarhus University Press, 2010. ProQuest

EBook,Central,https://ebookcentral.proquest.com/lib/aunkeebooks/detail.action?docid= 1050568.

Bossidy, L., Charan, R., &Burck, C. (2011). *Execution: The discipline of getting things done*. Random House.

Brett, B. (2014). Breaking Banks: The Innovators, Rogues, and Strategists Rebooting Banking, John Wiley & Sons, Incorporated, 2014. ProQuest Ebook Central, http://ebookcentral.proquest.com/lib/aunke-ebooks/detail.action?docID=1666499.Created from aunke-ebooks on 2018-02-20 04:19:59

Broman, G., & Robert, K. H., (2017). An approach to business model innovation and design for strategy development. *Journal of Cleaner Production*, *140*, 155-166.

Capital Markets Authority, (2019). How does the stock market work? Retrieved from http://www.cmarcp.or.ke/index.php/how-does-the-stock-market-work-read-more on 04-04-2019

Cesnovar T. (2016). The impact of strategic management on business outcomes — Empirical research. Journal for East European Management Studies, Vol. 11, No. 3 (2016), pp. 227-243. Rainer Hampp Verlag. Stable URL: http://www.jstor.org/stable/23281147.

Chao, A. (2010). Response by Kenya Association of Manufacturers to the changes in the business environment facing manufacturers in Kenya (Doctoral dissertation, University of Nairobi, Kenya).

Cohen, L., Manion, L., & Morrison, K. (2007). Research Methods in Education. British Journal of Educational Studies. DOI: 10.1111/j.1467-8527.2007.00388_4.x

Corporate Finance Institute. (2021). Manufacturing: A system in which raw materials are transformed into finished products while adding value in the process. Retrieved fromhttps://corporatefinanceinstitute.com/resources/knowledge/other/manufacturing/ on 12 May 2021.

Cusolito, A., &Cirera, X. (2016). A Firm-Level Productivity Diagnostic for Kenya's Manufacturing and Services Sector. The World Bank Group. Retrieved from https://elibrary.worldbank.org/doi/abs/10.1596/24972 on 21-09-2017.

Deloitte, (2013). Exploring Strategic Risk. Retrieved from https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Governance-Risk-Compliance/dttl-grc-exploring-strategic-risk.pdf on 29 August 2018

Deloitte. (2020). Ensuring Regulatory Compliance. Retrieved from https://www2.deloitte.com/content/dam/Deloitte/za/Documents/risk/za_Ensuring_Regulatory_Compliance.pdf on 08-04-2021.

Deloitte, L. (2018). Risk Mitigation Strategies Report for manufacturing companies. *Washington, DC*, *28*, 41.

Dillard, J. (2018). Five Most Important Methods For Statistical Data Analysis. Blue Sky. Retrieved from https://www.bigskyassociates.com/blog/bid/356764/5-Most-Important-Methods-For-Statistical-Data-Analysison 25 July 2018.

Eljelly, A.M.A. (2004) "Liquidity - profitability tradeoff: An empirical investigation in

Fatihudin, D., Mochklas, M. (2018). How Measuring Financial Performance. International Journal of Civil Engineering and Technology. Retrieved from https://www.researchgate.net/publication/326141100_How_Measuring_Financial_Performance#:~:text=Abstract,%2C%20efficiency%2C%20leverage%20and%20profitability on 12 May 2021.

Funston, R., Ruprecht, B. (2007). Risk in the Strategic Planning Process. Accessed on 29-01-2016.

Gartenstein, D. (2018). What Are the Advantages & Disadvantages of Economic Competition? Bizfluent. Retrieved from https://bizfluent.com/info-8455003-advantages-disadvantages-economic-competition.html on 25 July 2018.

Goldin, I., (2021). Globalisation and risks for business: Implications of an increasingly interconnected world. Retriebed from https://www.lloyds.com/~/media/lloyds/reports/360/360-globalisation/lloyds_360_globalisaton.pdf on 12 May 2021.

Green,S. B. & Salkind,N.1. (2018). Using SPSS for Windows and Macintosh: Analyzing and Understanding Data (5thed.). NewJersey,USA:PrenticeHall.

Gupta et al., 2019. Achieving superior organizational performance via big data predictive analytics: A dynamic capability view. Retrieved from https://www.sciencedirect.com/science/article/abs/pii/S0019850118307508 on 10 June 2021

Hair, J. J., Celsi, M. W., Money, A. H., Samouel, P., & Page, M. J. (2011). Essentials of Business Research Methods (2nd ed.). Newyork, USA: M.E. Sharpe Inc.

Heesen, B. (2015). Effective strategy execution: improving performance with business intelligence. Springer.
https://theactuarymagazine.org/identifying-emerging-risks/ on 17-06-2018

Iarossi, G. (2009). An Assessment of the Investment Climate in Kenya. The world Bank Group. Retrieved from https://elibrary.worldbank.org/doi/abs/10.1596/978-0-8213-7812-0 on 21-09-2017.

Kapell, M. (2016) How to Deal with Competition in Business. Retrieved from https://www.forbes.com/sites/mikekappel/2016/10/19/deal-with-competition-in-business/?sh=1a8e58e93a60 on 08-04-2021.

Kaplan, R. &Norton, D. (2018). Developing the Strategy: Vision, ValuesGaps, and Analysis. Boston: Harvard Business School Press.

Kern, D., Moser, R., Hartmann, E., &Moder, M. (2012). Supply risk management: model development and empirical analysis, International Journal of Physical Distribution & Logistics Management, Vol. 42 Issue: 1, pp.60-82 Retrieved from http://elibproxy.anu.ac.ke:2076/doi/full/10.1108/09600031211202472 on 21 December 2017.

KPMG & KAM (2020). The impact of Covid-19 on the manufacturing sector in Kenya. Retrieved from https://kam.co.ke/kam/wp-content/uploads/2020/05/KPMG-KAM-Survey-The-impact-of-Covid-19-on-the-manufacturing-sector-in-Kenya_FINAL_19May2020-1.pdf

Kombo, D. K. & Tromp, D. L.A (2006).Proposal and Thesis Writing. Nairobi. PaulinesPublications.

Kiganane, L.N.(2018) The Perceived effect of Mobile Phones Services on performance of manufacturing firms in Thika Town. Unpublished Ph.D thesis, Juja: .JKUAT.

Kung, H., & Schmid, L. (2017). Competition, markups and predictable returns. Available at SSRN 2550981.

Liddle, B. (2012). Science Direct. The importance of energy quality in energy intensive manufacturing: Evidence from panel cointegration and panel FMOLS. Retrieved from https://www.sciencedirect.com/science/article/pii/S0140988312001491 on 22 December 2017.

Marchetti, A. M. (2011) Enterprise Risk Management Best Practices: From Assessment to Ongoing Compliance, John Wiley & Sons, Incorporated, 2011. ProQuest Ebook Central, http://ebookcentral.proquest.com/lib/aunke-ebooks/ detail.action? docID=818788. Created from aunke-ebooks on 2017-12-27 03:11:33

Market Business News (2018). What is economic risk? Definition and example.

Matray, A. (2015). How innovation protects manufacturers against cheap imports. World Economic Forum. Retrieved from https://www.weforum.org/agenda/2015/07/how-innovation-protects-manufacturers-against-cheap-imports/ on 25-07-2018

Mellinger, C. D., & Hanson, T. A. (2016). *Quantitative research methods in translation and interpreting studies*. Taylor & Francis.

Montes-Negret, F. (2009). The Heavenly Liquidity Twin: The Increasing Importance Of Liquidity Risk. The world Bank Group. Retrieved from https://elibrary.worldbank.org/doi/abs/10.1596/1813-9450-5139 on 21-09-2017.

Mugenda M.O. and Mugenda A. (2013).Research Methods: Qualitative and Quantitative Approaches, African Centre for Technology Studies, Nairobi, Kenya.

Mugenda, A. (2008). Social science research: Conception, methodology and analysis. Nairobi: Kenya Applied Research and Training Services.

Muijs, D. (2011). Doing quantitative research in education with SPSS. Sage Publications, London.

Mutegi, M. (2016). Eveready terminates Energizer products distribution contract. Daily Nation. Accessed through http://www.nation.co.ke/business/Eveready-terminates-Energizer-products-distribution-contract/996-3496002-x9gvckz/index.html on 22-09-2017.

Mugenda, O., & Mugenda, A. (2003). Research Methods; Quantitative and Qualitative Approaches. Nairobi: ACTS Press.

Miles, B.M. Huberman A.M, (2016). Qualitative Researchers Companion. Sage Publications Inc, Carlifonia.

Nelson, R. E., & Mwaura, M. F. (2017). Growth strategies of medium-sized firms in Kenya. The Journal of Entrepreneurship, 6(1), 53-73.

Ngechu, M. (2004), Understanding the research process and methods. An introduction to research methods. Acts Press, Nairobi.

Ngugi, B. (2016). Cheap imports, high costs: Why many businesses are closing shop. Business Daily. Accessed through http://www.businessdailyafrica.com/Cheap-imports--high-costs--Why-many-businesses-are-closing-shop/539552-3491416-3dle7d/index.html on 22-09-2017

NIBusiness. (2020). Risk management: Types of risk your business faces. Retrieved from https://www.nibusinessinfo.co.uk/content/types-risk-your-business-faces on 7-04-2021

Nielson. G., Martin, K. & Powers, E. (2008). The Secrets to Successful Strategy Execution. Retrieved from https://hbr.org/2008/06/the-secrets-to-successful-strategy-execution on 08-04-2021

Nyaboke, J. M., Arasa, R. &Ombui, K. (2018). 'Effects of public procurement policies on organizational performance: A case of Water Services Regulatory Board', International Journal of Social Sciences and Entrepreneurship,1 (5), pp. 89-103.

Owele, M. L. (2014). The Effects of Working Capital Management Approaches on the Financial Performance of Agricultural Companies Listed at the Nairobi Securities Exchange, Kenya. International Journal of Advanced Research (2015), Volume 3, Issue 1, 60-69.

Rhodes, T. (1997). Risk theory in epidemic times: Sex, drugs and the social organization of 'risk behavior.' Sociology of Health & Illness, 19(2), 208-227.

Ringui, J. K., (2010). University of Nairobi. A survey of factors determining development of corporate bonds market in Kenya. Retrieved from http://erepository.uonbi.ac.ke/bitstream/handle/11295/13301/Ringui_A%20survey%20of%20factors%20determining%20development%20of%20corporate%20bonds%20market%20in%20Kenya.pdf?sequence=3&isAllowed=y on 4-4-2019

Russel, W. (2013). Winning With Risk Management. World Scientific Publishing Co. Pte Ltd. Retrieved fromhttps://books.google.co.ke/books?id=nDa7CgAAQBAJ&pg=PA35&lpg=PA35&dq=#v=onepage&q&f=false on 17 June 2019.

Robson, C. (2017). Real World Research. Oxford: Blackwell.

Safaricom Limited, (2015). Annual Report: Risk Management. Retrieved from https://www.safaricom.co.ke/annualreport_2014/public/downloads/risk%20management.pdf on 23 May 2017.

Sigurjonsson, T. O. (2010) "The Icelandic Bank collapse: challenges to governance and risk management", Corporate Governance: The international journal of business in society, Vol. 10 Issue: 1, pp.33-45. Retrieved from http://elibproxy.anu.ac.ke:2076/doi/full/10.1108/14720701011021094 on 21 December 2017.

Sudibyo, Y. A., &Wafirli, A. (2017). The influence of profitability, leverage, firm size and capital intensity towards tax avoidance. International Journal of Accounting and Taxation, 5(2), 33-41.

Stephen, A. (2015). "Assessing the effects of the energy crisis on micro and small scale business in the Kumasi Metropolis." Thesis, Kwame Nkrumah University of

Science and Technology, Ghana. Accessed at http://dspace.knust.edu.gh/bitstream/123456789/8496/1/ANANE%20STEPHEN.pdf on 28 May 2021

Tedford, J. D., &Haemmerle, E. (2016). Strategic Risk Management Approach for Small and Medium-Sized Manufacturing Enterprises (SMEs)---A Theoretical Framework. In 2006 IEEE International Conference on Management of Innovation and Technology (Vol. 2, pp. 694-698). IEEE.

The Economic Times, (2019). Definition of 'Market Share'. Retrieved from https://economictimes.indiatimes.com/definition/market-share on 04-04-2019.

University of Surrey (2001). The importance of pilot studies. Retrieved from http://sru.soc.surrey.ac.uk/SRU35.PDF on 25-07-2018.

Vahid, K., Hossein, H., & Ata, P., (2017). Evaluation of Strategic Risks in Strategy Execution of Reform and Innovation Packages in Medical Education, a Practical Model. Retrieved from https://www.sid.ir/en/Journal/ViewPaper.aspx?ID=541449 on 24-11-2020.

Wacksman, B., &Stutzman, C. (2014). Connected by Design: Seven Principles of Business Transformation through Functional Integration, John Wiley & Sons, Incorporated, 2014. ProQuest Ebook Central, Created from aunke-ebooks on 2017-09-28 00:31:18

Waiganjo. E.W. (2017). Effects of Competitive Strategies on the relationship between HRM and firm performance. Unpublished Ph.D Thesis , JKUAT, Juja.

Walliman, N. (2011). Research Methods the Basics. Routledge. Retrieved from https://edisciplinas.usp.br/pluginfile.php/2317618/mod_resource/content/1/BLOCO%202_Research%20Methods%20The%20Basics.pdf on 04-04-2019

Weyman, M., &Egloff, R. (2018). Identifying Emerging Risks: Early anticipation of the

Williams, C. (2018). 8 Possible Consequences of not Being Proactive in Risk Management. Retrieved from https://www.erminsightsbycarol.com/consequences-not-proactive-risk-management/ on 12 May 2021.

World Bank (2008). Benchmarking Africa's Costs and Competitiveness. Retrieved from http://siteresources.worldbank.org/extafrsumaftps/resources/chapter4.pdf on 22 December 2017.

World Bank, (2009). Global Economic Prospects (2009). Commodities at the Crossroads, World Bank Publications. ProQuest Ebook Central, Created from aunke-ebooks on 2017-10-02 05:03:53

## APPENDICES

### Appendix I: Letter of Introduction

*Dear respondent,*

**RE: REQUEST FOR RESEARCH DATA**

I am a postgraduate student at Africa Nazarene University. Currently am pursuing Master's programme in "Business Administration". In order to accomplish the degree requirements, the research project seeks to study the ***"Effect of strategic risk on organizational performance amongst quoted manufacturing and allied companies in Kenya"***

Your organization has been selected as part of this study. Therefore, I kindly request that youassist me in data collection by completing the attached questionnaire. The information provided will be used solely for academic purposes and treated with the requisite confidentiality. Your cooperation will be very much appreciated.

Yours sincerely,

……

Phylis Makori

**Appendix II: Research Questionnaire**

**Section: A: Demographic Information**

1. Please indicate the highest level of education attained? (Tick as applicable)
    a) College Diploma [ ]
    b) Undergraduate [ ]
    c) Master [ ]
    d) Others (specify)……...
2. Indicate your period of service in quoted manufacturing and allied companies in Kenya

    Below 2 years ( ) 3 to 5 years ( )
    6 to 8 years ( ) 9 years and above ( )
3. Please indicate your job category in your company.

    Top management ( ) Middle management ( ) Low management ( )

**Section: B. Competition risk**

Indicate your level of agreement with the following statements relating to Competition risk. Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

| **Competition risk** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| Our organization considers the competitors activities in the market for good organizational performance. | | | | | |
| Our organization considers change of strategy in response to the competitor's activity. | | | | | |
| Competitors' activities affect the organizational performance of our organization | | | | | |
| There is a significant increase in competition in our key market segments. | | | | | |
| The company considers the influence cheaper products in the market from competitors to realize higher level of performance | | | | | |

How else does Competition risk affect organizational performance of the quoted manufacturing and allied companies in Kenya?

…….

……

…..

**Section: C. Regulatory requirements**

Indicate your level of agreement with the following statements relating to Regulatory requirements. Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

| **Regulatory requirements** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| Our organization considers key regulatory requirements to ensure organizational performance | | | | | |
| Taxation is a key regulatory requirement for our organization. | | | | | |
| The organization considers the impact of import and export measures as requirements to measure level of organizational performance | | | | | |
| The organization gets involved in the formulation of regulatory requirements in manufacturing sector. | | | | | |
| The company significantly adheres to regulatory measures on importation and export of products | | | | | |

How else does regulatory requirements affect organizational performance of the quoted manufacturing and allied companies in Kenya?

……...

……

……

**Section: D. Economic risk**

Indicate your level of agreement with the following statements relating to economic risk. Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

| **Economic risk** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| The company considers economic changes during strategic risk management | | | | | |
| Our organization considers adjustments in strategy based on changes of the economy | | | | | |
| Our company considers increased production cost as significant driver of organizational performance | | | | | |
| Our company anticipates risks in changes to cost of our products. | | | | | |
| Our organization develops alternative plans on risk mitigation to ensure high organizational performance | | | | | |

How else does economic risk affect organizational performance of the quoted manufacturing and allied companies in Kenya?

.....

……

……

**Section: E. Organizational Performance**

Indicate your level of agreement with the following statements relating to organizational performance. Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

| **Organizational Performance** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| Quoted manufacturing and allied companies customers are highly satisfied with our products/services | | | | | |
| High percentage of sales is delivered on schedule amongst quoted manufacturing and allied companies | | | | | |
| Profitability of quoted manufacturing and allied companies is growing and high | | | | | |
| Sales volume amongst quoted manufacturing and | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| allied companies is very high | | | | | |
| Level of production efficiency is high amongst quoted manufacturing and allied companies | | | | | |

**Thank you for your participation.**

**Appendix III: Manufacturing and Allied Companies Listed at the NSE**

1. B.O.C Kenya Ltd
2. British American Tobacco Kenya Ltd
3. Carbacid Investments Ltd
4. East African Breweries Ltd
5. Mumias Sugar Co. Ltd
6. Unga Group Ltd
7. Eveready East Africa Ltd
8. Kenya Orchards Ltd
9. Flame Tree Group Holdings Ltd

**Source: NSE Website (May, 2021)**

**Appendix IV: Research Authorization**

AFRICA NAZARENE
UNIVERSITY

*4th October 2019*

E-mail: researchwriting.mba.anu@gmail.com

Tel. 0202711213

*Our Ref: 15J03DMBA021*

The Director.
National Commission for Science,
Technology and Innovation (NACOSTI),
P. O. Box 30623, 00100
Nairobi. Kenya

Dear Sir/Madam:

**RE: RESEARCH AUTHORIZATION FOR: MRS: PHYLIS KWAMBOKA MAKORI**

Mrs. Makori is a postgraduate student of Africa Nazarene University in the Master of Business Administration (MBA) program.

In order to complete her program, Mrs. Makori is conducting a research entitled: **"Effect of Strategic Risk Consideration on Success of Strategy Execution amongst Manufacturing and Allied Companies Listed in the Nairobi Security Exchange in Kenya"**

Any assistance offered to her will be highly appreciated.

Yours Faithfully,

AFRICA NAZARENE UNIVERSITY
SCHOOL OF BUSINESS
04 OCT 2019
P.O. BOX NAIROBI

**PROF. ORPHA ONG'ITI,**
**PRINCIPAL: NAIROBI CBD CAMPUS.**

## Appendix V: Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **901273**

Date of Issue: **10/October/2019**

**RESEARCH LICENSE**

**This is to Certify that Ms.. PHYLIS MAKORI of Africa Nazarene University, has been licensed to conduct research in Machakos, Nairobi, Nakuru on the topic: EFFECT OF STRATEGIC RISKS CONSIDERATION ON SUCCESS OF STRATEGY EXECUTION AMONGST QUOTED MANUFACTURING AND ALLIED COMPANIES IN KENYA for the period ending : 10/October/2020.**

License No: **NACOSTI/P/19/2068**

**901273**

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

## Appendix VI: Map of Main Research Area – Nairobi County