

Strategic Thinking and Performance of Milk Processing Firms in Nyeri County, Kenya

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ABSTRACT

The milk processing firms in Nyeri County are in different stages of development but undertaking diverse strategic initiatives aimed at developing and improving their performance across the convoluted value chain ranging from milk collection, processing, and marketing. However, the firms are still experiencing challenges in performance mostly as a result of poor response to market changes, lack of innovations and inefficiencies. The study sought to find out the role of strategic thinking on performance by investigating the effects of strategic thinking on the performance of milk processing firms in Nyeri County, Kenya. The study targeted the milk processing firms that collect, process and market various milk products in Nyeri County and exclude those that just collect milk and processed elsewhere. The general objective of the study was to investigate the effect of various aspects of strategic thinking on the performance of milk processing firms in Nyeri County. The specific objectives of the study were; to investigate how refining of competitive strategies affect the performance of the milk processing firms, effect of environmental scanning on the performance of the milk processing firms, how stakeholders' engagement affected the performance of the milk processing firms and the effects of business process redesigning on the performance of milk processing firms in Nyeri County. The study targeted all five milk processing firms that collect process and market milk products in Nyeri County. The respondents of the study were the entire top management of the milk processing firms that comprised of some 76 officers. Questionnaires were the data collection tools used in the study. The questionnaires were administered using drop and pick method. The data was coded and entered into Statistical Software for Social Science (SPSS) where both descriptive analysis and inferential analysis of multiple regression analysis was done. The study found that strategic thinking had a positive and significant effect on the performance of milk processing firms in Nyeri County. Refinement of competitive strategies had the largest positive effect on performance while re-designing of business processes had the least but positive effect on the performance of milk processing firms in Nyeri County. The study concluded that strategic thinking had significant and positive effects on the performance of milk processing firms in Nyeri County. As found out in the multiple regression analysis, all the combined strategic thinking activities of refinement of competitive strategies, environmental scanning, stakeholders' engagement and business process re-designing had an effect on the performance of milk processing firms in Nyeri. The study recommended that strategic thinking among milk processing firms should be data-driven. Geared towards adjusting to market needs and supported by regular market surveys.

Key Words: *Strategic Thinking Refinement, Competitive Strategies, Environmental Scanning, Stakeholders' Engagements, Business Processes Redesigning, Performance of Milk Processing Firms in Nyeri County, Kenya*

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1. Introduction

It has been fully acknowledged that several aspects of strategic planning activities including strategic thinking as a precursor to making of strategic plans is vital to the superior performance of firms in a competitive market (Omondi & Wambua, 2016). Firms in the dairy sector are not an exception to this rule as they are engaged in cut throat competition for milk from farmers and customers for finished products in the market. This is important because the dairy sector is very important in its contribution to the Kenyan economy through generation of revenue and creation of jobs (GOK, 2008). In Kenya, the dairy industry is the single largest agricultural sub-sector, larger than even tea (Muriuki, 2003). It contributes 14 percent of agricultural GDP and 3.5 percent of total GDP (GOK, 2008). Although Kenya's dairy sector has a significant contribution to the national economy, household incomes and food security, the industry faces a number of technical, economic and institutional problems in milk production, processing and marketing. These constraints affect the ability of the sector to participate and compete in the domestic and regional markets (Wambugu, Kirimi, & Opiyo, 2011). According to the Kenya dairy master plan over 1.8 million households are involved in milk-based enterprises but in spite of this great role, the sector experiences low productivity, low profitability and slow enterprise growth (GOK, 2010). This might be caused by low levels of commercialization likely stemming from poor business management skills and poor extension support services.

The need and imperative for strategic planning and thinking among firms in the global marketplace cannot be gainsaid and has led organizations to seek strategies on how to survive in the very competitive and turbulent environment. Firms need to look ahead, anticipate change, proactively and successfully develop strategies and navigate through the turbulence created by change (Lawlor, 2010). The milk processors are one such organization in need of new strategies to survive especially in the wake of turbulence in the industry necessitated by stringent impositions of legislations and changing landscape in the operating environment. In the Kenyan case, the milk processors operate in a fluid, dynamic and competitive environment with stiff competition from the informal sector and ever disruptive role of emergent legislation and raising demands on safety. The interventionist policies actions included the introduction of price controls, liberalization of the dairy market, the commercialization and privatization of dairy support service. As a result, one of the largest milk processors, the Kenya Cooperative Creameries was nearing collapse due to the emergence of new industry players and also due to the competition posed by the private sector in milk production and marketing of services (Gitau, 2013).

Even with these developments, the dairy industry makes a significant contribution to the Kenyan economy (Karanja, 2003). The dairy industry in Kenya and specifically milk has been documented as the most important livestock product contributing 70 per cent of the gross value of livestock production to the agricultural sector as of 2009 (Intergovernmental Authority on Development Center for Pastoral Areas and Livestock Development, 2013). The dairy industry is the single largest agricultural subsector in Kenya, larger even than tea (Muriuki, 2004). It contributed 14 percent of agricultural GDP and 3.5 percent of total GDP and continues to grow

(GoK, 2018). The dairy industry has faced tremendous growth since its inception and has gone through various changes in terms of liberalization therefore increasing competition for milk and milk products. The fast growth in the dairy industry has complicated the business operations (Karanja, 2003). The high level of competition has led to collapse of many dairy firms. The emergence of the informal sector has challenged the operations of large firms like KCC (Muriuki, Omore, Hooton, Waithaka, Ouma, Staal & Odhiambo, 2003). The milk processors currently produce a wide range of products namely fresh milk, yoghurt, mala, ice cream, cheese, UHT, powder milk, butter and ghee. Milk production in Kenya is currently dominated by small-scale producers located mainly in the Rift Valley, Central and Eastern provinces (Kenya Dairy Board, 2010). Despite the resultant challenges and stagnation facing many milk processors in Kenya, majority have strategic plans being implemented raising questions as to whether it is the strategic thinking that is lacking. For example, Murungi (2011) investigated strategic planning practices by milk processors in Kenya and found that majority of the milk processors in Kenya had formal documented mission and vision statements. The study revealed that majority of the milk processors also had short term objectives which were reviewed continuously. Majority of the milk processors had their vision and mission statements as well as their short-term objectives set by top management. The study also concluded that majority of the milk processors had strategic plans in place which run between two to three years.

1.1 Organizational Performance

Performance of a firm refers to the ability to achieve the set goals and can be measured as return on investment (Grant, (2008). The commonly used measures of performance in this respect include profits, sales, market share and other benefits firms draw from their investments in a particular sector. The performance of firms including the milk processors is affected by a myriad of factors. For example, effective performance of a firm depends on the level of applications of strategies (Gamble, Arthur, Thompson, Strickland III & John, 2010). These strategies are diverse ranging from competitive, growth, operational and generic strategies. For example, Michael Porter came up with three generic strategies which a firm can adopt to achieve a competitive advantage in the market (Dulcic, Gnjidic & Alfirevic, 2012). In respect to milk processors and the dairy sector, several factors have been attributed to performance of the firms involved. Kinyenje (2013) on factors influencing performance of the dairy industry in Kenya assessed the operational factors affecting performance dairy industry and found that quality management and value addition are on top of the ladder in the sector. Nyariki (2009) on impacts of policy reforms on the livestock industry in Kenya noted an increased level of competition. Only strategic planning and not strategic thinking has been linked to performance of firms in diverse sectors For instance, organizations that engage in strategic planning are more likely to achieve higher sales growth, higher returns on assets and higher margins on profit and higher employee growth compared to those that do not (Gibson & Cassar, 2005). Nyariki (2009) pointed out that the many of challenges facing the dairy sector are related to lack of strategic thinking. It has also been found that top leaders' lack of strategic thinking as a major detractor of organizational performance (Bonn, 2001; Essery, 2002). It was held that if better strategic thinking was present, better corporate decisions would have been made and greater value provided to customers in particular and other stakeholders in general. However, the role of strategic thinking on performance of firms is a relatively under-researched area and almost non-existence in the realm of milk processors or the dairy sector in general.

1.2 Strategic Thinking

Strategic thinking is a broad process that prepares organization for change and other strategic planning actions. Strategic thinking is meant to change the way an organization operates by exploring possibilities and challenging the prevailing assumptions and way of doing things. In this regard, strategy thinking is the ability to question concepts and perceptions as well as connect issues that might seem unconnected (Robinson & Stern, 1997). According to Mintzberg (1994) Strategic thinking places a premium on synthesis and integration and requires the ability to examine new possibilities dealing with large chunks of information and the ability to pull up pieces together into a big picture. Some scholars have conceptualized strategic thinking as not only diverse but also based on all the goals of an organization. It is the aspect that enables managers to co-ordinate the multiple dimensions of a combination of strategies to ensure they are refined enough to fulfill their goals (Pisapia, 2009). This refining of competitive strategies is more critical for firms in competitive industries that have to differentiate products and ensure competency of staff at all times (Kaiba, 2016). According to Ouma (2016) refinement of competitive strategies should ensure the organization gains and retains more customers by satisfying their needs and expectations. Nderitu (2015) offered that strategic thinking should fuel competitive strategies to enable them achieve the following metrics of performance; expand the capacity and capability of the firm, offer unique value creation, ensure cost control, better focus on the market, quality control and operational efficiency. Sifuna (2014) offered that tweaking of competitive strategies through strategic thinking should enable competent exploitation of opportunities, enhance economies of scale, boost capacity utilization, reduce operational time and enable mass distribution

Superior performance of firms requires managers with strategic thinking acumen who can scan the salient environmental trends and events with utmost predictability and identify events in the external environment that are of paramount importance to the successful change process that positively impacts on organizational performance (Harzing & Ruysseveldt, 2004). Strategic environmental scanning has become vital for organizations with the increasing complexity of the operating environment (Omondi & Wambua, 2016). According to Njoroge, Ongeti, Kinuu and Kasomi (2016) environmental scanning leads to superior performance when accompanied by mapping of stakeholders. It ensures that the organization has a measure of control of the operating environment and reduces uncertainty from an unpredictable environment thus according the organization an increase in levels of responsiveness. When done properly, environmental scanning aids in exploiting opportunities and neutralizing threats to performance and existence of an organization (Murgor, 2014; Aosa, 2011; Messah & Kariuki, 2011). Strategic thinking, according to Pisapia (2009) is the ability to analyze influencing factors both from within and outside the organization, to discover strategic direction that would guide the organization's decision making and resource allocation for a period of 3-5 years. This requires new approaches in stakeholders' engagement which has been characterized by Bal, Bryde, Fearn and Ochieng (2013) as an exercise that should be targeted to meet organizational challenges and support planned development and done merely conducted as a routine or to avoid risk to reputation. Wanjiru (2016) offered that strategic stakeholders' engagement supports success of change management programmes and aids in generation of innovations an idea supported by Kamau (2014). Mangala (2015) vouches for employee engagement in ensuring individual and organizational goals are harmonized and aligned.

Bradford (2002) argues that creating a strategy- focused company, he further cannot be done without strategic thinking elements rooted in an individual charged with the responsibility of the change process. Strategic thinking born out of strategic leadership is needed to turn around poorly managed corporations to profit making and adaptive to environmental changes by redesigning operations and processes. Odede (2013) reported that process redesigning helps in improving customer service, lowering costs, increases competitiveness and facilitates accommodation of new technology in operations. Wanjiku (2015) reported that redesigning of operational processes leads to improvement in quality of products, shorten product life-cycle, adds flexibility in service delivery, simplifies processes, leads to better co-ordination and improvement in customer acquisition process. Achieng (2014) added that changes in processes reduce wastages and costs. Mwihaki (2016) offered that process redesign should affect operational structures and resources allocation for it to lead to superior performance. After strategic thinking, process redesign should be followed by training and innovations (Morogo, 2015). In the Kenyan context, aspects of strategic thinking have been shown to affect performance of different organization through empirical studies though none was conducted among milk processors. For example, Poorsadegh and Yazdani (2012) conducted a study about the effects of top managers' ability to think strategically on the success of small and medium companies. The findings showed that the top managers' ability to think strategically has a substantial effect on the success of small and medium companies although in practice they do not use it enough. Juma and Minja (2016) investigated the impact of strategic thinking on the performance of Uchumi Supermarket and found positive relationship.

1.3 Milk Processors in Nyeri County

The milk processors in Kenya operate in a very competitive environment. Gitau (2013) summarized the extent of competition the milk processors face from informal groupings in a study that found that majority of farmers from sold their milk locally to shops and hotels while majority of farmers from sold their milk to middlemen. The informal markets control an estimated 70 percent of the total milk marketed in Kenya (KDB, 2009; Government of Kenya, 2006). This sector is important and is driven by among other factors the traditional preferences for fresh raw milk and its relatively lower cost. The milk processors have resorted to application of diverse strategies in order to remain competitive in the industry. Practice has proven that strategic approaches can change the fortunes of milk processors in Kenya as it transformed Brookside Dairy to a formidable market force. Njeri (2010) studies strategic change management practices at Brookside Dairy, which has a presence in Nyeri County, and found that the following strategic interventions in internal and external environment parachuted the processor to success. Externally, there was expansion of the product lines, acquisition of competitors and venturing into new markets. Internally, there was inculcation of teamwork and stakeholder's engagement practices coupled with modification of corporate culture and structure.

2. Statement of the Problem

The milk processors in Kenya are constrained in terms of capacity, reach and competitiveness. This assertion is validated by the fact that only 15% of marketed milk flows through the formal market via cooperatives and processors (Thorpe, 2000; USAID, 2008). Moreover, the industry is less competitive in regional and international markets due to quality issues. A stinging indictment on the operations of the milk processors in Kenya indicated that they have a strident inability and unwillingness to embrace change (Mwangi, 2013). This is compounded by the entrance of new competitors since liberalization of the industry thereby increasing competition

for milk and milk products. Kenya, being a member of important trade blocks such as the COMESA and EAC in turn has opened up the industry to more competition from established processors to add on the intense competition among the local processors. This is the situation that has made it imperative for processors to develop and implement competitive strategies in order to survive and thrive. There may be some elements of strategic thinking in the conceptualization and implementation of strategic plans made by the processors taking into consideration that almost all the processors have 3-5 years strategic plans in place (Murungi, 2011). Some of the strategic plans have delivered phenomenon growth and performance to milk processors like the one done by Brookside Dairy and documented by Njeri (2010). Some of the other strategic plans have not made noticeable changes to the parent companies leading to differential performance by processors in the same market and this study will assess if strategic thinking is the answer to this puzzle.

Existing literature and empirical studies on strategic planning has not addressed the issue of strategic thinking especially how it affects performance of firms. The trend in strategic management literature indicates a pre-occupation with strategic planning, implementation, review and change management (Gekonge, 2010). Even the studies on strategic planning done among milk processors shied away from investigating the role of strategic thinking in their performance and focused on other things such as strategic control and strategic responses (Mwendwa, 2008; Nyaguthii, 2008). Studies on role of strategic thinking on performance of organization were invariably conducted in other sectors away from milk processors such as Muriithi and Morara (2000) on SMES, Kiliko (2009) on NGOs, Bett (2003) on tea manufacturing companies and Kamau (2008) on tour and travel firms. They are only limited number of studies done strategic thinking among milk processing firms like a study by Nyariki (2009) which pointed out that milk processors in Kenya seemed not to have adequate strategic thinking in their planning without elaborating the informing reasons and effects on the performance of the processors. This study sought to fill this gap in knowledge by investigating the extent of institutionalization of strategic thinking by milk processing firms in Kenya and how these impacts on the performance of these firms.

3. Objectives of the Study

The general objective of the study was to investigate the effect of strategic thinking on the performance of milk processors in Nyeri County, Kenya

The study was guided by the following specific objectives;

- i) To examine the effect of refinement of competitive strategies on the performance of milk processors in Nyeri County, Kenya
- ii) To establish the role of environmental scanning on the performance of milk processors in Nyeri County, Kenya
- iii) To determine the effect of stakeholders' engagements on the performance of milk processors in Nyeri County, Kenya
- iv) To evaluate the role of business processes redesigning on the performance of milk processors in Nyeri County, Kenya

4. Theoretical Review

Various theories have been put forward to help understand the concept of strategic thinking and its impact on performance. The theories guiding the study include; resource-based view, dynamic capability theory, goal setting theory and complexity theory.

4.1 Resource Based View

The study was guided by the propositions of Rothaermel (2012) that resource-based view (RBV) as a theory that highlights availability of organization resources as an important element to firm performance as they enable a firm to gain and sustain competitive advantage. He further adduces that right quantity and quality of organizational resources are paramount for strategic planning and implementation. Barney (1991, 1995) argues that under resource-based view (RBV) theory, firms with profitable, uncommon and matchless assets (counting non-substitutability) have the capability of accomplishing predominant execution. Assets are contributions to a company's creation procedure (Barney, 1991) and can be isolated into those that are learning based and those that are property based (Miller & Hamsie, 1996). According to Galunic and Rodan (1998), property-based assets normally allude to unmistakable info assets, though learning based assets are courses in which firms join and change the substantial information assets. Barney (1991) noticed that an association's assets ought to not just be profitable, uncommon and supreme to encourage prevalent execution, yet the firm should likewise have a proper association set up to exploit these assets. An association's aggressive position is characterized by its one of a kind connections and asset. The issue of sustainability is paramount since although a firm's resources may have added value in the past, changes in customer preference, industry structures or technology can reduce their value in future (Barney, 1995). The theory informs the study in establishing the use of strategic thinking as a resource for both strategic planning and achieving superior results. As such the definition and conceptualization of organizational resources by this theory guided in establishing the quality of the strategic thinking among the milk processors, how it affects performance and execution of strategic plans. In essence the theory guided in establishing how activities such as development of competitive advantage, environmental scanning, stakeholder's engagement and business process re-designing constitute strategic resources and assets for the milk processing firms.

4.2 Dynamic Capability Theory

The dynamic capability theory as advanced by Teece (2009) is concerned with how firms use their dynamic capacity to coordinate, form and reconfigure inner and outside abilities to address quickly evolving situations. It is the process of distinguishing authoritative or singular capacities that empower the business endeavor to fabricate and keep up esteem improving purposes of separation. Pisano (1992) seemingly characterizes dynamic capacities as the precursor hierarchical and vital routine by which administrators adjust their asset base, get and shed assets, incorporate them together and consolidate them to produce new esteem making methodologies the dynamic ability approach hopes to perceive how firms make, resuscitate and restore basic capacities by characterizing administrative qualities, administration frameworks and authoritative outlines that keep the associations alarm to circumstances and dangers. The theory established the dynamic capabilities employed by the milk processing firms like reconfiguring the firm different resources and capabilities to aid in performance. Most importantly, the theory guided the study in establishing how strategic thinking activities such as business process re-designing and refining of competitive strategies constitute dynamic capabilities.

4.3 Goal-Setting Theory

The theory as was propounded by Locke (1996) posits that the fundamental goal of the objective setting hypothesis is that, particular and troublesome objectives prompt to higher execution than when individuals endeavor to just give a valiant effort. The theory provides that the execution of objectives influences the execution of people and additionally whole associations. Individuals can be directed to center their consideration on particular targets, increment their push to accomplish these destinations, endure in times of difficulties and grow new methodologies to better manage complex difficulties to objective achievement by the boosting and motivating effect caused by setting specific goals (Wood & Locke, 1990). Valuable rewards such as an increased income from one's work, recognition and promotions are result of challenging goals (Latham & Locke, 2006). The pillars of objective setting hypothesis are that there must be ideal level of test, objective clarity and criticism (Locke & Ladham, 1990). Troublesome objectives, when acknowledged, result in higher execution than simple objectives though particular objectives increase the desire to perform even better. Challenging goals can enable people to guide and refine their performance more so by providing direction and a standard against which progress can be monitored. The theory provided the needed indicators on the extent the milk processing firms uses various facets of strategic thinking lead to accomplishment of set objectives and targets by the milk processing firms in Nyeri County. This aided in establishing if the firms set challenging goals as expounded by the theory to warrant the execution of the set measures in its strategic thinking. The provisions of the theory that setting of objectives affect the execution and implementation of strategies was tested in this study by establishing their impact on the performance of the firms as evidenced by the indicators of performance selected by the study.

4.4 Complexity Theory

Complexity theory as expounded by Mason (2007) conceptualizes complexity as the measure of heterogeneity or diversity in internal and external environmental factors such as departments, customers, suppliers, socio-politics and technology. Complexity theory focuses on how parts at a micro-level in a complex system affect emergent behavior and overall outcome at the micro-level (McElroy, 2000; McKenzie & James, 2004). It is concerned with the study of emergent order in what may be considered very disorderly systems (Steel et al., 2003). As the complexity of a system increases, the ability to understand and use information to plan and predict becomes more difficult. Over time, the increasing complexity leads to more changes within the system (Chakravarthy Gnjidic & Alfirevic, 1997). As the system becomes more complex, making sense of it becomes more difficult and adaptation to the changing environment becomes more problematic (Mason et al., 2007). According to Rhee (2000), the characteristic structural and behavioral patterns in a complex system are due to the interactions among the system's parts. While each part of a complex system acts according to its own best interest, collectively they cause the system to move in a certain direction, which may be hard to predict. The parts are constantly seeking to improve performance by driving the system away from equilibrium (Kauffman, 1993 & Sherif, 2006). Over time, the extensive interaction between the parts determines the behavior of the overall system within its environment. The parts, therefore, learn from these interactions and restructure themselves to better adapt to the environment (Sullivan, 2004 & McElroy, 2000).

In appreciation of the fact that the milk processing firms have expanded and become complex the theory guided the study on the diverse ways the firms use information from environmental

scanning to advance their performance, organize their internal resources to adapt and compete in their business re-designing process, use different ways of getting information from environmental scanning to plan, the benefit of new ways of engaging the changing stakeholders and how they refine their competitive strategies to compete in a changing market landscape. The study was premised on the posits of the theory that the internal and external environment facing firms is changing in heterogeneity and diversity and thus establish how the firms are using strategic thinking to surmount these challenges and improve performance.

5. Empirical Literature Review

Empirical review presents various past studies conducted on a specific concept. This study outlines empirical literature of strategic thinking and performance of milk processing firms. Leksmono (2006) noted that the re-launch of KCC has broadened the competition in the formal market segment, contributing to better farm gate prices and the current relative exuberance in the dairy sector. Confidence that production grew again came from the entry of new players into the dairy sector since the revival of KCC. A study by Yugi and Kipkemoi (2015) on the effect of economic determinants on performance of dairy cooperative societies in Kericho county, recommended that dairy cooperative societies should prepare and implement strategic and business plans to guide growth and performance in a dynamic economic environment faced with industrialization, globalization and technological changes affecting the modern business organizations. Some studies have also cast doubt on the effectiveness of strategic thinking and planning in improving performance of the dairy sector. For example, Wathanga (2016) found that comprehensive strategic decision-making was not significant in predicting revenue per customer, ROA, or product innovation and the null hypothesis was accepted. Kiplagat (2014) found that most strategic thinking initiatives end up being unproductive because of lack of strategic clarity, as well as the strategic purpose notwithstanding the strategic flexibility. Musau (2016) found that cost driven outsourcing led to improved organizational performance by reducing costs and risks while increasing operational efficiency, both in the short term and long term. Further, the study found that innovation driven outsourcing improved organizational performance by enabling it to create, develop and deliver value to the market faster than its competitors. This study was to investigate the effect of the following strategic planning initiatives on the performance of milk processing firms in Kenya.

5.1 Refining Competitive Strategies and Firm Performance

One of the outcomes of a successful strategic thinking initiative is coming up competitive strategies by refining the existing ones. However, the bulk of existing empirical studies are pre-occupied on the challenges and shortcomings in the development of competitive strategies. Murungi (2011) revealed that majority of the milk processors also had short term objectives which were reviewed continuously. Majority of the milk processors had their vision and mission statements as well as their short-term objectives set by top management but the effectiveness of their competitive strategies remains largely unknown. Mwangi and Gakobi (2018) found that companies that adopted growth strategies to boost performance and among the dairy processing firms in Kenya the growth strategies were dominated by market penetration strategies, diversification strategies, product expansion strategies and mergers and acquisitions. Market penetration strategies involve lowering of prices and price setting while diversification was reported to be the most significant strategy. Mugo (2017) on entry and sustenance strategies of milk processing firms in the supermarket spaces found use of new product development, distribution expansion, market and product diversification, food safety strategies and written business strategies to be the key entry strategies.

Most of the studies only identify the competitive strategies being implemented by firm but not their refinement and effect on performance. Bogecho (2011) did a study on sources of sustainable competitive advantage among milk processing companies in Kenya. The study found out that milk processing companies in Kenya had growth strategies in place to counter competition. Baraza and Arasa (2017) conducted a study on effects of competitive strategies on performance of manufacturing firms in Kenya. The study found out that competitive strategy, cost leadership, differentiation and focus are critical because they influence decision making and hence organizational performance. This study suggests for development of strategies that are well aligned to aid firms withstand competition and perform effectively and competitively.

In addition, Nyaga (2015) did a study on effects of competitive strategies on performance of express connections limited in Kenya. The study established that express connections limited adopted a number of competitive strategies; standard pricing was being used within the respective timings for instance peak and off peak differentiation, usage of standard colors so as to identify the fleet and the creation of a sister company to help build the bus bodies and in repair of the vehicles and segmented market on the basis of routes being covered by the fleets and zones in order to ensure effective coverage of all routes. The study concludes that service quality and customer relationship are the most effective competitive strategy used by express connections limited as well as differentiation of services to suit their clients. Further, Ombati and Muturi (2017) carried out a study on effects of competitive strategy on performance of micro finance institutions in Kenya: a survey of micro-finance institutions in Kisii County. The study also established that an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy. The study also established that management should try to focus on their market niche since focus aims at growing market share through operating in a niche market. There is hardly any study on strategic thinking and performance of milk firms in Nyeri County.

5.2 Environmental Scanning and Firm Performance

There is a growing body of knowledge on the need and importance of environmental scanning for firms. Johnson and Scholes, (2002) found that environmental turbulence has forced many businesses to scrutinize their competitive strategies more closely and determine the sources that would provide a sustainable competitive advantage in the business environment. The basis for environmental scanning and the needed strategic thinking to adopt environmental scanning in organizations was laid by Ansoff (1987) with the finding that organizations cannot afford to just let changes occur but they must identify the changes, adopt to it and develop strategies to plan, direct and control change. In the Kenyan dairy sector, these changes include liberalization of the market and changes in the competitive nature of the industry (Kioi, 2001). There is a gap in the existing studies in that most of the existing studies were pre-occupied with information sources and methods of getting them (Stewart, May and Kalia, 2008). It is also established that through environmental scanning, organizations adopt their activities and internal configurations to reflect to the new realities. This informs the changes to the firm aggressiveness, responsiveness and capabilities (Aosa, 1998; Ansoff, 1990). Most of the research on the strategic thinking that inform environmental scanning mostly detail the benefits firms draw from environmental scanning and modalities of conducting environmental scanning. Chancellier, Blageski and Rossetto (2014) found that environmental scanning should benefit the firm by getting information about the competitors, technological aspects and access to resources.

Proscak (1994) found that the ability to effectively use the information from environmental scanning to make decisions after acquiring and treating information enables firms to be more competitive. Hagen and Amin (1995) found that the information from environmental scanning should show the cause of challenges, create opportunities, decrease the level of uncertainty in decision making and interpret the challenges. Meyer and Sawyer (2003) found that the information from environmental scanning should be accurate and should aid in adjusting strategies to the market conditions and as was found by Analovi and Karami (2012) enable organizations achieve maximum performance. A study by Yunggar (2005) found that environmental scanning provides organizations with information thus keep it from becoming stagnant and ignorant of environmental changes. It enables organizations attune its structure to the organization and increase responsiveness to environmental changes. Sund (2013) categorized environmental scanning to client, competitors, technology, economic aspect, regulatory aspect and socio-cultural aspects.

Agbim, Oriarerwa and Zeven (2014) found that the success of environmental scanning backed by adequate strategic thinking is determined by the degree of interest, frequency of scanning and the characteristics of the enterprise. Jarusi (2008) had earlier found that the different forms of environmental scanning include external, task and internal environment. A plethora of benefits have also been found to be accrued to organizations that conduct effective environmental scanning including; faster reaction times, high growth rates, enhancement of knowledge base, effective planning, accurate market and industry insights, better customer experience, early detection of threat and development of markets and products according to the prevailing market trends (Kohn, 2005). Ojo (2008) found that environmental scanning is dependent on the level of uncertainty in an industry and found that commercial banks in Nigeria that undertook effective environmental scanning outperformed those that did not do it. Kariuki, Iravo and Kihoro (2018) found that environmental scanning led to enhanced value addition in the dairy sector, increase in sales and made firms more competitive and profitable.

5.3 Stakeholders' Engagements and Firm Performance

Empirical literature has proved that various aspects of stakeholders' engagement lead to superior performance of both firms and strategies even among firms in the dairy sector. Empirical research has continuously advocated for strategic thinking before effecting stakeholders' engagement in a firm for the organization to reap maximum benefits from strategies. Mangala (2015) in a study on the role of stakeholders' engagement in strategy implementation at G4S Company found that most of the relevance and anticipated benefits of a strategy were lost when primary stakeholders are excluded from strategic management practices. The study recommended that organizations should identify important stakeholders in a strategy and engage them, early engagement of employees, encouraging teamwork and sharing of responsibilities in strategy implementation.

This was corroborated by Freeman (2007) who found that the interests of stakeholders are multifaceted, connected and shared and found that stakeholders' engagement should be honest, open and fair. Pederson (2006) found that meaningful stakeholders' engagement should be undertaken by creating real dialogue with voluntary and involuntary stakeholders. Noland and Philip (2010) advocated for organizations to engage stakeholders through recognition, respect and appreciation while Weiford (2000) recommended that organizations should revise operational models to incorporate stakeholders. Friedman and Miles (2006) found that organizations benefited from reacting to issues raised by stakeholders through improvement in

responsiveness where there is coherence and responsibility and reflection of stakeholders wishes in the policy and practices of an organization and in decision making.

Jansky and Vitto (2003) found that failure to involve stakeholders led to implementation of misguided strategies that are fraught with conflicts. To avoid conflicts, stakeholders' engagement should be consistent, transparent and there should be flow of information to stakeholders as well as follow up from the management of an organization (Sloan, 2009). Kimunge (2016) found that stakeholders' engagement was a vital plank in the performance of Kenya Dairy Board especially in the strategy management practices. This was done through stakeholders' sensitization forums, communicating the mission, vision and goals of the organization, communicating the schedules and milestones to the stakeholders and involving stakeholders in monitoring and evaluation. Kinyua (2016) found that proactive stakeholders' engagement was vital to both the performance of an organization as well as in the implementation of diverse strategies like offensive strategies, defensive strategies swing and hold strategies. The study found that corporate social responsibility tasks were vital in strengthening stakeholders' engagement among firms.

Kariuki (2008) on strategy evaluation and control among dairy processing firms in Kenya found that the firms were severely affected by changes in the environment. The dearth of stakeholders' involvement among the firms was manifested in lack of proper documentation and attendant poor appreciation of strategy evaluation and control. It was found that among the reasons the firms face financial constraints were poor controls and failure to involve stakeholders. Mutunga (2014) found that milk processing firms in Kenya use supply chain designs as a weapon to beat competitors by understanding where value is, where value is being created and destroyed. In the process, it was found that stakeholders' engagement contributed 30% to the performance of the supply chain among dairy processing firms. On the same type of research, Naguney (2006) found that supply chain activities from transforming raw products to finished products and delivering to customers was more effective with stakeholders' participation. A study by Kinyenje (2013) on Katheri dairy co-operative society observed that a negative relationship existed between number of meetings and organizational performance. Winyu (2010) underscored that stakeholder management helps to sustain the competitive advantage through a firm's resource capacity-resource commitment, developing capabilities and building relationship. A study by Kimunge (2016) on strategic planning practices and performance of Kenya dairy board found out that the opinion that consultation is sought among the different stakeholders through stakeholder sensitization forums

5.4 Business Processes Redesigning and Firm Performance

Various forms of business process re-engineering (BPR) have been found to affect the performance of various firms across all the industries. For example, Mwihi (2016) found that BPR affected operational performance of Nairobi City County. Arora (2014) found that business process re-engineering leads to development of new methods of conducting business that are easier, effective, faster, cost effective and quality driven. Bolo, Lorika and Obonyo (2011) suggested the need to twinkle the value chain strategies among producer owned dairy groups in Kenya because the firms have exhibited weak management capacities, inadequate capital base and low economies of scale. The study recommended that the firms should focus and maximize on the core value activities such as provision of inputs, breeding, proper milk handling and other drivers of change and external support to anchor these activities.

A study by Bitok (2013) found that manufacturing firms in Kenya had adopted elements of BPR with the attendant benefits of efficiency in the production process, quality of products and workforce, elimination of non-value adding processes and reduction in queue time. There is an apparent lacuna in that the benefits to the milk processing firms are not that apparent. Waller (2003) found that BPR boosts competitiveness through simplifying the productive processes especially in the processing sector. Kapoor (2011) documented other benefits of BPR to include reduced time lag in service delivery, reduced costs, and meaningful jobs for the employees as they understand the underlying processes, flexibility, adaptability and opening up of growth opportunities. These findings were supported by a study by Carpinetti (2003) in a study that added that BPR also aids in product development, order fulfillment, building and defending valuable markets, planning and control. Bansal (2013) found that BPR involves change of activities and inputs so that the output is of more value to the customer. These activities include job definition management systems and organizational structures.

Kariuki, Iravo and Kihoro (2015) investigated the needed re-engineering practices by dairy firms in Kenya and found that value addition into the highly diversified products was the most profitable practice. On the same investigation, Oganda (2017) found that the firms should adopt and support changes in consortium with stakeholders especially farmers. They found that firms should serve customers fast and ensure that they get value for money, cost reduction and prompt dealing with emerging issues was found to be another productive feature of business process re-engineering.

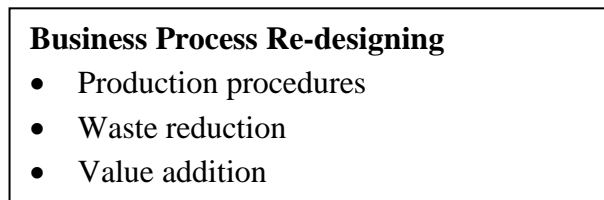
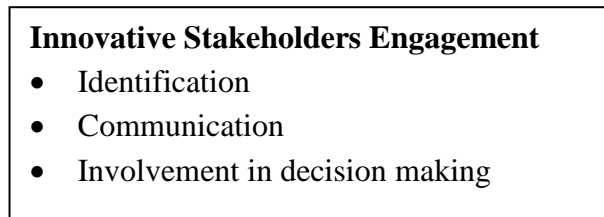
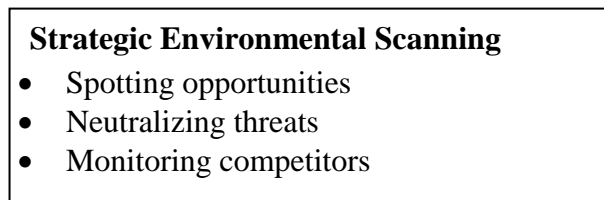
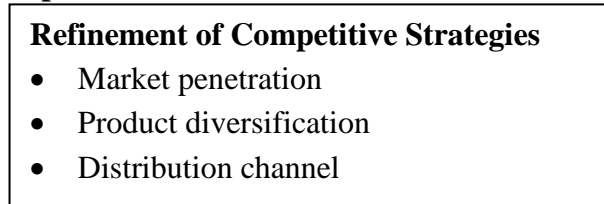
Business process re-engineering has been found to profoundly affect the performance of diverse firms with most of the empirical output coming from other industries save for the dairy industry. For example, in the banking sector, Achieng (2014) found that BPR was one of the major drivers of change through injection of efficiency, reduction of wastage and cost reduction. It was found to be the most potent tool in achieving cost leadership and in dealing with the rapid technological and business changes in the banking sector. Further, Ozcelik (2009) found that BPR is a novel corporate change that enables a firm to maximize on its market advantages especially when employees embrace the major changes, there is rampant use of emerging technologies and the needed flow of information in a firm. Murugu (2015) found that the advantages of BPR are usually realized if there are meaningful linkages of production procedures through reconstruction of processes and development of new tools and strategies to deal with the environment. Odhiambo (2009) concurred on the needed changes to an organization to enable BPR to work by finding that there should be noticeable changes to the competitiveness of the various processes in a firm. The study particularly noted the processes of product and service development, customer related processes, inventory processes and streamlining of the cross-functional processes. It was recommended that there should be value addition elements and innovations to all these processes for BPR to lead to sustainable competitive advantage. As such, strategic thinking is vital before implementation of BPR activities.

6. Conceptual Framework

A conceptual framework shows the relationship among the study variables replete with indicators to show measurability of the variables. The arrows show the direction of influence. The variable of refinement of competitive strategies is measured by indicators of market penetration, product diversification and distribution channels. Strategic environmental scanning is measured by indicators of spotting opportunities, neutralizing threats and monitoring competitors. Innovative stakeholders' engagement is measured by indicators of identification,

communication and involvement in decision making. Business process re-designing is measured by indicators of production procedures, waste reduction and value addition. The dependent variable is performance of milk processors and is measured using indicators of profitability, equity growth, and revenue from sales.

Independent Variables



Dependent Variable

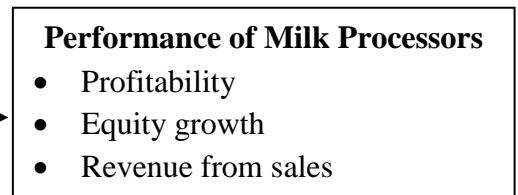


Figure 1 Conceptual Framework

Source: Researcher (2018)

7. Research Methodology

A descriptive survey design was used in the study to establish the strategic thinking adopted by milk processors in Nyeri County. Kothari (2004) expounded that the major purpose of descriptive research is to describe the state of affairs as it exists at the present. This design was ideal because it answered the pertinent research question on the phenomenon of strategic thinking and performance of a firm which require generation and analysis of both qualitative and quantitative data as was observed by Mugenda and Mugenda (2003). The research design describes what and how of the strategic thinking among the milk processing firms in Nyeri County. The target populations of the study were the five active milk processors in Nyeri County. These firms are Wakulima Dairy, Kenya Cooperatives Creameries, Demka Dairy, Rakar Dairy and Freshway Dairy. The five milk processing firms were targeted because they have been

in operation for the last three years in Nyeri County. Furthermore, the firms are involved in the whole value chain in the dairy sector from collection of milk, processing and marketing of the various finished dairy products. The study respondents were the staff at the management of the five milk processing firms. These staff in the management of the five milk processors were; board members, directors, supervisors and senior managers. There are seventy-six senior staff in management of the five milk processors in Nyeri County, Kenya Dairy Board (2017).

The study used census sampling technique which included all the staff in senior management. These include board members, chief executive officers, managers, chief accounting officers and supervisors. The study relied on primary data. The respondents targeted were the staff in management positions who were involved in the strategy formulation and implementation in the milk processing firms. These respondents were therefore be in a good state to provide the most reliable data on the strategic thinking adopted by the milk processing firms in Nyeri County. The primary data was collected using a questionnaire which had close ended, open-ended and scale/Likert type questions on all the variables. A semi structured questionnaire is a research instrument consisting of a set of questions (Kothari, 2004) and is for the purpose of gathering information from respondents. A questionnaire has also an added advantage in large samples whereby the results can be made more dependable and reliable (Kothari, 2004). The questionnaires were administered through drop and pick method to the target population.

The data was coded and entered into Statistical Software for Social Science (SPSS) and descriptive analysis was carried out. Descriptive statistics was used to summarize the data. This included percentages and frequencies. Tables, pie charts and other graphs were used to present the data collected for ease of understanding and analysis. Measures of central tendency applied were mean and percentages. Explanations to the tables and graphs were done in prose. Multiple regression analysis was conducted to establish the nature of relationship among variables. The regression analysis determined the strength of each of the independent variables as was delineated from the r^2 and r adjusted and inform findings and recommendations. From the model, Y was the dependent variable, β_0 is the regression co-efficient, $\beta_1\beta_2\beta_3$ and β_4 represent the slopes of the regression equation while ε represent the error term with a mean of zero and assumed to be zero. The X 's are the independent variables. The model was applied at 95% level of confidence. The equation solved the statistical mode where SPSS was applied to generate quantitative data and reports for the study. The qualitative data that was obtained from the open-ended questionnaires was used analyzed through thematic analysis.

8. Data Analysis Results

The relationship among the variables used in the study was examined using the correlation analysis whose results. According to Kothari (2004), correlation coefficient is a measure of linear association between two variables. Values of the correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive linear sense; a correlation Coefficient value of -1 indicates that two variables are perfectly related in a negative linear sense, and a correlation coefficient value of 0 indicates that there is no linear association between the two variables.

Table 1 Correlation Analysis

		Strategic Thinking	Competitive Strategies	Environmental Scanning	Stakeholder Engagement	Process Redesign	Performance of Milk processors
Strategic Thinking	Pearson Correlation	1.00					
	Sig. (2-tailed)						
Competitive Strategies	Pearson Correlation	.88	1.00				
	Sig. (2-tailed)	.000					
Environmental Scanning	Pearson Correlation	.81	.89	1.00			
	Sig. (2-tailed)	.000	.000				
Stakeholder engagement	Pearson Correlation	.81	.88	.97	1.00		
	Sig. (2-tailed)	.000	.000	.000			
Process Redesign	Pearson Correlation	.82	.91	.90	.88	1.00	
	Sig. (2-tailed)	.000	.000	.000	.000		
Performance of Milk processors	Pearson Correlation	.75	.73	.81	.83	.76	1.00
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	51	51	51	51	51	51

Source: Field Data (2019)

The correlation findings indicate that the relationship between independent variables and the dependent variable was positive. All of them were significant at 95% confidence level. The correlation analysis shows that strategic thinking had a strong and positive correlation coefficient of 0.75 with a p-value of less than 0.05. This reveals that increase in strategic thinking leads to significant improvement in performance. Competitive strategies had also a positive correlation coefficient of 0.73 with a p-value less than 0.05. Environmental scanning, strategic engagement and process redesign all had a strong positive correlation coefficient of 0.81, 0.83 and 0.76 with p-values less than 0.05 respectively. The analysis depicts that there is a strong positive relationship between strategic thinking and performance of milk processing firms in Nyeri County. The results agree with Murungi (2011) who conducted a study to assess the strategic planning practices by milk processors in Kenya and found that majority of the milk processors in Kenya had formal documented mission and vision statements. This shows that milk processing firms employ strategic thinking to improve their performance which is confirmed by a strong positive correlation between strategic thinking practices and performance.

Multiple regression analysis was also done. The dependent variable in this study was performance of milk processing firms in Nyeri County. The independent variables were refinement of competitive strategies, environmental scanning, stakeholder's engagement and

business process re-designing. The coefficient of determination is a measure of how well a statistical model is likely to forecast future outcomes. The co-efficient of determination is the square of the sample correlation coefficient between outcomes and predicted values (Golberg & Hokwon, 2010). It defines the degree to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable, of the performance of milk processing firms in Nyeri County as a result of the four independent variables (refinement of competitive strategies, environmental scanning, stakeholders' engagement and business process re-engineering). The coefficient of determination is presented in Table 2 below;

Table 2 Coefficient of determination

Model	R	R Square	Adjusted Squared	R Std. Error of the Estimate
1	0.889	0.790	0.736	0.32561

Source: Field Data (2019)

Adjusted R squared is coefficient of determination which illustrates the variation in the dependent variable as a result of changes in the independent variable. From the study, in the value of adjusted R squared was 0.736 an indication that there a was variation of 73.6 percent in performance of milk processing firms in Nyeri County as a result of changes on independent variables at 95 percent confidence interval. This indicates that 73.6 percent changes in performance of milk processors in Nyeri County could be accounted to changes in development of competitive strategies, environmental scanning, stakeholders' engagement and business process re-designing. This implies that the four factors are very critical to performance of milk processing firms in Nyeri County.

Table 3 ANOVA Analysis

Model		Sum of Squares	d.f	Mean Square	f	Sig.
1	Regression	8.884	4	2.221	22.210	0.000
	Residual	4.615	46	0.100		
	Total	13.499	50			

Source: Field Data (2019)

The ANOVA analysis shows that the significance value of 0.000 is less than 0.05. The implies that the model is was statistically significant in predicting the extent to which strategic thinking, competitive strategies, environmental scanning, stakeholder's engagement and process re-design influenced the performance of milk processing firms in Nyeri County.

In addition, the researcher conducted a multiple regression analysis so as to determine the effects of strategic thinking on performance of milk processing firms in Nyeri County. Multiple regression analysis was used to test the influence among predictor variables. The study used statistical package for social sciences (SPSS V 21.0) to code, enter and compute the

measurements of the multiple regressions. The results of Multiple Regression Analysis are tabulated in Table 2 below;

Table 2 Model Coefficients

Model	Un standardized Coefficients		Standardized coefficients Beta	T	Sig
	B	Std. Error			
Constant	1.508	1.131		1.333	0.001
Refining competitive strategies	0.481	0.228	0.203	2.110	0.002
Environmental scanning	0.347	0.127	0.217	2.732	0.003
Stakeholders engagement	0.416	0.115	0.316	3.617	0.001
Business process re-designing	0.267	0.103	0.125	2.592	0.000

Source: Field Data (2019)

From the computed data the established regression equation was: $Y = 1.508 + 0.481 X_1 + 0.347 X_2 + 0.416 X_3 + 0.267 X_4 + \epsilon$; Where Y= Performance of Milk Processing Firms in Nyeri County, X_1 = Refinement of competitive strategies, X_2 = Environmental scanning, X_3 = Stakeholders engagement, X_4 = Business Process re-designing. Using the above regression equation, it was revealed that holding refinement of competitive strategies, environmental scanning, stakeholders' engagement and business process re-designing constant at zero, the performance of milk processing firms in Nyeri County would be at 1.508. The findings also show that a unit increase in refinement of competitive strategies would lead to an increase in the performance of milk processing firms by a factors of 0.481, a unit increase in environmental scanning would lead to an increase in performance of milk processing firms by factors of 0.347, a unit increase in stakeholders engagement practices leads to an increase in performance of milk processing firms by a factor of 0.416, and a unit increase in business process re-design would lead to increase in performance of milk processing firms in Nyeri County by a factors of 0.267. All the variables were significant as their values were less than ($p < 0.05$). These findings are consistent with Poorsadegh and Yazdani (2012) conducted a study about the effects of top managers' ability to think strategically on the success of small and medium companies. The findings showed that the top managers' ability to think strategically has a substantial effect on the success of small and medium companies although in practice they do not use it enough.

9. Conclusions

The study concluded that strategic thinking had significant and positive effects on the performance of milk processing firms in Nyeri County. As found out in the multiple regression analysis, all the combined strategic thinking activities of refinement of competitive strategies, environmental scanning, stakeholders' engagement and business process re-designing had an effect on the performance of milk processing firms in Nyeri. Individually, refinement of competitive strategies had the highest positive and significant effect on performance at a mean score of 4.61, the stakeholder's engagement mean score was 4.56 which shows that there is a strong positive impact in performance of milk processing firms. Environmental scanning high mean score of 4.35 shows the positive impacts to the performance of the milk processing firms

and business process re-design with a mean score of 4.39 indicated significant and positive effect on the performance of milk processing firms in Nyeri County as well.

10. Recommendations

From the gaps in the findings of the study, the following recommendations are made to improve both performance and strategic thinking among milk processing firms: Strategic thinking should be formalized as a process that should come before any strategy implementation and it should be conducted in meetings with all the employees and stakeholders. The strategic thinking among milk processing firms should be narrowed and focused on areas of competitor analysis and satisfying consumer needs which have been left unattended by existing strategies. Refined competitive strategies by the milk processing firms should be aligned to and supported by emerging technologies to optimize their effects on performance of the milk processors. All the refinement of competitive strategies as well as other aspects of strategic thinking should be data driven to have an impact on the market.

The deliverables to consumers from the refined competitive strategies should be delivered using new and innovative delivery channels to wean the processors from over-dependence on supermarket shelves to move their products. Environmental scanning activities by the milk processing firms should be geared towards detecting and reacting to changes in the market forces. Environmental scanning should be complemented by regular market surveys initiated by the milk processors. All the stakeholders' engagement initiatives by the milk processing firms should be accompanied by elaborate sensitization meetings to ensure that the relevant stakeholders know the strategies the firms are pursuing and their effect on them. Changes to the production process and other process re-designing initiatives should not only be aimed at cutting cost and improving efficiency but also conforming to changing consumer needs and preferences.

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