

**STRATEGIC MANAGEMENT PRACTICES AND  
OUTSOURCING RELATIONSHIPS AMONG LARGE  
SCALE FOOD PROCESSING FIRMS IN KENYA**

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**Strategic Management Practices and Outsourcing  
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## DECLARATION

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

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## **DEDICATION**

To my late brother, David Katana Mulewa.

You left fingerprints

of grace

in our lives.

You shall not be forgotten.

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## **LIST OF ABBREVIATION AND ACRONYMS**

<b>AASR</b>	Africa Agriculture Status Report
<b>AGRA</b>	Alliance for a Green Revolution in Africa
<b>ASDS</b>	Agricultural Sector Development Strategy
<b>BCG</b>	Boston Consulting Group
<b>CAADP</b>	Comprehensive Africa Agricultural Development Programme
<b>CAGR</b>	Compound Annual Growth Rate
<b>CAI</b>	Community Association Institute
<b>CEO</b>	Chief Executive Officer
<b>CSR</b>	Corporate Social Responsibility
<b>EAC</b>	East African Community
<b>ECB</b>	Employee Capacity Building
<b>EPZ</b>	Export Processing Zone
<b>EU</b>	European Union
<b>FAO</b>	Food and Agriculture Organisation
<b>FBA</b>	Food Business Africa
<b>GDP</b>	Gross Domestic Product
<b>GoK</b>	Government of Kenya
<b>HACCP</b>	Hazard Analysis Critical Control Points
<b>HRM</b>	Human Resource Management
<b>ICT</b>	Information Communication Technology
<b>IT</b>	Information Technology

<b>IFCF</b>	International Food Information Council Foundation
<b>KAAA</b>	Kenya Agribusiness and Agroindustry Alliance
<b>KAM</b>	Kenya Association of Manufacturers
<b>KEBS</b>	Kenya Bureau of Standards
<b>KIPPRA</b>	Kenya Institute for Public Policy Research and Analysis
<b>KNBS</b>	Kenya National Bureau of Statistics
<b>KPHC</b>	Kenya Population and Housing Census
<b>KPMG</b>	Klynveld Peat Marwick Goerdeler
<b>MDGs</b>	Millennium Development Goals
<b>MNEs</b>	Multinational Enterprises
<b>NEPDS</b>	National Export Development and Promotion Strategy
<b>NFSNP</b>	National Food Security and Nutrition Policy
<b>NGEC</b>	National Gender and Equality Commission
<b>NSE</b>	Nairobi Stock Exchange
<b>OSHA</b>	Occupational Safety and Health Administration
<b>PwC</b>	Price Waterhouse and Coopers
<b>RoK</b>	Republic of Kenya
<b>RBT</b>	Resource Base Theory
<b>SA</b>	South Africa
<b>SIAP</b>	Scientific Institute for Asia and Pacific
<b>SMART</b>	Specific Measurable Attainable Realistic and Time Bound
<b>SMEs</b>	Small Medium sized Enterprises
<b>SSA</b>	Sub-Saharan Africa

<b>SSE</b>	Selected Small Enterprises
<b>SBE</b>	Small Business Enterprises
<b>SMEs</b>	Small Medium Enterprises
<b>SP</b>	Strategic Planning
<b>SPs</b>	Strategic Partnerships
<b>SQC</b>	Strategic Quality Control
<b>SWOT</b>	Strength, Weakness, Opportunities and Threats
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>US</b>	United States
<b>USA</b>	United States of America
<b>ORs</b>	Outsourcing Relationships
<b>RBT</b>	Resource Base Theory
<b>TQM</b>	Total Quality Management
<b>US</b>	United States
<b>VIF</b>	Variable Inflation Factor
<b>VRIN</b>	Valuable, Rare, Inimitable and Non-substitutable
<b>WEF</b>	World Economic Forum

## DEFINITION OF TERMS

- Large Scale Firms:** A form of business characterised by comprising of 100 employees and above with significant quantities of capital, a broad geographic reach and generate substantial volumes of revenue (KNBS, 2016).
- Outsourcing:** External provision of a process, in part or in its entirety, which was earlier being carried out within the firm, by contracting out to one or more suppliers (Pratap, 2014).
- Outsourcing relationships:** This entail either two or more cooperating parties engaging in an agency relationship under which one organization (the principal) engages another organization (the agent) to perform some service on its behalf (Hans & Peter, 2009).
- Strategic management practices:** It involves different approaches of working methods an organisation undertakes to achieve its objectives while making the optimum use of the firm's resources thus creating and sustaining competitive advantage through exploitation and creation of new and different opportunities (Wheelen & Hunger, 2008).
- Strategic management:** A concept that concerns making decisions and taking corrective actions to achieve long-term targets and goals of an organization (Bakar, Tufail, & Virgiyanti, 2011).
- Strategy:** An organizational plan of action that is intended to move a company towards

achievement of its short-term goals and ultimately, its fundamental purposes (Enz, 2010).

**Win-win situation:**

An arrangement situation, game, negotiation, or strategy in which all the parties involved benefit in one way or another, there are no losers. (Gartner, 2013).

## ABSTRACT

The purpose of this study was to ascertain the significant influence of strategic management practices in outsourcing relationships among the large scale food processors in Kenya. Four specific objectives formed the basis of this study which entailed establishing the influence of strategic planning, strategic quality control, employee capacity building and strategic partnerships as strategic management practices in outsourcing relationships among the large scale food processors in Kenya. This study was anchored on four main theories that explained the link of the strategic management practices and outsourcing relationships. These were the core competency theory, resource base theory, the systems theory and the contingency theory. This study employed a quantitative methodology using the survey design. The target population comprised of 181 large scale food processing firms in Kenya constituting of 10 industrial sectors registered with the Kenya Association of Manufacturers (KAM) by 2017. Stratified random sampling was employed that generated a stratified random sample of 123 large scale food processing firms in Kenya. Secondary and primary data were employed. To check for the reliability and validity of the questionnaire using the Cronbach Alpha method, a pilot study was then conducted. The semi-structured questionnaires were distributed to randomly sampled employees in the 123 firms. The study targeted one respondent chosen randomly in each firm. The data collected was sorted, coded and entered into the Statistical Package for Social Science (SPSS) software to facilitate analysis using descriptive and inferential statistics. The response rate was at 86%. Regression analysis indicated that strategic management practices explained a 69.5% significant extent of variance in the influence of outsourcing relationships since the Adjusted  $R^2$  of 0.695. Overall findings revealed that strategic planning and strategic quality control had no significant influence in the outsourcing relationships among the large scale food processors in Kenya; employee capacity building and strategic partnerships had a significant influence in the outsourcing relationships among the large scale food processors in Kenya. From the findings, the study recommends that the Government of Kenya through the relevant Ministries, needs to establish an institutional framework or guidelines for carrying out systematic outsourcing relationships among the large scale food processors in Kenya. In furtherance to that, the development of a unified risk assessment document to simplify the process of assessing the right vendor as pertaining to proposed partnerships in the food processing industry, total quality management and promotion of strategic thinking and learning are also to be considered as the fundamentals in the success of outsourcing relationships among the large scale food processing firms in Kenya

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

The growing potential of the large scale food processing industries encourages organisations to change business processes and reach for new forms of expertise. Such changes to outside specialist organizations include various approaches such as outsourcing activities. Outsourcing entails a process that commences with the client selection, going through a series of negotiations and reaching the definition of a contract, which will guide the relationship and enable the execution of activities between the involved parties (Carvalho, Poletto, & Seixas, 2016). This activity in an organisation referred to as outsourcing is not a new phenomenon and is at least a few hundred years old, although the name was established in the twentieth century. As years progressed, many challenges upon the food processing industries operating in it were experienced. For this reason, such firms became obliged to find ways of reaping value thus leading to the development of the new and innovative management practices such as outsourcing which is currently being promoted as one of the most powerful trends reshaping management (Heus, 2017).

Outsourcing as a concept has been applied to the implementation in management functions with most emphasis in outsourcing relationships (Stoniec, 2017). Outsourcing relationships necessitate the combination of the client, and the vendor in the coordination of all activities necessary to organize the outsourcing work. Carvalho et al. (2016) urged that solid outsourcing relationships are equally initial mechanism to ensure success or at least prevent failures in the outsourcing process. Hubber, Fischer, Dibbern, and Hirschheim (2013) concurred that there are alternative perspectives in outsourcing relationships but Strange, Zucchella, and Magnani (2018) believed that the power asymmetries are a distinctive characteristic of successful outsourcing relationships.

Global research agencies including KPMG Report (2014) and Price Waterhouse Cooper (PwC, 2014) stated that universally, outsourcing relationships have been rising and will carry on to grow consistently. The Offshore Research Network (ORN, 2011) indicated that 1,454 United States (US) and European client firms and 514 vendor firms from all over the world continue to gradually increase each year by 0.4%. A survey of 140 firms by Deloitte (2016) in 30 different countries indicated that the firms have not and do not plan to move away from outsourcing activities thus more emphasis is being put on outsourcing relationships (Manning, Lewin, & Schuerch, 2011).

Oluwaremi, Nasieku, and Muturi (2016) noted that in this globalised era, outsourcing relationships have emerged as being popular. In furtherance to that, the skyrocketing popularity of this global phenomenon is due to the increased competition amongst organisations that have been coerced into rethinking their position in the marketplace. Nonetheless, in Africa, the geographic mix of the outsourcing relationships has and will continue to evolve as firms seek opportunities to expand their geographic foot prints from mature markets like the emerging and developed economies (Deloitte, 2016). Deloitte (2015) likened South Africa (SA) to Asian countries as equally a favoured location for outsourcing activities with outstanding outsourcing relationships. Firms like IBM, Fujitsu Siemens, Lufthansa, Virgin, Avis, Sykes and car phone warehouse offer world-class service levels of call centre staff maintaining successful outsourcing relationships. In addition to that, Kuada and Hinson (2015) postulated that the resource-seeking motives of foreign investments in Africa has received extra attention in literature in recent years owing to outsourcing relationships as one of the tools for sustaining efficiencies and competitive advantages of firms worldwide.

Kenya is also not an immune to this. The Kenyan viewpoint on outsourcing was underlined in the Kenya Vision 2030 program which was unveiled in 2007. The initiative was seen as a key pillar as well as driver of social and economic improvement by means of wealth and job creation. This is also in line with the Government's Big Four Agenda of 2018-2022 whereby the Government targets to raise contribution of manufacturing sector to Gross Domestic Product (GDP) to 15%

by 2022 and reduce poverty. The Government's Big Four Agenda encompasses affordable and decent housing, affordable healthcare, food and nutritional security, and employment creation through manufacturing (The National Treasury Budget, 2018/19).

Kenya's share of manufacturing exports to the global market is estimated to be about 0.02% that is favourable in comparison to its neighbours Uganda and Tanzania (Kenya Institute for Public Policy Research and Analysis (KIPPRA), 2018). In Kenya during the early 80's, the manufacturing industry was the leading both in terms of size and employment. In the national manufacturing sector, the industry was employing over 200,000 family households and about 30% of the labour force. Later, the sub-sector started declining in the mid-1980s until the 1990s Export Processing Zone (EPZ, 2014) and thus continued to gradually increase (The World Bank Group, 2015). Manufacturing sector grew by 4.8% in 2013 compared to a maintained and revised growth path of 3.2% in 2012 (Kenya National Bureau of Statistics (KNBS), 2014).

The large scale food processing firms is amongst the manufacturing industries in Kenya. In enhancement of such manufacturing boosts, the large scale food processing industries practice various strategies such as outsourcing activities and more so in concentration of the outsourcing relationships. In the recent past, outsourcing by large scale food processing firms to local contract manufacturer has grown so as to be able to concentrate in the marketing and distribution of the products. Notable firms include firms like Unga, Proctor and Gamble, Bidco, and Unilever among others (Wahome, 2017). However, outsourcing has demonstrated impressive growth among various industries such as the large scale food processing industries during the past few years, Willcocks, Kotlarsky and Oshri (2015) noted that some outsourcing relationships have yielded poor results, and some have even been terminated early and one reason that has been identified is poor management practices as a primary factor leading to these results. In this study, more focus is on understanding and implementation of the influence of commonly used strategic management practices within firms to ensure the success of the outsourcing relationships.

### **1.1.1 Strategic Management Practices**

There is no sole explanation of strategic management practices, which is largely acceptable (Markiewicz, 2011). Despite all that, definitions found in extant literatures include working methods as pertaining to the purpose of the organizational mission, vision, philosophies, goals and policies (Palladan & Adamu, 2018). Within this framework, strategic management practices have the potential to impact almost every aspect of an organisation both positively and negatively (Mutemi, Maina, & Wanyoike, 2014) on operations of and work in organizations whilst underpinning the competitiveness of an organization (Potočan & Dabić, 2012; Nedelko & Potočan, 2013). They consist of four basic elements that is strategy formulation, implementation, evaluation and control. It is from these four basic elements that strategic management practices are manifested. This study employed and focussed on the most known and utilized strategic management practices such as strategic planning, strategic quality control, employee capacity building and strategic partnerships (Gure & Karugu, 2018).

Strategic planning as a management practice is a set of explicit processes whereby the influence is clearly seen when the large scale food processors in Kenya analyse the strengths, weaknesses, opportunities and threats, so as to align themselves to opulence. This is sequentially integrated through environmental analysis, goals and objectives setting, strategy formulation and strategy implementation on the outsourcing relationships (Waithaka, Mburu, Koror, & Muathe, 2012). This will further enable firms in establishing right and proper strategic path for organisations as a whole (Sasaka, Namusonge, & Sakwa, 2014).

The importance of superior quality products and service cannot be overemphasized in the large scale food processing firms. The influence of strategic quality control is seen in the selection, checking, measuring and improving services and products whilst maintaining positive outsourcing relationships with the relevant parties at hand. This is essential not only in determining fitness for use, but to provide positive client-vendor relations expected to result into uniform quality of products and services (Ahmad, Farrukh, & Nazir, 2014). Building a foundation through strategic

partnerships is advantageous for any enterprise (The World Bank Group, 2015). Strategic partnerships between firms promote interdependence, institutionalisation and integrity in the outsourcing relationships. The emphasis is between the parties cooperating amongst themselves. This approach stresses the development of trust, information sharing and common interest amongst members (Lacity & Willcocks, 2014). If both parties reciprocate well, whilst maintaining positive outsourcing relationships, they are expected to reap benefits from each other.

Capacity building of employees is an evidence-driven practice of strengthening the abilities of individuals to perform core functions sustainably (Wambua, Ombui, & Iravo, 2016). It involves continuous training of employees, mentoring and evaluating employees for maximum output in and out of the organisation (Fayezi, O'Loughlin, & Zutshi, 2012). Employees trained, mentored or their performance evaluated are expected to know how to work diligently with their fellow employees and external clients due to the technical know-how they acquire and experience. This will in turn lead to good coordination of work between the vendor and the client leading to productivity enhancement within the organisation.

Scholars Aldehayyat and Al Khattab (2013); Suklev and Debarliev (2012); Arasa and K'Obonyo (2012) pointed out that firms that engage in thorough strategic management practices outdo their peers in gaining competitiveness. In addition to that, Muturi and Maroa (2015); Melchorita (2013); Ondera (2013); Borgonovi and Aboramada (2016); Auka (2016); Kuria and Juma (2017); Maina (2018); Gaturu (2018) urged that strategic management practices enhance organisational performance positively. Expectations of benefits placed on the strategic management practices in outsourcing relationships remain very high (Scapens, Elharidy, & Nicholson, 2013). In this regard, large scale food processors in Kenya must hone in on their strategic management practices and engage with business clients and vendors to supplement, expand and apply knowledge so as to balance their deep expertise in the outsourcing relationships (Al-Qudah, Salman, & Saawalha, 2013).

Apparently, unprocessed foods cannot sustain the whole of Kenya thus leading to the need to process foods to increase variety and longevity. The market for processed foods has become insatiable leading to the complexity of outsourcing relationships International Food Information Council Foundation (IFCF), 2010). With a rise in urban population, demand for processed foods continues and is estimated to rise (Sathe & Sharma, 2009). Barnes (2010) stated that the world population has been projected to grow from 6.9 billion to 9.3 billion in 2050. Therefore, there will be demand for more food, more diverse types of food and higher-quality food leading to a steady increase of the global food processing industry (Bugusu, Bhide, Slavin, & Ohlhorst, 2012). Africa is no exception. Agro-processing, of which food processing presents a bigger percentage, is one of the most vital manufacturing activities in Africa and is projected to be at \$ 1 trillion industry in Sub-Saharan Africa (SSA) by 2030 (Aksoy & Anil, 2011). The agricultural sector also plays the leading role in the economy of Kenya directly contributing 30% of the GDP annually (KIPPRA, 2018).

The natural foods to processed foods evolution has led the large scale food processors in Kenya to focus in their core competency resulting into outsourcing activities that would sustain with the increasing demand of producing quality processed foods (Juga, Juntunen, & Grant, 2010). However, external provision in terms of outsourcing of food processing services is a risky endeavour and expectations are frequently not met within these industries. In addition to that, the success of the outsourcing relationships between clients and vendors is thus no exception to this.

Pratap (2014) argued that it is possible for organizations to focus on key strategic management practices to enhance the outsourcing relationships. The relational view argues that through strategic management practises, organisations in the large scale food processing firms can cultivate valuable resources by cautiously handling outsourcing relationships with external entities including suppliers, customers, government agencies and universities (Kaiser, Widjaja, & Buxman, 2012). However, whether such strategic management practices are beneficial to all parties involved is still a puzzle. This study is thus to contribute insights in the influence of strategic management practices in outsourcing relationships of large scale food processing

companies that outsource in Kenya; thereby giving evidence through analyzing as to whether strategic management practices are valuable or not in outsourcing relationships among large scale food processors in Kenya.

### **1.1.2 Global Perspective of Food Processing Industry**

The global food processing sector refers to the manufacturing, processing and preservation of meat, fish, fruit, dairy products; vegetables, oils and fats; grain mill products, starches and starch products as well as prepared animals feeds; manufacture of other food products (e.g. bread, sugar, chocolate, pasta, coffee, nuts and spices); and bottled and canned soft drinks, fruit juices, beer and wines. The global food processing industry is anticipated to grow at an augmented stride over the next three years to 2020. Studies show that by 2050 the world population will increase by 50% (IBIS, 2015). With this progression and more so with the varying eating priorities, the global food supply will need to increase by 100%. Over 70% of this increase will need to come from new technological innovations that will increase agricultural yields, commodity production and food manufacturing capabilities (Griffins & Shanks, 2014).

This need is projected to increase in the next half century when the population of the world exceeds nine billion (Arcand & Boye, 2013). An analysis of the global food processing industry points to a sizeable growth with data from 2011 to 2013, and projections of Compounded Annual Growth Rates (CAGRs) till 2018. The analysis done was by breakdowns of markets through regions, applications, packaging and processing technology and by food type. Sequentially, the global market for food processing is expected to reach \$31.3 billion by 2018, rising at a five-year compound annual growth rate (CAGR) of 6.3% from 2013 to 2018 (BCC, 2014).

Some of the leading global food processing firms include Nestlé (Switzerland), Unilever (Netherlands), Pepsi Company Incorporation (US), Kraft Foods Incorporation (US), Coca-Cola Company (US), Heineken (Netherlands) and Kellogg Company (US). The biggest food processing companies such as Nestlé, Kraft, Unilever, Coca-Cola and Pepsi already have a strong presence across the developing world. The Coca-Cola Company has more than 100 bottling and canning plants in

Africa alone; Nestlé has 27 factories supplying African consumers with a wide range of products including powdered milk, soluble coffees, chilled dairy breakfast cereals, bottled water, and ice cream and infant nutrition. Unilever is currently operating in 13 countries in Africa with more than \$ 2 billion sales annually. In recent years, South African firms in particular have expanded globally with new retail food formats, fast food outlets, and Pan-African processed food brands (IMAP, 2010).

### **1.1.3 Regional Perspective of the food processing industry**

Africa is the world's second biggest and second most populous continent (behind Asia in both categories). At approximately 30.3 million km<sup>2</sup> (11.7 million square miles) including neighbouring islands, it covers 6% of the earth's total surface area and 20% of its land area. Currently, Africa is home to a population of more than 1.2 billion accounts for about 16% of the world's human population. This is expected to double by 2050, thereby facing a mounting challenge of feeding its people, growing its economy, creating decent jobs and improving the quality life (Ehui, 2018).

Agriculture is the backbone of virtually all African countries' economies. Farming alone in this present day accounts for about 60% of total employment in Africa; whilst the share of jobs across the food system is potentially much larger. Despite this, Africa's food security situation is deteriorating. In addition, Africa has been experiencing several incidences of dire food insecurity causing an immense loss of life and livelihoods over the past decade thereby, resulting into African countries making the least progress in realizing the Millennium Development Goals (MDGs) in reduction of hunger by half of its population by 2015. Apart from that, nearly one-third of Africa's population live in chronic hunger (Food and Agriculture Organisation (FAO), 2015).

Several people lack enough foods that are rich in the nutrients needed for a healthy and productive life. Virtually 240 million people in African countries or one person in every four, lack sufficient food for a healthy and active life. Increment of food prices and prolonged drought are pushing more people into poverty and hunger. At present, nearly 33% of Africa's population, or approximately 200 million people, are

undernourished, of which close to 60% are in countries affected by conflicts. Generally, the region is still prone to numerous food crises and famines which are easily triggered by even the lightest of droughts, or floods, pests, economic downturns or conflicts (Adeyeye, 2017).

In the coming decades, Africa's food system envisaged to be further strained by a population that is projected to rise by 1.3 billion by 2050. Moreover, the food security challenge will only grow as climate change intensifies, threatening crop and livestock production. If nothing ensues, maize production, which is one of Africa's staple crops, could decline by up to 40% by 2050 (Ehui, 2018). In the face of this dreary state, numerous efforts are being done both by the national governments and the international community to bring about reductions in malnutrition and micronutrient deficiencies.

Recent research forecasts that diet and food patterns regarding the majority of Africa's population will see a radical change in the next ten years. Africa's food systems are undergoing dynamic change which is creating many new growth opportunities especially in the food processing industry Alliance for a Green Revolution (AGRA), 2017). Processed foods are being in strong demand and are forecasted to increase seven fold in the next 25 years. Bottled beverages, preserved and tinned food as well as fresh groceries in form of 'ready-to-eat' products are becoming in high demand, due to the urban development in combination with increased income structures.

Changes in the traditional and equally in the modern food sector are thus becoming essential. In the second African Transformation Forum (ATF, 2018) that was held on 20<sup>th</sup> to 21<sup>st</sup> June, 2018 in Accra, Ghana, it was agreed that the key to spurring industrialisation in Africa were infrastructural development with harmonised trade guidelines. The focus is to lie on the production of better, cheaper and a wide variety of food offers with an increased storage life thus the growing demand of food processing industries in Africa (ATF, 2018). Wibberley (2013) argued that the food processing sector has a huge role to play in improving food security in Africa.

Further to that, the food processing industry has improved and is more widely available thus disruption in agriculture promises to accelerate (The World Bank Group, 2015). Apparently, the large scale food processing industry is one such sector that provides for these efficiencies and cross cutting linkages. It is also a direct provider of food and nutrition and can improve the access, availability, affordability and stability of food. Food Business Africa (FBA, 2018) noted that the food processing industry in Africa has four major industrial sectors that is dairy, juice and infant foods; beverages; grains, milling baking and feed; retail fast food and foodservice and almost all of them practise outsourcing and more so ensuring the sustainability of the outsourcing relationships..

Notable industries that practice outsourcing activities that require critical adherence for success of the outsourcing relationships include Transnational Corporation of Nigeria, the diversified agribusiness firm divesting its stake in juice concentrate processing orange and pineapple concentrates, mango purees making the subsidiary Teragro Commodities Limited and Austrian ingredients producer Agrana extending its presence in Africa by acquiring 49% of Elafruits, an Algerian producer of fruit preparations. The company stated that further from producing standard fruit preparations for yogurts and ice creams, Elafruits also makes fruit purées and bases for the beverage industry. Such firms require solid relationships for success.

#### **1.1.4 The Food Processing Industry in Kenya**

Kenya is located in East Africa, a region which had a population of 400 million in 2015 and is projected to hit 900 million by 2050. Kenya is considered a gateway to densely-populated East Africa. Kenya had an estimated population of 46 million in 2015, 25% of which live in urban areas and 75% in rural areas, ranking sixth among SSA countries after SA, Nigeria, Ethiopia, Tanzania and Democratic Republic of Congo. It is a multi-ethnic nation and the official languages are Swahili and English. The population is growing at 2.6% per annum and is projected to reach 96 million by 2050. The poverty rate, however, is still high at 45.4% and the food-insecure population amounts to 9.9 million (21.2%). The total population is projected to double to 96 million by 2050. Currently, sufficient nutrition particularly for infants,

children and young women, still present major challenges (Promar Consulting, 2016).

The economy of Kenya largely depends on agriculture. Agriculture plays a crucial role in Kenya's economic development as seen by its 26% direct contribution to the GDP and 65% contribution to total national exports and it still remains to be the most important economic activity in Kenya (National Export Development and Promotion Strategy (NEPDS), 2018). Agriculture is supplemented by manufacturing, commerce and tourism, which collectively accounts for an additional 25% of the GDP (Republic of Kenya (RoK), 2014). Among the agricultural GDP, horticulture and edible crops each account for over 30%, industrial crops 18%, and livestock and fisheries 15 % (KNBS, 2014). Unlike many other SSA countries, Kenya is accustomed to experiencing droughts every 5 to 7 years. Therefore, in as much as the agricultural sector is a major driver of the economy, it is still classified as a food deficit country. For that reason, it has directed most of its resource towards enriching the agricultural sector to the detriment of the food production industry sector (KIPPRA, 2018).

Food processing is thus one of the key activities in Kenya's agro-processing industry. This is in line with the Comprehensive Africa Agricultural Development Programme (CAADP), the country's Vision 2030 and the Third Medium Term Plan (2018-2022) which recognizes food processing as one of the most imperative sector in Kenya's GDP contribution. Moreover, food processing is seen as a critical enabler in the realization of the Government's Big Four Agenda that is to guide the development plan of the country in the year 2018-2022. It is estimated to guarantee that all Kenyans are food secure by the year 2022 through expansion of food production and supply, reduction of food prices to ensure affordability and thorough support to value addition in the food processing sector (The National Treasury Budget, 2018/19).

As Kenya's population soars, the challenge of feeding its people also grows. The 2009 Kenya Population and Housing Census (KPHC) enumerated a total of 38.6 million people, representing an increase of about 35% from the 1999 census of 28.7 million persons. Agricultural production has not increased in tandem with the rapid

growth in population. This was notably seen when the agricultural sector registered a decelerated growth of 4.4% in 2016 from a revised 7.2% (KNBS, 2017). As a result, the demand for food has outstripped production (KIPPRA, 2018). The food processing industry is positioned to be a vital part of the solution (BMI , 2016). Bugusu et al. (2012) noted that Kenya is transitioning from home-prepared foods to increased consumption of processed, energy-dense food products. Differences in food consumption in Kenya have only been noted based on income.

In general, nearly 50% of rural and urban poor households are net buyers of food, spending between 50 to 70 % of their budget on food. Kenya Bureau of Standards (KEBS, 2018) states that 68.3% of total food consumed in urban areas are sourced from purchases. This is still not very different from rural areas where 57.4% of food consumed is also purchased implying that the amount of food purchased is not enough thereby the increment of processed foods in the country. In Kenya, the food processing industry consists of more than 1,232 businesses ranging from small family owned businesses to large businesses listed on the Nairobi Stock Exchange (NSE) and subsidiaries of foreign or multinational businesses.

Key multinationals have identified operations in Kenya as overseas companies or as joint ventures with Kenyan shareholding to supply the domestic and neighbouring markets (RoK, 2014). Such industries have the biggest impact on lowering the depth and breadth of poverty (Onjala, 2010) and focusing on food processing is justified because processed foods lead to strong growth linkages (Africa Agriculture Status Report (AASR), 2013). KNBS (2014) stated that the Kenya food processing industrial sector include grain milling, bakery, dairy, spirits, beer and tobacco, sugar, soft drinks and carbonated waters, animal feeds, and edible oils and fats (see Appendix V). Such food processing industrial sectors serve local, regional, and international markets.

Apparently, the food processing sector recorded a great deal of growth by 3.6% in 2016 compared to a revised growth of 3.5% in 2015. Consequently, the processing zones equally experienced growth in most of its performance indicators in 2016 in that the total capital investment increased from kshs.48.1 billion in 2015 to kshs.51.2

billion in 2016. These sectors growth was largely driven by processed food products that recorded improved performance in 2016 though with evidently low magnitudes. The bulk of the growth was primarily accounted for by the value of output processing and preserving meat and processing of dairy products in 2016 (KNBS, 2017). Others that have recently contributed to these sector's growth are improvements in the milk processing, fish processing and sugarcane production (Kenya Agribusiness Agroindustry Alliance (KAAA), 2016).

For instance, the dairy sector is one of the largest in SSA and contributes 14% of Kenya's agricultural GDP with a reported growth rate of 5% per year (KAAA, 2016). Some Kenyan-based, large scale food processors like Brookside Dairy Limited have also expanded operations in neighbouring countries (Nyabiange & Kapchanga, 2014). Furthermore, Kenya is also distinctively situated for exports in the food processing sector in that it has the Hazard Analytical Critical Control Point (HACCP) - approved food processing factories required for accessing the United States (US) and European Union (EU) markets (The World Bank Group, 2015). The vivid expansion of the food processing industries in Kenya results into expansion of such firms in outsourcing services to focus on their core competencies. This in turn leads to creation of outsourcing relationships that need to be enhanced to ensure efficiency at all angles of the food production process till the end of consumer utility and satisfaction process.

## **1.2 Statement of the Problem**

The ongoing push for industrial expansion as highlighted by the government's overarching Vision 2030 has witnessed a number of positive developments over the past years. The food processing industry has also been affected by this industry growth. (Were, 2016). Nonetheless, the prompt population growth and migration into towns, with most urban population depending on processed foods, has also led into an increase in the food processing industry (Wagana & Kabare, 2015). This has precipitated a shift within firms in these industries based on a revised growth of 2.7% in 2016 to 2.9% in 2017 making them adopt more flexible strategies such as outsourcing (KEBS, 2018). Through strategic outsourcing, the firms no longer

compete as independent entities thus have the ability to integrate and coordinate its business with other firms to derive mutual benefits.

The outsourcing relationships are also not an exception when a firm outsources some or part of its work (Wangari, Kiplang'at, & Gichoya, 2014). Large scale food processors in Kenya enter into outsourcing relationships with the hope that by joining forces results into improved work systems, competitive gains and product enhancement. However, the desired optimality in the outsourcing relationships are seldom attained (Muthoni, 2016).

Qi and Chau (2012) stated that a lesser percentage of outsourcing relationships are considered successful and at least 50% of outsourcing relationships are terminated early. A global survey by Deloitte (2016) done in different industries noted that 78% of respondents feel that maintaining positive outsourcing relationships leads into beneficial results. However, Heus (2017) established that 45% of all outsourcing relationships are perceived as insufficient whereby problems are located in managing the outsourcing relationships. Currently, products, capital, technology and personnel are becoming intertwined because of the vibrant nature of work making it more and harder for organisations that outsource to achieve competitive advantage based in outsourcing relationships with their clients (Mbugua, Waiganjo, & Njeru, 2015).

This has resulted into firms to use best strategic management practices to harness their potential for requisite win-win scenarios as pertaining to outsourcing relationships. This study thus picked on four popular strategic management practices used in organisations that is strategic planning, strategic quality control, strategic partnerships and employee capacity building. While a number of practices exist that support strategic management during the decision for or against outsourcing and specifying the criteria for the selection of the vendor, as yet no strategic management practices have been suggested that can ascertain the most appropriate way of enhancing positive outsourcing relationships. To address this issue, companies are changing the scale of relationships and how they are managed.

Mwichigi and Waiganjo (2015) focussed on outsourcing relationships and operational performance of Kenya's Energy Sector and picked on Kenya Power and Lighting Company (KPLC) as a case study. Naikuni (2016) assessed strategic management practices but on the human resource aspect in achieving institutional performance in Kenya, specifically in Narok County Government. Wesaya (2017) focussed on the effects of strategic management practices on service delivery on the administration police service in Kisumu County in Kenya and a recent study by Hassan (2018) who also focused on the relationship between strategic organisational practices but dwelt in the hotel industry in Kenya. Zuchella Strange, and Magnani (2018) in their study of the dynamics of outsourcing relationships in global value chains focussing on MNEs and their suppliers also noted that outsourcing relationships is still an under-researched area especially in aiming to understand which factors drive the changes in outsourcing relationships over time.

Once the decision to outsource has been finalised, the key issue remaining is how the outsourcing relationship should be. Mostly, firms dwell in strategic outsourcing overlooking the outsourcing relationships. There exists a research gap in the study of strategic management practices in outsourcing relationships. It is against this background that this study was conducted.

### **1.3 Research Objectives**

The objectives of this study research were divided into general and specific objectives as follows:-

#### **1.3.1 General Objective**

The general objective of this study was to establish the influence of strategic management practices in outsourcing relationships among large scale food processing firms in Kenya.

### **1.3.2 Specific Objectives**

The specific objectives of this study were:

1. To determine the influence of strategic planning in outsourcing relationships among large scale food processing firms in Kenya.
2. To investigate the influence of strategic quality control in outsourcing relationships among large scale food processing firms in Kenya.
3. To assess the influence of employee capacity building in outsourcing relationships among large scale food processing firms in Kenya.
4. To identify the influence of strategic partnerships in outsourcing relationships among large scale food processing firms in Kenya.

### **1.4 Research Hypotheses**

This study was guided by the following null hypotheses:-

**H<sub>01</sub>:** Strategic planning has no significant influence in outsourcing relationships among large scale food processors in Kenya.

**H<sub>02</sub>:** Strategic quality control has no significant influence in outsourcing relationships among large scale food processors in Kenya.

**H<sub>03</sub>:** Employee capacity building has no significant influence in outsourcing relationships among large scale food processors in Kenya.

**H<sub>04</sub>:** Strategic partnerships has no significant influence in outsourcing relationships among large scale food processors in Kenya.

### **1.5 Significance of the Study**

#### **1.5.1 Academicians and Research Institutions**

The study would add to the existing academic knowledge of strategic management in general in terms of providing a basis and outline clear boundaries in successful outsourcing relationships. This would not only be applicable in the fruit processing

industry but also applicable in any organisation that outsources. The use of some of the strategic management theories would also add to the importance of getting the right blend of positive outsourcing relationships with reference to the strategic management practices outlined. In this study, strategic planning, strategic quality control, strategic partnerships and employee capacity building would suit the managerial needs among the large scale fruit processors. It would also be useful to other scholars and researchers who may use the results of this study as a source of reference.

### **1.5.2 Government of Kenya**

The study would aid the Government of Kenya (GoK) through the relevant ministry in formulating appropriate frameworks or guidelines in outsourcing relationships among companies that outsource. These frameworks or guidelines would not only improve sound outsourcing processes and best strategic management practices but also enhance the performance of the organizations especially the large scale food processing industry in Kenya as a whole. It would also act as a guide to the GoK on how they could regulate the outsourcing relationships, enact rules and regulations to such processes.

### **1.5.3 Policy Makers**

Kenyan large scale food processing policy makers would benefit from the findings of this study in understanding the current best strategic management practices and how best they could apply them in their organizations in the outsourcing relationships. The study would also assist policy makers as a reference for future policies involving strategic management practices and outsourcing relationships in the food processing industry in Kenya.

## **1.6 Scope of the Study**

This study covered the 181 large scale food processing firms in Kenya registered with the Kenya Association of Manufacturers (KAM) by 2017. KAM is a business member representative organization for manufacturing value-added sectors in Kenya

(KAM, 2017). The 181 large scale food processing firms further constitute of 10 industrial sectors. These 10 industrial sectors are fruits and vegetables; grains and cereals; dairy products; meat and poultry; marine products; edibles oils; sugarcane and cocoa; beverages; tobacco and miscellaneous foods. This study employed a survey design based on a quantitative approach. This survey design was done from 2016 to 2018. This study sampled out and surveyed 123 large scale food processing firms and concentrated on collecting data in Kilifi, Mombasa, Nairobi and Thika areas based on their accessibility reach. Moreover, it was more convenient to focus on these areas since most of these firms are situated there. This study then focussed in establishing the influence of strategic management practices such as strategic planning, strategic partnership, employee capacity building and strategic quality control in outsourcing relationships.

### **1.7 Delimitations of the study**

Although the research reached its aim, there were some unavoidable challenges the researcher encountered. The first limitation was the use of questionnaire as a method of data collection. The fact that data was collected using questionnaires made it difficult for the researcher to probe into detail to acquire more information from the respondents. To address this, the research ensured that the questions in the questionnaire were detailed and sufficient enough in probing for details.

The second limitation was negative reception by some of the respondents. The research contained information which respondents found to be confidential to their business. Most of them feared that the information obtained could be used to the benefit of their competitors and thus consequently would put their business at risk. To address this, the researcher reassured the respondents that information was purely for academic purposes.

Another limitation was the delayed response. Some managers took long in filling in the questionnaires. The maximum period was two weeks for picking up the filled questionnaires. However, other managers exceeded into more than four weeks. This was attributed to being busy whilst others claimed they had lost the questionnaires. To mitigate this limitation, the researcher frequently provided additional

questionnaires to the respondents and made constant follow ups through emails and telephone calls.

Lastly, since the research entailed the whole of Kenya making respondents scattered in different parts across the country, it was a challenge to visit the respondents always due to financial constraints. This was mitigated by use of emails and telephone calls as follow ups. The recruitment and training of three research assistants to help in the distribution and collection of the questionnaires was of great assistance too.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents an understanding of the strategic management practices in outsourcing relationships through various related literature, the theoretical and conceptual frameworks, empirical review, research gap and summary.

#### **2.2 Theoretical Framework**

Njue (2011) explained that the theoretical framework is a set of assumptions about the nature of phenomena. Various strategic management theories have been advanced in an attempt to explain the importance of strategic management practices and their link in outsourcing relationships. Cooper and Schindler (2014) defined a theory as a set of interrelated concepts, definitions, prepositions that have been put forth to explain or predict a scenario. The main essence of a theory is to provide an explanation to both an observed phenomenon and a tentative reality. The strategic management theories stem mainly from the system perspective, contingency approach and information technology approach to corporate management. (Omanjala & Eruola, 2011). This study was anchored on four main strategic management theories that are the core competency theory, the system theory, the resource base theory and the contingency theory.

##### **2.2.1 Core Competency Theory**

Core competency as first proposed by Prahalad and Hamel (1990) is the collective learning in the organization especially on how to co-ordinate diverse production skills and integrate multiple streams of technologies which give an organization a competitive advantage. Ljungquist (2011) indicated that in-depth understanding of this concept is scarce. However, once the identification and verification processes put forward are applicable to research and practice, the core competency is established (Ehsan & Gholamreza, 2015). The concept of core competency denotes that firms should systematically work towards identifying their core competencies as a source

of sustainable competitive advantage so as to meet their set targets within the organisation (Agha & Alrubaiee, 2012).

This study aims at outlining the theory of core competency as special competencies which create competitive advantages for organisations (Ehsan & Gholamreza, 2015) in that all organizations have different types of resources that enable them to develop different strategies. However, organisations develop a distinctive advantage if they can develop strategies that their competitors are unable to imitate (Kilika & Kabue, 2016). Organizations have different types of core competencies (Shaabani, Ahmadi, & Yazdani, 2012). In this study, the core competency is based largely on strategic planning as a strategic management practice in outsourcing relationships among the large scale food processors in Kenya.

The theory of core competency states that firms must play to their strengths on those areas in which they have competencies (Khumpaisal & Ross, 2012). To remain competitive, firms must react quickly to outside influences or be left behind. Any decision taken in growing the business means embracing the risks that come with progress; hence one should be prepared for the outcome of the results (Kiptoo & Mugambi, 2014). In this study, strategic planning is fundamental to the overall success of the organization (Agha & Alrubaiee, 2012). Strategic planning develops strategic understanding and focuses company direction. Focus drives performance, while performance drives results (Ljungquist, 2013).

To maintain effective outsourcing relationships, strategic planning entails looking at the environmental analysis on a timely basis by the large scale food processing firms in Kenya, evaluating and monitoring business environment information so as to make informed future decisions (Otieno, Namusonge, & Mugambi, 2017). Timely environmental analysis will help the firms to understand what is happening both inside and outside the firms (Wahyudi, 2013). Furthermore, it will also help firms to know which strategic plans to focus on that will lead to the best outsourcing relationships (Yan, 2010). Subsequently, the large scale food processors will be able to clearly set and align the goals of the organisation with the set standards and work through the formulation and implementation process in a coordinated manner. This

will also assist such firms to be certain on what it is to focus on so as to maintain the successful outsourcing relationships (Nobre, 2011). Bakar et al. (2011) proved in his study of construction companies in Malaysia that the role of strategic management practices is positive as it allows organisations to increase profits. He however cautioned that this should be conducted properly with various factors put into place that include proper and adequate strategic planning. This consequently leads to the formation of strategic plans within such firms as a guiding document for reference.

The core competency theory is relevant in this study since it is a vital determinant of strategic planning in the success of the outsourcing relationships among the large scale food processors in Kenya acting as the main core concept. Feyitimi (2016) concurred with this theory and shed light on the reasons behind retaining core-activities within the organization while the less critical activities are outsourced to the experts externally. Therefore, strategic planning has to focus on core areas so as to keep sight of the goal. All four dimensions of strategic planning that is environmental analysis, goals and objectives, strategy formulation and strategy implementation once clearly outlined and focussed upon by managers will act as a productive linkage in the strategic planning as a strategic management practice thus becoming indispensable within organisations leading to the success of the outsourcing relationships.

### **2.2.2 The Systems Theory**

Chester (1938) was the first person to utilize the systems theory in the field of management. Systems theory is based on the generalization that everything is inter-related and interdependent. The way the parts are organized and how they interact with each other, determines the properties of that system (Jude & Cornell, 2015). A system consists of interacting elements. It is set of inter-related and inter-dependent parts arranged in a manner that produces a unified whole. It is viewed that the alignment of these elements improve organisations and their operations. In this study, some of such elements within the organisation include purpose, principles, processes, people and performance that were used to integrate strategic quality control practices within the organisation.

All these elements constitute the strategic intentions of an organisations. In this study, the strategic intentions are the positive outsourcing relationships which can be achieved with strategic quality control as a strategic management practice. Strategic quality control will entail checking, measuring and testing standards of any products or services for the large scale food processors in the outsourcing relationships. Such companies will depict a total commitment to continually increasing value for customers, investors and employees (Bowen & Scudder, 2013). To achieve total strategic quality control for now and in the future, large scale food processors integrate all these element in the organisation.

For an organization to be efficient and effective, all these elements are needed in consonance to mutually support and reinforce the strategic quality control practice. The fundamental issue of strategic quality control in this study entails carefully checking, measuring and testing standards to ensure best quality products and services as emphasized by Kavale (2017) where he urged that it leads to beneficial effects. This was also agreed by Mose and Kibera (2015) that product or service quality influence performance significantly and thus should involve a continuous process. In addition to that, in a constant conscious effort to produce excellent quality products and services, the strategic quality control policies and procedures require to be outlined within the firms.

This giant step is taken as a collaborative approach through linking these elements. The elements alignment create synergy in the strategic quality control practices thus assist to solve the quality related problems within the large scale food processors in Kenya thereby eliminating the quality related problems such as waster of rework, scrap and repairs that increase cost (Lee, 2015). Incompatibilities or inconsistencies among the variables leads to time, energy and money losses, and can also lead to employees' frustration and discouragement. Large scale food processors thus need to understand the commitment in strategic quality control in terms of continuous improvement of the products and services by aligning elements within a firm so as to achieve maximum efficiency and effectiveness (Katos, Stowell, & Bednar, 2013).

It is crucial that the large scale food processors in Kenya understand the purpose and guiding principles of the win - win outsourcing relationships between the client and vendor. The alignment of these elements to allow for continuous checking, measuring and testing standards of the firm's products and services is to ensure performance excellence. The performance is thus evaluated and improved by looking into the actual results by the set targets.

The systems theory is essential in this study since it will provide managers with a framework for building a continuous process of strategic quality control through checking, measuring and testing standards of the outsourced products and services. Whenever elements in a systems are aligned, likewise they help manoeuvre the integration of the success of the outsourcing relationships.

### **2.2.3 The Resource Based Theory**

The Resource Based Theory (RBT) is concerned with the idea that a firm's internal resources can become a direct source of positive performance for the firm. RBT is knowledge-based and stems from the principle that the source of firms competitive advantage lies in their internal resources, as opposed to their positioning in the external environment (Davis & Simpson, 2017). Simply put, managers must be the orchestrators of effective employee capability application to the business' needs. Ellehaus (2012) explained that the business leaders who are effective at capacity building employees generate revenues and profits up to 7% greater than their counterparts who are less successful in this task (Lyani, 2017).

The RBT has focused on the internal workings of the firm by mobilising the concept of resources (Barney & Wright, 2011); thus successfully helping firms to expand and develop. It draws attention to the organization's internal resources as a driver for competitive (Choge, Iravo, & Omwenga, 2017). These identified internal resources such as strategic resources that have major causal importance for the firm's performance act as the fundamental determinants of competitive advantage and performance (Njuguna, Karanja, & kihoro, 2015). In this study, RBT contends that the possession of strategic resources provides an organization with a golden opportunity to develop sustainable competitive advantages over its rivals and

superior performance (Ali, 2017). These competitive advantages in turn can help the organization enjoy strong profit (Warnier, Weppe, & Lecocq, 2013).

Large scale food processors tend to concentrate on strategic resources with Valuable, Rare, Inimitable and Non-substitutability (VRIN) attributes. It also means more generally that the systems, procedures, policies, structure and other internal elements must be organized and aligned in ways which support internal resources being able to be used strategically (Choi & Walker, 2011). Further to that, strategic resources enable the company to exploit an opportunity offered by the environment or to protect itself against a threat (Beaugency, Sakinç, & Damien, 2015). Since RBT deals with strategic resources, it is necessary to link them to the related strategic management practices and their influence in the outsourcing relationships (Fensterseifer, 2010). Strategic resources of large scale food processing firms in Kenya in this study entail capacity building of employees and how best fit they are to perform tasks at hand (Pearson & Robinson, 2011). Focusing on employee capabilities as resources leads to sustainable outsourcing relationships, productivity enhancement and thus gaining a competitive edge among the large scale food processors in Kenya. This can be done through continuous training, offering mentorship programs and also evaluating them to see whether they are progressing well or not.

RBT assumes that the employees in the organization are unique; people are viewed as an investment and not a cost, learning knowledge, sharing innovation and experimentation are encouraged and employees are involved in decision making. The aim of RBT is to improve resource capability through employees by achieving strategic fit between resources, opportunities and obtaining added value from the effective deployment of resources (Williamson & Yeboah, 2012). In this study, RBT's focus is in employee capacity building so as to enhance organisation operations through improved work systems in the outsourcing relationships (Johnson & Kash, 2014). The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to eventually lead to superior firm performance (Koros, Namusonge, & Sakwa, 2017). Barney and Wright (2011) pointed out that of the many unique resources and

capabilities that a firm possesses, human capital is the most crucial. There is sufficient evidence that employee skills, knowledge and attitudes that are strategically deployed alongside well aligned and integrated broad organisational initiatives have a compensative effect on the impact of employee contribution (Schlechter, Thompson, & Bussin, 2015).

The RBT is adopted to underpin this present study in view that large scale food processing companies have to mobilize their pertinent resources that is the employees within the organisations, so as to achieve successful outsourcing relationships. This theory is also relevant to the study as it explains how employees as resources are a critical factor to consider before making decisions of outsourcing. The RBT stipulates that employee capacity building is one of the fundamental drivers to firms' fruitful engagements in the outsourcing relationships.

#### **2.2.4 The Contingency Theory**

Contingency is regarded as an orienting strategy or meta-theory suggesting ways in which a phenomenon ought to be conceptualized or an approach to the phenomenon ought to be explained (ThaiThanh, 2014). The contingency theory proposed by Fiedler (1958) was ground breaking because it was the first theory proposing that there was no one or single best way or approach to manage organisations. It basically gives explanations as to how situational factors influence the organizations (Islam & Hu, 2012). It is drawn from the relationship between two phenomenon drawn from other variables and that the optimal course of action is dependent upon the internal and external situation. In this study, the variable is strategic partnerships depending on another variable that is the outsourcing relationships (Boyd, Haynes, & Hitt, 2012).

As indicated previously, contingency theory studies postulate that organizational outcomes are the consequences of a fit or match between two or more factors (Islam & Hu, 2012). The central argument of the contingency paradigm is how strategic partnerships fit to contingencies that reflect the situation determining the effectiveness of the outsourcing relationships. Large scale food processors in Kenya develop appropriate managerial strategic practices such as the strategic partnerships

so as to enhance the strategic intent which in this case is the outsourcing relationships. The contingency perspective on strategic partnership is seen in this study where the unit of analysis is the relationship between the actors who engage in the exchange, which can be interactions either by individuals, groups, goods, material and non-materials acting as single units (Biron & Boon, 2013).

Contingency theory incorporates the norm of reciprocity, which refers to responding to a positive action with another positive action, rewarding kinds of actions (Farganis, 2011). Since it assumes actors to behave in ways that enable desired outcomes the large scale food processors try their best to maximize their benefits; and when they receive something beneficial, they have an obligation to reciprocate (Jasmin, 2014). A trading behaviour requires the active involvement of both trading firms in the outsourcing relationships and is equally meaningful in creating expectations, obligations and reciprocity for both parties that is the client and the vendor (Majiros, 2013). Establishment of reciprocity relationships between both parties influence positive results (Wittmer, Martin, & Tekleab, 2010). Consequently, enabling large scale food processors be able to tailor their work to specificity required.

Ahmed and Kingi (2015) outlined that there are many criteria used to rate competitiveness such as up to date facilities, quality, reliable and affordable products and services. In this study of the large scale food processing firms' context, outsourcing activities is embedded in networks of relationships so as to gain competitive advantage (Liao, 2008). Contingency theory tries to explain the reason why organizations enter into such outsourcing relationships with other parties. It generally assumes that through a series of exchanges, it will be beneficial due to assessment of new capabilities (Ritzer, 2010). Strategic partnerships offer opportunities in additional services to clients that otherwise would not be available within the specific. This will enable the large scale food processing firms to offer its clients a whole new realm of services without losing focus on its capabilities and its particular services, achieve economies of scale through high volume, low cost and mass distribution. Consequently, this leads to interdependence among firms leading

to a crucial importance of maintaining good outsourcing relationships whereby both parties benefit as agreed (HsinHsin, Yao-Chuan, Shu-Hui, & Guei-Hua, 2015).

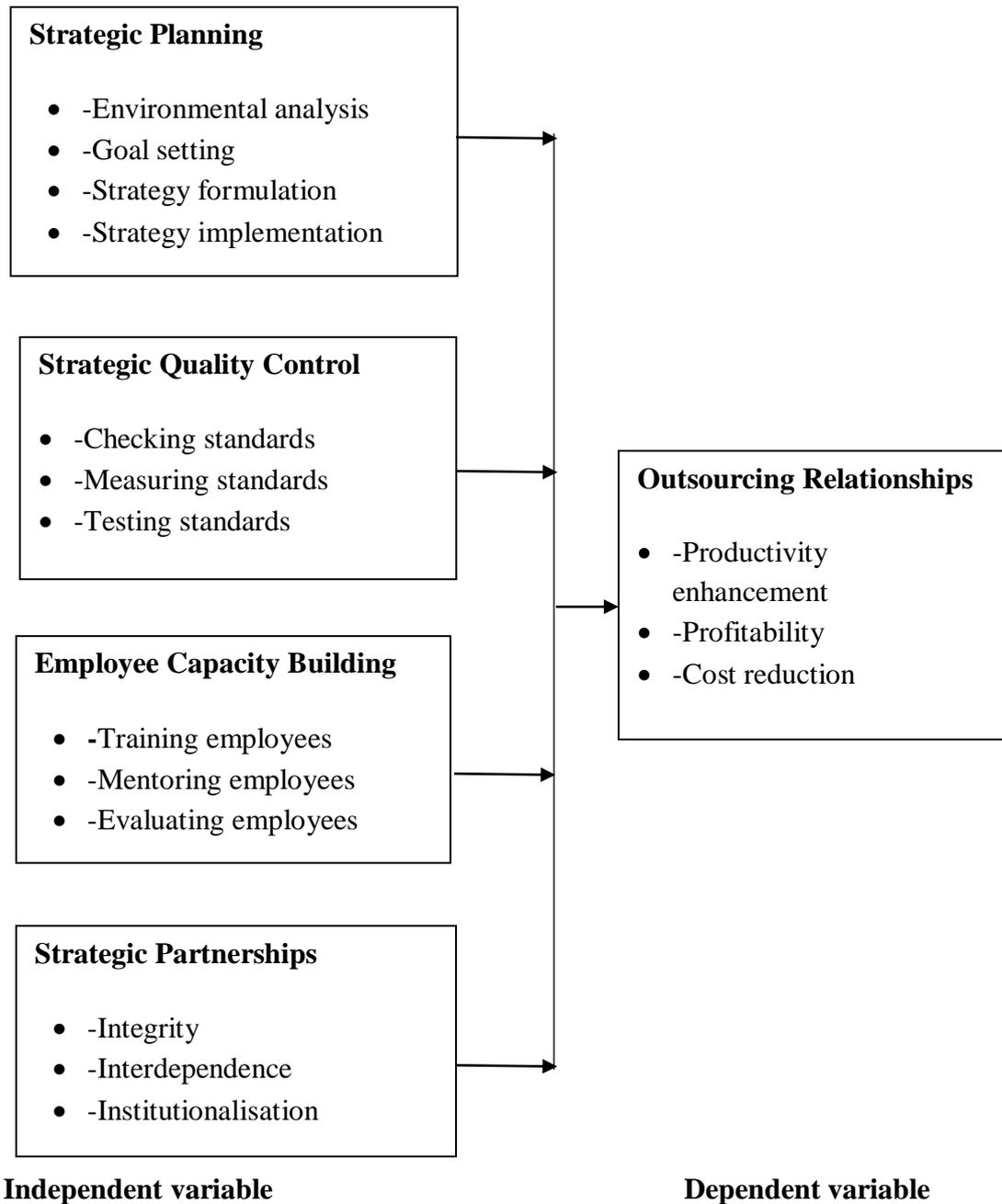
The efforts and continuous improvement towards such strategic partnerships can enhance the overall performance of the large scale food processing firms once outsourcing relationships are maintained successfully (Sun, Ho, & Ni, 2012). Strategic partnerships can lead to advances in operational processes. In addition, it can as well enhance better knowledge diffusion and knowledge sharing or transferring knowledge in the outsourcing relationships. Consequently, it would lead to improved work systems, productivity enhancement, competitive advantage and the sustainability of the outsourcing relationships (HsinHsin et al., 2015). In this way, large scale food processors can develop and strengthen their outsourcing relationships through best strategic management practices (Dongduk & Myongji, 2015).

The contingency theory in this study acts as an overall framework that integrates the diverse processes and approaches to management bridging the gap between strategic partnerships and outsourcing relationships therefore reviewing the theory in relation to strategic partnerships and outsourcing relationships. In this study, the contingency theory is inherently more suitable since it is flexible than a one takes all theory. It provides a rationale for analysing different factors. Organizations do not face the same environments, hence have different ways of thinking to arrive at their decision making which may make sense in those different circumstances.

### **2.3 Conceptual Framework**

A conceptual framework either graphically or in narrative form depicts the main things to be studied, the key factors, concepts or variable, and the presumed relationships between them in research (Sitko, 2013). A conceptual framework serves as the basis for understanding the causal or correlational patterns of interconnections across events, ideas, observations, concepts, knowledge, interpretations and other components of experience (Svinicki, 2010). Figure 2.1 presents the conceptual framework for this study. It depicts the independent variables of strategic planning, strategic quality control, employee capacity building and

strategic partnerships which are commonly used in the large scale food processing industries. The dependent variable is the outsourcing relationships.



**Figure 2.1: Conceptual framework**

### **2.3.1 Strategic Planning**

Strategic planning was influenced greatly by researchers and practitioners such as Igor Ansoff, Bruce Henderson and Alfred Chandler. Business managers and academics first became interested in strategic planning in the 1960s. It is considered to be the most complex type of activity within the organisation mainly due to the necessity to operate with abstract information and events that have not yet taken place (Mutindi, Namusonge, & Obwogi, 2013). Further to that, it is also likely to be faced with unreliable prognoses making it seem obsolete (Gleissler & Krys, 2013). Notwithstanding, it is necessary for these events to take place for an organisation to reach the intended results since it assists the organisation to arrange the present based on the projections of the target future (Athapaththu, 2016). It thus assumes that certain aspects of the future can be created or influenced by the organization. Thereby, charting a course that is believed to be wise then adjusting that course as information and experience is gained more.

Arasa and K'Obonyo (2012), asserted that strategic planning is a process that involves the selection of goals and strategies, establishing the necessary programs to achieve set objectives leading to establishing the methods necessary to ensure that the strategic plan of the organisation is realised. Hassan, Mugambi, and Waiganjo (2017) noted that some of the advantages of strategic planning include more effective allocation of both soft and hard resources to identified opportunities, creation of a framework for internal communication between personnel, identification and exploitation of future marketing opportunities, encourage forward thinking on the part of the personnel. Kavale, Mugambi, and Namusonge (2017) equally agreed that the major benefit of the planning process is encouraging all members of an organization to work in harmony towards common objectives. This coordinated efforts help the company grow because more can be accomplished in the same amount of time (Rothaermel, 2015); thereby considering strategic planning to drive positive performance within the organisation (Kuria & Juma, 2017).

Strategic planning gives directions to an organization from now, where to go or where should be (Athapaththu, 2016). A disciplined effort to produce fundamental decisions and actions that shape and guide what an organisation is, what it does, and why it does so (Bryson, 2011). It entails more than ensuring that the organisation will remain financially sound and be able to maintain its reserves, it's projections on where the organisation expects to be in five, ten, or fifteen years and how it will get there. For it to succeed, it therefore requires a systematic process encompassing a number of steps that identify the current status of the association. The main steps in this study involve timely environmental analysis, setting the goals and objectives, strategy formulation and strategy implementation. This would thus lead into the formations of mission, vision, operating values, needs in terms of the (strengths, weaknesses, opportunities, and threats), prioritized actions, action plans and monitoring plans within the firms (Community Association Institute (CAI), 2014).

In this study, strategic planning helps the large scale food processors to assess and adjust the organisation's direction in response to a changing environment (Sotiriadis, 2015). They would clearly be able to determine where they are, decide where they are going, establish strategies to get there, ensure that they are following the right path, distinguish priority actions from non-priority actions, allocate resources to objectives, take advantage of available capacity and creatively address changes and new scenarios (Lassner, 2015). Through strategic planning, strategic plans are developed and executed by businesses in order to guide towards an idealized future destination for the organization (Muturi & Maroa, 2015). Normally, this means aspiring to become an industry niche holder.

Abok (2013) urged that the development of strategic plans require more discussion, timing and need to examine the ideas and options of the organisation. Strategic plans integrate, drive and connect to the work processes and provide the inputs. They also integrate with work-planning efforts. Work-plans also called operational plans outline the specific, shorter-term operational objectives, outputs, projects and processes of work. This later become an integrated document which incorporates the organizations objectives, purpose, mission and regulations with the feelings, thoughts and opinions of the developers as earlier urged by CAI (2014). It builds upon the

success and achievements delivered through the previous strategies (Athapaththu, 2016).

Strategic plans also embrace customers or other firms' engagement in an effort to increase revenue. As such, outsourcing relationships is fast becoming a critical functional area surrounding the development and execution of a strategic plan. Dauda and Akinlabi (2010) noted that the adoption of strategic plans is vital since they take into consideration the anticipated changes in the environment, goal setting of the organization and how such plans are formulated and implemented in line with the outsourcing relationships that can drive organizations to greater height (Theuri, Mugambi, & Namusonge, 2014). However, Kiptoo and Mugambi (2014) asserted that strategic plans should also allow some degree of flexibility to suit with the changing environment. This is due to the emerging interdependence among large scale food processors and service providers (Germano & Stephenson, 2012).

Due to the competitive nature of business and the environmental changes that have occurred and continue to occur at an increasing rate, outsourcing relationships have become a key functional area within most firms' strategic plans (Mainardes, Ferreira, & Raposo, 2014). The theory of core competency identifies and determines strategic planning as a fundamental basis to gain sustainable competitive advantage among the large scale food processing industry (Athapaththu, 2016). Therefore, strategic planning will explore the competitive environment and coordinate actions of both formulation and implementation with the large scale food processing firms on outsourcing relationships (Geraei & Heidari, 2015).

Consequently, the large scale food processing firms will be able to predict the changes in the environment (Beaugency et al., 2015) and know whether what their external suppliers are offering is valid, if it is in tandem with the goals and objectives of the organisation, and if so, how to proceed smoothly with formulating and implementing such strategic plans to ensure that through the process of outsourcing the relationship between both parties is maintained effectively (Lyons & Brennan, 2014). The outsourcing relationships as a source of competitive advantage (Wee,

Peng, & Wee, 2010) through outsourcing (Willcocks, 2011), is evident through thoughtful strategic planning of the firms operations to ensure its success.

As a result, large scale food processors are obliged to ensure good sustainable and effective outsourcing relationships with the external suppliers. This will ensure maximum benefits in terms of the business operations. Regardless of the type of outsourcing relationship, a win-win outsourcing relationship is probable to exist (Chu & Wang, 2012). This can be well achieved by having realistic strategic plans within the large scale food processing industry and the vendor.

### **2.3.2 Strategic Quality Control**

Defining quality is far from easy due to the reason as to why one finds that a product is not of quality. Quality is relative to the user of the term and the circumstances in which it is involved. It means different things to different people, indeed the same person may adopt different conceptualisations at different moments. Quality entails grading of service, product, reliability, safety, consistency and consumer's perception (Elshaer, 2012).

The notion of quality often subsumes a comparison between products. Product A is better than B and therefore has a higher quality. The British Standard BS 7850 noted that quality is concerned with meeting the wants and need of customers (Sivankalai & Yadav, 2012). Quality also refers to certain standards and the ways and means by which those standards are achieved, maintained and improved. Quality is not just confined to products and services. It is a homogeneous element of any aspect of doing things with high degree of perfection. A short definition that has achieved acceptance is that quality is customer satisfaction and that fitness for use is its alternative short definition (Labh, 2015).

The strategic quality control has been implemented by various organizations under the umbrella of Total Quality Management (TQM). Strategic quality control represents critical factors of total quality management together with other critical factors by delivering high quality products and services (Nawelwa, Sichinsawbwe, & Mwanza, 2015). Strategic quality control is defined as the function which aims to

measure and improve the production and marketing processes, the product and information flow in order (Mac, 2016). Strategic quality control ensures that raw materials and finished products are handled, stored, processed, or packaged to the required standards to provide products according to specification (Faria-Fernandes, Filho, & Bonney, 2009).

To control quality strategically, organisations typically aim to do three things: cement relationships with customers and other stakeholders, reduce variation in key processes, and improve processes and products in a continuous step-by-step manner. This can be done by checking measuring and testing standards of the products and services within the organisation. The target of any strategic quality control is establishment of uniform quality (Li & Zabinsky, 2011). The 5 P Model asserts that strategic quality control has become a prerequisite for success in the food processing industry. It stresses the need on checking, measuring and testing the standards, of both products and services that come in or go out of the firms, as one of the quality parameters in the outsourcing process (Lin, 2012).

There are various strategic quality control practices and each firm relies on different set standards according to its nature (Sasaka et al., 2014). In this study, strategic quality control entails checking quality standards encompasses various methods among the large scale food processing firms. Such quality checking method are testing prototypes, failure and manufacturing inspections. Measuring quality standards entail the operations and processes that must be performed in order for a particular end to be achieved. In terms of testing quality standards, there are different types of testing quality standards and include user testing whereby it involves testing with the types of people who typically would use the product or service; alpha testing whereby it involves in-house testing performed by the test team and possibly other interested, friendly insiders and also subject-matter expert testing whereby the product is given to an expert and feedback is requested. By taking multiple steps to check, measure and test quality standards, large scale food processing firms can increase their chances of becoming known for offering consistently reliable products and services (Whittaker, 2011).

Consequently, strategic quality control will lead into the need of setting performance standards (Chimwele, Namusonge, & Iravo, 2017). The 5 systems theory postulate that strategic quality control will save on time and costs in production whilst producing best quality products and services (Nutbeam & Wise, 2010). To meet the challenge of producing such unique demanding products and services economically, large scale food processing industries need the ability of quick and flexible reactions to internal and external organisational processes (Schmitt & Viharos, 2012). Strategic quality control is one possible solution as a strategic management practice in the food processing industry. In the outsourcing relationships, each party has to build winning outsourcing relationships based on their competencies. Strategic quality control helps to manage different processes among firms involved both in-house and external supplied components, allowing a reduction in failures or waste (Paciarotti, Mazzuto, & D'Ettore, 2014).

Mwichigi and Waiganjo (2015) recommended that monitoring the sources of these processes will ensure that the vendors do not use low quality materials or workmanship which might lead to low quality products and services to the customers leading to unnecessary losses. Wang, Chen, and Chen (2012) observed that the synergy of strategic quality control and outsourcing relationships contribute to best products and services in the large scale food processing firms. Jagdeep and Singh (2013) urged that strategic quality control is a dynamic process that focuses on improving programs, services, materials and their association between the client and the vendor. Therefore, strategic quality control reinforces performance of outsourcing relationships of the large scale food processing firms in Kenya.

In this regard, strategic quality control has the potential to maximise the ability to provide a system of better functions (Jenkins, 2013). This in turn improves outsourcing relationships and the firm's performance through setting specific targets to be met in terms of the products and services. In this case, both two parties are in agreement concerning the scope of the outsourcing relationship at hand in terms of the scope and what is expected of each. The testing, measuring and checking of the products and services standards through downstream and upstream management of the two parties involved must be clear on how the processes will be coordinated

(Sawalha & Jraisat, 2013). Each party is clear of what is expected in them. This means not to focus on the maximization of quality parameters but to reach high stability in product, process and system quality for the two parties involved (Crosby & Noar, 2010).

In this case, the main task for large scale food processors is to outsource their non-core services and create close outsourcing relationships. This will ensure effective tight control over production-distribution systems resulting into minimal risks and costs by testing, checking and measuring to the corrective standards in terms of the products and services (Mosadeghrad, 2012). In the large scale food processing industry, quality is usually an integrated measure of purity, texture, appearance, flavour, workmanship and colour. Therefore, making the customers' needs become increasingly difficult to meet due to more product varieties, with an expectation lower prices (Rureri, Namusonge, & Mugambi, 2017). Many manufacturing industries have awakened due to this phenomenon to become aware of the need to prioritize quality for productivity enhancement (Nyariki, 2013).

However, it is prudent to note that the dynamic behaviour of outsourcing relationships is scarcely known to companies and often varies over time, due to personal and organizational changes (Schröder, Schmitt, & Schmitt, 2015). Paciarotti et al. (2014) also recommends to test, check and measure as part of strategic management practices in terms of who the client is in the outsourcing relationship, why work is being outsourced to that specific client, type of work being outsourced to, duration of the outsourcing relationship and ways of communication (Ruy, De Souza, & Carpinetti, 2014).

### **2.3.3 Employee Capacity Building**

Capacity building covers a wide range of issues, including actions to strengthen and further develop human resources, infrastructures or organisational arrangements within a community or organisation while strongly supporting the development of knowledge and understanding (Fy, 2012). This study therefore focused on employee capacity building. This enhancement in such capabilities drives individuals to secure professionalism and other added beneficial values within the organisation (Gul,

Akbar, & Jan, 2012). Capacity building for employees refers to enhancements in the ability of all employees to execute tasks within set standards of the organization (Yamoah, 2014). Employee capacity building is a combination of enhanced knowledge, skills, innovativeness and the ability of each employee to meet the tasks at hand (Ahmad et al., 2014). Employee capacity building in this context is intended to facilitate and accelerate development (Fy, 2012).

Employee capacity building efforts benefit the organization in different ways leading to improved profitability, improved job knowledge and skills at all levels of the organization and subsequently creating an appropriate climate for growth (Silloway, 2010). The above advantages were further vividly conceptualized by Kinyili (2015) and Kyambi (2015) that human resources constitute the ultimate basis for wealth of an organisation whereas capital and natural resources are passive factors of production; human beings are the active agents who accumulate capital, exploit natural resources, build social, economic and political organizations, and carry forward national development. Olaleko, Olalade, and Abiodun (2015) categorically stated that an organisation which is unable to develop the skills and knowledge of its people and to utilize them effectively in the national economy will be unable to develop anything else.

In this study, employee capacity building can be a particularly effective tool in addressing complex outsourcing relationships. It is an evidence-driven process of strengthening the abilities of individuals to perform core functions sustainably and to continue to improve and develop over time (Fy, 2012). It is prudent for organisations to apply all their resources and energy to acquire best employees within their reach (Gul et al., 2012). Mbugua (2015) further asserted that training needs to be determined by checking what the goals of the organization are, what tasks must be completed to achieve its goals, what behaviours are necessary for each job incumbent to complete his or her arranged tasks and finally what deficiencies if any do incumbents have in the skills, knowledge, or abilities required to perform the task at hand. This in turn leads the large scale food processors that outsource provide capacity building programs for employees such as continuous training, mentoring and evaluating them. Such practices constitute particularly important steps in

enhancing organizational capabilities leading to enhancement in the organisation (Alijan, 2015).

The resource based theory states that employees of an organisation are among the vital resources of an organisation in that an organisation is only as effective as the people working in it. It is a fact that the provision of efficient services by any organization depends on the quality of its workforce (Saleem & Amin, 2013). Organizations can improve their overall productivity by shifting people from average to superior performance capacity building (Mugo, Namusonge, & Sakwa, 2016). This should be tailored correctly and executed in accordance with individual and organizational needs. Consequently, as stipulated earlier, can significantly increase efficiency of employees and dramatically decrease any associated costs that may be generated by the employee (Wesaya, 2017).

Employee capacity building entails training, mentoring and evaluating of employees leading in outsourcing relationships for large scale food processing firms in Kenya that outsource. Training entails how the employees are selected and provided with opportunities to utilize their newly acquired skills and knowledge so that there is a change in action to achieve the desired outcomes (Yamoah & Maiyo, 2013). As a result, enhances organisational development (Hassan et al., 2017). Mentoring is a protected relationship in which learning and experimentation occur through analysis, examination, re-examination and reflection on practice, situations, problems, mistakes and successes of both the mentors and the mentees to identify learning opportunities and gaps (Mckimm, Jollie, & Hatter, 2014). Mentoring helps to ensure that employees possess the knowledge and skills they need to perform their job effectively, take on new responsibilities and adapt to changing conditions (Ojokuku & Adegbite, 2014). Evaluation is a constructive process to acknowledge the performance of an employee. The basic objectives of evaluations are two-fold: firstly to reward employees for meeting organizational objectives and secondly to identify which objectives are not met and to develop action plans to ensure they are achieved in future (Rasad & Islam, 2016).

When analysing outsourcing outcomes, it has been observed that establishing a constructive relationship between the client and supplier is of critical importance to the success of an outsourcing arrangement in the organisation (Lyons & Brennan, 2014). Employee capacity building through training, mentoring and evaluating employees takes hold on how these initiatives not only address sustainability concerns but can actually lead to tangible and sometimes unexpected improvements in performance and efficiency (Gul et al., 2012). Employee capacity building empowers employees, motivates and encourages them in terms of their work and how to handle external services providers. These successes can strengthen employee commitment whilst spurring continued progress in the outsourcing relationships. The development of employees is often considered to be essential for organizations so that they can plan, implement and evaluate appropriate capacity building activities (Hou, 2013).

It is noteworthy to mention that the single advantage that large scale food processors have over any competition sometimes consists of the number and quality of people employed to manage organizational activities (Nordigården & Walker, 2014). Employee capacity building must be invested in and leveraged efficiently in order for it to generate returns for the individuals involved as well as an economy as a whole. World Economic Forum (WEF) reported that the global economy is entering an era of talent scarcity that, if left unaddressed, will hinder economic growth worldwide (WEF, 2013). Kenya aspires to become globally competitive country offering high quality of life to all its citizens by 2030. Attainment of this vision is also in relation to the Government's Big Four Agenda in the period 2018-2022 that focusses on key basic needs that are critical in uplifting the standard of living of Kenyans on the path to becoming an upper middle-income country by 2030. This envisaged to bolster strong inclusive economic growth. The prioritized Big Four Agendas are anchored on the existence of an effective ECB (Koros et al., 2017).

It is therefore recommended that organisations should improve on their capacity building activities. Employee capacity building enhances maximization of human potentials (Awadh, Gichinga, & Ahmed, 2015). This will further help in facilitating higher employee performance leading to successful outsourcing relationships

(Freeman, 2014). Furthermore, individual and workforce level capacity building strategic management practices should be within the context of that specific organisation since failure to create such value may result in withdrawal of support from the relevant stakeholders (Mutiva, Ahmed, & Ndirangu, 2015). This should also be accompanied by strengthening of organizations that will ensure the sustainability of activities, positive outputs and outcomes in the outsourcing relationship (Grönroos, Christian, Helle, & Pekka, 2011).

#### **2.3.4 Strategic Partnerships**

Several researchers consider the lack of accuracy of the strategic partnership concept as being a phenomenon that does not have a negative influence. This lack of a uniform conceptual framework gives space to adjustments, concessions, compromises or common pragmatism and an elementary approach leading them to becoming an important form of business activity in many industries. Amongst the researchers who argue a positive influence on this include; Kavale et al. (2017) commended that strategic partnerships entail organizations supporting each other by leveraging their complimentary strength to attain a maximum output far and above the firm's capacity thus becoming a collaborative process. Rotich, Wanjau, and Namusonge (2016) urged that once firms develop propensity to partner strategically, a win –win scenario amongst both parties is easily achieved. Musau (2016) stated that strategic partnerships in outsourcing relationships lead to synergistic solutions resulting into mutual benefits. Mbui (2016) concluded that firms should embrace and engage in strategic partnerships as a means to improve their reputation. Collaborations between the two parties become the critical drivers to ensure the firm's success due to the mutual benefit of technologies, skills, products or services (Dada, Ahmad, & Bello, 2015).

Collaborations amongst such firms is a widely known phenomenon. Strategic partnerships has always been part of human history in all areas of life that is from private to public and from politics to business. Companies have worked with partners across countries, businesses or within their value chains for a variety of reasons, whether from a desire to expand or a need to cut costs (Henderson, Dhavaraj, &

Avagyan, 2014). Business have been uniting into such strategic partnerships for more than one century and during latter decade the number of those has significantly increased. Moreover, the recent years in the growth of strategic partnerships has accelerated, driven by the benefits of risk sharing and resource pooling, technology convergence, industry deconstruction from linear value chains to industry value networks and knowledge diffusion.

As has been noted, the most significant increase in such strategic partnerships is from 10% to 85% that took place from the beginning of 1970s until the end of 1990s (Kinderis & Jucevicius, 2013). As per the 2014 PwC and the Chief Executive Officer survey, more than 80% of CEOs are currently looking for strategic partnerships or intend to do so in the near future. Nevertheless, in the last three years only around 65% of those seeking new strategic partnerships have been successful. In Kenya, a recent interview survey by United Nations Conference on Trade and Development (UNCTAD) of investors, firms and trade associations about setting up a business partnerships in Kenya revealed that many of the respondents were positive, citing apparent reasons being a diversified economy supported by a vibrant private sector and the prospects of good East African Community (EAC) growth (UNCTAD, 2015). Further to that, a short survey conducted on the same revealed that around 60% of participants had a positive experience with strategic partnerships, while 31% had experienced a failure (9% had no experience). Reasons for success or failure included the importance of matching the objectives, values and relevant stakeholders, effective governance and the necessity for a strategic partnership to be mutually beneficial (Henderson et al., 2014).

A strategic partnership thus involves some shape of formal agreement between two (a bilateral partnership) or more (a network partnership) parties that have agreed to share finance, skills, information and/or other resources in the pursuit of common goals. It entails a broad, stable and trustful partnership. It can cover many departments and various levels. The main aim is for both the parties to mutually benefit (Kuder, 2014). In essence, strategic partnerships have the potential to address challenges and opportunities that could not have been handled in the same way outside of a partnership. Through strategic partnerships, companies can improve their

competitive positioning, gain entry to new markets, supplement critical skills and share the risk and cost of major development projects (Qi, Sutton, & Zheng, 2015).

Strategic partnerships are becoming an important form of business activity in many industries, particularly in view of the realization that companies are competing on a global field (Kavale et al., 2017). They mostly occur between separate companies that involve shared contributions, ownership and control (Priti & Nfilia, 2011). There are four potential benefits that may be realised from strategic partnerships and that is ease of market entry, shared risks, shared knowledge and expertise, synergy and competitive advantage. Firms taking advantage of these benefits based on strategic partnerships can utilize other company's strengths to make both firms stronger in the long run. Typically, two companies forming a strategic partnership when each possesses one or more business assets will equally help the other, but that each respective other does not wish to develop internally.

The contingency theory states that strategic partnerships work best when each participant seeks to augment its existing capabilities with the resources of the other, creating a synergy that enables the organizations to deliver a unique offering that they could not provide on their own. In summation, they grant a company access to a variety of new capabilities that allow it to become more competitive (Capron, Laurence, & Mitchell, 2010). Strategic partnerships as a strategic management practice helps in achieving the objectives that otherwise could not be realized and to reduce the overall risk of such a venture in this case the outsourcing relationships whilst increasing the return on investment; at the same time aiming to maximize the utilization of scarce resources (Gammelgaard, Rajesh, & Verner, 2013).

Large scale food processors in Kenya must propagate connections that provide resources they do not possess in house and enable them to move quickly to profit. Large scale food processors that outsource their services ensure utilisation of different strategic intents regardless of the type of the outsourcing relationships (Jones, 2010). The influence of strategic partnerships as a strategic management practice is mutually beneficial in both parties so as to gain an advantage by such partnerships (Roloff, Abländer, & Nayir, 2015). The emphasis is on cooperation

between the parties, not competition and conflict, as the basis upon which a joint competitive advantage is developed (Shu-Tzu, 2010). Having a partner to manage activities may have a direct value, but there could also be an indirect value from having a service provider help the vendor companies improve and streamline their own processes (Gammelgaard et al., 2013).

With the expectations of the outsourcing relationships clearly defined, a commitment of integrity, interdependence and institutionalisation by both the company and the service provider is seen. Strategic partnerships in the outsourcing relationship entail seeing the client as almost an extension of their organisations (Cloud, 2009). When both parties build a partnership that strives to improve the way the service is delivered to the benefit of the core company, then things work (Hausman & Johnston, 2010). When both the large scale food processing firms and the service provider (partner) hold integrity amongst each other, they are able to connect with each other well.

Integrity is the alignment of accountability, competency and ethical behaviour without corruption. In practice, this means establishing values and related standards of behaviour and then providing guidance on how employees can endeavour to act in accordance with these. There will need to be operating systems set up for teaching new and existing staff about integrity practice based on the partnerships formed within the large scale food processing firms (Saunders, 2015). Consequently, it would build trust and embrace negative unexpected challenges so as to establish an astounding outsourcing relationships (Cann & Sidman, 2011). Interdependence exists when the accomplishment of each individual's goals is affected by the actions of others (Fleck, 2010). This leads to the widespread use of dialogue, collaboration, horizontal networks, valuing of differences and a focus on learning. Interdependence entails both firms having different positions of power in relation to its partner and can still influence performance (Vanpoucke & Vereecke, 2011). The essence of a successful strategic partnership in the outsourcing relationship depends on the extent of interdependence. For a successful strategic partnership, positive interdependence is encouraged. Positive interdependence results in promotive interaction, negative

interdependence results in oppositional or contingent interaction (Johnson & Johnson, 2017).

Institutionalization is the process of embedding learning that has occurred by individuals and groups into the institutions of the organization including systems, structures, procedures, and strategy. It is through institutionalization that individual and group learning is leveraged and capitalized on within these organisations. Therefore, institutionalization concerns a need for self-maintenance. This management practice brings about a need to accommodate internal interests and adapt to outside forces in order to maintain the organization as a going concern, minimize risks, and achieve long-run as well as short-run outsourcing relationships (Brown, Tang, & Hollman, 2014). Consequently, institutionalisation will represent the way things are to be done and are to shape or constrain upcoming rules and routines within the large scale food processing firms in Kenya when strategic partnership occurs.

The nature of outsourcing relationships has been changing in the last decade, expanding from a focus on cost and efficiency to encompassing best strategic management practices in such outsourcing relationships (Lacity, Solomon, Yan, & Willcocks, 2011). Notably, as the role of the service provider evolves and grows, strategic partnerships is the only way for outsourcing to work in the outsourcing relationship. Smart partners win not only because of what they do but, even more importantly, from how they do it (Saxena & Bharadwaj, 2009). They win from leveraging their connectedness and from valuing the building of their outsourcing relationship skills. Making them work involves understanding what they are all about, conducting effective due diligence, and putting terms in writing prior to structuring agreements (HsinHsin et al., 2015). The general idea is that two are better than one and by combining resources, partner companies add advantages for both companies. The outsourcing relationship is evidently seen through a mutually and reciprocally relationship among the large scale food processors which in turn results in better increase of the firm's profitability (Iqbal & Dad, 2013).

Development of a supportive culture within the large scale food processing firms in Kenya is vital to ensure that strategic partnerships are efficient and productive. This means recognizing partnerships as a core priority. Further to that, Support from all employees within the organisation coupled with the right processes and systems is to be done accordingly.

### **2.3.5 Outsourcing Relationships**

Outsourcing is defined as the transference of an activity from internal governance to external control (Deloitte, 2016). Organizations sometimes transfer the execution of certain activities to other companies to obtain benefits that range from cost savings to the ability to focus on internal efforts in core activities. The formal designation of this transfer is outsourcing (Carvalho et al., 2016). Zipfel (2012) notes that outsourcing enables companies to concentrate on their core business and to redirect resources to more strategic activities. This results into improving their business focus.

Outsourcing of work activities has been on an increasing trend in modern work organizations throughout many years (EU-OSHA, 2012). It is thus increasingly becoming a common business practice for organizations to outsource some of their functions in order to concentrate in their core or primary business activities. Muhammad and Zhan (2013) in their study on the relationship between core and non-core activities by outsourcing and integrated firm-level performance showed that a positive relationship between outsourcing of non-core activities has a positive impact on a firm's performance. Mwichigi and Waiganjo (2015) found out that enforcement of the outsourcing relationships leads to effectiveness in service delivery, promotes efficiency, improves operational performance, and allows effective allocation of resources in addressing customer needs and also enabling the organization to focus on its cores competencies.

Scott (2013) detected that several potential downsides to outsourcing initiatives have also become evident. These include dependency, confidentiality and security issues; transfer of know-how that encourages new competitors and opportunism by service providers (Cahill, 2010). The authors further argue that if companies choose to

follow the dictum of insourcing core activities and outsourcing non-core activities, they may well end up with either outsourcing too many activities, or a tortuous and unhelpful definition of their core competencies that confuses rather than ascertains the outsourcing decision. Apparently, due to the cost benefit analysis criteria, firms are obliged in outsourcing certain business activities which are not central to their business mission, or which are beyond the owners' or managers' areas of expertise. Therefore, the need of maintaining positive outsourcing relationships is clearly seen as a critical key factor when a firm decides to outsource (Sonfield, 2014).

The outsourcing relationships involve mutual dealings which evolve overtime between people or firms. They are a means of how firms can gain and sustain a competitive advantage (Nordigården & Walker, 2014). Outsourcing relationships are different in terms of control and coordination. Where part or parts of an integrated function is (are) outsourced, the buying firm is still in control of the coordination of the whole function. As the outsourcing industry grows, new relationships are formed, some are successful and others fail (HsinHsin et al., 2015). Outsourcing relationships are divided into two types that is arm's length relationships and collaborative relationships (Henriques, Keating, & Veloso, 2016). Arm's length relationships are described as short-term relationships based on competitive bidding. Such type of relationships that are smaller, more focused and of shorter duration allow the business to capitalize on more discrete vendor strengths, while at the same time providing more flexibility in starting and ending relationships (WGGROUP, 2017). They are however often portrayed as disadvantageous compared to collaborative relationships. Collaborative relationships involve higher levels of communications, relation-specific investments, interdependence and commitment (Hou, 2013).

In this study, whatever the outsourcing relationships the large scale food processors adopt, the main resultant expectation is a successful outsourcing relationship. The accomplishment of outsourcing relationships between the clients and vendors is vital to the achievement of an outsourcing arrangement in the organisation (Kuchler, 2013). In addition to that, the large scale food processors also require best strategic management practices in the outsourcing relationships. An outsourcing relationship is to only evolve if the relationship is managed effectively (Qi & Chau, 2012). A

successful outsourcing relationship can exist and can be of mutual benefit for both parties that is the service providers' contribution and outsourcer's for building winning outsourcing relationships based on strategic management practices (Gartner, 2013). Moreover, Nkechi, Mugambi, and Namusonge (2017) asserted that when executed properly, there is a win-win for both parties. Strategic planning, strategic quality control, employee capacity building and strategic partnerships ensure effectiveness in the outsourcing relationship through sustainability of the relationship with the client, ability to grow business with the same or different clients, productivity enhancement, cost reduction and profitability (Chu & Wang, 2012).

Outsourcing relationships have changed greatly since the last decade (Baliga & Tucker, 2011). They are undergoing more scrutiny than ever before. Greater emphasis is being placed on measuring performance and ensuring that value is delivered to the organization. Metrics are tied directly to required business outcomes, and more effort is being placed on measuring vendor-client performance as opposed to measuring discrete points of the delivery chain (WGGROUP, 2017). Both the client and vendor need to be considered and factored into equally. Therefore, power asymmetries are a distinctive characteristic of the outsourcing relationships (Zuchella et al., 2018).

To understand the mandate for a new approach to the outsourcing relationships, it is important to reflect on the factors that have altered the influence and very nature of strategic management itself (WGGROUP, 2017). Currently, the focus is now in encompassing best strategic management practices such as strategic planning, strategic quality control, employee capacity building and strategic partnerships so as to achieve sustainable relationships, reduced cost, profitability, productivity enhancement and thus gain a competitive advantage (Lacity et al., 2011). The relations view is that the large scale food processors can benefit immensely by carefully managing outsourcing relations with their external entities deriving value from suppliers and become more competitive (Nkechi et al., 2017). Through the strategic management practices, the effectiveness of the outsourcing relationship is evidently seen as productivity is boosted among the large scale food processors. This in turn results into an increase of the firm's profitability. The optimism of clients and

suppliers that outsourcing can deliver attractive benefits is reflected by the continued growth in the industry and the emergence of the types of outsourcing and the outsourcing relationships.

## **2.4 Empirical Review**

This section outlined previous research studies done in these areas. It shed light on the past studies on the various strategic management practices that were used in this study in the outsourcing relationships amongst the large Scale Food Processors in Kenya.

### **2.4.1 Strategic Planning as a Strategic Management Practice**

The application of strategic management practices in the large scale food processors in Kenya has been adopted as a response to successful outsourcing relationships. Thus, where complementarities exist, the integration of internal and external capabilities enhances the potential performance firms realize.

Bakar et al. (2011) in his study of practices of strategic management in construction companies in Malaysia showed that firms practicing strategic planning indicated a winning strategy to achieve its objective and a sound mission statement to guide the organization towards success. In Finland, Kohtamaki, Kraus, Makela, and Ronkko (2012) using data from 160 small and medium-sized Finnish IT companies presented in their results of study that participative strategic planning positively affects personnel commitment to strategy implementation, which thereby increases company performance. In United States, Abebe and Angriawan (2013) conducted a study with data collected from 55 manufacturing SMEs which were operating in the southern part of U. S. They reported in their findings a strong support for a positive association between strategic planning in enhancing activities of SMEs. In the Republic of Macedonia, Suklev and Debarliev (2012) conducted a study and concluded in their findings that strategic planning can generally contribute to organizational effectiveness. Wijesinghe, Ten and Foreman (2012) conducted a study in Sri Lanka with 150 selected SMEs and eight case studies and concluded that less than 25% of the respondents were using formal strategic plans and as a

result they reported that there was a high likelihood of those organizations not stagnating or failing. Aldehayyat and Al-Khattab (2013) conducted a study with questionnaire survey in Jordanian hotels in two cities; namely Petra and Aqaba. They also concluded that there was a positive relationship between the use of strategic planning techniques and size of hotel.

The study of Owolabi and Makinde (2012) in Nigeria conducted on employees of Babcock University revealed that there was a significant positive correlation between strategic planning and corporate performance. Their study concluded that strategic planning is beneficial to organizations in achieving the set goals and recommended that universities and other corporate organizations should engage in strategic planning in order to enhance corporate performance. Dauda and Akinlabi (2010) recommended embracing strategic plans in an organisations as indispensable in small scale enterprises in Nigeria and should form part of the Small Business Enterprises (SBEs) method of improving organizational performance to enable them cope with the changes and challenges of the global economy. In furtherance to that, Feyitimi (2016) also concurred with strategic planning being a strategic resource within small and medium enterprises in Nigeria. The study found out that strategic planning as a core activity within the Small Medium Sized Enterprises (SMEs) in Nigeria creates avenue for the organizations to enjoy capability complementarity which is given as a situation in which specialized capabilities obtained from outside enhance the value creation potential of local firms own capability endowments. In Nigeria Alaka, Tijani, and Abass (2011) conducted a study with eighty respondents including heads of departments and executive management staff of selected insurance companies and revealed that strategic planning has positive impact on insurance companies' profitability.

Hassan (2018) study of strategic planning practices in the hotel industry in Kenya concluded that hotel's strategic planning process be consultative, participatory and aligned to changes in the environment and if such is not adhered to, likelihood of failure is experienced. That notwithstanding, Arasa and K'Obonyo (2012), and Athapaththu (2016) established that strategic planning practice once in alignment with the organisation's objectives leads to positive results. Theuri et al. (2014) cited

that a classic strategic planning process scrutinizes an organization's contemporary situation and capabilities thus leading to effective operations within the organisations. Maina (2018) in his study on the influence of strategic management practices on competitiveness of the Kenyan tea also concurred with other aforementioned cited researchers that strategic planning enhances positive performance.

#### **2.4.2 Strategic Quality Control as a Strategic Management Practice**

There are numerous studies in past carried out in context of quality management practices implementation support and challenges for organisational performance specifically in operational area in more peculiar to both developed and developing countries (Munizu, 2013). A study of Sadikoglu and Zehir (2010) in developed countries like Turkey examined the associations between quality practices and findings of the research suggested that such practices like strategic quality control enhance operational functional effectiveness. A study by Jaafreh and Al-abedallat (2013) from the banking sector in Jordan represented a positive relationship between quality practices and organizational performance through examining the effects of the six QMPs constructs on Organizational performance.

Aghor, Nwankwo and Mariri (2014) in Nigeria took a specific focus in Nigeria Breweries Plc and studied the problems of quality control in the manufacturing sector and concluded that efficient quality control increase profitability of manufacturing firms. The study also recommended that the establishment of quality standards as well as ensuring that product quality conforms to the firm's specification should not only be the responsibility of the top management and quality control managers but also everybody in the firm. This will give everybody a sense of responsibility in achieving the organization quality goals. Mauryakufa and Pradhan (2017) in their study on strengthening quality management investigated on the methods and mechanisms of strengthening quality practices in the Zimbabwean film industry in order to produce quality films that can be competitive in the global market. The study concluded that the implementation of quality practices such as use

of quality tools will ensure quality films, which will result in better business, increased cash flow, satisfied filmmakers, and high customer loyalty.

The study of Nyariki (2013) that found out that majority of the SMEs in Kenya adopted various management practices in order to achieve competitive advantage such as strategic quality control practices of the product and services. This study concluded that strategic quality control practices had a positive relationship with competitive advantage of the organizations which was consistent with the study of Chimwele et al. (2017) and Sasaka (2016) in terms of setting of quality standards for productivity enhancement leading to gaining a competitive edge within organisations. Mose and Kibera (2015) analysed the influence of management practices on performance of hotel firms in Kenya focussing on service quality as a strategic management practice and concluded that it involved continuous improvement in all operations within the organisation thus understanding industry competition is key to underscoring a firm's strategic decision for improved performance. Kavale (2017) equally urged that quality products and services leads to substantial results within the organisation as emphasized by Li and Zabinsky (2011) on uniformity of products and services.

#### **2.4.3 Employee Capacity Building as a Strategic Management Practice**

Employee capacity building as a strategic management practice has been well established in literature. A Deloitte global survey (2016) found that whenever employees are capacity built, they make effective use of their talents and abilities and are overwhelmingly more committed to staying on the job. This indicates a positive link between employee capacity building and employee satisfaction. Ahmad, Farrukh, and Nazir (2014) studied capacity building boost employee performance in banking sector of Pakistan. They justified in their research that capacity building of employee's leads to enhanced performance.

A study by Nassazi (2013) evaluated the effects of capacity building on employee performance using the telecommunication industry in Uganda. The study was based on three case studies and a qualitative research approach of the data collection was adopted using a questionnaire comprising of 18 questions distributed to 120

respondents. Based on this sample, the results obtained indicated that employee capacity building had a clear effect on the performance of employees. Engetou (2017) in his study on the impact of training and development on organisational performance and focussed on a case study of National Finance Credit Bank in Kumba, Cameroon established that employee capacity building is a call for concern in the current growing society since it is an important way of overcoming deficiencies of employees and ascertaining their strength.

Mutemi et al. (2014) examined the strategic management practices employed by small enterprises in Kitui town, and how investment in personnel and skills revealed that investment in personnel and skills as a strategic management practice can be used to manage performance of small enterprises. It recommended that businesses owners should adopt strategic management practices that facilitate for the relevant methods of motivating employees such as employee capacity building for their different tasks as this helps in terms of enhancing their loyalty towards the enterprise. Hassan, Mugambi, and Waiganjo (2017) also urged that training as a strategic organisational practice revealed to have a positive and significant effect on hotel performance. Mbugua (2015) focussed on strategic human resource management practices based on employee retention in commercial banks in Kenya and established that by practicing strategic human resource management practices such as strategic training, organizations are able to retain their key talents and thereby cutting the cost of recruitment and the loss of talents which are valuable to the organization competitiveness. Wesaya (2017) research study sought to investigate the effect of strategic staff competence as a strategic management practice and recommended capacity building of administration police officers in Kisumu County since it highlighted that it boosts service delivery.

#### **2.4.4 Strategic Partnerships as a Strategic Management Practice**

Cesarani and Russo (2017) that studied on strategic partnerships life cycle and investigated on how firms can achieve success in strategic partnerships in Milan, Italy. The issues of partnerships was investigated through the analysis of the existing literature, focusing in particular on the last two decades. Findings identified that

partnership success factors developed through three phases and each lies on successful management practices of key factors, involved in each phase so as to increase the overall organisational success.

Supriyadi (2014) carried out a research to establish the effect of strategic partnerships on innovation capability and business performance of garment industry in West Java in Indonesia. The findings were that strategic partnership is a variable that is very vital because it can improve business performance both directly and through the ability of innovation. It further suggested that to improve the performance of its business, the company in the garment industry are advised to open up in order to establish various forms of cooperation with various parties. A study by Henderson et al. (2014) and Capron et al. (2010) noted the strategic partnerships are formed for various reasons so long as it is beneficial to both parties involved.

Purnomo and Suryana (2018) investigated the effects of strategic business partnerships and innovation management to business performance of business units of multiplay provider in Indonesia. The unit of analysis in this study were the business units of the multiplay provider in Indonesia with each observation unit as the head of each business unit. The study concluded that any strategic business partnership with any customer must be equipped with the development of customer trust and loyalty of customers. More so, the development of such strategic business partnerships also need to be strengthened by partnerships with customers, internal and with lateral parties. Wu (2017) further denotes that the strategic partnerships company contacts and actions should not only include management level but must be on the operational level too for it to be a success.

In Kenya, a study by Mbui (2016) on the effects of strategic management practices on export value addition in the tea subsector in Kenya sought to evaluate the effect of strategic partnerships practices on value addition for Kenyan tea exports. The study noted that strategic partnerships was the least investigated management practice though very vital in the field of export value addition as it has created the development of interpersonal ties leading to increased market information sharing. This was further stressed by Musau (2016) and Kavale (2017) on embracing strategic

partnerships in any organisations due to the stiff competition in organisations not only locally but globally.

#### **2.4.5 Outsourcing Relationships amongst Large Scale Food Processing Industry**

Alexandrova (2012) study focussed on the IT outsourcing relationships with key success factors in Bulgarian organisations. According to its results, the most influential factors of these outsourcing relationships success are the level of achievement of company goals, top management commitment and the level of effective communication. A further literature review on outsourcing of services in Sri-Lanka Universities by Pahirathan (2017) also stressed on the fact that successful outsourcing relationships have been credited with helping to increase capacity and improve quality.

Kenya's population is expected to increase and the demand for food is also expected to rise. Therefore, the large scale food processing firms in Kenya need to revamp their ways of doing business so as to satisfy the demand. A study by Musau (2016) in Kenya noted that the highly turbulent business environment coupled with almost insatiable customer demands for tailored services and products has forced such organisations to over time evaluate, improve and re-engineer their operations. The realisation of the large scale food processing industries in Kenya competing at not only the local level but the global level has necessitated the movement of strategic outsourcing as urged by Lacity et al. (2014). Mwichigi and Waiganjo (2015) noted that strategic outsourcing has for decades been popular within organisations indicating significant growth as postulated by Muhammad (2010), Muhammad and Zhan (2013), and Khakia and Rashidib (2012). However, Heus (2017) emphasize that strategic outsourcing has been a powerful trend and more focus should be on the outsourcing relationships since its accomplishment is vital to the achievement of strategic outsourcing (Kuchler, 2013).

In this study, great focus is on the large scale food processing firms in Kenya that practice outsourcing and the strategic management practices in outsourcing relationships. A survey research design will be employed through stratified random sampling so as to be able to ascertain the influence of strategic planning, strategic

quality control, employee capacity building and strategic partnerships as best strategic management practices when employed whether they will result into win-win outsourcing relationships or not. This study will mainly focus on the influence of strategic management practices in outsourcing relationships. So far, no particular research has been done on strategic management practices as regards to outsourcing relationships among the large scale food processors in Kenya.

## **2.5 Critique of Existing Literature**

Sonfield (2014) and Hou (2013) in their study of outsourcing relationships brought in knowledgeable insights in the area but failed to guide what is to be done to achieve in the success. The view is that the large scale food processors are to benefit immensely by maintaining positive outsourcing relationships through the strategic management practices. Various studies have been done on the influence of strategic management practices and outsourcing relationships but none showed linkages in enhancing productivity, improved work systems, competitive advantage and the sustainability of outsourcing relationships.

Scholars like Mose and Kibera (2015), and Hassan (2018) examined strategic management practices in Kenyan hotels and established that such practices had a positive effect in the overall performance as was the case with Bakar et al. (2011) in the construction companies but such studies did not come up with any optimum point at which the hotels should employ them to achieve maximum returns. Arasa and K'Obonyo (2012) identified a significant relationship between strategic management practices and performance in the insurance sector firms in Kenya but did not indicate the strategic drivers of performance. Muturi and Maroa (2015) in a study carried out in Kiambu analysed the influence of strategic management practices on the performance of floriculture firms and established that the strategic management practices employed included strategy formulation, implementation, evaluation and control which had significant influence on the performance of flower firms to a moderate size. However, the study focused only in Kiambu County and the four strategic management practices whereas other intervening factors such as government policies, political influence and environmental factors among others

were not covered. Sasaka (2016) investigated the effects of strategic management practices on corporate social responsibility performance of parastatals in Kenya. The study realised that the greater the adoption of strategic management practices in the parastatals, the greater would their effect on performance of Corporate Social Responsibility (CSR). However the study did not seek to determine why CSR performance in parastatals in Kenya would be different so as to increase a better understanding of the drivers of performance of CSR in parastatals. Nevertheless, the literature pertaining to these studies was relevant for this study.

Mbugua (2015) assessed strategic management practices and focussed specifically on human resources based on employee retention. This study only narrowed down on the 44 commercial banks in Kenya but did not look at the other banks in Kenya which could have formed bigger and more conclusive information and also failed to show other factors affecting employee retention in commercial banks in Kenya. Kuria and Juma (2017) study sought to examine the influence of strategic management practices on the performance of only sampled out private universities in Kenya only based on convenience. However, the manner in which the study employed the resource based theory and the core competency theory in these two aforementioned studies were highly applicable in this study.

Mwangi (2013) study focussed on employing strategic management practices having measurable targets in the large pharmaceutical firms in Nairobi, Kenya. However, most organizations ensured actual performance was measured. It was therefore assumed that the findings of the study were generalized thereby not giving a true representation of the whole since it only dwelt in one county alone that is Nairobi. The study also failed to establish the specific type of firms' performance in pharmaceutical industry in Kenya in terms of the financial performance, market performance or shareholder value performance and so forth. However, the research design used was very relevant in this study.

## **2.6 Research Gaps**

The demand for processed foods in Kenya has risen greatly. Large scale food processors outsource some of their products and services so as to satisfy the

insatiable market. With this regard, large scale food processors are obliged to have effective outsourcing relationships for smooth operations in producing quality, best and affordable products and services. Strategic management practices like strategic planning, strategic quality control, employee capacity building and strategic partnerships are needed in these outsourcing relationships whether long term or short term.

Studies related to outsourcing have mainly focussed on the strategic outsourcing, types of outsourcing, offshore and onshore outsourcing and have failed to consider the importance of these outsourcing relationships vis-a-vis the influence of strategic management practices. Furthermore, Deloitte (2016) stated that most studies in this area have been done in developed countries like United States of America, Britain and India focusing on the contribution of outsourcing to their economies and very little research done in developing countries like Kenya. Notably very few studies have been done concerning outsourcing relationships among large scale food processors in Kenya. The influence of strategic management practices acting as a guide on ensuring best outsourcing relationships among the large scale food processing firms in Kenya that outsource has not been fully researched on.

The various studies that have been conducted both globally, regionally and locally include Muhammad (2010); Dauda and Akinlabi (2010); Bakar et al. (2011); Melchorita (2011); Arasa and K'Obonyo (2012); Suklev and Debarliev (2012); Aldehayyat and Al Khattab (2013); Mose and Kibera (2015); Muturi and Maroa (2015); Feyitimi (2016); Kuria and Juma (2017); Ali and Qun (2019) have focussed more on analysing the relationships between strategic management practices and organizational performance in different organizations. None of them investigated the influence of strategic management practices in outsourcing relationships among large scale food processors in Kenya.

Most studies that focused on strategic management practices globally and regionally were Purnomo and Suryana (2018), Engetou (2017) and Wu (2017) but put more emphasis on strategic partnerships. Ogbechie (2018) in his study of strategic management practice in Africa examined the challenges and trends of strategic

management practices in Africa and key success features in conducting business in Africa. In this country, studies done were mainly from other industries or sectors such as Nyariki (2013) who focussed on the SMEs in Kenya and observed strategic management tool as a competitive tool to influence performance in the SMEs sector, Mbugua (2015), Kinyili (2015), Kyambi (2015) and Naikuni (2016) specifically focused on strategic management practices but put more emphasis on the strategic human resource practices in various industries in Kenya. Sasaka (2016) investigated the effects of strategic management practices on CSR performance of parastatals in Kenya. Wesaya (2017) focussed on strategic management practices on service delivery in the administration police service.

Recent studies by Hassan (2018), Maina (2018) and Gaturu (2018) also focused on strategic management practices but dwelt in different industries as well. Moreover, empirical studies in Kenya that focussed on management practices but didn't dwell on strategic aspect were Nyongesa and Olweny (2017) who focused on the financial aspect in insurance companies in Kenya and Lyani (2017) who centred on accounts receivable management practices and growth of SMEs in Kakamega County in Kenya. Leiblein and Reuer (2019) studied on the foundations and future of strategic management as a whole. This study therefore purposes to bridge the knowledge gap on the influence of strategic management practices in outsourcing relationships with specific focus in the large scale food processing industry in Kenya.

## **2.7 Summary**

This chapter reviewed literature which is pertinent to this study on the influence of strategic management practices in the outsourcing relationships among the large scale food processor in Kenya. The adoption of strategic outsourcing amongst the large scale food processors in Kenya has necessitated the focus of this study in outsourcing relationships. From the reviewed literature, strategic management practices are a set of systematic action techniques within organisations that help in the effectiveness and efficiency of running an organisation. Apparently, strategic outsourcing has been broadly implemented by organisations as a way of achieving competitive advantage. However, the current focus is in maintaining the outsourcing

relationships between the client and vendor so as to succeed in the strategy of outsourcing. It has been stated that a prosperous outsourcing relationship is the backbone of strategic outsourcing. If the outsourcing relationship fails, then the whole strategy of outsourcing also fails. Therefore, the large scale food processors are presently concerned with the maintenance of successful outsourcing relationships so as to gain a competitive advantage through cost reduction, profitability, productivity enhancement and sustainable relationships.

This review indicates therefore, that there are various strategic management practices that are used within the organisations which could be used to show the extent to which outsourcing relationships among large scale food processors in Kenya can be successful.

This study picked on four common strategic management practices. The strategic management practices used in this study were strategic planning, strategic quality control, employee capacity building and strategic partnerships which were the independent variables. The dependent variable in this study was the outsourcing relationships. A summarisation of the main theories that were related to the strategic management practices and outsourcing relationships was done. Thereafter, conceptualization of the independent and dependent variables by looking into the relationships between the two set of variables was done. In addition, an empirical review was conducted where past studies were reviewed ensuing into a critique. It is from these analyses that the research gap was established.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The research methodology in this chapter highlights the methods and processes used in conducting the study giving a description of the research design, the study population, sampling frame, sample and sampling techniques, data collection techniques and the methods of data analysis used.

#### **3.2 Research Philosophy**

Research philosophy is an impression associated with the approach of gathering and organising information when studying an issue of interest (Saunders, Lewis, & Thornhill, 2016). The research design choice of this study was based upon the research philosophical and methodological fundamentals of positivist. The rationale for using positivist was centred on the idea that this study is based on factual knowledge that depends on quantifiable observations that lead to statistical analyses. This study thus quantitatively established the influence of strategic management practices in outsourcing relationships among the large scale food processing firms in Kenya and deductions made thereafter. Heiens and Pleshko (2011) explained that positivism studies as being predictable with observations that are highly objectively deducible without undue interference of the subject at hand. Further to that, Hazzi and Maldaon (2015) noted that with positivism testing of the hypothesis of the study provided the opportunity for confirmation and falsification. Therefore, the choice to use this positivist approach was led by the objectives of this research which seemed best fit for this approach.

#### **3.3 Research Design**

The research design refers to the overall strategy that integrates the different components of the study in a coherent and logical way (Pavan & Nagarekha, 2014). It confirms that the researcher will address well the problem of this research constituting the blueprint for the collection, measurement, and analysis of data (Paul,

Gardener, & Haefele, 2012). In addition to that, Cooper & Schindler (2014) argued that the research design has to (1) articulate the research questions (2) identify relevant data (3) determine data collection methods and (4) select method by which data will be analysed and verified. For any research done, the selection of a suitable research design is essential in allowing one to arrive at valid findings, comparisons and conclusions (Kumar, 2011).

A quantitative approach was employed to conduct this research since it enabled the description of variables and their relationships. Quantitative research allowed the researcher to use independent and dependent variables to establish relationships between the constructs (Bryman, 2012). Quantitative approach was successfully used by Kising'u (2017) on the role of strategic leadership for sustainable competitive advantage in Kenyan Public and Private Universities and Kavale (2017) also used a quantitative approach to investigate the effects of strategic management determinants of corporate growth in micro-finance institutions. It was adopted using a survey design. Creswell (2013) stated that surveys are reasonably cheap and valuable in defining the characteristics of a large population. Moreover, they ensure a more accurate sample to gather targeted results in which to draw conclusions and make important decisions. A survey was successfully employed by Sasaka (2016) on the effect of strategic management practices on the performance of corporate social responsibility of state parastatals in Kenya. Therefore, this study used a quantitative approach for the reason that the data collected using questionnaires from the respondents was analysed using statistical procedures.

### **3.4 Target Population**

A population is described as a large collection of individuals or objects that is the main focus of a scientific query and has common observable features (Agarwal, 2009). Kothari (2012) explained a population as a set of items, events or people of interest with common observable attributes. Borg, Gall, and Gall (2009) specify two types of population that is target and accessible population. They described target population as the set of components to which the researcher wants to make inference whereas described accessible population as elements in the target population within

the study (Sekaran & Bougie, 2013). This study focussed on the large scale food processors in Kenya registered under KAM. The target population was the 181 large scale food processors in Kenya registered under KAM. KAM (2017) states that there are 181 large scale food processors; constituting of 10 industrial sectors in Kenya (see appendix III). This was the target population for this study.

The study target population is highlighted in table 3.1.

**Table 3.1: Target Population**

<b>No.</b>	<b>Industrial sectors of the Large scale food processing firms</b>	<b>Number of firms</b>
1.	Fruits and Vegetables	15
2.	Grains and Cereals	37
3.	Dairy products	18
4.	Meat and poultry	10
5.	Marine products	14
6.	Edible oils	11
7.	Sugarcane and cocoa	20
8.	Beverage	41
9.	Tobacco	3
10.	Miscellaneous foods	12
<b>TOTAL</b>		<b>181</b>

### 3.5 Sampling Frame

This entails a list of items where a representative sample is drawn for the purpose of carrying out a study (Saunders et al., 2016). A sampling frame is deemed fit if there is a one to-one mapping from frame to population elements. The sampling frame is necessary for choosing the elements of the target population, according information for locating and identifying the units and also providing quantitative information for estimation of population parameters based on sample observations (Scientifical

Institute for Asia and Pacific (SIAP), 2015). There consists of 10 industrial sectors among the large scale food processors in Kenya (KAM, 2017). The sampling frame for this study consisted of all the large scale food processors in the 10 industrial sectors. The 10 industrial sectors consists of fruits and vegetables, grains and cereals, dairy products, meat and poultry, marine products, edibles oils, sugarcane and cocoa, beverages, tobacco and miscellaneous foods (see appendix III).

### **3.6 Sample and Sampling Technique**

A sample is a section of a population that is selected for a research process (Sekaran & Bougie, 2013). Sharma (2017) explained that sampling as employed by a researcher to steadily select a relatively smaller number of representative items or individuals (a subset) from a pre-defined population to act as subjects for observation as per objectives of his or her study. Nevertheless, every researcher need to put into consideration that the ideal situation is to test all the individuals to obtain reliable, valid and accurate results. The large scale food processing firms are located in all parts of Kenya, thus was expensive for the researcher to reach all of them. When the testing of all the individuals was impossible, the application of a sampling technique was appropriate due to convenience. Therefore, these factors formed the basis of using stratified sampling in the selection of the large scale food processing firms for each category of the study.

In stratified random sampling, the strata are founded on common attributes. A random sample is taken from each stratum in a number proportionate to the stratum's size when compared to the population. These subsets of the strata are then pooled to form a random sample. The purpose of using the stratified random sample in this study was to decrease the possibility for human bias in the selection of cases to be included in the sample (Sharma, 2017). Since the units chosen for inclusion in the sample were selected using probabilistic methods, stratified random sampling allowed generalisation to be made in this study.

### 3.6.1. Sample Size Determination

The sample size determination formula by Berenson, Levine, and Krehbiel (2014) was adopted in this study to determine the sample size and is as per this formula:

$$n_0 = \frac{Z^2 \pi (1 - \pi)}{e^2}$$

Where:

$n_0$  = Sample size

$Z^2$  = the confidence level desired, e.g., 95%; (standard value of 1.96)

$\pi$  = the true proportion of events of interest,

$e$  = the level of precision desired

$$n_0 = \frac{1.96^2 (0.5)(0.5)}{0.05^2} = 384$$

However, when the sample is larger, it is best to apply a correction to the formulas. Berenson, Levine, and Krehbiel (2014) proposed a correction formula to calculate the final sample size in this case which is given as:

$$nf = \frac{n_0}{\left(1 + \frac{n_0 - 1}{N}\right)}$$

Where:

$n_0$  = sample size for the proportions

$N$  = target Population = 181

$nf$  = the desired sample size

$$nf = \frac{384}{\left(1 + \frac{384 - 1}{181}\right)} = 123$$

Table 3.2 highlights the calculated sample size

**Table 3.2: Sample size distribution**

No.	Industrial sectors	Population Total	Number Sampled
1.	Fruits and Vegetables	15	10
2.	Grains and Cereals	37	25
3.	Dairy products	18	12
4.	Meat and poultry	10	7
5.	Marine products	14	10
6.	Edible oils	11	7
7.	Sugarcane and cocoa	20	14
8.	Beverage	41	28
9.	Tobacco	3	2
10.	Miscellaneous foods	12	8
<b>TOTAL</b>		<b>181</b>	<b>123</b>

Consequently, this study worked with a sample size of 123 large scale food processors that would be chosen based on easy accessibility thus representing 68% of the large scale food processing firms in Kenya. Appendix VI illustrates the proportionate calculation of samples from each strata which formed a true representation of the total population (Lohr, 2010).

### **3.7 Instruments of Data Collection**

The section outlines the instruments used for data collection. Data collection plays a very crucial role in the statistical analysis. There are various techniques used to collect information, all of which are under two categories that is the primary and secondary data (Douglas, 2015). Cooper and Schindler (2014) described that collection of data instruments are employed in the measurement of variables in research. In this study, the instruments employed for data collection are sources from both primary and secondary of data.

#### **3.7.1 Primary Data**

Kothari (2012) described primary data as information gathered for the first time. For the primary data, semi-structured questionnaires were employed encompassing both closed-ended and open-ended questions. The closed-ended questions aimed at giving exact information eliminating biasness; while the open-ended questions gave respondents freedom to express themselves (Satrirenjit, Alistair, & Martin, 2012). The semi-structured questionnaires were in a Likert scale format that enabled coordination of the data to be collected. Likert scale types of questions were balanced between the quantity and the quality of data to be collected since respondents indicated their information based on the Likert scale (Sorrel, 2010). The responses were anchored on a six point scale which ranged from strongly agree to strongly disagree (Strongly Agree=1, Agree =2, Somehow agree=3, Somehow disagree= 4, Disagree =5, Strongly disagree= 6).

#### **3.7.2 Secondary Data**

Kothari (2012) further explained secondary data as information that has been collected previously and that has been put through the statistical process. These may be in the form of written, typed or in electronic. If the researcher uses these data, then it becomes secondary data for the current users. Sources of secondary data are books, government publications websites, journal articles, internal records (Ajayi, 2017). For the secondary data, a review of literature was done using published materials such as journals, articles, published theses, published text books, government reports,

records of KAM and information reviews from the websites of the a number of corporate organizations that provided relevant and up-to-date information. This was done from the year 2016 to the year 2018.

### **3.8 Pilot Study**

Pilot study tests the feasibility of the study; designs a research protocol whether it is realistic and viable; establishes whether the sampling frame and technique are effective; identifies logistical problems which might occur with the proposed methodology; determines resources needed for the planned study and assesses the proposed data analysis techniques to uncover potential problems (Duncan, Njeru, Member, & Tirimba, 2015). A pilot study can highlight deficiencies in the design of a planned experiment or process and these can then be addressed before time and resources are expended on large scale studies. In this study, a pilot study was conducted to serve as a guide for the large study or examine specific aspects of the research in ensuring reduced errors and obtain more valid responses (Zikmund & Griffin, 2010).

The pilot study involved a selection of 12 large scale food processing firms that were part of the target population but not in the sample (see Appendix V). Mugenda and Mugenda (2012) urged that a pilot should have at least 10% of the features of study. This was further affirmed by Lucas and Donnellan (2012) that a pre-test sample should be between 1% and 10% depending on the sample size. Therefore, the 12 firms will be justified for a pre-test in this study. The researcher set 12 pre-test questionnaires representing 10% of the sample size. The researcher used simple random sampling in choosing the 12 firms. The questionnaires were given to the operation managers of Centrofood Industries Limited, Del Monte Kenya Limited, Capwell Industries Limited, Kenya Nut Company, Mombasa Maize Millers Limited, Crustacean Processors, Pwani Oil Products, East African Breweries, Gold Crown Beverages (K) Limited, Global Tea and Commodities Kenya, Gold Crown Foods Export Processing Zones Limited and British America Tobacco Limited (see Appendix V). Therefore, one respondent was used in this study out of each of the 12 large scale food processing firms in Kenya to participate in the pilot study. The pre-

tested questionnaires were not used in the final analysis of data so as to avoid fatigue and response bias. Response bias was avoided by correcting the deficiencies encountered in the framed questions.

### **3.9 Data Collection Procedure**

A letter from the JKUAT Mombasa CBD campus was received by the researcher requesting the target respondents to grant the researcher access to their institutions. Before the questionnaires were given out, the researcher first sought authorization from the large scale food processing firms in Kenya so as to collect data. The researcher first contacted the individual large scale food processing firms that had been sampled out by phone and email. After permission to access the selected large scale food processing firms was granted, the researcher proceeded for data collection.

The study targeted one respondent chosen out of convenience in each firm. The study respondent in each firm was made up of either Chief Executive Officers, Managers or Heads of Departments in Operations, Food Production, Quality, Finance and Human Resource Services who were conversant into this field of study. However, the research instrument mainly targeted the operations manager so as to get the desired responses to the questionnaire. CEO's were very busy thus accessing them would not be easy. An operations manager serves a senior role which entails overseeing the production of goods and provision of services. It is an operations manager's job to ascertain that the organisation is doing as well as it possibly can, with a smooth efficient service that meets the needs and expectations of interested parties. Therefore, he or she was regarded knowledgeable and relevant to participate in this study.

Respondents were requested to willingly take part in the survey and provide the data. Nevertheless, any respondents who refused to participate were substituted with others from the same firm who were willing and well-informed to take part in this study. An introduction letter requesting for permission to collect data and questionnaires was served to respondents through hand delivery or drop and pick method (Sekaran & Bougie, 2013). 110 questionnaires were dropped and later picked up whereas 13 questionnaires were hand delivered. These questionnaires were

administered with the help of three research assistants who were recruited and trained by the researcher to be able to get quality results. For the 110 questionnaires, respondents were given a maximum of two weeks to return the filled in questionnaires and as for the 13 questionnaires the respondents filled on the spot.

### 3.9.1. Reliability

Sekaran and Bougie (2013) urged that reliability of a measure is an indication of the stability and consistency within which the instrument measures the concept and aids to investigate the goodness of the measure. A reliability test was conducted to confirm consistency of data (Drost, 2011). Cronbach's Alpha Coefficient was employed as a measure of internal consistency for analysis of the reliability because it measures the range in which item reactions obtained at the similar times correlate very much with each other. The Alpha Coefficient was established by Lee Cronbach in 1951 as an index of reliability concerned with the variation responsible for by the true score of the hypothetical variable that is being investigated. It is stated as a number between 0 and 1. The higher the score, the more reliable the generated scale (Tavakol & Dennick, 2011). Moreover, Eisinga, Grotnhuis, and Pelzer (2012) generally recommend the scores above 0.7. Therefore the cut off for this study was 0.7.

This highly concurs with the recommendations of DeVellis (2012) who came up with the rule of thumb for explaining internal consistency as seen in table 3.3.

**Table 3.3: Cronbach's alpha-Internal consistency**

<b>Cronbach's Alpha</b>	<b>Internal Consistency</b>
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable

### **3.9.2. Validity**

Validity is described as the degree to which a research study measures what it intends to measure (Dogramaci, 2015). Creswell (2013) asserts that validity means that the individual's scores from the research used requires an instrument to make sense, to be meaningful and enable the researcher to make good deductions from the sample being investigated to the population. Thereby, this will assist in establishing whether the research truly measured that which was intended to measure or how truthful the research results were. Construct validity and content validity were tested in this study.

Content validity can be established by asking people with experience and expertise in a field to judge whether, on the face of it, the measure seems to reflect the concept concerned (Cooper & Schindler, 2014). In order to examine and improve the content validity of the questionnaire, draft questionnaires were given to one randomly selected strategic management managers and expert judgement by three PhD holders in business administration at JKUAT so as to ascertain the items suitability in obtaining information according to the objectives of the research study. The comments from them were studied and assimilated to enhance the validity of the questionnaire. This process assisted in eliminating any potential problems of the research instrument. Construct validity discusses the extent to which a set of measured items really denotes the theoretical latent constructs those items are designed to measure and explains how the instrument works and how its application can be interpreted (Bryman & Bell, 2015). As such, the questionnaire was designed to relate to this research from the general objective of this research and how its application could be interpreted (Loehlin, 2012; Blunch, 2012; Yasar & Cogneli, 2014).

### **3.10 Data Processing and Analysis**

Data collected from the answered questionnaires was analysed for both descriptive and inferential statistics. SPSS software was used to compute descriptive statistics from the questionnaire. The choice of descriptive responses was represented using statistical measures such as central tendency by use of mean, variances and standard

deviations. Measures of symmetry were characterized by use of skewness and measures of sampling adequacy by use of factor analysis with Kaiser-Meyer Olkin (KMO) and Bartlett's Test (Kothari & Garg, 2014).

Secondly, the data collected on each of the independent variables and their link on outsourcing relationships among large scale food processors in Kenya was analysed using inferential statistics. Inferential statistics include tests such as Karl Pearson's Zero Order coefficient of correlation, ANOVA, regression analysis and hypothesis testing (Al-Turki, 2011). Regression analysis was employed to determine further the relationship between the dependent and independent variables. Hypothesis testing was done to establish the relationship between the dependent and all the independent variables (Creswell, 2013).

### **3.10.1 Statistical Measurement Models**

Multiple regression analysis attempts to determine whether a group of variables together predict a given dependent variable and in this way try to rise the accuracy of the approximation (Mugenda & Mugenda, 2012). The multiple regression model was most appropriate for this study because of the multiple linear independent variables that were used. In this study, there are a number of independent study variables which forecast the dependent variable making multiple regression model more appropriate to understand which of the independent variables are connected to the dependent variable and to explore the forms of these relationships. It was anticipated that the general multiple regression model would have met the following assumptions of ordinary linear regression: normality, linearity, non-autocorrelation, no perfect multicollinearity and homoscedasticity.

The multiple linear regression model necessitates that the error between the observed and predicted values be normally distributed. This assumption was best checked by the Shapiro Wilkison test and Kolmogorov-Sminorv test (Razali & Yap, 2011). Another assumption of multiple linear regression analysis is homoscedasticity. Homoscedasticity was checked by the Breusch-Pagan test and Koenker test. The multiple linear regression model also anticipated that there is little or no multicollinearity in the data. Multicollinearity was tested against two principles that

is tolerance measures and the variance inflation factor (Alin, 2010). It also necessitates that there is little or no autocorrelation in the data. Autocorrelation exists if residuals in one time period are related to residuals in another period (Escudero, 2009). This was examined by the use of the Durbin-Watson test (d). The Durbin-Watson's (d) test checks the null hypothesis to show that the residual variables are not linearly auto-correlated. It also assumes values between 0 and 4, and values around 2 indicate no autocorrelation. As a rule of thumb values of  $1.5 < d < 2.5$  indicate that there is no auto-correlation in the data of multiple linear regression (Berenson et al., 2014). The general multiple regression model for this study expressed the value of predicted (dependent) variables and the predictor (independent) variables and an error term and was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \dots \dots \dots 3.9.1$$

Where:-

$Y$  = represents the dependent variable, Outsourcing Relationships

$\beta_0$  = Regression constant.

$\beta_i$  ( $i = 1, 2, 3, 4$ ) are the regression coefficients for each independent variable

$X_1$  = Strategic Planning

$X_2$  = Strategic Quality Control

$X_3$  = Employee Capacity Building

$X_4$  = Strategic Partnerships

$\varepsilon$  = error term

The inclusion of a random error,  $\varepsilon$ , was necessary because other unspecified variables may also affect outsourcing relationships.

### **3.10.2. Hypothesis Testing**

The theory of hypothesis testing was concerned with forming rules or procedures for deciding whether to reject or not to reject the null hypothesis. The significance of the overall research model was determined from a 5% level of significance.

Based on the model given by equation 3.9.1, the researcher hypothesized that;

**H<sub>0</sub>:  $\beta_i = 0$  ( $X_i$  is not related to Y)**

**H<sub>1</sub>:  $\beta_i \neq 0$  ( $X_i$  is related to Y)**

The null hypothesis was rejected for all the cases at which p value is less than 0.05. The conclusion was based on the basis of test statistic where if the null hypothesis was rejected then the overall model and the specific variables would be significant and vice versa.

### **3.11 Measurement of Variables**

Bryman and Bell (2015) stressed on the need for operationalization of variables to enable facts to be measured. In this study, the measures used were either formed specifically for this study or adjusted from existing measures to suit the context of the present study. Variables that could not be easily measured were operationalized to make them measurable through their reduction into observable behaviour or characteristics. In line with this study, a six-point Likert scale was used for all item scales, hence on interval scale of measurement. The dependent variable is outsourcing relationships and the independent variables are strategic planning, strategic quality control, employee capacity building and strategic partnerships.

Specific to this study, the variables have been defined and explained in the literature review of chapter 2 in section 2.3.

All item scales were anchored on a six point Likert scale with Strongly Agree=1, Agree =2, Somehow agree=3, Somehow disagree= 4, Disagree =5, Strongly disagree= 6. This six-point scale extending from 1 = strongly agree to 6 = strongly disagree was designed to be quick and easy for respondents to complete for this research (Saunders et al., 2016).

Outsourcing relationships is the dependent variable and has four indicators. The major stakeholders in outsourcing relationships are the client and vendor. The achievement between the two parties enlists the four indicators that are improved work systems, competitive advantage, productivity enhancement and sustainable relationships. A six-point Likert scale (6 = strongly agree, to 1= strongly disagree) was employed for each of the statements corresponding to the various parameters of strategic management practices.

Strategic planning as one of the independent variables took into consideration the anticipated changes in the environment, goals and objectives and how such plans are formulated and implemented. A six point Likert scale (6 = strongly agree, to 1= strongly disagree) was used corresponding to the four indicators.

Strategic quality control is the second independent variable. It stressed the need to keep on testing, checking and measuring the standards of both products and services outsourced as one of the quality parameters. A six-point Likert scale (6 = strongly agree, to 1= strongly disagree) was used corresponding to the three indicators.

Employee capacity building is the third independent variable. It empowers, motivates and encourages employees through training, mentoring and evaluating in terms of work and how to handle clients. A six-point Likert scale (6 = strongly agree, to 1= strongly disagree) was used relating to the three indicators.

Strategic partnerships is the fourth independent variable. The effectiveness of strategic partnerships is to be clearly seen through a mutual reciprocal relationship that entails integrity, interdependence and institutionalisation. A six-point Likert scale (6 = strongly agree, to 1= strongly disagree) was used corresponding to the three indicators.

Table 3.4 presents the variable definition and measurement of variables of this study.

**Table 3.4: Measurement of Variables**

<b>Variable</b>	<b>Nature</b>	<b>Indicator</b>	<b>Measure</b>
Outsourcing Relationships	Dependent	Improved work systems	Interval scale
		Competitive advantage	1=Strongly agree
		Productivity enhancement	2=Agree
		Sustainable relationships	3=Somehow agree 4=Somehow disagree 5=Strongly disagree
Strategic Planning	Independent	Environmental analysis	Ordinal scale
		Goals & Objectives	1=Strongly agree
		Strategy formulation	2=Agree
		Strategy implementation	3=Somehow agree 4=Somehow disagree 5=Strongly disagree
Strategic Quality Control	Independent	Checking standards	Ordinal scale
		Measuring standards	1=Strongly agree
		Testing standards	2=Agree 3=Somehow agree 4=Somehow disagree 5=Strongly disagree
Employee Capacity Building	Independent	Training employees	Ordinal scale
		Mentoring employees	1=Strongly agree
		Evaluating employees	2=Agree 3=Somehow agree 4=Somehow disagree 5=Strongly disagree
Strategic Partnerships	Independent	Integrity	Ordinal scale
		Interdependence	1=Strongly agree
		Institutionalisation	2=Agree 3=Somehow agree 4=Somehow disagree 5=Strongly disagree

### **3.12 Ethical Considerations**

Ethics is a branch of philosophy that concerns the conduct of people and guides the norms or standards of behaviour of people and relationships with each other (Akaranga & Makau, 2012). Mugenda and Mugenda (2012) stressed that it is important to conduct ethical norms while conducting research. In this study, a number of ethical considerations were observed during this research process. The researcher selected the appropriate research methodology to use, relevant ways of data collection, presented the findings and interpreted them accordingly resulting into presentation of information in a systematic way. The data was then analysed and conveyed properly into this thesis. To avoid errors, the researcher observed critical values at all the research process stages while conducting this research. It is through this framework that all ethical issues concerned with this research subjects and the research process were looked into.

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSIONS

#### 4.1 Introduction

This chapter provides the empirical findings and results of the application of variables using techniques mentioned in chapter three of the methodology. It contains the research responses from the questionnaires collected that tested the relationships of the variables. Lastly, a summary of the results obtained in this study are discussed in this chapter.

#### 4.2 Pilot Test Results

The pilot test results from the study is presented in table 4.1.

**Table 4.1: Pilot test results**

<b>Variable</b>	<b>Number of items</b>	<b>Cronbach Alpha</b>	<b>Comments</b>
12 pre-test questionnaires	40	0.958	Reliable

A pilot survey done to check and improve the precision of the questionnaires before the actual data collection and analysis. The pilot test results revealed that the data collection instrument was reliable as seen in table 4.1 as it recorded a Cronbach alpha of 0.958. Sasaka et al. (2014) concurs that reliability is seen when respondents answer a questionnaire the same way on repeated situations and that the pilot study helped to ensure that the measurement errors likely to occur during data analysis are corrected (Gaturu, 2018).

Thereafter, data collection was then done on the remaining questionnaires and the results analysed.

## 4.2 Response Rate

The response rate from the study is presented in table 4.2.

**Table 4.2: Response rate**

<b>Response rate</b>	<b>Sample size</b>	<b>Percentage (%)</b>
Response	106	86
Non response	17	14
<b>Total</b>	<b>123</b>	<b>100</b>

From the data collected, out of the administered 123 questionnaires, 106 were filled completely and returned. Data analysis was employed on the 106 questionnaires. The remaining 17 questionnaires were returned either not filled at all, incomplete or spoilt in a manner that rendered them incomprehensible and incapable of analysis. This incomplete questionnaires were not used in the analysis. Thereby, the response rate was 86% constituting of the 106 questionnaires whereas the non-response rate was 14% constituting of the 17 questionnaires. Mugenda and Mugenda (2012) urged that findings are normally assumed to be a representative of the target population when there is a high response rate. Consequently, a response rate of 86% was deemed excellent for further investigation since 50 % is considered to be adequate, 60% to be good, while a 70% and above rate is seen to be very good.

This is also in agreement with the study of Kinyili (2015), Wambua (2017), and Musau (2016) who explained that an excellent response rate is normally attributed to the data collection procedure, whereby the researcher personally administers questionnaires to the respondents and ensures they fill them correctly.

## 4.3 Demographic Characteristics

The study tried to find out the demographic data of the 106 respondents. Demographic data is crucial in any descriptive survey since demographics have an

influence on the response in the long run. The demographic data was sought through asking for the name of the organisation, gender, job title of the respondents, working experience of respondents, level of education of respondents and the classification of the company in which the respondents worked.

#### **4.3.1 Gender Distribution**

Gender is a crucial factor in any society as it aids to provide a picture on how male or female responses perceive a certain situation. The study thus evaluated the gender of the 106 respondents, the findings of which are presented in table 4.3.

**Table 4.3: Gender distribution**

<b>Gender</b>	<b>No. of Respondents</b>	<b>Percent</b>
Male	56	52.8
Female	50	47.2
<b>Total</b>	<b>106</b>	<b>100.0</b>

The findings from the table 4.3 indicate that the number of males who took part in the study was slightly more at 56 (52.8%) while the number of female were 50 (47.2%). This reflects a minor disparity between the employees in the large scale food processing firms. This is an indication that as years progress, the gender disparities of females being disadvantaged may be eliminated. This goes hand in hand with the recent report by National Gender Equality Commission in Kenya (NGEC, 2017) whereby a few countries in the globe including Kenya had been noted to develop enabling legislative framework required to increase women competition in businesses.

#### **4.3.2 Job Title Distribution**

In this study, the respondents were requested to state their job titles in the respective companies. Table 4.4 presents the percentage of job title of the respondents.

**Table 4.4: Respondents of job title.**

<b>Job title</b>	<b>No. of Respondents</b>	<b>Percent</b>
CEOs	3	2.8
Managers	53	50.0
Heads of departments	50	47.2
<b>Total</b>	<b>106</b>	<b>100.0</b>

Out of the 106 respondents, 3 (2.8%) of them were CEOs, 53 (50%) were managers and 50 (47%) were departmental heads.

From this study, the results indicated that most of the respondents were managers and the heads of department followed closely with a difference of three. It was evident that CEOs were the least since getting them to fill the questionnaires was not easy due to their availability at the work place. CEOs are ordinarily pre-occupied as they oversee the overall success of the organization thus mostly delegated work to the managers or heads of departments. However, it was easy to get the managers and the heads of department based on appointments made prior.

### **4.3.3 Work Experience**

Table 4.5 presents the percentage of work experience of the respondents.

**Table 4.5: Respondents' work experience.**

<b>Duration</b>	<b>No. of Respondents</b>	<b>Percent</b>
Less than 5 years	17	16.0
6 to 10 years	34	32.1
11 to 15 years	34	32.1
More than 15 years	21	19.8
<b>Total</b>	<b>106</b>	<b>100.0</b>

The outcomes indicated that most respondents worked for 6-10 years and 11 to 15 years respectively, both groups with 34 respondents, which is (32%). This was followed by the ones who had worked in the company for more than 15 years at 21 (19.8%). The least were the ones who had worked for less than 5 years at 17 (16%).

The findings implied that majority of the respondents that is the managers and heads of department had worked long enough in the large scale food processing firms thus had adequate knowledge of this study. Thereby, precise data was provided. Mbui (2016) in his study on the effect of strategic management practices on export value addition in the tea subsector in Kenya also established that the respondents who had worked for longer years in the organisations had knowledge about the issues that the researcher was looking for.

#### **4.3.4 Level of Education**

Table 4.6 presents the respondents education qualification.

**Table 4.6: Education qualification of the respondents**

<b>Level of Education</b>	<b>No. of Respondents</b>	<b>Percent</b>
Diploma	14	13.2
Bachelors	38	35.8
Masters	51	48.1
PHD	3	2.8
<b>Total</b>	<b>106</b>	<b>100.0</b>

The findings show that 14 (13.2%) of the respondents had diploma certificates, 38 (35.8%) had bachelor degrees certificate, 51 (48.1%) held master degree certificates and 3 (2.8%) had PhDs.

The findings depicted that most respondents that is 48.1%, who worked in the large scale food processing firms in Kenya had master's degree as their highest level of education. Studies showed that education level on employees can have a greater

impact in terms of specialised knowledge thus enhancing industry expertise. In addition to that, Bercu (2017) asserted that graduate employees perform their task effectively and efficiently due to the knowledge they acquired from education. King and McGarth (2012) also indicated that education is one of the critical components that impact positively in the growth of firms because of knowledge acquisition in that specific sector.

#### 4.3.5 Company Classification

The 10 industrial sectors were represented by the 106 respondents of the large food processing firms in Kenya. Table 4.7 depict the findings of company classification by the 10 industrial sectors.

**Table 4.7: Company classification by the 10 Industrial Sectors**

<b>Company industrial sectors</b>	<b>No. of Companies</b>	<b>Percent</b>
Fruits and vegetables	5	4.7
Grains and cereals	17	16.0
Dairy products	22	20.8
Meat and poultry	16	15.1
Marine products	10	9.4
Edible Oils	9	8.5
Sugarcane and cocoa	6	5.7
Beverages	8	7.5
Tobacco	6	5.7
Miscellaneous foods	7	6.6
<b>Total</b>	<b>106</b>	<b>100.0</b>

The findings showed that 5 (4.7%) of the respondents were in fruits and vegetables large scale processing firms, 17 (16.0%) in grains and cereals, 22 (20.8%) in dairy products, 16 (15.1%) in meat and poultry, 10 (9.4%) in marine products, 9 (8.5%) in

edible oils, 6 (5.7%) in sugarcane and cocoa, 8 (7.5%) in beverages, 6 (5.7%) in tobacco and 7 (6.6%) in miscellaneous food sectors.

It is evident that the dairy product industry had the highest respondents when the 106 respondents were classified into their respective industrial sectors. It recorded 22 number of firms at 20.8 %. These findings concur with the report by NEPDS (2018) that the dairy industry is the single largest component within the agricultural sector contributing between 3% and 4% of the National GDP and 12% of agricultural GDP. In so doing, many respondents were underlined, in the dairy industry, as it still holds to be one of the largest producers of dairy products in SSA (NEPDS, 2018).

#### 4.4 Reliability Results

To ensure the reliability, the study conducted Cronbach's alpha test for the five variables that is Strategic Planning, Strategic Quality Control, Employee Capacity Building, Strategic Partnership and Outsourcing Relationships. These results are shown in table 4.8.

**Table 4.8: Reliability test**

<b>Variable</b>	<b>Number of items</b>	<b>Cronbach Alpha</b>	<b>Comments</b>
Entire questionnaire	40	0.919	Reliable
Strategic Planning	7	0.817	Reliable
Strategic Quality Control	7	0.803	Reliable
Employee Capacity Building	7	0.805	Reliable
Strategic Partnerships	7	0.805	Reliable
Outsourcing Relationships	7	0.812	Reliable

The findings illustrate that strategic planning had a coefficient of 0.817, strategic quality control had a coefficient of 0.803, employee capacity building had a coefficient of 0.805, strategic partnerships had a coefficient of 0.805 and outsourcing relationships had a coefficient of 0.812. All constructs showed a Cronbach's Alpha

which were above 0.700 making the study constructs reliable. The results depicted a fairly high internal consistency because each variable was above the minimum threshold of 0.7. All the responses recorded a Cronbach alpha result greater than the minimum 0.700.

#### 4.5 Sampling Adequacy

This is necessary in analysis of data so as to establish whether the data collected was suitable for further statistical tests. Sampling adequacy can be measured with tests such as the factor analysis, regression analysis and other statistical tests. In this study the sampling adequacy was tested through factor analysis that functions on the notion that measurable and observable variables can be reduced to less underlying variables that form a popular variance and are unobservable, commonly referred to as reducing dimensionality (Bartholomew, Knott & Moustaki, 2011).

Factor analysis is suitable for studies that include a few or hundreds of variables which can be reduced to a smaller set, to get at an underlying concept and to facilitate interpretations (Yong & Pearce, 2013). Factor analysis was performed to establish whether the items defining the objective were appropriate for further analysis. The Kaiser-Meyer Olkin (KMO) and Bartlett's test measure of sampling adequacy was used to examine the appropriateness of factor analysis. The former is the measure of sampling adequacy which ranges between 0 and 1. The values closer to 1 are better and the value of 0.6 is the suggested minimum. The latter is the test for null hypothesis that the correlation matrix has an identity matrix. Rahn (2010) stated that a factor loading equal to or greater than 0.4 is deemed satisfactory. These results are shown in table 4.9.

**Table 4.9: KMO and Bartlett's test results**

Kaiser-Meyer-Olkin	Measure of Sampling Adequacy.	.865
Bartlett's Test of Sphericity	Approx. Chi-Square	1749.940
	df	595
	Sig.	.000

The findings in table 4.9 showed that the KMO for the data collected of the 106 respondents was 0.865 which was meaningfully high; indicating a value closer to 1. In addition to the KMO test, the Bartlett's test of sphericity was also highly significant (Chi-square = 1749.940 with 595 degrees of freedom, at  $p < 0.05$ ). The results of the KMO and Bartlett's test are summarized in Table 4.9. These results provide an excellent justification for further statistical analysis to be conducted, since the sample can be considered adequate.

#### **4.6 Factor Analysis**

Factor analysis was also carried out in all the variables in this study in order to understand each variables specific contribution to the outsourcing relationships among large scale food processors. Rahn (2010) stated that a factor loading equal to or greater than 0.4 is considered adequate. Most of the factor loading recorded above 0.4 thus were considered suitable for further analysis. A study by Mwiti (2013) suggested that variables with factor loadings greater than 0.3 had the highest significance and influence. In this study, the principal component analysis method was also used to describe the interdependencies among both the independent and the dependent variables by explaining which factors explained most of the information of the original values. From the analysis done in each variable, it was observed that all the variables were suitable for further analysis.

##### **4.6.1 Factor Analysis of Strategic Planning**

The study sought to determine the factor loading of influence strategic planning in outsourcing relationships among large scale food processors in Kenya. The study applied the KMO measure of sampling adequacy and Bartlett's test of sphericity on a seven strategic planning measures as one of the strategic management practices in order to examine the dimensionality of strategic planning and outsourcing relationships among the large scale food processors in Kenya. Table 4.10 shows the results of KMO and Bartlett's test for strategic planning.

**Table 4.10: KMO and Bartlett's test for strategic planning**

Kaiser-Meyer-Olkin Adequacy.	Measure of Sampling	.867
	Approx. Chi-Square	198.635
Bartlett's Test of Sphericity	df	21
	Sig.	.000

The results show that KMO measure of sampling adequacy is 0.867 with a Bartlett's test of sphericity being less than 0.05 thus indicating being significant. To identify the strategic planning factors which explained most of the information carried by other variables, the constructs were subjected to a variance test through the principal component analysis. Table 4.11 shows the variances, Eigen values and cumulative percentages.

**Table 4.11: Total variance explained in strategic planning**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.360	48.001	48.001	3.360	48.001	48.001
2	.844	12.062	60.064			
3	.750	10.711	70.775			
4	.569	8.129	78.903			
5	.550	7.858	86.761			
6	.497	7.099	93.860			
7	.430	6.140	100.000			

Extraction Method: Principal Component Analysis.

In order to explain how closely the variables are related to each one of the factors discovered, the variances identified the Eigen values indicating the variance of each factor in comparison with the total variance of all items shown in the construct. The

extraction of the factors followed the Kaiser criterion where an Eigen value of 1 or more indicated a unique factor. The variance matrix showed one variable that had the Eigen value of more than 1.0; indicating that it had enough total variance in outsourcing relationships. Component one had enough total variance, at 3.360 accounting for 48.001%.

All the seven factors had coefficients of more than 0.4 thus all the components were used for further analysis. Table 4.11 shows that all the seven components met the threshold and thus could be retained for further analysis. The component analysis matrix was also computed and presented in Table 4.12.

**Table 4.12: Component matrix**

<b>Item</b>	<b>Component</b>
Strategic plans are important in the organisation	.761
The goals and objectives to be clear and in line	.566
The objectives of the organisation are ‘SMART’	.745
Environmental analysis is done accordingly on a timely basis	.737
Strategy formulation is a formal and consultative process	.685
Strategy implementation is participative	.604
Constant review of strategic plans is essential	.728

Extraction Method: Principal Component Analysis.

From the results, the factor with the lowest loading had 0.566 which showed that the goals were clear and in line with the organisations standards indicating a minimal interrelation in the outsourcing relationships among the large scale food processors in Kenya. The factor with the highest loading had 0.761 which read that strategic plans are important in the organisation thus indicating a very high interrelation in outsourcing relationships. All the other factors in strategic planning were also adequate for subsequent analysis due to the factor loading being above 0.4. Evidently, component one had the highest factor loading thereby having an influence in outsourcing relationships among the large scale food processors in Kenya.

#### 4.6.2 Factor Analysis of Strategic Quality Control

The study sought to investigate the factor loading of the influence of strategic quality control in outsourcing relationships among large scale food processors in Kenya. The study applied the KMO measure of sampling adequacy and Bartlett's test of sphericity on a seven strategic quality control measures as one of the strategic management practices in order to examine the dimensionality of strategic quality control and outsourcing relationships among the large scale food processors in Kenya. Table 4.13 shows the results of KMO and Bartlett's test for strategic quality control.

**Table 4.13: KMO and Bartlett's test for strategic quality control**

Kaiser-Meyer-Olkin	Measure of Sampling Adequacy.	.829
	Approx. Chi-Square	188.356
Bartlett's Test of Sphericity	Df	21
	Sig.	.000

The results show that KMO measure of sampling adequacy is 0.829 with a Bartlett's test of sphericity being less than 0.05 thus indicating being significant. To know the strategic quality control factors which explained most of the information carried by other variables, the constructs were subjected to a variance test through the principal component analysis.

Table 4.14 illustrates the variance, Eigen values and the cumulative percentages in strategic quality control variables.

**Table 4.14: Total variance explained in strategic quality control**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.228	46.117	46.117	3.228	46.117	46.117
2	.880	12.574	58.691			
3	.790	11.288	69.980			
4	.644	9.202	79.182			
5	.595	8.494	87.676			
6	.487	6.963	94.640			
7	.475	5.360	100.000			

Extraction Method: Principal Component Analysis.

The variances in table 4.14 identified the Eigen values indicating the variance of each factor with the total variance of all the items shown in the construct. To factor analyse the above seven components related to strategic quality control, the principal component matrix was used. From the variance matrix, there was one variable that had an Eigen value of more than 1.0. The Eigen value of more than 1.0 read that the way in which strategic quality related problems are solved is important in outsourcing relationships among the large scale food processors in Kenya. This was the strategy quality control factor that had enough total variance in outsourcing relationships among the large scale food processing firms in Kenya. The extraction of the factors followed the Kaiser criterion; where an Eigen value of 1 or more indicates a unique factor. Component one which read that the way in which strategic quality related problem are solved is important in outsourcing relationships among the large scale food processors in Kenya had the highest variance of 3.228; which accounted for 46.117%.

All the seven factors were thus used for further analysis as they had coefficients of more than 0.4. Table 4.14 shows that all the seven components had a factor loading of 0.4 and thus deemed adequate for further analysis. The component analysis matrix was also computed and shown in Table 4.15.

**Table 4.15: Component matrix**

<b>Item</b>	<b>Component</b>
Importance of solving quality related problems	.714
Strategic quality control policies and procedures are important	.703
Documentation of policies and procedures	.511
Checking standards is critical in the organisation	.739
Measuring standards reduces product variation	.667
Testing standards eliminates quality problems	.621
Strategic quality control promotes product uniformity	.765

Extraction Method: Principal Component Analysis.

From the results, the factor with the lowest loading had 0.511 which indicated that the documentation of strategic quality control policies and procedures had minimal interrelations in outsourcing relationships among the large scale food processors in Kenya. The factor with the highest loading had 0.765 which read that strategic quality control promotes product uniformity in the large scale food processing firms. All the factors in strategic quality control were also suitable for further analysis due to the factor loading being above 0.4. Evidently, component seven which stated that strategic quality control promotes product uniformity had the highest significant in terms of factor loading in outsourcing relationships among the large scale food processors in Kenya.

#### **4.6.3 Factor Analysis of Employee Capacity Building**

The study sought to assess the factor loading of the influence of employee capacity building in outsourcing relationships among large scale food processors in Kenya. The study applied the KMO measure of sampling adequacy and Bartlett's test of sphericity on a seven employee capacity building measures as one of the strategic management practices in order to examine the dimensionality of employee capacity

building and outsourcing relationships among the large scale food processing firms in Kenya. Table 4.16 shows the results of KMO and Bartlett's test for employee capacity building.

**Table 4.16: KMO and Bartlett's test for employee capacity building**

Kaiser-Meyer-Olkin Adequacy.		Measure of Sampling	.833
		Approx. Chi-Square	195.421
Bartlett's Test of Sphericity	df		21
	Sig.		.000

The results show that KMO measure of sampling adequacy is 0.833 with a Bartlett's test of sphericity being less than 0.05 thus indicating being significant. To assess the employee capacity building factors which explained most of the information carried by other variables, the constructs were subjected to a variance test through the principal component analysis. Table 4.17 illustrates the variance, Eigen values and the cumulative percentages in employee capacity building variables.

**Table 4.17: Total variance explained in employee capacity building**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.255	46.501	46.501	3.255	46.501	46.501
2	.981	14.007	60.508			
3	.711	10.159	70.667			
4	.655	9.352	80.019			
5	.553	7.906	87.926			
6	.434	6.204	94.130			
7	.411	5.870	100.000			

Extraction Method: Principal Component Analysis.

The variances in Table 4.17 identified the Eigen values which indicate the variance of each factor or component with the total variance of all the items shown in the construct. The constructs were subjected to a variance test through the principal component analysis. From the variance matrix, there was one factor that had an Eigen value of more than 1.0. The Eigen value of more than 1.0 read that capacity building of employees is an important factor in the success of outsourcing relationships among the large scale food processors in Kenya. This factor also had enough total variance in outsourcing relationships among the large scale food processing firms in Kenya. The extraction of the factors followed the Kaiser criterion where an Eigen value of 1 or more indicates a unique factor. Component one which stated that capacity building of employees is important within the organisation had the highest variance of 3.225; which accounted for 46.501%.

All the seven factors were thus used for further analysis as they had coefficients of more than 0.4. Table 4.18 shows that all the seven components had a factor loading of 0.4 and thus deemed adequate for further analysis. The component analysis matrix was also computed and shown in Table 4.18.

**Table 4.18: Component matrix**

<b>Item</b>	<b>Component</b>
Employee capacity building enhances effectiveness	.531
Employee capacity building is important in the organisation	.746
Training of employees enhances the quality standards	.623
Mentoring employees promotes growth and development	.745
Evaluating employees sets performance standards for the employees	.639
Employee capacity building enables employees to do tasks efficiently	.666
Employee capacity building is a continuous process	.789

Extraction Method: Principal Component Analysis.

From the results, the factor with the lowest loading had 0.531 which read that employee capacity building enhances effectiveness in outsourcing relationships among the large scale food processors in Kenya. The factor with the highest loading had 0.789 which read that employee capacity building is a continuous process in outsourcing relationships among the large scale food processors in Kenya. This implies that all the factors in employee capacity building were adequate for subsequent analysis due to the factor loading being above 0.4.

#### 4.6.4 Factor Analysis of Strategic Partnerships

The study sought to identify the factor loading of the influence of strategic partnerships in outsourcing relationships among large scale food processors in Kenya. The study applied the KMO measure of sampling adequacy and Bartlett's test of sphericity on a seven strategic partnerships measures as one of the strategic management practices in order to examine the dimensionality of strategic partnerships and outsourcing relationships among the large scale food processing firms in Kenya. Table 4.19 shows the results of KMO and Bartlett's test for strategic partnerships.

**Table 4.19: KMO and Bartlett's test for strategic partnerships**

Kaiser-Meyer-Olkin Adequacy.	Measure of Sampling	.853
	Approx. Chi-Square	180.106
Bartlett's Test of Sphericity	df	21
	Sig.	.000

The results show that Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.853 with a Bartlett's test of sphericity being less than 0.05 thus indicating being significant. To assess the strategic partnership factors which explained most of the information carried by other variables, the constructs were subjected to a variance

test through the principal component analysis. Table 4.20 illustrates the variance, Eigen values and the cumulative percentages in strategic partnerships variables.

**Table 4.20: Total variance explained in strategic partnerships**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.236	46.226	46.226	3.236	46.226	46.226
2	.809	11.557	57.783			
3	.795	11.362	69.145			
4	.628	8.970	78.115			
5	.581	8.296	86.411			
6	.515	7.355	93.766			
7	.436	6.234	100.000			

Extraction Method: Principal Component Analysis.

The variances in table 4.20 identified the Eigen values which indicate the variance of each factor or component in comparison with the total variance of all the items shown in the construct. The constructs were subjected to a variance test through the principal component analysis. From the variance matrix, there was one factor that had an Eigen value of more than 1.0. The factor with an Eigen value of more than 1.0 stated on the performance rate of an organisation when it partners strategically. This was the strategic partnerships factor that had enough total variance in outsourcing relationships. The extraction of the factors followed the Kaiser criterion where an Eigen value of 1 or more indicates a unique factor. Component one which stated the performance rate of an organisation when it partners strategically had the highest variance of 3.236 which accounted for 46.226%.

All the seven factors were thus used for further analysis as they had attracted coefficients of more than 0.4. Table 4.20 shows that all the seven components had a factor loading of 0.4 and thus deemed adequate for further analysis. The component analysis matrix was also computed and shown in Table 4.21.

**Table 4.21: Component matrix**

<b>Item</b>	<b>Component</b>
Performance rate of an organisation when it partners strategically	.622
Strategic partnering reduces overall risk in your organisation	.643
Integrity in strategic partnership promotes trust	.705
Interdependence enhances organisational performance	.672
Strategic partnering leads to increased shared knowledge	.721
Institutionalising leads to achievement of organisational goals	.650
Strategic partnering allows organisation to access new capabilities	.738

Extraction Method: Principal Component Analysis.

From the above results, the factor with the lowest loading had 0.622 which stated on the performance rate of an organisation when it partners strategically in outsourcing relationships among the large scale food processors in Kenya while the factor with the highest loading had 0.738 which read that strategic partnering allows organisation to assess new capabilities. This implies that all the factors in strategic partnerships were adequate for subsequent analysis due to the factor loading being above 0.4.

#### **4.6.5 Factor Analysis of Outsourcing Relationships**

The study sought to establish the factor loading of outsourcing relationships among large scale food processors in Kenya to determine the suitability for further analysis. The study applied the Kaiser-Meyer Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity on a seven outsourcing relationships measures as is to be seen in the influence of strategic management practices in examining its dimensionality among large scale food processors in Kenya. The findings were presented in Table 4.22.

**Table 4.22: KMO and Bartlett's test for outsourcing relationships**

Kaiser-Meyer-Olkin	Measure of Sampling Adequacy.	.836
	Approx. Chi-Square	196.784
Bartlett's Test of Sphericity	Df	21
	Sig.	.000

The results show that Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.836 with a Bartlett's test of sphericity being less than 0.05 thus indicating being significant. Table 4.23 illustrates the variance, Eigen values and the cumulative percentages in outsourcing relationships variables.

**Table 4.23: Total variance explained in outsourcing relationships**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.299	47.134	47.134	3.299	47.134	47.134
2	.872	12.456	59.590			
3	.727	10.388	69.977			
4	.704	10.058	80.035			
5	.576	8.233	88.268			
6	.446	6.369	94.637			
7	.405	5.363	100.000			

Extraction Method: Principal Component Analysis.

The variances in table 4.23 determined the Eigen values which indicate the variance of each factor or component in comparison with the total variance of all the items shown in the construct. The constructs were subjected to a variance test through the principal component analysis. From the variance matrix, there was one variable that had an Eigen value of more than 1.0. The variance with an Eigen value of more than

1.0 read that win- win outsourcing relationships exist in outsourcing relationships among the large scale food processors in Kenya. This was the outsourcing relationships factor that had enough total variance. The extraction of the factors followed the Kaiser criterion where an Eigen value of 1 or more indicates a unique factor. Component one which stated that win-win outsourcing relationships exist in the organisation had the highest variance of 3.299 which accounted for 47. 134%.

Table 4.23 shows that all the seven components had a factor loading of 0.4 and thus deemed adequate for further analysis. The component analysis matrix was also shown in Table 4.24.

**Table 4.24: Component matrix**

<b>Item</b>	<b>Component</b>
Win Win outsourcing relationships exist in your organisation	.740
An outsourcing relationship can be of mutual benefits to both parties	.703
Longevity enhances the strategic management practices	.617
Financial resources decrease when firms outsource	.594
Productivity enhancement	.798
Parties involved in outsourcing relationships gain competitive advantage.	.655
Successful outsourcing relationships require an understanding	.676

Extraction Method: Principal Component Analysis.

From the results, it is seen that all the seven items have a factor loading of more than 0.4 and hence suitable for further analysis. The factor with the lowest loading had 0.594 which read that financial resources decrease when firms outsource while the factor with the highest loading had 0.798 which read that productivity enhancement in firms that outsource can results from good outsourcing relationship. This implies that all the factors in outsourcing relationships were adequate for additional analysis due to the factor loading being above 0.4.

#### **4.6.6 Summary of factor Analysis findings**

Evidently, all the factors used to examine the influence of strategic planning, strategic quality control, employee capacity building and strategic partnerships as the strategic management practices in outsourcing relationships among the large scale food processors in Kenya all had adequate samples which were thus subjected to further analysis.

#### **4.7 Descriptive Statistics**

The descriptive statistics was done to summarize the responses in order to make deductions about the views and opinions of the respondents. Wambua (2017) asserted that through descriptive analysis, the researcher is able to meaningfully describe a distribution of scores using indices or statistics. The type of statistics or indices used depends on the types of variables in the study and the scale of measurements. The researcher analysed descriptive statistics for the following observed variables: strategic planning, strategic quality control, employee capacity building, strategic partnerships and outsourcing relationships. The researcher in this study used mean average, standard deviations, variance and skewness to present the findings.

##### **4.7.1 Strategic Planning in Outsourcing Relationships**

Table 4.25 provides an illustration of the descriptive analysis of strategic planning in outsourcing relationships among the large scale food processors in Kenya.

**Table 4.25: Strategic planning in outsourcing relationships**

<b>Components</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
Strategic plans	106	2.38	1.018
Goal setting	106	2.75	.677
‘SMART’ Objectives	106	2.33	.963
Environment analysis	106	2.63	.735
Strategy formulation	106	2.32	.931
Implementation	106	2.28	.825
Review plans	106	2.34	.904

From table 4.25, respondents agreed that strategic planning as a strategic management practice has an influence in outsourcing relationships with a mean score of the seven components of strategic planning in outsourcing relationships ranging from 2.75 to 2.28. The goals are clear and in line with the organisation’s set standards’ had the highest mean of 2.75 followed by environmental analysis being done in a timely basis with 2.64. Importance of strategic plans in the organisation had a mean of 2.38 followed by constant review of strategic plans is essential at 2.34, 2.33 with the objectives of the organisation are ‘SMART’ and 2.32 strategy formulation is a formal and consultative process. The lowest mean was for strategy implementation is participative at 2.28. The highest standard deviation was from the importance of strategic plans in the organisation at 1.018; whereas the least standard variation was from the goals are clear and in line with the organisation’s standards at 0.677.

The descriptive analysis of the first objective on the influence of strategic planning in outsourcing relationships among the large scale food processors in Kenya was carried out. In total, seven factors were subjected to ranking and a 6-point Likert scale was used, with the strongest scoring is 1, depicted as strongly agree, whereas the least scoring is 6, depicted as strongly disagree. Respondents agreed that when the goals are clear and in line with the organisation’s standards, there is a positive impact from the outsourcing relationship since the large scale food processors would

be working towards one goal. This in turn leads into a low variation among the same respondents.

This concurs with Ljungquist 2013 who explained that strategic planning entails various elements such as aligning the objectives and goals with the organisation's standards which in turn drives the results. There were disagreements amongst respondents that strategy implementation is participative. A very high variation was seen amongst respondents on the importance of strategic plans in the large scale food processing firms. Apparently, this is urged by Theuri et al. (2014), who noted that strategic plans should be realistic and put into consideration factors such as environmental analysis being done on a timely basis, setting clear goals and objectives and choosing the most appropriate methods of the strategy formulation and strategy implementation process so as to have a positive impact among the large scale food processing firms in Kenya.

Table 4.26 further shows the strategic planning component that was extracted.

**Table 4.26: Descriptive results of strategic planning**

	<b>Strategic planning as a strategic management practice.</b>
<b>Measurement</b>	<b>Strategic planning</b>
<b>Mean</b>	2.433
<b>Cronbach's Alpha</b>	0.817

Strategic planning registered a mean score of 2.433 with Cronbach's alpha of 0.817; which was acceptable and far beyond the minimum threshold required for further analysis (DeVellis, 2012). The above results of strategic planning in outsourcing relationships were consistent with the findings of Kagumu, Odhiambo, and Waiganjo (2017) who established that organisation's strength, growth and success depended on how strategic plans were formulated and implemented. Therefore, strategic planning has an adequate sample to determine whether it has a significant influence in outsourcing relationships among the large scale food processors in Kenya.

#### 4.7.2 Strategic Quality Control in Outsourcing Relationships

Table 4.27 provides an illustration of the descriptive analysis of strategic quality control in outsourcing relationships among the large scale food processors in Kenya.

**Table 4.27: Strategic quality control in outsourcing relationships**

Components	N	Mean	Std. Dev
Solution of SQC	106	2.30	.948
Importance	106	2.45	.874
Documentation	106	2.24	.857
Checking standards	106	2.33	.943
Measuring standards	106	2.30	.875
Testing standards	106	2.31	.809
Product uniformity	106	2.30	.917

From table 4.27, respondents agreed that strategic quality control as a strategic management practice has an influence in outsourcing relationships with a mean score of the seven components of strategic quality control ranging from 2.45 to 2.24. Strategic quality control policies and procedures are important within the organisation had the highest mean of 2.45 followed by checking standards of strategic quality control being critical in the organisation with 2.33 followed closely by testing standards of strategic quality control eliminates quality problems at 2.31. Ways of solving strategic quality control related problems, measuring standards of strategic quality control to reduce product variation and promotion of product uniformity through strategic quality control all had the same means at 2.30. The lowest mean was for the need to document strategic quality control policies and procedures at 2.24. The highest standard deviation was from the ways of solving strategic quality control problems at 0.948 whereas the least standard deviation was from testing standards of strategic quality control to eliminate quality problems at 0.809.

Respondents agreed that the strategic quality control policies and procedures are important in that they bring in a positive impact in the outsourcing relationships among the large scale food processor. This is asserted by Li and Zabinsky (2011) who stated that the target of strategic quality control is establishment of uniformity. The lowest mean was noted to be that the strategic quality control policies and procedures are documented. There was a high variation amongst respondents on the ways on how the large scale food processing firms in Kenya solve quality related problems. This is evidently postulated by Schröder, Schmitt, and Schmitt (2015) in their research that outsourcing relationships vary within the large scale food processors due to time, personal and organisational changes. Testing standards of strategic quality control eliminates quality problems which had least variation since it is a management practice that occurs in all the large scale food processors in Kenya as mandatory requirement as per KEBS.

Table 4.28 which shows the strategic quality control component that was extracted.

**Table 4.28: Descriptive results of strategic quality control**

<b>Strategic quality control as a strategic management practice.</b>	
<b>Measurement</b>	<b>Strategic quality control</b>
<b>Mean</b>	2.319
<b>Cronbach's Alpha</b>	0.803

Strategic quality control registered a mean score of 2.319 with Cronbach's alpha of 0.803; based on DeVellis (2012) recommendations of the rule of thumb for explaining internal consistency; the value of 0.803 was acceptable and qualified the variable for subsequent analysis. These findings of strategic quality control as a strategic management practice in outsourcing relationships were the same with a study of Al-Qantani, Abdaziz, and Alsheri (2018) who established that continuous enhancement in quality control has become as one of the essential strategies that could be implemented in any organisation in order to achieve organisational

competitive advantage. Moreover, Nyariki (2013) urged that focusing on quality leads to productivity enhancement. Therefore, strategic quality control has an adequate sample to investigate whether it has a significant influence in outsourcing relationships among the large scale food processors in Kenya.

#### 4.7.3 Employee Capacity Building in Outsourcing Relationships

Table 4.29 provides an illustration of the descriptive analysis in employee capacity building in outsourcing relationships among the large scale food processors in Kenya.

**Table 4.29: Employee capacity building in outsourcing relationships**

<b>Components</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
Effectiveness of ECB	106	2.25	.849
Importance of ECB	106	2.16	.852
Training employees	106	2.39	.900
Mentoring employees	106	2.27	.941
Evaluating employees	106	2.40	.789
Efficiency of ECB	106	2.22	.976
Continuity of ECB	106	2.39	1.010

From table 4.29, respondents agreed that employee capacity building has an influence in outsourcing relationships among the large scale food processors in Kenya with a mean score ranging from 2.40 to 2.16. Evaluating employees sets performance standards for the employees had the highest mean of 2.40 followed by training employees is offered in the organisation so as to enhance quality and standards for the products and services provided and employee capacity building being a continuous process within the organisation had the same means at 2.39. Mentoring employees to promote growth and development followed at 2.27 followed closely by to what extent has employee capacity building enhanced effectiveness at 2.25 and next was employee capacity building enabling employees to do work

efficiently at 2.22 in terms of the averages. The lowest mean was the importance of employee capacity building in the organisation at 2.16. The highest standard deviation was employee capacity building being a continuous process at 1.010 whereas the least standard deviation was recorded from evaluating employees sets performance standards for employees at 0.789.

Respondents agreed that evaluating employees sets performance standards for the employees bringing in a positive impact in the outsourcing relationships among the large scale food processor which in turn recorded a low variation. Patel, Theuri, and Mugambi (2017) stated that evaluation of employees not only increases productivity but also encourages workers. The lowest mean was noted to be importance of employee capacity building in the organisation; indicating that respondents disagreed that it had a huge impact in outsourcing relationships among the large scale food processors in Kenya. There was a high variation on employee capacity building being a continuous process. Continuous capacity building of employees varies amongst organisations depending on the financial capability. However, equipping employees with the desired knowledge and skills enhances the ability to achieve organisational goals (Sasidaran, 2018).

Table 4.30 shows the employee capacity building component that was extracted.

**Table 4.30: Descriptive results of employee capacity building**

<b>Employee capacity building as a strategic management practice.</b>	
<b>Measurement</b>	<b>Employee capacity building</b>
<b>Mean</b>	2.295
<b>Cronbach's Alpha</b>	0.805

Employee capacity building registered a mean score of 2.295 with Cronbach's alpha of 0.805 which was acceptable and thus qualified the variable for further analysis (DeVellis, 2012). The above findings of employee capacity building as a strategic

management practice in outsourcing relationships were the same with a study done by Imasaja (2016) that the role of employee capacity building entails targeted and strategic choices that will lead to the achievement of a number of defined results; a key feature in organisations which is to focus on successful organisational performance. Intended outcomes will generally sprout from capacity building employees to perform their jobs differently and with greater competency. Therefore, employee capacity building has an adequate sample to determine whether it has a significant influence in outsourcing relationships among the large scale food processors in Kenya.

#### 4.7.4 Strategic Partnerships in Outsourcing Relationships

Table 4.31 provides an illustration of the descriptive analysis in strategic partnerships in outsourcing relationships among the large scale food processors in Kenya.

**Table 4.31: Strategic partnerships in outsourcing relationships**

<b>Components</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
Performance rate	106	2.27	.811
Risk reduction	106	2.27	.823
Integrity	106	2.29	.850
Interdependence	106	2.32	.834
Shared knowledge	106	2.21	.983
Institutionalising	106	2.22	.793
New capabilities	106	2.35	.840

From table 4.31, respondents agreed that strategic partnerships has an influence in outsourcing relationships among the large scale food processors in Kenya with a mean score ranging from 2.35 to 2.21. Strategic partnering allows organisation to access new capabilities had the highest mean of 2.35 followed by interdependence of strategic partnering enhances organisational performance at 2.32 and followed closely by integrity in strategic partnership promotes trust at 2.29. Performance rate

of an organisation when it partners strategically and strategic partnering reduces overall risk in the organisation had the same means at 2.27. Institutionalisation of partners strategically leads to achievement of organisational goals was the next ranked component at 2.22 in terms of the means. The lowest mean was that strategic partnering leads to increased shared knowledge at 2.21. The highest standard deviation was that strategic partnering leads to increased shared knowledge at 0.983 whereas the least standard deviation was from institutionalising of partners strategically leads to achievement of organisational goals at 0.793.

Respondents agreed that strategic partnering allows organisations to access new capabilities resulting into a positive impact in the outsourcing relationships among the large scale food processors as notably summarised by Priti and Nfilia (2011) on the addition of new capabilities to produce other new products that the large scale food processing firms could not produce on their own. This was also supported by Capron et al. (2010) that it was also pegged as an indirect benefit. The lowest mean was noted to be strategic partnering leads to increased shared knowledge and more so recording the highest variance. The least variance was institutionalising of partners strategically leads to the achievement of organisational goals. Institutionalism though not commonly practised in many organisations, which explained the result of a low mean score, leads to people becoming more aware of what is happening in the organisation thus coordination is done in a controlled form. However, as urged by Staggenborg (2013) that it is practised differently amongst the large scale food processors hence the high variability.

Table 4.32 shows the strategic partnerships component that was extracted.

**Table 4.32: Descriptive results of strategic partnerships**

<b>Strategic partnerships as a strategic management practice.</b>	
<b>Measurement</b>	<b>Strategic partnerships</b>
<b>Mean</b>	2.276
<b>Cronbach's Alpha</b>	0.805

Strategic partnerships registered a mean score of 2.276 with Cronbach's alpha of 0.805 which was acceptable and thus qualified the variable for subsequent analysis (DeVellis, 2012). These findings of strategic partnerships as a strategic management practice were in line with the findings of Qi et al.(2015), Kavale, et al.(2017), Henderson et al. (2014) and Muiruri (2015) that the effect of strategic partnerships necessitates expanding the organizations competitive efforts through the synergy that is derived from combined efforts of the partnering organizations. The ability of organisations to frequently enhance their value depends on successful collaboration with partners from various industries and that these collaborations are in form of strategic partnerships. Therefore, strategic partnerships has an adequate sample to identify whether it has a significant influence in outsourcing relationships among the large scale food processors in Kenya.

#### **4.7.5 Outsourcing Relationships**

Table 4.33 provides an illustration of the descriptive analysis in outsourcing relationships among the large scale food processors in Kenya.

**Table 4.33: Outsourcing relationships**

<b>Components</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
Win Win ORs	106	2.37	.832
Mutual benefit	106	2.26	.832
Longevity ORs	106	2.30	.864
Work systems	106	2.29	.768
Productivity enhancement	106	2.37	.929
Competitive advantage	106	2.34	.838
Organisation understanding	106	2.25	.817

From table 4.32, respondents agreed that outsourcing relationships were affected by the strategic management practices among the large scale food processors in Kenya. The mean score of the outsourcing relationships ranged from 2.37 to 2.25. Both existence of win- win outsourcing relationships exist in the organisation and outsourcing relationships results into productivity enhancement had the highest means at 2.37. Parties involved in outsourcing relationships gain competitive advantage was the next ranked component at 2.34 in terms of the averages followed by the mean of longevity of outsourcing relationships enhances the strategic management practices at 2.30. Financial resources decrease when firms outsource was at 2.29 followed by an outsourcing relationship can be of mutual benefit to both parties at 2.26 and the least mean was outsourcing relationship require an understanding of each organisations at 2.25. The highest standard deviation was that outsourcing relationships results into productivity enhancement at 0.929 whereas the least standard deviation was from outsourcing relationships leads to improved work systems at 0.768.

Respondents had the same sentiments of agreement that win - win outsourcing relationships exist among the large scale food processors in Kenya and that outsourcing relationships results into productivity enhancement. These statements recorded the same means. These results are further confirmed by Nkechi, Mugambi, and Namusonge (2017) who state that the above aforementioned statements can be

achieved in most organisations when executed accordingly. The lowest mean was outsourcing relationships requires an understanding of the organisation. The highest variance was that outsourcing relationships results into productivity enhancement. The least variance was from outsourcing relationships leads to improved work systems of which is in agreement with Mwichigi and Waiganjo (2015) who established that enforcement of outsourcing relationships leads to focussing of an organisation’s core competencies thus leading to the improved systems at the work place among the large scale food processors in Kenya.

Table 4.34 further shows the outsourcing relationships component that was extracted.

**Table 4.34: Descriptive results of outsourcing relationships**

<b>Outsourcing relationships</b>	
<b>Measurement</b>	<b>Outsourcing relationships</b>
<b>Mean</b>	2.310
<b>Cronbach’s Alpha</b>	0.812

Outsourcing relationships registered a mean score of 2.310 with Cronbach’s alpha of 0.812. The findings above of outsourcing relationships among the large scale food processors in Kenya were similar to the findings of Bosire, Nyaoga, Ombati, and Kongere (2013) who argued that a good outsourcing relationship is an important ingredient for success for organisations that practice outsourcing. So it is essential that the right partners are selected based on criteria like credibility, expertise, and reliability in order to achieve time, progress and cost advantage. Therefore, the extent of outsourcing relationships as is to be seen in the influence of strategic management practices whether it has an adequate sample in examining its dimensionality among large scale food processors in Kenya is analysed.

## **4.8 Diagnostic Tests**

Many statistical tests done in analysis of data require that the data does not violate the assumptions of multiple regression. The tests for regression model assumptions are done to ensure that there is an efficient and unbiased estimates. In their study, Ali, Namusonge, and Sakwa (2016), showed that the assumptions and application of statistical tools, and also found out that suitability of the tests are important aspects for statistical analysis. Violations of these assumptions can lead to various types of problematic situations. First, estimates may become biased, that is not estimating the true value on average. Secondly, estimators may become inconsistent, implying that convergence to the true value when the sample size increases is not guaranteed. Thirdly, the ordinary least squares estimator may not be efficient anymore (Ernst & Alberse, 2017). To ensure that there was no violation of these assumptions, this study tested for multicollinearity, linearity, homoscedasticity, normality and autocorrelation of data collected.

### **4.8.1 Test for Normality of Data**

Normality is crucial in determining the shape of distribution and helps to predict the dependent variable score. If the assumption of normality is violated, interpretation and inference may not be valid. (Ghasemi & Zahediasi, 2012).

The normality of data distribution was assessed. Table 4.35 depicts testing for normality of data.

**Table 4.35: Test of normality**

Variables	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
SP	.329	106	.057	.785	106	.059
SQC	.286	106	.086	.809	106	.051
ECB	.261	106	.161	.878	106	.217
SPs	.169	106	.200*	.955	106	.774
ORs	.178	106	.200*	.876	106	.210

\*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

In this study, the assumption for normality was tested using both the Shapiro Wilkison test and Kolmogorov-Smirnov test. In the Shapiro Wilkison test and the Kolmogorov –Smirnov test, the null hypothesis states that the residuals follow a normal distribution and that the null hypothesis is rejected when P - value is less than 0.05. From Table 4.30 above, the Shapiro-Wilkinson p-value for all the variables are above 0.05 so we fail to reject the null hypothesis indicating that the data is normally distributed. In addition, the Kolmogorov-Smirnov test also indicates that data is equally normally distributed since p-value for all the variables in this study are above 0.05. This implies that the residuals follow a normal distribution with a mean of zero.

#### **4.8.2 Test for Homoscedasticity**

Homoscedasticity is defined as equal variances across all levels of the independent variables. If variances differ, the chance of reaching incorrect conclusions about the data increases. Breusch-Pagan and Koenker test the null hypothesis that heteroscedasticity is not present. The null hypothesis is rejected if the significant value is less than 0.05 (Sazali, Haslinda, Jegak, & Raduan, 2010). Table 4.36 depicts testing for homoscedasticity of the data collected.

**Table 4.36: Testing for homoscedasticity**

	<b>LM</b>	<b>Sig</b>
<b>Breusch-Pagan</b>	11.045	0.26
<b>Koenker</b>	9.358	0.50

Null hypothesis: heteroscedasticity not present (homoscedasticity)

From the output of SPSS, Koenker test statistic = 9.358 and p-value = 0.50 whilst Breusch-Pagan test statistic- 11.045 and p –value 0.26. This indicates that the significant values are above 0.05. Therefore, we fail to reject the null hypothesis indicating that heteroscedasticity is not present.

#### **4.8.3. Test for Autocorrelation**

Autocorrelation exists if residuals in one time period are related to residuals in another period (Escudero, 2009). In as much as a scatter plot will be used to check for autocorrelations, it can also be tested with the Durbin-Watson test (d). The Durbin-Watson test assumes values between 0 and 4, and values around 2 indicates no autocorrelation. As a rule of thumb values of  $1.5 < d < 2.5$  shows that there is no auto-correlation in the multiple linear regression data (Makori & Jagongo, 2013).

The value from table 4.37 depict 2.037 indicating no autocorrelation within the data.

**Table 4.37: Testing for autocorrelation**

<b>Model</b>	<b>Durbin-Watson</b>
1	2.037

#### 4.8.4 Test for Multicollinearity

Multicollinearity is the undesirable situation where the correlations among the independent variables are strong. In other words, multicollinearity misleadingly bloats the standard errors. It shows a situation in which there is a high degree of association between independent variables resulting into large standard errors of the coefficients associated with the affected variables (Ruhio, Ngugi, & Waititu, 2014). Thereby, making some variables statistically insignificant while they should be significant (Martz, 2013). The Variable Inflation Factor (VIF) and tolerance measures were used to check for multicollinearity. Table 4.38 presents testing for multicollinearity.

**Table 4.38: Testing for multicollinearity**

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Strategic Planning	.262	3.810
	Strategic Quality Control	.255	3.923
	Employee Capacity Building	.303	3.301
	Strategic Partnership	.411	2.432

a. Dependent Variable: Outsourcing Relationships

If the VIF value lies between 1 and 10, then there is no multicollinearity and if the  $VIF < 1$  or  $> 10$ , then there is multicollinearity (Daoud, 2017). Table 4.38 was within the acceptable range indicating absence of multicollinearity, thus this study utilized all the independent variables since all the values lied between 1 and 10.

#### **4.9 Correlation Analysis**

Correlation is often used to explore the relationship among a group of variables (Pallant, 2010). The correlation coefficient states the magnitude of the relationship between two variables. Positive correlation means that high values on one variable are associated with high values on the other, and that low values on one are associated with low values scores on the other (Struwig & Stead, 2013). The bigger the  $r$  (absolute zero), the stronger the association between the two variables. If the correlation coefficient is positive (+), it means that there is a positive relationship between the two variables. A negative relationship (-) means that as one variable decreases, then the other variable increases and this is termed as an inverse relationship. A zero value of  $r$  indicates that there is no association between the two variables.

The study conducted correlation analysis using Karl Pearson's coefficient and computed the four strategic management practices that is Strategic Planning, Strategic Quality Control, Employee Capacity Building, and Strategic Partnerships in Outsourcing Relationships among the large scale food processing firms in Kenya for the 106 respondents. Orodho (2009) states that Karl Pearson's coefficient correlation is the most widely used method for measuring the degree of relationship between variables. Therefore, the analysis used Karl Pearson's correlation to generate the results as seen in table 4.39.

**Table 4.39: Correlation of the four independent and dependent study variables**

Variables	Coefficient type	SP	SQC	ECB	SPs	Ors
Strategic Planning(r <sub>1</sub> )	Pearson Correlation Sig. (2-tailed)	1				
	N	106				
Strategic Quality Control(r <sub>2</sub> )	Pearson Correlation Sig. (2-tailed)	.841**	1			
	N	106	106			
Employee Capacity Building(r <sub>3</sub> )	Pearson Correlation Sig. (2-tailed)	.691**	.694**	1		
	N	106	106	106		
Strategic Partnership(r <sub>4</sub> )	Pearson Correlation Sig. (2-tailed)	.510**	.591**	.753**	1	
	N	106	106	106	106	
Outsourcing Relationships (r <sub>5</sub> )	Pearson Correlation Sig. (2-tailed)	.476**	.544**	.711**	.822**	1
	N	106	106	106	106	106

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

Therefore, the results suggested that, an increase of strategic management practices of: strategic planning, strategic quality control, employee capacity building, and strategic partnership, will increase the outsourcing relationships of large scale food processing firms in Kenya. A weak positive linear Relationship between strategic planning and outsourcing relationships, which is statistically significant at  $r_{15} = +0.476$ ; Moderate positive linear relationship between strategic quality control and outsourcing relationships, which is statistically significant at  $r_{25} = +0.544$ ; Strong positive linear relationship between employee capacity building and outsourcing relationships, which is statistically significant at  $r_{35} = +0.711$ ; and a strong positive linear relationship between strategic partnership and outsourcing relationships, which is statistically significant at  $r_{45} = +0.822$ .

#### **4.9.1 Summary of Correlations Analysis**

Apparently, all the factors used to analyse the influence of strategic planning, strategic quality control, employee capacity building and strategic partnerships as the strategic management practices in outsourcing relationships among the large scale food processors in Kenya had a positive linear relationship though with different strengths. The variable with the highest strength was strategic partnerships followed closely by employee capacity building, then with strategic quality control and the least was strategic planning.

#### **4.10 Overall Analysis of Variance (ANOVA)**

ANOVA is a widely used statistical method providing a statistical test of whether or not the means of several groups are equal and therefore generalising the t-test to more than two groups. It helps in understanding the level of variance in the responses (Estevez, Gonzalez, & Valenzuela, 2017).

Table 4.40 shows the ANOVA results.

**Table 4.40: ANOVA**

Model		Sum of		Mean		Sig.
		Squares	df	Square	F	
1	Regression	24.272	4	6.068	57.779	.000 <sup>b</sup>
	Residual	10.607	101	.105		
	Total	34.879	105			

a. Dependent Variable: Outsourcing Relationships

b. Predictors: (Constant), Strategic Partnership, Strategic Planning, Employee Capacity Building, Strategic Quality Control

The results of an analysis of variance, with the sum of squares, degrees of freedom (df), and mean square being displayed for two sources of variation, regression and residual. The numerator df (4) tells how many predictors the study had (i.e. Strategic Planning, Strategic Quality Control, Employee Capacity Building and Strategic Partnership) and the denominator degrees of freedom ( $105 - 4 = 101$ ) for bi-variant regression use. The value of the F test is  $F(4, 101) = 57.779$ ,  $p < 0.05$ .

The decision rule for ANOVA is that we reject the null hypothesis if the p value is less than 5%. In table 4.40, the findings imply that the strategic management practices were statistically significant in outsourcing relationships since the P value was less than 0.05.

#### **4.11 Multiple Regression Analysis**

Multiple regression analysis was conducted to empirically determine whether strategic management practices was a significant determinant of outsourcing relationships among large scale food processors in Kenya. The analysis was used to determine the linear statistical relationship between the independent and dependent variables of this study. The coefficient of determination  $R^2$  and correlation coefficient (r) shows the degree of association between the independent variable that is strategic

management practices and dependent variable that is outsourcing relationships. Table 4.41 shows the model summary of the overall regression model of this study.

**Table 4.41: Model summary of overall regression model**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted Square</b>	<b>R</b>	<b>Std. Error of the Estimate</b>
1	.834 <sup>a</sup>	.696	.684		.325

a. Predictors: (Constant), Strategic Partnerships, Strategic Quality Control, Employee Capacity Building, Strategic Planning

The results generated in table 4.40 of the linear regression below showed that R= 0.834 representing an 83.4 % of the variance in outsourcing relationships; which can be explained by the predictor variables of strategic planning, strategic quality control, employee capacity building and strategic partnerships. The final column gives the standard error of estimate at 0.324 (32.4%) as a measure of how much R is predicted to vary from one sample to the next.

The results generated in Table 4.40 indicates an  $R^2 = 0.696$ ; indicating a regression line that perfectly fits the data. From the findings, it was found that the strategic management practices explains a 69.6% significant amount of variance in the outsourcing relationships. A study by Kavale (2017) on the effects of strategic management determinants of corporate growth in micro-finance institutions in Kenya similarly obtained an  $R^2$  of 0.664 implying that strategic management determinants were statistically significant on the corporate growth in microfinance institutions in Kenya and thus generalisations could be made from this study. Therefore, an  $R^2$  of 69.6% was deemed statistically significant in this study and thus subsequent deductions were made. In general, the higher the R-squared, the better the model fits your data (Frost, 2013).

#### 4.11.1 Regression Coefficient

The regression coefficients represents the mean change in the dependent variable for one unit of change in the predictor variable while holding other predictors in the model constant. The study had four predictor variables that is strategic planning, strategic quality control, employee capacity building and strategic partnerships. The general multiple regression model for this study expressed the value of predicted (dependent) variables and the predictor (independent) variables and an error term (4.10.1).

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \dots\dots\dots 4.10.1$$

The variables in the model are that Y is the dependent variable (Outsourcing Relationships); X<sub>1</sub>, the first predictor variable (Strategic Planning); X<sub>2</sub>, the second predictor variable (Strategic Quality Control); X<sub>3</sub>, the third predictor variable (Employee Capacity Building); X<sub>4</sub>, the fourth predictor variable (Strategic Partnership); and ε, the residual error, which is an unmeasured variable. Consequently, the estimated multiple regression model to estimate performance was indicated in Table 4.42. Table 4.42 shows the regression coefficients.

**Table 4.42: Regression coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.364	.149		2.448	.016
	SP	-.044	.103	-.046	-.431	.668
	SQC	.040	.104	.042	.389	.698
	ECB	.207	.093	.221	2.215	.029
	SPs	.654	.085	.654	7.645	.000

a. Dependent Variable: Outsourcing Relationships

As seen in table 4.42, the parameters in the model are, the Y-intercept (Constant,  $\beta_0 = .364$ ); the first regression coefficient (Strategic Planning,  $\beta_1 = -.044$ ); the second regression coefficient (Strategic Quality Control  $\beta_2 = .040$ ); the third regression coefficient (Employee Capacity Building,  $\beta_3 = .207$ ), and the fourth regression coefficient (Strategic Partnership,  $\beta_4 = .654$ ). Therefore, these results can also be inferred and modelled as Outsourcing Relationships (Y) based on the strategic management practice of Strategic Planning (X<sub>1</sub>), Strategic Quality Control (X<sub>2</sub>), Employee Capacity Building (X<sub>3</sub>), and Strategic Partnerships (X<sub>4</sub>). Hence, the regression equation (4.10.2) for this study is substituted as follows:

$$Y = 0.364 + -0.044 X_1 + 0.040 X_2 + 0.207 X_3 + 0.654 X_4 \dots \dots \dots 4.10.2$$

Where

$X_1$  = Strategic Planning

$X_2$  = Strategic Quality Control

$X_3$  = Employee Capacity Building

$X_4$  = Strategic Partnerships

$B_0$  = 0.364

$\beta_1$  = -0.044

$\beta_2$  = 0.040

$\beta_3$  = 0.207

$\beta_4$  = 0.654

In the regression results of table 4.42; the value of  $\beta_1 = -0.044$ , show that each one unit change in strategic planning ( $X_1$ ) tends to decrease the outsourcing relationships by 0.044 units. The value of  $\beta_2 = 0.040$  shows that each one unit change in strategic quality control ( $X_2$ ) tends to increase the outsourcing relationships by 0.04 units. The value of  $\beta_3 = 0.207$ , show that each one unit change in employee capacity building ( $X_3$ ) tends to increase the outsourcing relationships by 0.207 units. Lastly also, the value  $\beta_4 = 0.654$ , indicates that each one unit change tends also to increase the outsourcing relationships by 0.654 units. The estimates above apply only if all the other variable are held constant.

From the results above, a unit change can increase or decrease the outsourcing relationships among the large scale food processor in Kenya. Strategic planning as an independent variable decreases the outsourcing relationships whereas strategic quality control, employee capacity building and strategic partnerships increase the outsourcing relationships among the large scale food processors in Kenya. The independent variable strategic planning had a decrease of unit change at -0.044. This implies that strategic planning sometimes may fail to meet up to the expectations of the outsourcing relationships. This has also been stated by Gleissler and Kryz (2013) that strategic planning is a complex activity as it operates with abstract information of events yet to take place. Therefore, a systematic process involving a number of steps that identify the current status with a clear roadmap towards the future goals of the organisation is essential (CAI, 2014). In case this is not conceptualised from the

beginning, then the likelihood of a failure is high leading into a very minimal effect among the large scale food processors in Kenya.

The other independent variable that is strategic quality control, employee capacity building and strategic partnerships have a positive effect since they increase the outsourcing relationships among the large scale food processors in Kenya. These results concur with studies by Kriss, Peterson, and Brown (2017) who reported that outsourcing relationships require a combination of different determinants for success and as such the aforementioned strategic management practices as in this study. In addition to that, such studied factors affect the outsourcing relationships at different levels carrying a different force since all had different positive effects. Strategic partnerships had an increase of unit change at 0.654, followed by employee capacity building at 0.207. The least was strategic quality control at 0.040.

Researchers such as Gartner (2013), and Qi and Chau (2012) stated that there are various factors that can lead to a higher probability of the outsourcing relationships to be effective. However, such factors differ with magnitude and how they are implemented as seen in table 4.42. Moreover, these study findings corresponded with the studies of Ngonela, Mwaniki, and Namusonge (2014) who suggested the need for the large scale food processing firms to look for ways of enhancing productivity, gain competitive advantage, improved work systems and have sustainable outsourcing relationships by use of a combination of such factors.

#### **4.11.2 Optimal Model**

The optimal model is derived from the decision rule whereby the null hypothesis for all the cases where p value is less than 0.05 is rejected. Table 4.43 shows the optimal model summary and parameter estimates for this study.

**Table 4.43: Optimal model summary and parameter estimates**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.351	.133		2.647	.009
	Employee Capacity Building	.199	.078	.212	2.569	.012
	Strategic Partnerships	.661	.083	.662	8.007	.000

a. Dependent Variable: Outsourcing Relationships

The model can thus be fitted as equation 4.10.3 whereby:

$$Y = 0.351 + 0.199 X_3 + 0.661X_4 \dots\dots\dots 4.10.3$$

Where

$$X_3 = \text{Employee Capacity Building}$$

$$X_4 = \text{Strategic Partnerships}$$

$$B_0 = 0.351$$

$$\beta_3 = 0.199$$

$$\beta_4 = 0.661$$

From table 4.43, the first two variable that is strategic planning and strategic quality control had no significant influence in the outsourcing relationships among the large scale food processors in Kenya since their p values were above 0.05 that is at 0.668 and 0.698 consecutively, thereby not adding anything to the model of equation 4.10.1 and the subsequent equation 4.10.2. Therefore, the two independent variables, strategic planning and strategic quality control, were eliminated automatically. Table 4.44 shows the optimal model of this study after subsequent analysis.

**Table 4.44: Optimal model**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted Square</b>	<b>R Std. Error of the Estimate</b>
1	.834 <sup>a</sup>	.695	.689	.321

a. Predictors: (Constant), Strategic Partnerships, Employee Capacity Building

b. Dependent Variable: Outsourcing Relationships

Table 4.44 further affirmed that the two variables, strategic planning and strategic quality control had no significant influence in outsourcing relationships since R is 83.4% and R<sup>2</sup> is 69.5%. The results in table 4.44 were similar as the previous model in table 4.42. A study done by Muthoni (2016) on the effect of supply chain processes outsourcing on the performance of manufacturing firms in Kenya cognisant of this nature depicted an optimal model of R<sup>2</sup> 0.511 and was still substantial. Therefore, this makes the current study equally significant for further deductions.

The model of equation 4. 10. 3 of  $Y = \beta_0 + \beta_3 X_3 + \beta_4 X_4$  explained 69.5% of the variations in the influence of strategic management practices in outsourcing relationship among the large scale food processors in Kenya. Table 4.44 shows that employee capacity building and strategic partnerships explained 69.5% of the variations in outsourcing relationships.

From the results, it implies that the large scale food processors in Kenya need to partner with other firms strategically for sustainable and successful outsourcing relationships. Moreover, they also need to adequately and continuously capacity build employees for the necessary knowledge acquisition and technical know-how as pertaining to outsourcing relationships so as to able to decipher the credible partners to ensure longevity and a competitive advantage with the industry.

#### **4.12 Hypothesis Testing on Model Parameters**

The general objective of this study was to analyse the influence of strategic management practices in outsourcing relationships among the large scale food processors in Kenya. There were four research hypotheses developed for this study. In order to test the four research hypotheses, a multiple regression analysis was conducted using outsourcing relationships as the dependent variable, and the various predicting variables of strategic planning, strategic quality control, employee capacity building and strategic partnerships.

All the four research hypotheses were tested at 5% level of significance. The decision rule was to reject the null hypothesis for all the cases where p value was less than 0.05 making the overall model, the influence of strategic management practices in outsourcing relationships among the large scale food processing firms in Kenya, be significant.

##### **Hypothesis 1:**

The first null hypotheses was:

**H<sub>01</sub>:** Strategic planning has no significant influence in outsourcing relationships among large scale food processors in Kenya.

The results in table 4.43 indicated that the p value of the first variable, strategic planning, is at 0.668 which is more than 5% thus we fail to reject the null hypothesis indicating that strategic planning has no significant influence in outsourcing relationships among the large scale food processors in Kenya. This implies that  $\beta_1$  could be 0, in which case strategic planning does not add anything to the model of equation 4.10.2. This indicated that strategic planning requires other factors to be crucial in ascertaining the achievement of the outsourcing relationships among the large scale food processors in Kenya. Evidently, other factors are required for support so that the planning does not fail. Debarliev and Trpkova (2011) established that since the 1980s, the influence of strategic planning is in creating sustained superior competitive edge. This is attributed to the fact that strategic planning may be

conducive to productivity improvement when there is consensus about vision, mission, strategic objectives and also thorough environmental assessment and other competitor organisations (Hendrick, 2010).

### **Hypothesis 2:**

The second null hypotheses was:

**H<sub>02</sub>:** Strategic quality control has no significant influence in outsourcing relationships among large scale food processors in Kenya.

The results in table 4.43 indicated that the p value of the second variable, strategic quality control, is at 0.698 which is more than 5% thus we fail to reject the null hypothesis indicating that strategic quality control has no significant influence in outsourcing relationships among the large scale food processors in Kenya. This implies that  $\beta_2$  could be 0 in which case strategic quality control does not add anything to the model of equation 4.10.2. This indicated that strategic quality control is a less contributing factor in the success of the outsourcing relationships among the large scale food processing firms in Kenya thereby giving a limited impact, also as supported by Chibba (2015). Rachid and Aslam (2012) further highlighted that strategic quality control as a component under the umbrella of total quality management as a whole is not adequate since it omits some other important aspects that consider product and services quality, customer satisfaction, fact based decision thinking, continual improvement and not just strategic quality control only. Sasaka et al. (2014) further asserted that total quality management is inclusive of strategic quality control which explains a comprehensive and structured approach to firm management, majorly aiming at improving the quality of products and services through continuous refinements.

### **Hypothesis 3:**

The third null hypotheses was:

**H<sub>02</sub>:** Employee capacity building has no significant influence in outsourcing relationships among large scale food processors in Kenya.

The results in table 4.43 indicated that the p value of the third variable, employee capacity building, is at 0.029 which is less than 5% thus we reject the null hypothesis indicating that employee capacity building has a significant influence in outsourcing relationships among the large scale food processors in Kenya. This implies that  $\beta_3$  is certainly not 0 in which case employee capacity building has a significant influence in the outsourcing relationships among the large scale food processors in Kenya thereby adding value to the model of equation 4.10.2. This indicated that employee capacity is a contributing factor in the success of the outsourcing relationships among the large scale food processors in Kenya. This finding is in line with the study done by Ahmad, Farrukh, and Nazir (2014) that continuous employee capacity building amongst the large scale food processing firms enhances performance leading to the overall success of an organisation.

### **Hypothesis 4:**

The fourth null hypotheses was:

**H<sub>02</sub>:** Strategic partnerships has no significant influence in outsourcing relationships among large scale food processors in Kenya.

The results in table 4.43 indicated that the p value of the fourth variable, strategic partnerships, is at 0.000 which is less than 5% thus we reject the null hypothesis indicating that strategic partnerships has a significant influence in outsourcing relationships among the large scale food processors in Kenya. This implies that  $\beta_4$  is certainly not 0 in which case strategic partnerships has a significant influence in the outsourcing relationships among the large scale food processors in Kenya thereby adding value to the model of equation 4.10.2. In this study, strategic partnerships is a

major factor in the success of the outsourcing relationships. This fact is emphasized by Kuchler (2013) who stated that the accomplishment of outsourcing relationships between the clients and vendors is vital to the achievement of an outsourcing arrangement among the large scale food processing firms in Kenya.

#### 4.12.1 Summary of Hypothesis Testing

Table 4.45 shows a summary of the decision rules on the results of the model outputs for the hypotheses tested.

**Table 4.45: Summary of hypotheses test results**

Hypothesis	P-values	Decision
<b>H<sub>01</sub>:</b> Strategic planning has no significant influence in outsourcing relationships among large scale food processors in Kenya.	0.668	Fail to reject H <sub>01</sub>
<b>H<sub>02</sub>:</b> Strategic quality control has no significant influence in outsourcing relationships among large scale food processors in Kenya.	0.698	Fail to reject H <sub>02</sub>
<b>H<sub>03</sub>:</b> Employee capacity building has no significant influence in outsourcing relationships among large scale food processors in Kenya.	0.029	Reject H <sub>03</sub>
<b>H<sub>04</sub>:</b> Strategic partnerships has no significant influence in outsourcing relationships among large scale food processors in Kenya.	0.000	Reject H <sub>04</sub>

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter highlights the summary of findings, conclusions and recommendations which are in line with the objectives of the study and are based on the output of the descriptive and inferential statistical analysis used to test the research hypothesis of the study.

#### **5.2 Summary**

The overall objective of this study was to establish the influence of strategic management practices in outsourcing relationships among large scale food processors in Kenya. In particular, the study focussed on four specific objectives which were to determine the influence of strategic planning in outsourcing relationships among large scale food processors in Kenya, to investigate the influence of strategic quality control in outsourcing relationships among large scale food processors in Kenya, to assess the influence of employee capacity building in outsourcing relationships among large scale food processors in Kenya and to identify the influence of strategic partnerships in outsourcing relationships among large scale food processors in Kenya.

##### **5.2.1 The influence of Strategic Planning in Outsourcing Relationships**

The first objective of the study sought to determine the influence of strategic planning in outsourcing relationships among the large scale food processors in Kenya. The indicators of strategic planning were environmental analysis, goals and objectives, strategy formulation and strategy implementation whilst for outsourcing relationships were improved work systems, competitive advantage, productivity enhancement and sustainable relationships. Respondents agreed that the goals and objectives of an organisation should be clear and in line with the organisation's set standards for the success of the outsourcing relationships among the large scale food

processing firms in Kenya which thus recorded the highest mean while the lowest mean amongst respondents that recorded a high disagreement was that strategy implementation is participative in such firms. However, a high variation on the importance of strategic plans among the large scale food processing firms was highly deciphered by the respondents. Findings on correlation analysis showed a weak positive linear relationships between strategic planning and outsourcing relationships. Further results on regressions analysis indicated that there was no significant influence between strategic planning indicators as strategic management practices in outsourcing relationships among the large scale food processors in Kenya. This study findings revealed that the influence of strategic planning was not a key factor in the attainment of successful outsourcing relationships among the large scale food processors in Kenya.

### **5.2.2 The influence of Strategic Quality Control in Outsourcing Relationships.**

The second objective of the study sought to investigate the influence of strategic quality control in outsourcing relationships among the large scale food processors in Kenya. The indicators of strategic quality control were checking standards, measuring standards and testing standards whilst for outsourcing relationships were improved work systems, competitive advantage, productivity enhancement and sustainable relationships. Respondents agreed that the strategic quality control policies and procedures are important to have in the large scale food processing firms in Kenya. This thus recorded the highest mean while the lowest mean amongst respondents that recorded a high disagreement was the need to document the strategic quality control policies and procedure in such firms. However, a high variation in terms of how an organisation solves its quality related problems was highlighted with the respondents. Findings on correlation analysis showed a moderate and positive linear relationship between strategic quality control and outsourcing relationships among the large scale food processors in Kenya. Further results on regressions analysis indicated that there was no significant influence of strategic quality control indicators as management practices in outsourcing relationships among the large scale food processors in Kenya. The study findings revealed that the influence of strategic quality control was equally not a key factor in

attainment of successful outsourcing relationships among the large scale food processors in Kenya.

### **5.2.3 The influence of Employee Capacity Building in Outsourcing Relationships**

The third objective of the study sought to assess the influence of employee capacity building in outsourcing relationships among the large scale food processors in Kenya. The indicators of employee capacity building were training employees, mentoring employees and evaluating employees whilst for outsourcing relationships were improved work systems, competitive advantage, productivity enhancement and sustainable relationships. Respondents agreed that evaluating employees sets performance standards for employees in the large scale food processing firms in Kenya which thus recorded the highest mean while the lowest mean amongst respondents that recorded a high disagreement was the importance of employee capacity building in such firms. However, a high variation in terms of employee capacity building being a continuous process was highly underscored with the respondents. Findings on correlation analysis indicated that there was a strong and positive linear relationship between employee capacity building and outsourcing relationships among the large scale food processors in Kenya. Further results on regressions analysis indicated that there was a significant influence between employee capacity building indicators as strategic management practices in outsourcing relationships among the large scale food processors in Kenya. The study findings revealed that the influence of employee capacity building was a major factor in attainment of successful outsourcing relationships among the large scale food processors in Kenya.

### **5.2.4 The influence of Strategic Partnerships in Outsourcing Relationships**

The fourth objective of the study sought to determine the influence of strategic partnerships in outsourcing relationships among the large scale food processors in Kenya. The indicators of strategic partnerships were integrity, interdependence and institutionalisation whilst for outsourcing relationships were improved work systems, competitive advantage, productivity enhancement and sustainable relationships.

Respondents agreed that strategic partnering allows organisations to access new capabilities in the large scale food processing firms in Kenya which thus recorded the highest mean while the lowest mean amongst respondents that recorded a high disagreement was that strategic partnering leads to increase shared knowledge in such firms. Strategic partnering leads to increased shared knowledge also recorded a high variation amongst the respondents. Findings on correlation analysis indicated that there was a strong and positive linear relationship between strategic partnerships and outsourcing relationships among the large scale food processors in Kenya. Further results on regressions analysis indicated that there was a significant influence between employee capacity building indicators as strategic management practices in outsourcing relationships among the large scale food processors in Kenya. The study findings revealed that the influence of strategic partnerships was a major factor in attainment of successful outsourcing relationships among the large scale food processors in Kenya.

### **5.3 Conclusions**

The findings lead to the deductions that the influence of strategic planning as a strategic management practice was not a key factor in attainment of successful outsourcing relationships among the large scale food processors in Kenya. In strategic planning, other factors are required to aid in the fulfilment of the success of the outsourcing relationships among the large scale food processing firms in Kenya. This will help in avoiding failure of the strategic plan towards the intended goal. Therefore, accomplishment of outsourcing relationships through strategic planning is not sufficient enough and should go hand in hand with the financial resources and human expertise in the large scale food processing firms in Kenya as well as the alignment of clear goals and objectives with set guidelines, policies and procedures so as to arrive at a realistic strategic plan.

It was deciphered that the influence of strategic quality control as a strategic management practice is not a key factor in the realisation of successful outsourcing relationships among the large scale food processors in Kenya. The study used one critical factor that is strategic quality control which is under the umbrella of the

major critical factor that is total quality management. Therefore, the practices of strategic quality control is not adequate in the large scale food processing firms in Kenya. This implies that the large scale food processing firms in Kenya should have practices to ensure all total quality management related issues are handled and not just one component of it all, as it is used in this study. A total quality management practice ensures minimal errors and would be appropriate in the outsourcing relationships since it would enlist going over the whole total quality management process which is advisable among the large scale food processors so as to ensure the success of the outsourcing relationships in outsourcing relationships is effective.

Employee capacity building has a strong positive relationship and outsourcing relationships among the large scale food processing firms in Kenya. The findings lead to the decisions that the influence of employee capacity building as a strategic management practice is a key factor in the fulfilment of successful outsourcing relationships among the large scale food processors in Kenya. Employees are a key determinant of an organization's success and are often the face of the organisation to the customers and other stakeholders. Maintaining a well-trained, well-qualified workforce is a critical function of any organisation as a whole. Employee capacity building fuels the employee work performance leading to positive yields within the organisation. Consequently, in this study, most of the large scale food processing firms confirmed that employee capacity building was a very critical component in ensuring the sustainability and success of the outsourcing relationships.

Strategic partnerships has a significant influence among the large scale food processing firms in Kenya. The findings led to the conclusions that the influence of strategic partnerships as a strategic management practice is very critical in the execution of the success of outsourcing relationships among the large scale food processors in Kenya. Strategic partnerships generally occur when each partner delivers excellence in service areas that are different but dependent to the other partners. That way, by partnering up, each partner can focus on their areas of strengths, whilst having reliable people in other organisations to cover the other areas outside their expertise Therefore, accomplishment of outsourcing relationships

between the clients and vendors is vital to the achievement of an outsourcing arrangement among the large scale food processing firms in Kenya.

This study established findings of strategic management practices and outsourcing relationships among the large scale food processing firms in Kenya so as to attain win-win outsourcing relationships between the vendor and the client. It also greatly added into the existing literature in strategic planning, strategic quality control, employee capacity building, strategic partnerships and outsourcing relationships. Moreover, insights brought forth in terms of which strategic management practices are important and can be embraced in the enhancement of positive outsourcing relationships.

#### **5.4 Recommendations**

Outsourcing relationships among the large scale food processors in Kenya is inevitable due to the upsurge of many players in the same industry. Based on the findings and conclusions, the study recommends strategic planning requires a variety of supporting tools and techniques for it to succeed in the outsourcing relationships. The study therefore recommends that a thorough environmental analysis be done and reviewed on a timely basis amongst the large scale food processing firms in Kenya so as to identify other critical factors required in the strategic planning process. This will bring into light other alternatives that have not been considered in the success of the outsourcing relationships; thus be worked upon when the need arises. It also recommends that the GoK through the relevant Ministries, needs to establish an institutional framework or guidelines for carrying out systematic outsourcing relationships among the large scale food processors in Kenya. This is to be enacted through a food establishment plan review document that will assist the industry personnel in achieving greater uniformity in outsourcing activities; thus result into successful outsourcing relationships among the large scale food processors in Kenya. This will also regulate and ensure that food establishments are built according to the current regulations or rules and also eliminate code violations in the outsourcing relationships.

To succeed in the overall outsourcing relationships, total quality management is essential. The study recommends that key practices of quality should be identified first in the outsourcing relationships amongst the large scale food processors in Kenya. The vendor and the client should always understand all the quality practices from the beginning. When the quality practices are not clearly linked to the departmental and organizational strategy for each party involved, there would be increased likelihood of failure. The study also further recommends that the large scale food processors in Kenya should annually hold a food quality control movement conference for food quality assurance. This will result in a lot of exchange of information, networking and knowledge sharing among the food processing industry, thereby enhancing the outsourcing relationships among the large scale food processors through total quality management.

Knowledge of strategic management is crucial in the firms as it will help the employees to understand how to manoeuvre and survive in the market place. Therefore to ensure success of the business, it will be in order for the large scale food processing firms to focus on sponsoring their employees to go for further strategic management courses so as to be able to apply knowledge they would require in the firms. Therefore, the study recommends that organizations should promote strategic learning and thinking amongst their employees. This is expected to optimize the ability to shape and leverage for development towards the organisation's advantage. The study also recommends mentorship programmes amongst the employees. Mentorship programmes will help to elevate knowledge transfer from simply obtaining information and instead transforming the process so that the large scale food processing firms retain the practical experience and wisdom gained from long-term employees.

Strategic partnering aids in picking on the right vendors to work with. However, getting the right vendor may not be a difficult option. How to maintain the relationship with the right vendor in order to achieve the goal between the two parties is a major critical factor that any client /vendor looks into in the outsourcing relationships. To benefit from the dynamism of strategic partnering, the study recommends that the large scale food processors in Kenya should develop a unified

risk assessment document to be used by all the players in the food processing industry. This document is to simplify the process of assessing the right vendor as pertaining to the proposed partnerships. This would thus ensure that the vendor with the right expertise would know how and what is expected of him/her so as to achieve the task at hand. In furtherance to that, all parties would act in accordance to what is expected of them. The study also recommends an early internal consideration of the areas of focus in the outsourcing relationships before signing of a mutual agreement. An early internal consideration is to be done through the use of a questionnaire as a data collection tool that would later be analysed. The questionnaire is to include questions on elements like conflict of interest, loss of autonomy, drain on resources and negative reputation impact. Each party will be aware of the implications at hand and clarity provided before signing of an agreement for the success of the outsourcing relationships in any organisation.

### **5.5 Policy Recommendations**

This study recommends formulation of outsourcing relationships policies. Apart from the existing strategic interventions by the GoK such as food availability and access, food safety and quality control and nutrition, the legislation policies such as the draft National Food Security and Nutrition Policy (NFSNP) of 2011 and other policies that include environment policies among others; there should be policies to streamline the industry sector to promote efficiency, effectiveness and consistency while upholding the organization's values, philosophy or vision in the outsourcing relationships.

### **5.6 Managerial Recommendations**

The study recommends that it would be appropriate for managers to consider the cost and benefits implications of the outsourcing venture before entering into any outsourcing agreement. It also recommends that managers should come up with a criteria in terms of the sustainability of the outsourcing relationships. In furtherance to that, managers should encourage inter departmental relations within the same firm; which entails different departments working together to achieve a certain target. This inter departmental relations enhances team work in the organisations. When

departments within the same firms appreciate the diversity by working together, then working with other companies will not be a challenge.

### **5.7 Study's Contribution to theory and existing body of knowledge**

Generally, this study contributes significantly in the field of strategic management and more so in specific issues regarding strategic management practices among the large scale food processing firms in Kenya. This study makes certain in the existing literature for both theory and empirical studies in strategic managements practices and outsourcing relationships. Therefore, the study builds further on the existing empirical information in the field of strategic management studies.

### **5.8 Areas for Further Research**

This study focussed on the large scale food processors in Kenya only. A comparative research can also be done in the small scale and medium scale sectors among the large scale food processing firms in Kenya.

In as much as scholarly research has been established as pertaining to strategic management practices, their link with outsourcing relationships in the large scale food processing firms in Kenya still remains to be explored. The study employed four common strategic management practices used in organisations. However, further studies should be conducted on other strategic management practices factors in outsourcing relationships since the ones given are not exhaustive enough. These could be aspects like strategic decision making, strategic change management and strategic internal controls. In addition to that, the studies should leverage upon the combination of both tangible and intangible resources to enhance their competitiveness.

The study focused only on the large scale food processing industry in Kenya. More research should also be carried out on the topic in other countries in Africa, especially to extend the research on perspectives of strategic management related practices.

Moreover, the research was centered on a specific industry, the large scale food processing industry. It would also be appropriate to focus on other industries like government agencies since different industries could respond differently.

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## APPENDICES

### **Appendix I: Introduction Letter**

Susan Mary Sanita Mulewa

P.O. BOX 92938-80102

Mombasa

Dear Sir/Madam,

#### **RE: RESEARCH QUESTIONNAIRE**

My name is Susan Mary Sanita Mulewa, a PhD candidate in the College of Human Resource Development at Jomo Kenyatta University of Agriculture and Technology (JKUAT). As part of my academic program, I am conducting a study entitled “*Strategic Management Practices and Outsourcing Relationships among Large Scale Food Processing Firms in Kenya*”. I have selected you as my respondent. Please, take a few minutes to answer the questions in this questionnaire. The aim of the information requested is for data collection that will help to develop a research thesis that contributes to a better understanding of the Strategic Management Practices and their link towards Outsourcing Relationships. Your support in answering this questionnaire will enable me collect relevant data for this study.

I wish to assure you that your responses will be treated with utmost confidentiality and used for academic purposes only.

Find attached a questionnaire form for you to fill and return to me as soon as possible.

Thank you for your support and cooperation.

Yours faithfully,

**Susan Mary Sanita Mulewa**

## Appendix II: Questionnaire

### Section A: General Information

(Please indicate by writing or ticking all the appropriate answers only)

1. Gender of respondent

Male [ ]

Female [ ]

2. What is your job title?

CEO [ ]

Manager [ ]

Heads of Department [ ]

3. How many years have you worked in the large scale food processing industry in Kenya?

Less than 5 years [ ]

6 to 10 years [ ]

11 to 15 years [ ]

More than 15 years [ ]

4. Please indicate your highest level of education

Certificate [ ]

Diploma [ ]

Degree [ ]

Masters [ ]

PHD [ ]

5. Indicate your company classification as a large scale food processing industry in Kenya

Fruits and Vegetables [ ]

Grains and Cereals [ ]

Dairy products [ ]

Meat and poultry [ ]

Marine products [ ]

Edible oils [ ]

Sugarcane and cocoa [ ]

Beverage [ ]

Tobacco [ ]

Miscellaneous foods [ ]

**Section B: Strategic Planning**

1. Please indicate on the scale provided below by ticking to indicate your view on the following statements of strategic planning in your firm.

Strongly Agree=1, Agree =2, Somehow agree=3, Somehow disagree= 4, Disagree =5, Strongly disagree= 6.

No.	The role of Strategic Planning as a Strategic Management Practice	1.	2.	3.	4.	5.	6.
1.	Strategic plans are important in the organisation						
2.	The goals to be in line with the organisation’s set standards						
3.	The objectives of the organisation are ‘SMART’						
4.	Environmental analysis of the organisation to be done accordingly on a timely basis						
5.	Strategy formulation is a formal and consultative process						
6.	Strategy implementation is participative						
7.	Constant review of strategic plans is essential						

**Section C: Strategic Quality Control**

1. How does your organisation solve quality related problems in the large scale food processing firms in Kenya? (Please tick as appropriate)

Assigns individuals to solve

A permanent team is available

Sets up a multi-disciplinary team for each problem

Use documented quality control policies and procedures

Use quality control systems that are put in place

Any other (Explain).....

2. Please indicate on the scale provided below by ticking to indicate your view on the following statements of strategic quality control in your firm.

Strongly Agree=1, Agree =2, Somehow agree=3, Somehow disagree= 4, Disagree =5, Strongly disagree= 6.

No.	The role of Strategic Quality Control as a Strategic Management Practice	1.	2.	3.	4.	5.	6.
1.	Strategic quality control policies and procedures are important						
2.	Strategic quality control policies and procedures need to be documented						
3.	Checking standards of strategic quality control is critical in the organisation.						
4.	Measuring standards of strategic quality control reduces product variation						
5.	Testing standards of strategic quality control eliminates quality problems						
6.	Strategic quality control promotes product uniformity						

#### **Section D: Employee Capacity Building**

1. Please tick to what extent has employee capacity building as a strategic management

practice enhanced effectiveness in your organisation? (Tick as appropriate)

Excellent =1, Very good = 2, Good = 3, Average =4, Poor =5, Very poor=6.

2. Please indicate on the scale provided below by ticking to indicate your view on the following statements of employee capacity building in your firm.

Strongly Agree=1, Agree =2, Somehow agree=3, Somehow disagree= 4, Disagree =5, Strongly disagree= 6.

No.	The role of Employee Capacity Building as a Strategic Management Practice	1.	2.	3.	4.	5.	6.
1.	Employee capacity building is important in an organisation						
2.	Training employees is offered to enhance the quality and standards of the products and services provided						
3.	Mentoring employees promotes growth and development						
4.	Evaluating employees sets performance standards for the employees						
5.	Employee capacity building enables employees to do tasks efficiently.						
6.	Employee capacity building is a continuous process						

### Section E: Strategic partnerships

1. Please tick on how you would rate your organisation's performance when it partners strategically with another large scale food processing firm in Kenya or any other firm?

Excellent =1, Very good = 2, Good = 3, Average =4, Poor =5, Very poor=6.

2. Please indicate on the scale provided below by ticking to indicate your view on the following statements of strategic partnerships in your firm.

Strongly Agree=1, Agree =2, Somehow agree=3, Somehow disagree= 4, Disagree =5, Strongly disagree= 6.

No.	The role of Strategic partnership as a Strategic	1.	2.	3.	4.	5.	6.
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	Management Practice						
1.	Strategic partnering reduces overall risk in your organisation						
2.	Integrity in strategic partnerships promotes trust						
3.	Interdependence of strategic partnering enhances organisational performance						
4.	Strategic partnering leads to increased shared knowledge						
5.	Institutionalising of partners strategically leads to achievement of organisation goals						
6.	Strategic partnering allows organisation to access new capabilities						

### Section F: Outsourcing Relationships

1. Please indicate on the scale provided below by ticking to indicate your view on the following statements of outsourcing relationships in your firm.

Strongly Agree=1, Agree =2, Somehow agree=3, Somehow disagree= 4, Disagree =5, Strongly disagree= 6.

No.	Outsourcing relationships	1.	2.	3.	4.	5.	6.
1.	Win- win outsourcing relationship exist in your organisation						
2.	An outsourcing relationship can be of mutual benefit to both parties						
3.	Longevity of the outsourcing relationship enhances the strategic management practices						
4.	Financial resources decrease when firms outsource						
5.	Productivity enhancement in a firm results from good outsourcing relationships						
6.	Parties involved in outsourcing relationships gain						

	competitive advantage.						
7.	Successful outsourcing relationships require an understanding of each organisation						

**Thank you for taking the time to complete this questionnaire.**

**Appendix III: The 10 Industrial Sectors of the Large Scale Food Processing Firms in Kenya**

<b>No.</b>	<b>Industrial Sectors</b>	<b>Primary Processing</b>	<b>Secondary Processing</b>	<b>Tertiary Processing</b>
1.	Fruits and Vegetables	Cleaning, cutting, Sorting	Pulps, pastes, slices	Jams, juices, pickles
2.	Grains and Cereals	Sorting and grading	Flour, malt & milling	Biscuits, noodles, cakes, nuts
3.	Dairy products	Grading and refrigeration	Cottage cheese, cream, dried milk	Yoghurts, spreadable fats
4.	Meat and poultry	Sorting and refrigeration	Cut, fried, frozen	Ready-to-eat
5.	Marine products	Chilling and freezing	Cut, fried, frozen	Ready-to-eat
6.	Edible oils	Sorting and grading	Refined oils	Fortified oils
7.	Sugarcane and cocoa	Sorting and Crushing	Crystallisation	Sugar confectionery, chocolate, granulated sugar, dark/light brown sugar, powdered sugar
8.	Beverage	Non-alcoholic	Carbonated and Non-carbonated	Soda, tonic water, fruit drink, fruit juices, fruit nectars, coffee and tea
		Alcoholic	Fruit/Sap and Grain	Non distilled-Beer and wine Distilled-Whisky and Brandy
9.	Tobacco	Blending, and conditioning,	Threshing and redrying	Cigarettes, cigars, smoking, chewing and homogenized tobacco and snuff.
10	Miscellaneous foods such as food flavours and spices processing	Sorting, cleaning, cutting,	Cut, fried, frozen	Ready-to-eat

**Source: KNBS (2016)**

**Appendix IV: List of the Large Scale Food Processing Firms in Kenya that participated in the study**

1. Fruits and Vegetables

1. Premier Food Industries
2. Trufoods Ltd
3. Promasidor (Kenya) Ltd
4. ValuePak Foods Ltd
5. Centrofood Industries Ltd
6. Del Monte Kenya Ltd
7. Frigoken Ltd
8. Jetlak Foods Ltd
9. Kevian Kenya Ltd
10. Milly Fruit Processors Ltd
11. Global Fresh Ltd
12. Njoro Canning (Ltd)
13. Stawi fruits and foods limited
14. Allfruit EPZ Ltd.
15. Kakuzi Ltd

2. Grains and Cereals

1. Premier Flour Mills Ltd
2. Proctor & Allan (E.A.) Ltd
3. Capwell Industries Ltd
4. Breakfast Cereal Company (K)
5. Broadway Bakery Ltd E & A Industries
6. Corn Products Kenya Ltd
7. Super Bakery Ltd
8. Manji Food Industries Ltd
9. Jambo Biscuits (K) Ltd
10. Mini Bakeries (Nbi) Ltd
11. Nairobi Flour Mills Ltd
12. House of Dawda Group
13. Kenya Nut Company
14. Rafiki Millers Ltd
15. Pembe Flour Mills Ltd
16. Unga Group Kenya Ltd
17. Broadway Bakery Ltd
18. United Millers Ltd
19. Eldoret Grains Ltd
20. Mombasa Maize Millers Ltd
21. Belfast Millers Ltd

22. Valley Bakery Ltd
23. Insta Products (EPZ) Ltd
24. Nutro Foods (EPZ) Ltd
25. East African Seed Co. Ltd
26. Kenya Seed Company Ltd
27. Britania Allied Processing Ltd
28. Kenblest Limited
29. Highlands Cannors Ltd
30. Kenshop Supermarket (TI) Hot Bread Section
31. Bunda Cakes & Feeds Ltd.
32. Uzuri Foods Ltd
33. Ahero Rice Millers
34. Swan Rice Millers
35. Sansora Rice Millers
36. Mwea Rice Millers
37. Kitui Flour Mills Ltd

3. Dairy Products

1. Brookside Dairy Ltd
2. Spin Knit Dairy Ltd
3. Lari Dairies Alliance Ltd
4. Buzeki Dairy Ltd
5. Palmhouse Diaries Ltd
6. Kabianga Dairy Ltd
7. Happy Cow Ltd
8. New KCC Kenya Ltd
9. Githunguri Dairy Co-operative
10. Sameer Agriculture and Livestock
11. White Dezert Ltd
12. Bio Food Products Ltd
13. Glacier Product Limited
14. Eldoville Farm
15. Brown Cheese Ltd
16. Razco Ltd
17. Alpha Diary
18. Raka Cheese

4. Meat and Poultry

1. Farmers Choice Ltd
2. Kenchic Ltd
3. Alpha Fine Foods Ltd

4. Quality Meat packers Ltd
5. Kenya Meat Commission
6. National Airport Services (NAS) Meat Processing Division
7. Kenya Bacon Co Ltd
8. Gourmet Meat Products Ltd Meat Processors Ltd
9. Synergy Ltd
10. West End Meat products Ltd

#### 5. Marine Products

1. W.E. Tilley (Muthaiga) Ltd
2. East African Sea Food Ltd
3. Wanainchi Marine Products Ltd
4. Banner Distribution Ltd
5. Sea Harvest Ltd
6. Peche Foods Ltd
7. Crustacean Processors
8. Capital Fish (K) Ltd
9. Samaki 2000 Limited
10. Prinsal Enterprises Ltd
11. Alpha Group Ltd
12. AfroMeat Ltd
13. Fish Processors (2000)Ltd
14. TransAfrica Fisheries Ltd  
Msa

#### 6. Edible Oils

1. Bidco Oil Refineries Ltd
2. Giloil Company Limited
3. Edible Oil Products
4. Kapa Oil Refineries Ltd
5. Pwani Oil Products Ltd
6. Menengai Oil Refineries Ltd
7. Premier Oil Mills Ltd
8. Palmac Oil Refineries
9. Unilever
10. Palmac Oil Refiners
11. Erthoil Kenya Pty Epz Ltd

#### 7. Sugarcane and cocoa

1. Candy Kenya Ltd
2. C. Czarnikow Sugar (EA) Ltd
3. Cadbury Kenya Ltd
4. Confec Industries (E.A) Ltd
5. Kwaliti Candies & Sweets Ltd

6. Kenafric Industries Limited
7. Mumias Sugar
8. Chemelil Sugar Company Ltd
9. Mzuri Sweets Ltd
10. Kenya Sweets Ltd
11. Cadbury Kenya Ltd
12. Kenafric Industries Limited
13. Patco Industries Limited
14. West Kenya Sugar Company limited
15. Spectre International Ltd
16. Kibos Sugar and Allied Industries
17. Thakker Sweets
18. Jambo Biscuits (K) Limited
19. Sweety Sweets Ltd
20. Pearl Industries

#### 8. Beverage

1. Arica Spirits Ltd
2. Aquamist Ltd
3. UDV Kenya Ltd
4. Usafi Services Ltd
5. Excel Chemical Ltd
6. Coca cola East Africa Ltd
7. Kenya Wine Agency Kevian Kenya Ltd
8. Koba Waters Ltd
9. Crown Foods Ltd
10. East African Breweries Ltd
11. Kenya Tea Development Agency
12. Highlands Mineral Water
13. Kenblest Limited
14. Mount Kenya Bottlers Ltd
15. Kuguru Food Complex Ltd
16. Coca-Cola East Africa Ltd
17. Nairobi Bottlers Ltd
18. Coastal Bottlers Limited
19. Keroche Industries Ltd
20. Pearly Waters Limited
21. Karirana Estate Ltd
22. Dormans Ltd
23. Gold Crown Beverages (K) LTD
24. James Finlay Kenya Ltd

25. Kenya Tea Packers Ltd  
(KETEPA)
26. London Distillers
27. Global Tea & Commodities  
(K)
28. Rift Valley Bottlers Ltd
29. Alpine Coolers Ltd
30. Chai Trading Company  
Limited
31. Equator Bottlers Ltd
32. Softa Bottling Co. Ltd
33. Kisii Bottlers Ltd
34. Koba Waters Ltd
35. Highlands Mineral Water Co.  
Ltd
36. Wrigley Company (E.A.) Ltd
37. Gold Crown Foods (EPZ) Ltd
38. Melvin Marsh International  
Ltd
39. Pearl Industries Ltd
40. Alpine Coolers Ltd
41. Kathini Spring Mineral Water

## 9. Tobacco

1. British American Tobacco  
Kenya Ltd
2. Mastermind Tobacco (K) Ltd
3. West House Tobacco K Ltd

## 10. Miscellaneous Foods

1. Chirag Kenya Limited
2. Spice World Ltd
3. Re-Suns Spices Limited
4. Kamili Packers Ltd
5. Gonas Best Ltd
6. Kensalt Ltd
7. Deepa Industries Ltd
8. Green Forest Foods Ltd
9. Spice World Ltd
10. Al-Mahra Industries Ltd
11. Propack Kenya Limited
12. Supacosm Products Li

**Appendix V: List of the Large Scale Food Processing Firms in Kenya that participated in the Pilot Study.**

Fruits and Vegetables

1. Centrofood Industries Limited
2. Del Monte Kenya Limited

Grains and Cereals

3. Capwell Industries Limited
4. Kenya Nut Company
5. Mombasa Maize Millers Limited

Marine Products

6. Crustacean Processors

Edible oil

7. Pwani Oil Products

Beverages

8. East African Breweries
9. Gold crown Beverages (K) Limited
10. Global Tea and Commodities Kenya
11. Gold Crown Foods (EPZ) Limited

Tobacco

12. British America Tobacco Limited

## Appendix VI: Sample Size Calculation

The sample size determination formula by Berenson, Levine & Krehbiel (2014) was adopted to determine the sample size and calculated according to the following formula:

$$n_0 = \frac{Z^2 \pi (1 - \pi)}{e^2}$$

Where:

$n_0$  = Sample size

$Z^2$  = the desired confidence level, e.g., 95%); (standard value of 1.96)

$\pi$  = the true proportion of events of interest,

$e$  = the desired level of precision

Assuming the maximum variability, which is equal to 50% ( $p = 0.5$ ) and taking 95% confidence level with  $\pm 5\%$  precision, the calculation for required sample size will be as follows:-

$$n_0 = \frac{1.96^2 (0.5)(0.5)}{0.05^2} = 384$$

Again, taking 99% confidence level with  $\pm 5\%$  precision, the calculation for required sample size will be as follows:-

$$n_0 = \frac{2.58^2 (0.5)(0.5)}{0.05^2} = 666$$

Assuming the maximum variability which is equal to 50%, the study estimated that around 50% of the large scale food processors in Kenya had embraced outsourcing

and had effective outsourcing relationships based on the strategic management practices. However, when the sample is larger, it is best to apply a correction to the formulas. Berenson et al., (2014) pointed out that if the population is finite, then the sample size can be reduced slightly. This is due to the fact that a very large population provides proportionally more information than that of a smaller population. He proposed a correction formula to calculate the final sample size in this case which is given below:

$$nf = \frac{n_0}{\left(1 + \frac{n_0 - 1}{N}\right)}$$

Where:

$n_0$  = sample size for the proportions

$N$  = target Population = 181

$nf$  = the desired sample size

Both sample sizes 666 at 99% confidence level and 384 at 95% confidence level respectively exceed the population size 181. Therefore, Berenson et al.(2014) correction formula to calculate the final sample size has been applied as below:-

$$nf = \frac{666}{\left(1 + \frac{666 - 1}{181}\right)} = 142$$

$$nf = \frac{384}{\left(1 + \frac{384 - 1}{181}\right)} = 123$$

The 123 sample size is 68% of the 181 large scale food processing firms in Kenya. Each sector was thus represented by a sample size of 68% as shown below:

<b>No.</b>	<b>Industrial sectors</b>	<b>Population Total</b>	<b>Sample calculation (68%)</b>	<b>size Number Sampled</b>
1.	Fruits and Vegetables	15	$0.68*15=10$	10
2.	Grains and Cereals	37	$0.68*37=25$	25
3.	Dairy products	18	$0.68*18=12$	12
4.	Meat and poultry	10	$0.68*10=7$	7
5.	Marine products	14	$0.68*14=10$	10
6.	Edible oil	11	$0.68*11=7$	7
7.	Sugarcane and cocoa	20	$0.68*20=14$	14
8.	Beverage	41	$0.68*41=28$	28
9.	Tobacco	3	$0.68*3=2$	2
10.	Miscellaneous foods	12	$0.68*12=8$	8
<b>TOTAL</b>		<b>181</b>	<b><math>0.68*181=123</math></b>	<b>123</b>