

**EFFECT OF STRATEGIC PLANNING AND STRATEGIC  
PLANNING INTENSITY ON FINANCIAL PERFORMANCE OF  
NATIONAL SPORTS FEDERATIONS IN KENYA**

**BY**

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## DECLARATION

This thesis is my original work and has not been presented for any academic award in another university or institution of higher learning.

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## **DEDICATION**

*To my beloved family; Millicent, Sharon, Brandon and Bob I owe this work to you.*

## ABSTRACT

Sports is globally recognized as a means for social and economic development. National Sports Federations (NSFs) managements therefore have to raise substantial financial resources to sustain its growth. In developed countries, NSFs have exhibited sound financial performance (FP) following adoption of strategic planning (SP) leading to enormous development of sport. SP is a systematic process used to improve performance by identifying and resolving constraints faced that hinder realization of long-term goals. When commitment is placed on SP components then effectiveness is achieved leading to improved performance. Commitment to the implementation of SP constitutes Strategic Planning Intensity (SPI). NSFs in Kenya have over the years faced constrained FP. This compelled the government in 2002 to enact a policy that requires NSFs to integrate SP in sports management with the hope of improving their financial capacity. The policy notwithstanding, in 2008-2013 NSFs still fell below their annual budgets by 50-60% raising concern among stakeholders. Whereas, studies on commercial firms positively link SP to FP, the situation in NSFs with different goals remains unknown. The purpose of this study was to establish effect of SP and SPI on FP of NSFs in Kenya, specifically to: establish effect of SP on annual income; investigate effect of SP on financial Stability; analyze effect of SP on revenue diversification capacity; and determine moderating effect of SPI on the relationship between SP and financial performance. Variables were conceptualized from Industrial Organization, Resource Based and Strategy Process theories. Correlation design was used. Target population was 156 NSFs officials from which a purposive sample of 111 officials was determined. Both primary and secondary data were collected. Instruments were tested for content and construct validity and piloting conducted using 12 respondents. Cronbach alpha measurement showed high reliability at 0.781. To take care of non-responses anticipated after piloting 144 questionnaires were administered; realizing a response rate of 112 (77.80%). Financial statements for 2009-2013 provided secondary data on FP. Data analysis was aided by means, frequencies, standard deviations and multiple regressions. SP and SPI had average rating of  $\bar{X} = 2.77$  and 3.04 respectively implying weak integration. All components of SP had significant effect on annual income ( $p = .012; .027; .002; .000$ );  $R^2 = 0.626$ , meaning approximately 62.6% of variation in annual income could be explained by variation in SP. SP had significant effect on Financial Stability ( $p = .001; .001; .000; .000$  for all components);  $R^2 = 0.387$ , implying 38.7% of variation in financial stability arose from variation in SP. Revenue diversification capacity was insignificantly affected by SP ( $p = 0.544$ );  $R^2 = 0.012$ ), meaning 1.20% variation in revenue diversification capacity was attributed to SP. SPI moderated effect of SP on financial performance ( $R^2 = 0.644$ ,  $p = 0.000$ ) with interaction coefficient ( $B = 0.201$ ,  $p = 0.000$ ) implying a unit change in SPI significantly changes the relationship between SP and financial performance. In conclusion, SP has a positive effect on financial performance of NSFs in Kenya. Specifically, SP had a positive effect on annual income and financial stability of NSFs in Kenya. Also, SP had a positive but insignificant effect on revenue diversification capacity of NSFs in Kenya. On SPI, it significantly moderates the relationship between SP and financial performance. However, weak application of SPI in NSFs in Kenya could be responsible for their constrained financial performance. The study recommends that officials of NSFs in Kenya should strengthen integration of SP to improve overall financial performance. Specifically, be more committed to SP in order to improve their annual income, financial stability and revenue diversification capacity; further, NSFs should strengthen SPI by enhancing planning expertise, commit adequate resources to planning effort, improve planning-performance belief and align strategies to structures that suit their sizes. This study provides evidence that NSFs often ignore SPI, thus fail to realize full potential of SP. The study was limited to audited financial records which did not capture non monetary services of volunteers. Future studies should focus on how non-monetary services of volunteers could be accounted for in assessing financial performance of NSFs in Kenya.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>M&amp;E</b>	- Monitoring and Evaluation
<b>NSF(s)</b>	- National Sports Federation (s)
<b>NSO(s)</b>	- National Sports Organization (s)
<b>NOC-K</b>	- National Olympic Committee of Kenya
<b>RBV</b>	- Resource Based View
<b>RoR</b>	- Return on Revenue
<b>SP</b>	- Strategic Planning
<b>SPI</b>	- Strategic Planning Intensity

## OPERATIONAL DEFINITION OF TERMS

- Annual Income:** Total revenue generated by National Sport Federations from different sources both internally and externally to sustain their operations in an activity year.
- Financial Performance:** General measure of a National Sport Federation's overall financial health over a given period of time.
- Financial stability:** A state where a National Sport Federation is able to meet her debt obligations as they fall due as well as being able to finance her scheduled activities to a fair satisfaction of sports stakeholders.
- Financing strategies:** Plans and actions put in place by officials of National Sport Federations to generate financial resources in order to meet both short-term and long-term financial obligations.
- Implementation framework:** A matrix outlining how the management of a National Sport Federation intends to actualize planned activities with the goal of enhancing her financial performance.
- Monitoring and evaluation:** Tracking of key elements of strategic planning and profiling of data based on specified financial performance indicators to inform National Sport Federation Officials of the extent of progress and achievement of financial performance results
- Organizational size and structure:** Size of the National Sport Federation and formal arrangements put in place by the officials specifying departments, duties and responsibilities with focus on enabling the implementation of their strategic plan.

**Planning expertise:** Skills and knowledge endowment of the officials of National Sport Federations in strategic planning process.

**Planning-performance belief:** A culture developed by officials which relate success in financial performance to good effort put in strategic planning.

**Resources devoted to planning:** Allocation of financial, human, time and physical resources by officials of National Sport Federations to facilitate strategic planning in their organizations.

**Revenue Diversification Capacity:** The ability of a National Sport Federation to generate revenue from a variety of sources both traditional and non-traditional as well as internal and external.

**Strategic Planning:** Systematic and formal creation of strategies capable of making a very significant contribution in the financial performance of NSFs.

**Strategic planning intensity:** The relative emphasis placed on each component of the Strategic Planning Process.

**Strategic planning Platform:** prerequisites established by management to give an organization strategic direction including Environmental analysis, establishing a vision; values; mission, goals, objectives, identifying key result areas, gap analysis and identification of the forces that are likely to help and hinder the National Sport Federation in realizing financial performance strategy.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Sport has received recognition globally as a means for social and economic development. According to European Union Commission (2011) England sports sector accounts for more than £20.3 billion of the Gross Domestic Product (GDP)). Sports sector contribution both directly and indirectly to the economy and welfare of individuals has also been recognized in Kenya (Mwisukha, Njororai & Onywera, 2003). However, the distinct contribution of sport to the GDP of Kenya is not clearly documented. Annual economic surveys bulk sport contribution together with Art, Entertainment & Recreation. Between 2010-2015 Art, Entertainment and Recreation contributed on average 6198.6 million to the GDP but it was not categorical on what proportion of this was contributed by sport (Kenya National Bureau of Statistics, 2015).

National Sport Federations (NSFs) are non-profit organizations officially registered and charged with the responsibility of developing sport in every country. They link athletes to International Federations that regulate the conduct and organization of each specific sport discipline on a global scale. National Sport Federations generate funds both internally and externally to run their activities (Winand, 2009). Internal sources of funding are mainly from sporting activities while external sources include government and sponsors. National Sport Federations in countries that are economically empowered have had high financial capacity arising from huge public and private expenditure in production and consumption of sport (Wicker & Breuer, 2013). Financial capacity is the ability and potential of an organization to raise and deploy financial resources (Bourdieu, 1986; Hall

et al., 2003). Well financed National Sport Federations are able to develop elite athletes, host global events and attract investors in sport related enterprises (Hoye & Cuskelly, 2007). However, NSFs in Developing countries (LDCs) tend to suffer low financial capacity due to competing public expenditure priorities and limited sponsorship funds (Andreff, 2001). It is common for NSFs in LDCs to face financial difficulties and fail to secure redemption from government and sponsors even upon preparing for international competition.

Financial performance (FP) is the development of financial capacity of an organisation over time to meet both short and long term obligations (Winand, 2009). Depending on an organisation's goals, the targeted financial capacity will vary from one organization to the other. Multiple criteria are normally used to understand and measure financial performance for both non-profit and for-profit organizations given their varied goals (Ibid). Whereas for-profit organizations would mainly define and measure financial performance according to operating income, total income, return on assets, return on investment and profitability, non-profit organizations in addition focus on issues of balanced budget and funding goals. However, both for-profits and not-for-profits need sufficient annual income, financial stability and diverse revenue base in order to develop sound financial capacity (Winand, 2009).

Financial performance of NSFs depends on how effectively they plan for production and consumption of their products (Stewart, 2007). The role of financial performance in sports organizations is to ensure existence of sufficient funds for developing and promoting sports activities as the main goal. Their financial success is directly linked to the development of sports activities and competitions for their members. Their ability to

attract financial resources from external sources is considered a strategic imperative (Harrison & Sexton, 2004), similarly their ability to innovatively generate financial resources from the traditional internal sources must be planned for (Stewart, 2007). Therefore, their financial performance is integral for long-term sustainability.

National Sport Federations in Developed countries (DC) have exhibited sound financial performance compared to those in Developing countries (LDC). In terms of management, the NSFs in DCs have enjoyed professional management akin to that of commercial firms. In Australia NSFs are managed through a strategic planning model developed by Australian Sports Commission (Stewart, 2007). The National Sport Federations in Australia have progressively strengthened their financial performance. Consequently, a country that failed to win a single gold medal at the 1976 Montreal Olympics has become a global sports powerhouse. Similar Successes have also been witnessed in Europe and United States of America (USA) where NSFs have adopted contemporary sport planning model (Andreff, 1992). Many citizens in these countries have been able to earn a living from sports and related industries, with some turning it into their full time professional career.

Sound Financial Performance of NSFs enables them to create opportunities that reward athletes for their talent; they are empowered economically and become effective contributors to economic growth through investments. The NSFs in the DCs have also developed capacity to bid for hosting international competitions which create great economic opportunities and contribute to their countries GDP (Ibid). The success in financial performance of NSFs witnessed in DCs has been by no means out of sheer chance but is attributed to effective strategic planning (Stewart, 2015).

Strategic Planning (SP) is systematic, identifies priorities for action, sets objectives and organizes resources to enable the NSF to execute its strategic decisions which improve financial & non-financial performance (De wit & Meyer, 2014; Arasa & K'Obonyo, 2012, Mintzberg & Lampel, 1999; Porter, 1980; Armstrong, 1982; O'Regan & Ghobadian, 2002). Scholars recognize divergent approaches to strategic planning which have evolved over time (Ramanujam & Venkatraman, 1987; Veliyath & Shortell, 1993). Many theories for strategic planning have been proposed and analyzed in literature with the leading theoretical underpinnings including Industrial Organization Theory (Schendel, 1994); Resource Based View (Barney, 1991) and Strategy Process Theory (Whittington, 2000).

Industrial Organization Theory presupposes that strategic planning should be based on clear understanding of the external environment of an organization. Organizations compete in dynamic environments that require careful analysis to isolate threats from opportunities, however, Industrial Organization theory on its own is inadequate since it assumes that competing organizations have equal access to external resources and all they need is to outsmart one another in terms of their planning architecture. Resource Based Theory has gained currency as it considers an organizations internal capacity as important in defining its strategic planning. Strategic Planning Theory explains how strategies are developed, implemented and changed to suit both internal and external environments of organizations. The three theories are complementary and jointly help in understanding the components of strategic planning.

The concept of strategic planning has therefore evolved over time along two separate (but related) dimensions. These are planning completeness defining elements included in the

plan, and commitment which shows how intensive planning guidelines were followed (Chae & Hill, 2000). The diverse views notwithstanding scholars converge on the view that strategic planning components include; establishing strategic planning platform, formulating financing strategies, developing implementation framework and monitoring and evaluation of the process.

The second school of thought (Chae & Hill, 2000) asserts that Strategic Planning must be supported by Strategic Planning Intensity (SPI) for it to result in superior financial and non-financial performance (Maryan, 2012). According to Hopkins and Hopkins (1997) Strategic Planning Intensity is the emphasis placed on components of Strategic Planning process by the management of an organization. This requires that the management has the expertise to plan, devote sufficient resources to planning, develop a culture of planning-performance belief and establish structures that align strategies to size of the organization (Hopkins & Hopkins, 1997; Aldehayyat, Al-Khattab & Anchor, 2011; Karabulut & Efendioglu, 2010). Strategic Planning Intensity is a precursor of Strategic Planning which defines the details of the process. Whereas strategic planning articulates the components that inform planning, Strategic Planning Intensity expresses the commitment in planning consequently the results achieved.

Kenya is well known as a sporting nation across the world, especially due to its achievements in athletics. National Sports Federations therefore compete for both public and private funding to develop their sports. However, as is the case with many developing countries, NSFs in Kenya have faced financial performance challenges. In recognition of the funding gaps, the government of Kenya made Strategic Planning a policy for NSFs in the hope of improving their Financial Performance (GoK, 2002). Despite the existence of

this policy for more than a decade, financial performance situation has not improved. Most NSFs in Kenya continue to post low annual income; lack financial stability and have low revenue diversification capacity. Studies carried out on NSFs in Kenya; Obonyo (2007), Shehu (1998) and Mwisukha *et al.* (2007) revealed that NSFs persistently registered deficits in their annual income which adversely affected funding of their programmes. Records from Kenya National Sports Council indicate that most NSFs often fall short of their annual budgets, for example, in the period 2008-2013 most of them were unable to finance their budgets by 50-60%. The net effect is that the NSFs not only deny their athletes opportunity to develop but they are unable to get exposure in major international events such as the Olympics, Commonwealth games and All African games.

Previous studies allude to the fact that there is a link between strategic planning and financial performance. Miller and Cardinal (1994) in a synthesis of strategic planning and firm performance of more than two decades of research concluded that the mean correlations support the thesis that planning positively affects growth and annual income (profitability) of for profit firms. In South Carolina USA, a study by Bausman (2002) examined the relationship between strategic planning and annual income of top performing large general builders and concluded that planners outperform non-planners. However, a meta-analysis of 21 studies published between 1970 and 1988 conducted by Boyd (1991) earlier had registered only modest positive correlations between strategic planning and annual income, with some studies registering insignificant correlation. Boyd (1991) noted significant measurement errors in the earlier studies and concluded that this most probably resulted in an underestimate of the true strategic planning–annual income relationship. The contradictions arose from methodologies used and unclear definitions of

strategic planning variables, which Bausman (2002) gave attention to thus, strengthening the notion of positive relationship between strategic planning and firm annual income. Recent studies have strengthened the preceding notion on strategic planning-annual income relationship (Arasa & K'Obonyo, 2012; Alaka et al., 2011; Bolo, Muturia & Oeba, 2006).

Whereas scholars link strategic planning to improvement in annual income of commercial organizations (Arasa & K'Obonyo, 2012; Alaka et al., 2011; Bolo, Muturia & Oeba, 2006). Some studies have registered modest positive and insignificant relationship (Boyd, 1991). The variations in findings have been attributed to methodological approaches and lack of clarity of strategic planning variables. It is evident that studies have tended to focus on commercial firms. Studies carried out in NSFs in Kenya were limited to general financial health of the federations. However, the link between strategic planning and annual income of NSFs in Kenya is unknown.

Sport organizations that undertake strategic planning are known to exhibit favourable financial stability (Stewart, 2007). Slack (1998; cited by Hoye & Cuskelly, 2007) in a study of Canadian national sport federations found that federations which were not engaged in strategic planning tended to over rely on state funding and showed lack of internal financial stability. In contrast, Winand (2009) in a study of NSFs in Belgium developed a measurement tool for analysis of NSFs financial performance found that national sport federations which embraced effective strategic planning enjoyed good financial balance. Since financial balance considers annual losses, profits and percentage of revenues not spent, it measures financial stability, and hence, strategic planning by NSFs in Belgium had a positive relationship with financial stability.

Financial stability of sport organizations is often also expressed by the ability of the organization to meet the demands of athletes (Andreff, 2001 & Munayi 2000). National Sport Federations in Kenya have persistently failed to fund preparation of teams to secure qualification for international engagements thus failing to meet demands of athletes (Shehu, 1998). In the 2012 London Olympics, Kenya was represented by only 184 competitors and officials drawn from only 4 out of 39 (10%) of the active National Sport Federations (NOC-K, 2012). The main reason for this lean representation was lack of funds to enable most federations to prepare and participate in qualification games and inability to support qualified athletes in cases where the National Olympic Committee-Kenya and the government had restricted the number of participants due to financial inadequacy.

Specific studies that have considered the relationship between financial performance and financial stability are few. Nonetheless, the existing studies allude to financial stability as an indicator of strong financial performance (Slack, 1998; Andreff 2001 & Winand; 2009). What the studies have not clearly brought out is the link between strategic planning and financial stability. Financial stability of a sport organization cannot be realized unless the management is engaged in planning for long term financial sustainability. However, the between strategic planning and financial stability of NSFs in Kenya is unknown.

Chang and Tuckman (1996); Greenlee and Trussel (2000); Tuckman and Chang (1991); Trussel (2002) and Keating et al., (2005) point that commercial organizations with more diversified revenues had a stronger financial position, were less financially vulnerable and had a lower insolvency risk. According to Gerrard (2005) management of sport

organizations can achieve improved financial performance by enhancing their revenue diversification capacity. But previous research on the relationship between revenue diversification and sporting success has often elicited controversy (Wicker & Breuer, 2013). On the contrary, Barajas and Rodriguez (2010) and, Dietl and Franck (2007) have shown that professional sport clubs investing heavily in sporting performance at the expense of revenue diversification had problems with financial performance. Enjolras (2002) and; Wicker and Breuer (2013) also agree that financial condition of nonprofit sport clubs improve with increased revenue diversification capacity although they did not consider the sporting performance-revenue diversification trade-off.

Sport organizations which have adopted contemporary professional sport management approach have increased their revenue diversification capacity (Stewart, 2007). Sport managements using this model constantly explore none traditional sources of financing while at the same time innovatively maintain financing from traditional sources (Andreff, 2001). On the contrary, studies carried out in Kenya show that NSFs have restricted revenue diversification capacity (Shehu, 1998, Obonyo, 2007). Most of the NSFs heavily rely on the ever-diminishing government funding for international participation (Mwisukha *et al.*, 2007; Shehu, 1998). The level of innovation in the use of traditional and none traditional financing is quite restricted (Obonyo, 2007).

Arguments advanced by the above scholars agree with the notion that revenue diversification lead to improved financial performance. Those who argue that emphasis on financial success may compromise sporting success have a weaker position since the contrary is the norm as espoused by Barajas and Rodriguez (2010) and, Dietl and Franck (2007). Weak financial performance registered by National Sport Federations in Kenya

could be partly attributed to their revenue diversification capacity. However, the relationship between strategic planning and revenue diversification capacity of National Sport Federations in Kenya remains has not been studied.

Oakley and Green (2001), observed that despite the move towards embracing strategic planning in non profit sport organizations in a number of emerging economies; there existed gaps in terms of the intensity of strategic planning. Mintzberg (1994) suggests that strategic planning has no value in and of itself but derives value from committed managers. Strategic planning results in superior financial performance only when managers engage in the process with intensity (Hopkins & Hopkins, 1997). Empirical results by Hopkins (1987) indicated that financial performance was higher where management laid equal intensity on various planning components contributing to the total strategic planning effort. Effective strategic planning arose from sufficient expertise, devotion of resources, strong planning-performance belief and sound structure in organizations (Hopkins & Hopkins, 1997). These variables moderated the results of planning effort (Aldehayyat, Al-Khattab & Anchor, 2011; Maryan, 2012; Karabulut and Efendioglu, 2010). On the contrary, Mwisukha *et al.* (2007) and Munayi (2000) alluded to the fact that leadership in NSFs in Kenya was open to every other person who had an interest in elective position and won elections.

From the foregoing arguments it can be seen that success in strategic planning is heavily dependent on strategic planning intensity. To achieve strategic planning intensity in a NSF the management must not only be trained but must have a strong belief in its outcome. None of the studies has addressed how strategic planning intensity interacts with strategic planning and financial performance, the status of strategic planning

intensity on strategic planning-financial performance relationship in NSFs in Kenya remains unclear.

## **1.2 Statement of the Problem**

Despite sport contributing to the Gross Domestic Product and welfare of individuals in Kenya, NSFs have over the years faced constrained financial performance. This situation has slowed the rate of development in sport industry and inhibited the realization of economic potential of the sector. In 2008-2013 most NSFs failed to meet their budget requirements by 50-60% causing concern among most stakeholders in the federations. Having recognized the challenges of funding NSFs against competing budgetary priorities, the government made strategic planning a policy requirement for all NSFs in Kenya since the year 2002 in the hope that this would lead to improved financial performance. This followed successes witnessed in Europe, Australia and USA among others where NSFs have had sound financial performance as a result of adoption of strategic planning initiatives. However, financial performance of NSFs in Kenya has not improved following adoption of strategic planning as had been anticipated. Studies attesting to positive link between strategic planning and financial performance variables have focused on for-profit firms whose goals are different from those of not-for profit NSFs. Studies are also scarce with regard to addressing combined influence of factors that interact between strategic planning and financial performance of organizations. Consequently, the link between strategic planning and annual income, financial stability and revenue diversification of NSFs in Kenya is unknown. It is also unclear the extent to which managements of NSFs are committed to strategic planning and whether this relates to the prevailing constrained financial performance despite adoption of strategic planning

for more than a decade as a policy, hence, the influence of strategic planning intensity on the relationship between strategic planning and financial performance remains unknown.

### **1.3 Objectives of the Study**

The general objective of this study was to establish effect of strategic planning and strategic planning intensity on financial performance of National Sports Federations in Kenya. Specific objectives were to:

- (i) Establish effect of strategic planning on annual income of National Sports Federations in Kenya.
- (ii) Investigate effect of strategic planning on financial stability of National Sports Federations in Kenya.
- (iii) Analyze effect of strategic planning on revenue diversification capacity of National Sports Federations in Kenya.
- (iv) Determine moderating effect of strategic planning intensity on the relationship between strategic planning and financial performance of National Sports Federations in Kenya.

### **1.4 Research Hypotheses**

**H<sub>01</sub>:** Strategic Planning has no effect on annual income of National Sports Federations in Kenya.

**H<sub>02</sub>:** Strategic Planning has no effect on financial stability of National Sports Federations in Kenya.

**H<sub>03</sub>:** Strategic Planning has no effect on revenue diversification capacity of National Sports Federations in Kenya.

**H<sub>04</sub>:** Strategic Planning Intensity has no moderating effect on the relationship between

strategic planning and financial performance of National sports federations in Kenya.

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

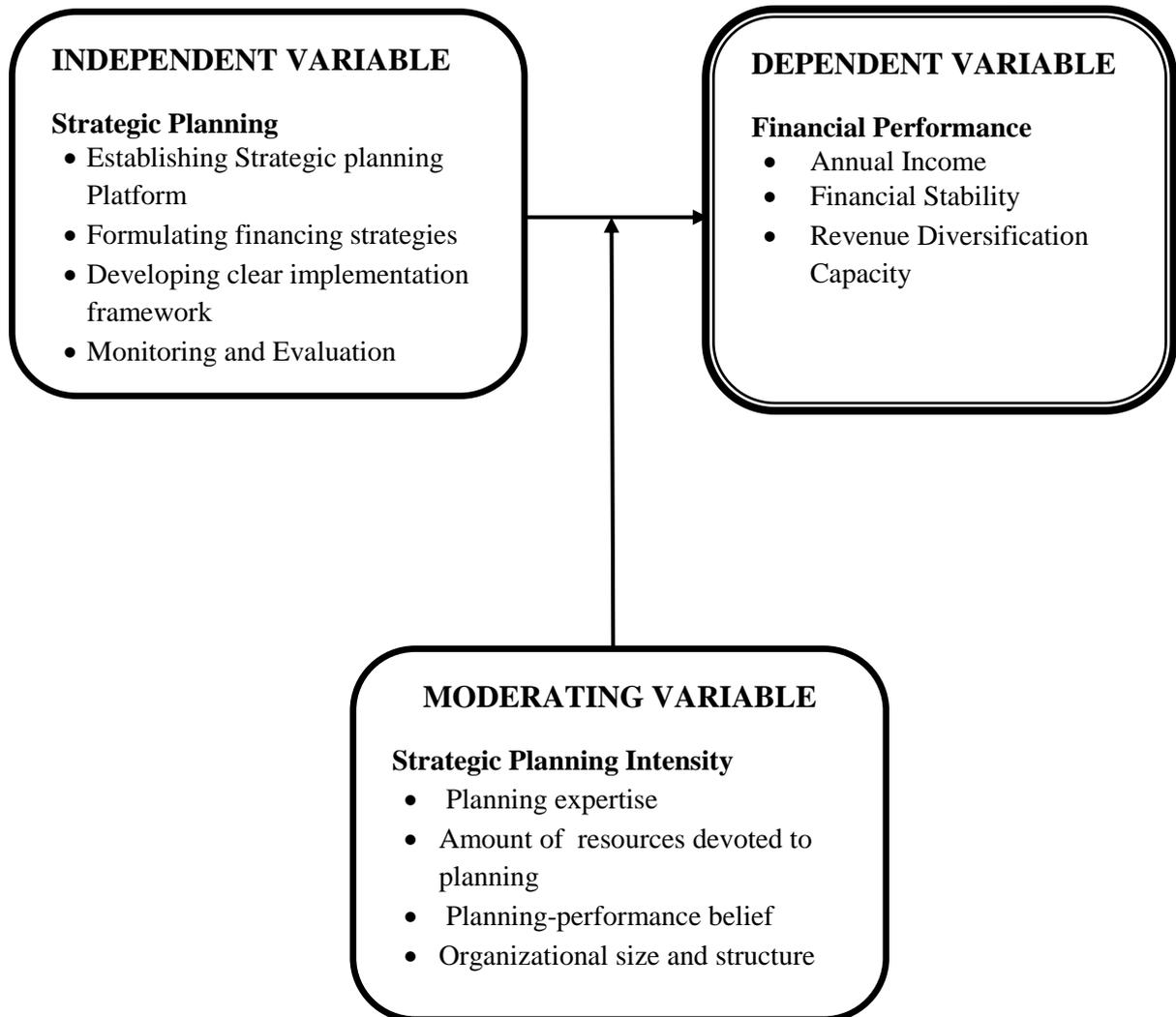
The findings of this study will be invaluable to the management of NSFs in understanding strategic planning-financial performance relationship. It is envisaged that the study findings will strengthen the sport managements' belief in the practice of strategic planning in addressing their financial performance gaps. The study findings will enrich policy decision makers in government to place sports in economic and development mainstream in line with the Vision 2030 (GoK). The findings will contribute to academia by providing valuable empirical data for research and academic interest. The management of NSFs may use information from the study to develop appropriate strategic planning models that incorporate effective strategic planning tools for improved financial performance of the NSFs and growth of sport industry.

### **1.6 Scope of the Study**

This study looked at National Sports Federations in Kenya. The study integrated strategic management and corporate finance specifically, issues relating to application of strategic planning and its effect on financial performance of NSFs as specified in the objectives. The effect of strategic planning on financial performance of National Sports Federations was studied by considering financial information relating to the period between the years 2009-2013. This period is important as it is preceded by a period which is associated with adoption of strategic planning by most sports organizations in Kenya. It also included the period of the latest audited accounts of the active NSFs. period between the years 2009-2013. This period is important as it is preceded by a period which is associated with

adoption of strategic planning by most sports organizations in Kenya. It also included the period of the latest audited accounts of the active NSFs.

### 1.7 Conceptual Framework



**Figure 1.1: The relationship between strategic planning, strategic planning intensity and financial performance**

**Source:** Adapted from Barney (1991), Stewart (2007) and Hopkins and Hopkins (1997)

In Figure 1.1., strategic planning stands out as the independent variable which has effect on the financial performance of the NSFs. The study considered the following

components of strategic planning practices: establishing strategic planning platform; formulating financing strategies; developing clear implementation framework; and monitoring and evaluation procedures and systems established which help in tracking progress, reviewing of results and modifying plans to suit changing circumstances (Barney, 1991). Financial performance of the NSFs is thus dependent on the design and prudent implementation of the strategic planning processes. The strength of relationship between the strategic planning and financial performance of NSFs is moderated by strategic planning intensity. The moderating variable embodies the concepts of planning expertise which determines planning frequency and planning horizon, resource commitments to the planning effort, and management belief and commitment to the strategy development and implementation process (Hopkins & Hopkins, 1997). Strategic planning intensity is further dependent on organizational size and structure, factors which may have strong contingent effect on strategic planning-financial performance relationship. In this respect planning intensity interacts with the strategic planning variables and this could enhance or buffer financial performance of NSFs. The indicators of financial performance are conceived as changes in annual income conceived in terms of return on revenue which does not only measure surplus or deficit but accurately assess NSF's financial balance. Financial performance is also approached from financial stability which addresses financial goal of non-profit NSFs; and Revenue diversification capacity which determines NSFs fundraising ability (Stewart, 2007).

## **CHAPTER TWO**

### **LITERATURE REVIEW**

This chapter looks at the existing literature on strategic planning-financial performance relationship. It consists of review of theoretical literature and empirical literature structured under different sub-headings which reflect objectives of the study. The empirical review capture the study variables and conclude with knowledge gaps that that helped in concretizing the study objectives.

#### **2.1 Theoretical Review**

Kerlinger (1973) cited by Ondoro (2014) explain a theory as a set of interrelated constructs, concepts, definitions and propositions that present a systematic view of phenomena in terms of relations among variables with the aim of providing explanations and predicting phenomena.

##### **2.1.1 Concept of Strategic Planning**

Scholarly literature on the concept of strategy provides a number of comparative meanings. Among the earliest theoretical definitions is one provided by Chandler (1962), he posited that strategy is much about defining goals and objectives as it is about providing the means of achieving them. The emphasis here is on the operational constructs guiding an organization within a given industry. Andrews (1987) looked at strategy as a combination of goal setting with the policies and plans needed to achieve the goals. In his definition of strategy he distinguished between corporate strategy which is the lead strategy, and business strategy, a secondary though vital component of corporate strategy. The pattern of decisions made in financing strategy, which is a business strategy, must fit with the corporate strategy of the organization. Ansoff and McDonnell (1990), by

comparison, separate goal setting from strategy. Goal setting is concerned with ends whereas strategy is about means. This view is an adaptive approach to strategy, where it is important to watch the process in operation and make appropriate changes as soon as necessary (Cole, 1997). In spite of the theoretical separation of the setting of aims and goals from the mechanisms and decisions designed to ensure their achievement, it is better to consider strategy as a whole process, incorporating decisions about ends as well as about means (strategic decisions). Strategic planning thus, involve assessment of the complex decision making necessary to achieve the financial goals of the organization.

### **2.1.2 Theories of Strategic Planning**

Many theories for strategic planning have been proposed in literature and some authors and researchers have offered analyses of the various processes available at any given time in history. According to Watt (2003) management literature has not got to grips with an overall sport management paradigm. This has created a misplaced allusion that sport management is actually different to mainstream management, that somehow the knowledge base, skill set and practice of sport management is distinct from managing in other sectors. The global trends in elite sport has proved that sport is big business in its own right and that generic management practices in other industries fit within typical sport management. Strategy relates to sports because non-sport firms have used sport strategically by advertising, sponsoring, or partnering with sport-related businesses to enhance their profitability. Similarly, sport-related businesses have been supported by variety of industries, each of which has different economic features and market forces (Ratten & Ratten, 2011). To guide the current study the following theories are reviewed: Industrial Organization Theory; Resource Based View and Strategy Process Theory.

### **2.1.2.1 The Industrial Organization Theory**

The theory is based on the argument that the primary determinant of an organization strategy is the external environment in which it operates and that this has a greater influence on performance than internal decisions made by managers (Schendel, 1994). The assumptions are that the environment presents threats and opportunities; that organizations within an industry control or have equal access to resources and these resources are highly mobile between firms (Seth & Thomas, 1994). Since strategy drives resource acquisition, organizations should strategize and utilize their resources to suit the needs of the environment (Hitt, Ireland & Hoskisson, 1998). Success in performance is realized by offering goods and services at lower cost than competitors or differentiating products from those of competitors such that consumers are willing to pay a premium price. Through careful external considerations an organization would maximize long term profit and develop sustainable competitive advantage over competitive rivals in the external market place (Porter, 1981).

National Sport Federations compete in a dynamic environment which requires careful analysis to isolate threats from opportunities consistent with the Industrial Organization theory. Mason (1999) cited by Odhiambo (2011) argues that sports teams unite in a NSF to produce a league product that has evolved from mere "entertainment for spectators" to being "sold to four distinct groups": fans who support leagues by attending games, following games on television and other media, and purchasing league and team-related merchandise; communities which build facilities and support local clubs; television and other media companies who purchase the rights to show games; and corporations which support leagues and clubs by increasing gate moneys, purchasing teams outright, or providing revenues through sponsorships or other associations (Watt, 2003).

Consequently, for every NSF opportunities and threats exist on equal measure. Among the critical components of the environment include competition and industry structure, government regulations, technology, market trends and economic trends. Apart from competition among them NSFs have to compete for paying fans within the broader, global, entertainment industry. National Sports Federations have to contend with, fans and customers who often appear subservient to teams, clubs, particular athletes and federations. In many respects, this must continue, especially given the importance of the finite resource, talented athletes. However, the notion that sport should become a more market-led industry remains debatable. This implies a clear split between managing on-field and off-field activities that would improve financial performance. For off-field activities, such as stadium/capacity utilization, the relevance of being led by the market place is both more obvious and strategically justifiable. Utilizing stadium capacity is both a financial and an ethical imperative: how to make best use of a valuable finite resource and one that can potentially generate important revenue flows (Beech, 2004).

The Industrial Organization theory is relevant to this study in terms of conceptualizing strategic planning components by sport organizations. In establishing strategic planning platform management have to understand their external environment. The decisions made by the officials in exploiting opportunities and handling threats must consider the dynamics of their external environment.

### **2.1.2.2 The Resource Based Theory**

Resource Based Theory commonly referred to as Resource Based View (RBV) examines the link between a firm's internal characteristics and performance. A firm's aim must be to achieve competitive advantage over its competitors, which it ideally derives from valuable resources that are superior in use, hard to imitate and difficult to substitute.

According to Barney (1991) resources can be classified into three categories: physical capital resources (Williamson, 1975) such as plant and equipment, human capital resources (Becker, 1964) such as training relationships and experience, and organizational capital resources (Tomer, 1987), for example, reporting structure, formal/informal planning and controlling. According to Barney (1991) for firm resources to be the source of a sustained competitive advantage, they must pass the VRIN test: (V = valuable, R = rare, I = imperfectly imitable, N = non- substitutable). Resources can occur in different forms such as patents, relationships or processes. Resources that pass the VRIN test are difficult to find. Often, they merely pose an obstacle that competitors can overcome with time, but are not inimitable in the long-run. An additional problem is posed by the next logical step: once a resource has passed the VRIN test, the organization has to determine her capability to take advantage of them.

In line with this thought Barney (1991) stipulates that formal strategic planning on its own will hardly be a source of a sustained competitive advantage. Virtually all major corporations throughout the world possess a formal planning system (Steiner, 1979; Armstrong, 1991; Burgelman, 2002; Baker, 2003). Even though details may not be entirely made public knowledge it seems likely that any firm wishing to implement a formal strategic planning process would be able to do so. The resource planning process is thus prone to be highly imitable and a process that can be hardly classified as rare. However, Barney (1991) further argues that the contrary is applicable for informal strategic planning. Informal planning can occur parallel to the formal process simply by top management engaging in unofficial talk. In contrast, a few firms have chosen to do away with all formal procedures, thereby implementing an emergent and autonomous approach to strategic planning (Mintzberg & Waters, 1985).

The Resource-Based Theory stems from the principle that the source of a firm's competitive advantage lies in their internal resources, as opposed to their positioning in the external environment as advocated by the industrial organization theory. That is rather than simply evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses (Barney, 1995). The resource-based theory predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance.

This theory fits the current study in conceiving strategic planning intensity variables. The application of RBV is conceived to be useful in identifying and developing internal resources in NSFs that would be Key Result Areas (KRAs) in their financial performance. National Sport Federations command internal resources some of which may be specifically tailored to acquire uniqueness to a federation. The RBV strongly considers strategic management of human resource as critical in achieving sustainable competitive advantage. National Sport Federations can create competences in their elected officials, coaches, referees and players to create a fit between skills and strategy which would impact on their performance both on-field and financially (Wright, Dunfoford & Snell, 2001). According to Stewart (2007) despite sport's rapid commercialization there are many gaps in the financial knowledge and skills of sport organization managers. A NSF that focuses on improving financial literacy and financial responsibility of the elected officials is likely to acquire competitive advantage over other NSFs whose officials may be financially illiterate.

### **2.1.2.3 Strategy Process Theory**

Process-oriented strategic theory refers to models describing or explaining how strategies are developed, implemented and changed. Strategy process models outline patterns in decisions or actions over time, and address mechanisms and paths that shape and govern strategies. The focal point of the process perspective is the management of cognitive and cultural constraints on strategic development and firm evolution (Whittington, 2000).

Literature suggests that companies possessing strategic planning processes have a competitive advantage over those companies that do not plan (Shea-VanFossen, Rothstein et al. 2006). More recently, the debate has moved on to a dynamic capability approach. It has been claimed that dynamic capabilities enable firms to alter their resource base, which in turn would be the source of competitive advantage (Eisenhardt & Martin, 2000). This conceptual approach focuses on firm competitiveness in changing environments. The planning process can be characterized as a functional competence in that it deals with distributing a firm's resources to fit the strategic alignment of the firm. Strategic initiatives need to be distributed and executed as dictated by the strategic plan. Thus planning can be viewed as a capability. The strategic planning process is a mechanism for a number of appraisals, for instance it sets performance targets and distributes resources accordingly to achieve intended targets. It can therefore be seen as a crucial process to achieve competitive advantage.

Determining the strategic direction of NSFs and monitoring their performance towards desired outcomes is a fundamental aspect of the governance role of the elected officials. This involves four processes, namely, strategic thinking, strategic decision-making, strategic planning and strategy execution (Nadler, 2004). The current study fits within the

strategy process theory by testing the articulation of strategic planning and strategic planning intensity components and the effect on their financial performance.

The Industrial Organization (I/O) theory is the basis of strategic planning for assessing competition within the sport industry. In the current study I/O theory informs the management's effort to understanding the external environment in order to establish strategic planning platform. On the other hand, the Resource Based theory predicts that certain types of resources owned and controlled by NSFs have the potential and promise to generate competitive advantage and eventually attaining superior financial performance relative to others. This theory explains the moderator variable in the current study-it emphasizes the importance of the human element in the strategic planning of NSFs. Strategic planning process theory centers on the concept of formality with which NSFs should continuously develop, implement and change their strategies in order to adapt to its competitive environment for sustainable financial performance. Therefore, the Resource Based Theory and the Industrial Organization Theory complement each other in understanding and planning for the internal and external environment of an organization. The two are aided by the Strategic planning process theory in terms of bringing in measurable formality for the overall greater performance.

#### **2.1.2.4 Components of Strategic Planning**

Many strategic planning system characteristics have been suggested in the existing literature, yet no consensus has emerged on the best components of planning. Ramanujam and Venkatraman (1987); Veliyath and Shortell (1993) concluded that the following strategic planning system characteristics seem to be drawing research attention: the degree of internal orientation of the planning system, the degree of external orientation of

the planning system, the level of integration achieved within functional departments, the extent of key personnel involvement in the planning process, and the extent of use of analytical techniques in addressing strategic issues. The planning systems attributes, suggested combine both the components of planning and the intensity with which planning is undertaken. The current study adopted the approach used by NSFs in Australia which consider the diverse but convergent views on strategic planning components. According to the Australian sport planning model, strategic planning components include establishing strategic planning platform, formulating financing strategies, developing implementation framework and monitoring and evaluation (Australian Sports Commission, 2004). Each of these practices is discussed below.

#### **2.1.2.4.1 Establishing Strategic Planning Platform**

Organizations that are seeking not only to survive, but to maximize operational effectiveness in an ever changing environment, need to ensure that at all times, their strategy are aligned to both external and internal environmental imperatives. Strategic planning platform consists of a number of prerequisites that lead to successful planning including: a clearly stated vision; clearly articulated values; a mission, articulated in a mission statement; the overall goal of the organization; the immediate objectives of the organization; the key result areas on which the organization intends to focus; an understanding of the gaps between where an organization is and where it needs to be to achieve its goals and objectives and of the forces that are likely to help and hinder it (Shapiro, 1995). Shapiro (1995) further proposes that all the elements that constitute strategic planning platform need to be in alignment. This means that they should fit together and complement one another, rather than contradict one another. For example,

the mission should fit with the values and vision of the organization, and should address the needs of the key stakeholders who are the intended beneficiaries of the work.

One important prerequisite that must be put in place in establishing strategic planning platform is analysis of the organization's environment. Ansoff (1976) recognized three types of environmental variables: the commercial environment, where goods, services, and money are exchanged; the subsidy environment which provides financial support; and the political environment which sets the rules for its behavior. Institutional theorists (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) suggest that organizations should adopt work practices that are acceptable in their institutional environment in order to adapt to the demands of that environment and ensure they have the resources they need for survival. Schendel et al. (1980) supported this view by acknowledging the strength of systematic strategic planning in relating the external environment or position (strategy) and an organization's responsive internal capability. Strategic planning starts with environmental scanning for threats and opportunities but ends when a new product has been created, a new market developed, a new technology acquired, threats averted, and a new contract signed within socio-political constraints. However, most sports organization suffer from a weak planning culture as espoused by Thibault, Slack and Hinnings (1991) who raised two major concerns about strategic planning in sports federations. One, most individuals involved in the sports management are far more interested in sports participation than planning for sustainable financing. Secondly, for the sport organizations it is very often found that the individuals who spend all their working life handling finance are reluctant to spend their spare time planning for improvement of the same for sports organizations on voluntary basis.

A number of environmental factors influence strategic planning in sports organizations. Hoye and Cuskelly (2007) identified the following: changes in the relationship between government and NSFs; the regulatory environment in which sport organizations operate; the emergence of elite sport development as a priority in government sport policy; governance guidelines developed by government for sport organizations; competition among the NSFs for the same financing sources; the impact of globalization processes on sport; and the expectations of stakeholder groups. Changes in government and NSFs occur for instance, when government restricts its mandate to financing participation in international programmes for elite athletes rather than sport development initiatives within the country which would increase regular participation in NSFs activities and generate continuous cash flows.

In examining British post war sport policy, Roche (1993) identified three dominant ideologies that drove the development of sport policy as amateurism, welfarism and more recently, pro-market commercialism. National Sports Federations operate within sports policy characterized by one or mix of these ideologies. Some nonprofit sport organizations are significantly government financed for elite athlete programmes and supported to bid for major events in order to secure economic benefits for the public. However, the same organizations receive little direct financial assistance to enhance the quality or quantity of sport experiences available at local level. Government intervention in sport financing is generally accepted as being significantly high in a number of commonwealth countries (Oakley & Green, 2001; Green, 2004; Stewart et al., 2004; Thibault & Bibiak, 2005). However, this intervention is skewed towards the development of policies and programmes designed to increase participation of elite athletes in the Commonwealth and Olympic games.

Oakley and Green (2001) argued that 'while government influence over sports policy is increasing, the fragmented nature of government intervention is problematic for sport organizations financing'. National sports policies developed by countries such as Australia, Canada, New Zealand, and the UK are driven by government agencies with specific responsibility for sport. These agencies may hold little political influence over other agencies such as those in education or health, which may directly influence how sport related programmes are integrated in their core functions. The effect is a fragmented approach to how government as a whole seeks to support, regulate, or encourage the activities of sport organizations. This fragmented approach if not addressed through deliberate strategic intervention could be responsible for poor financial performance of NSFs.

O'Regan and Oster (2002) explored the implication of increased government funding and allied requirements for increased accountability for nonprofit organizations. They found out that nonprofit organizations that enjoyed higher levels of government funding focused more on fiduciary and boundary- spanning activities and less on fundraising and monitoring delivery of services. The implication of this to NSFs in Kenya is that while increased government funding may be good for quality sport development at elite level, it may inhibit the NSFs management focus on overall development of sport. In addition to external influence, NSFs must also deal with internal issues in establishing their strategic planning platform (Hoye & Cuskelly, 2007). These include; the composition of the officials who form the management, processes they use in decision making, governance structure, organizational values and culture, distribution of leadership within the national executive committee and the resource exchange relationship between the national executive committee and affiliates.

The regulatory environment in which NSFs operate has changed dramatically in the last decade. The increasingly litigious society where individuals seek redress through the legal system to solve disputes has forced NSFs to be more cognizant of their legal responsibilities and associated risk management issues. At the same time, there has been an increase in the level of professionalization within sport, which has raised expectations of service and standards of behaviour by affiliates, the consumers and the legal system itself (Russell & Graham, 2007). The Canadian Centre for Sport and Law (2005) contended that society is now more litigation oriented and the public is expecting sport organizations to be more accountable and business like in managing their affairs. Increased professionalism in sport means that nonprofit sport organizations are now engaged in a wider variety of revenue raising and commercial activities within a competitive environment. Activities include establishment of contracts with suppliers, sponsors, merchandisers and other business operations; and in some cases employing salaried personnel. These changes require that elected officials be appropriately skilled and experienced to deal with a complex array of issues. In some cases, these demands act as a deterrent to attracting individuals to sport leadership positions (Ibid). Where NSFs are not operating under sound regulatory environment, accountability suffers exposing the NSFs to the potential risk of financial loss. In Kenya, the NSFs regulatory environment has drastically evolved. A new constitution was promulgated in the year 2010 which led to enactment of the sports Act 2013. The act strengthened the Kenya national sports policy 2002. It requires the financial affairs of the NSFs to be managed by professionals who have a demonstrated interest in the sport, subject to regular audits and public scrutiny.

The government of Kenya has often provided financial assistance to NSFs but in a very irregular manner. Government is therefore a traditional source of financing but at the same time an unreliable source. National Sports Federations in Kenya are therefore under obligation to become more strategic in terms of sourcing for funds for financial stability and growth. This requires establishment of sound strategic planning platform by NSFs. The strategic planning need to be guided by value clarity, goal orientation and understanding of organization environment; sport industry dynamics and the overall economy. It is only then that the effect of their planning effort on financial performance as exhibited in their annual income, financial stability and revenue expansion can be realized. However, the extent to which NSFs in Kenya have based their strategic planning on a well established planning platform and effect of the same on financial performance is unclear.

#### **2.1.2.4.2 Formulating Financing Strategies**

Formulation of financing strategies of an organization stems from elaborate analysis of the environment and organizational resources and other structural factors (Uzoagulu, 2011). The strategies are formulated to respond to the strengths, weaknesses, opportunities and threats revealed during environmental analysis. Bordean et al. (2010) describe that strategy formulation is influenced by different factors including: evaluating the internal and external environment of the organization; establishing the predetermined mission and goals of the organization; setting the organizational strategic policies or guidelines; and developing strategic objectives. In addition, Ansoff (1977) sees the strategy formulation as a learning process (because of the dynamic environment) and Rokholt (1971) sees it as a systemic approach. Further, Rokholt (1971) illustrates that before an organization can deal with complete formulation process, it needs to deal with

analysis process. This is the process, where the basis of strategy formulation is named which should include the objectives and the core elements.

Ulwick (1999) proposes three issues that developed strategy should address: constraints of resources; achieving desired competitive position, and satisfying the largest number of important outcomes. By addressing the constraints the chosen strategy is considered practical and can be implemented. Achieving desired competitive position ensures that the chosen strategy strengthens organizational strategic position relative to other competitors and enables it to achieve sustainable competitive advantage. Therefore, principles of market and competitive analysis are related with external processes. The chosen strategy should create maximum amount of value for those involved and affected by the strategy. This deals with overall satisfaction, as value is created for both, employee satisfaction and customer satisfaction.

Strategic priorities need to be understood in terms of the context of the organization (Johnson, Scholes & Whittington, 2006). For sport organizations that operate as not for profits, it is likely that the underlying values and ideology will guide their development of strategy. However, studies allude to the fact that developing strategies among national sports federations tend not to be given as much attention as in corporate firms. A study by Thibault, Slack and Hinings (1993) revealed that NSFs in Canada placed little importance on development of strategies. Thibault, Slack, and Hinings (1993) also posit that a number of NSFs use the concept of situational strategizing; where the strategy developed reflect the organizational situation. Hence, different organizational situations will yield different strategies.

Ferkins, Shilbury and McDonald (2005) highlighted significant gap in the knowledge and understanding of strategy formulation by most boards that were charged with managing sports. The scenario presented points to possibilities of NSFs not being managed strategically, which could negatively affect their financial and non-financial performance. The extent to which NSFs formulated financing strategies was conceptualized in terms of existence of financing strategies; setting of annual financing targets; presence of systems, procedures and controls for managing financial resources, presence of marketing plan for revenue expansion and evidence of partnerships with potential financiers for improved annual income, financial stability and revenue diversification. However, little is currently known of the ability of elected officials of NSFs in Kenya to engage in formulation of financing strategies and the effect of their effort on financial performance.

#### **2.1.2.4.3 Developing Implementation Framework**

Strategies are worth nothing if they cannot be implemented. Less than 50% of formulated strategies get implemented (Mintzberg, 1994; Miller, 2002). Every failure of strategy implementation is a reflection of weak formulation. The utility of any tool lies in its effective usage and so is the case with strategy. Strategy is the instrument through which a firm attempts to exploit opportunities available in the business environment. The performance of a firm is a function of how effective it is in converting a plan into action and executing it. Thus implementation is the key to performance, given an appropriate strategy (Mintzberg, 1994; Miller, 2002).

Theory states that, implementation is “the process by which strategies and policies are put into action through the development of programs, budgets and procedures” (Wheelen & Hunger, 2012). This involves the design or adjustment of the organization through which

the administration of the enterprise occurs. This includes changes to existing roles of people, their reporting relationships, their evaluation and control mechanisms and the actual flow of data and information through the communication channels which support the enterprise (Chandler 1962; Hrebiniak & Joyce, 2005). Strategy implementation is a process of converting planned strategies into real actions so that goals and objectives can be achieved (Barney, 1995).

Successful strategy implementation requires an implementation matrix which guides the process and structures which enable the management to coordinate the process. Implementation is the operationalization of the plan. Sutton and Migliore (1988) suggest that the operational planning stage is the action or doing stage of the process. They suggest that sport organization operational plans would include ticketing, sports information, marketing/promotions, facility management and planning, athlete development, and a plan for each of the individual activity programs. Implementation of the plan is affected by the resources in place to support the strategies identified in the plan. This includes budget allocation for the implementation of actions. It is also possible to find sports organizations with well crafted plans that fail to implement thereby failing to realize the benefits of strategic planning. Yow *et al.* (2000) identify three reasons that make sports organizations struggle to implement their plans. First, officials lack training and do not know how to plan. This lack of knowledge prevents them from planning and from expecting others in the organization to plan. Second, officials do not think planning is necessary and see the process of planning as additional work without significant reward. These officials fail to see the benefits of planning. Third, officials see problems with the implementation of plans. These officials may know how to plan and may know well the benefits of planning but don't believe implementation can be effective.

In one of the studies conducted to determine the extent to which strategic planning process was being used by National Collegiate Athletic Association Division I-A athletic departments in the USA, Kriemadis (1997) researched the key factors that discourage athletic departments from planning and identified the barriers as: insufficient finance, insufficient time, personnel resistance, communication, insufficient training, planning policy, and planning value. In addition, Kriemadis (1997) found that 43.4% of athletic departments could be categorized as strategic planners. While many departments were found to have components of a plan in place, to be categorized as “strategic planners,” the department must have produced formalized, written long-range plans; assessed the external and internal environment; and identified specific strategies. The majority of athletic departments studied developed operational plans or informal plans based on the experience of administrators. Given the voluntary nature of the officials who manage NSFs in Kenya; the extent of development of clear implementation framework and its effect on financial performance require investigation since previous studies in other countries have alluded to a number of barriers to strategic planning by sport organizations while the situation in Kenya is not known.

#### **2.1.2.4.4 Monitoring and Evaluation**

Shapiro (1995) posit that monitoring and evaluation of the strategic plan enable planners to regularly reflect on the extent to which the goals are being met and whether action plans are being implemented. This requires clear indicators of success which are linked to strategic objectives of the organization. Evaluation assists in knowing how good the organization’s strategic plan is and how well the strategies are being implemented. The information got from evaluation enables the implementers to exercise better control by adjusting the plan and improving the implementation.

Andreff (1988) argues that assessment of NSF's financing position in many developing countries is hindered by inadequate data available from both governments and sports federations; monitoring and evaluation require adequate data. Andreff (2001) further observes that the management of sport in developing countries is characterized by weak governance, lack of clear policy and poor integration of sports development in the national development plans. This result in poor monitoring by authorities charged with the responsibility to carry out oversight on national sports federations.

Monitoring records should be kept which include a bookkeeping system that provides differentiated information on each financing strategy. A strategic bookkeeping system provides information on income generated from each strategy both in the short- term and long- term, and the attendant costs incurred for each strategy (Stewart, 2015). With this information, management can make informed decision on which strategies are worth pursuing and which ones are not. A bookkeeping system that helps in monitoring the achievements of financing strategies against set targets enable the management to take remedial action when a strategy is not performing as well as had been anticipated and to plan cash flows effectively. Each financing option is therefore treated as a separate revenue centre, and income generated by each revenue centre is monitored and evaluated against relevant expenses. However, no empirical evidence exists whether NSF's in Kenya carry out monitoring and evaluation of implementation of their strategic plans and whether this has effect on their financial performance.

#### **2.1.2.5 Strategic Planning Intensity**

Strategic planning intensity embodies the concepts of planning frequency, planning horizon, resource commitments to the planning effort, and management commitment to

the strategy development and implementation process (Bausman, 2002). Scholars agree that there is a link between strategic planning, strategic planning intensity and organizational performance (Drago & Clements, 1999). The intensity with which managers engage in strategic planning activities can be understood in terms of managerial (strategic planning expertise and beliefs about the effect of planning on performance), environmental (stiff competition, complexity and dynamism in the business environment) and organizational (e.g. the size, age and structural complexity) factors of the firm (Kallman & Shapiro, 1978); Cragg & King (1988) as cited by Hopkins and Hopkins (1997).

Ansoff and Mcdonell (1990) considered managerial factor as being of prime significance. They argued that the strategic planning process brings in significant changes that in most cases are not well received or beneficial to individuals and as such, fierce resistance to the process and outcomes is common in organizations. They further suggest that the strategy formulation process has to be interactive and has to involve all managerial levels to collectively and constructively discuss areas of potential conflict and therefore help minimize resistance. Thompson and Strickland (1989) state that organization-wide commitment is instrumental to the successful implementation of strategic plans and ultimately the achievement of set objectives.

Wooldridge and Paul (2004), posit that Strategic leadership is a key element in effective strategic management. For strategic planning to be effective, there must be commitment and involvement from the very top of the organization. Leaders focus their organization on a strategic direction, create an agenda for strategic change, keep an organization progressing towards the strategic vision, overcome resistance to change, facilitate

resource requirements, and give managers and employees the power and authority they need to make decisions. Because of this essential role of leadership, lack of leadership commitment to the strategic planning process can be seen as a barrier to the planning process (Paul, 2004).

Stewart (2007) asserts that managers of sport organizations need to have relevant skills to make strategic planning work depending on the strategy option chosen. These include management skills, financial skills and public relations skills. Most sport organizations that have not reasonably embraced corporate business model may not have volunteers and officials who are endowed with these skills. Outsourcing of certain services such as public relations and marketing have proved viable for mega international sport organizations but bolstering capacity through this approach is financially demanding.

Not all officials and volunteers running sport organizations buy in to the strategy of a greater income generation which is important to financial performance. Many particularly those that are still characterized by the kitchen-table model management argue that money doesn't solve the problems of sport-people, and that spending much of the time worrying about how to generate income compromises the real work of organizing sport. In fact, if there is an emphasis on generating income some of the elected officials and volunteers exit their positions in NSFs (Stewart, 2007). This constitutes absence of strategic planning-performance belief. The status of strategic planning intensity among NSFs in Kenya is an area that remains unknown.

## **2.2 Empirical Review**

Specific research on financial performance of NSFs has been scarce (2006; Stewart, 2007). For the few studies carried out the researchers faced difficulties in collecting data and having a clear understanding of NSFs financial accounts. Empirical review in this study therefore extends beyond studies in sports organizations since strategic planning-financial performance relationship apply both for commercial firms and sport organizations.

### **2.2.1 Effect of Strategic Planning on Annual Income**

Previous researches allude to the fact that Positive annual income is derived from effective strategic planning effort by an organization. Miller and Cardinal (1994) in a synthesis of strategic planning and firm performance of more than two decades of research concluded that the mean correlations support the thesis that planning positively affects growth and annual income (profitability) of for profit firms. In South Carolina USA, a study by Bausman (2002) examined the relationship between strategic planning and annual income of top performing large general builders and concluded that planners outperform non-planners.

A meta-analysis of 21 studies published between 1970 and 1988 conducted by Boyd (1991) registered only modest positive correlations between strategic planning and annual income, with some studies registering insignificant correlation. He noted significant measurement errors in the earlier studies and concluded that this most probably resulted in an underestimate of the true strategic planning–annual income relationship. The contradictions arose from methodologies used and unclear definitions of strategic planning variables. Bausman (2002) gave attention to the error noted by Boyd (1991)

thus, strengthening the notion of positive relationship between strategic planning and firm annual income.

Fubara (1986) did a survey in Nigeria and observed that companies that engage in formal planning experienced growth in net annual income (profits). Alaka et al. (2011) conducted a study with eighty (80) respondents including heads of departments and executive management staff of selected Nigerian insurance companies. The study revealed that strategic planning had positive impact on insurance companies' annual income (profitability).

Bolo, Muturia and Oeba (2006), investigated the influence of strategic planning and planning outcomes; planning outcomes and firm performance of 44 commercial banks in Nairobi, Kenya. The study concluded that there is a positive and significant relationship between strategic planning and annual income; measured in terms of gross profit margin. A similar study by Arasa and K'Obonyo (2012) conducted in Kenya reported a strong correlation between strategic planning and firm performance in terms of both financial and non financial indicators.

Camy and Robinson (2007) in their study of National Olympic Committees appreciated that where the boards' managing the organizations strategically identified and explored investment opportunities, increased amount of corporate support they received, reduced reliance on government source of income, strived to achieve cost effective utilization of different sources of income and maintained accountability, their annual incomes improved significantly.

Review of studies that targeted commercial firms by; Miller and Cardinal (1994), Bausman (2002), Fubara (1986), Alaka et al. (2011), Bolo, Muturia and Oeba (2006) and Arasa and K'Obonyo (2012) all agree that strategic planning has a positive relationship with improvement in annual income. In contrast, a meta-analysis of 21 studies by Boyd (1991) registered only modest positive correlations between strategic planning and annual income. Some studies analyzed in Boyd (1991) registered insignificant correlation, further, the analysis found flaws in methodologies used and definition of variables as possibly responsible for the modest positive and insignificant relationship. Camy and Robinson (2007) in studying National Olympic Committees supports the position espoused by those who studied commercial firms that strategic planning positively influence annual income of the organizations.

It is evident from the studies above that strategic planning has a positive influence on annual income of both commercial and sport organizations. Contrasting findings point to the varied approaches used by different scholars. However, none of the studies addressed the link between strategic planning and annual income of NSFs in Kenya.

### **2.2.2 Effect of Strategic Planning on Financial Stability**

Sports organizations need to plan for their short-term as well as long-term financial obligations. Short-term financial stability exists when the organization is able to meet its current debt obligations as they fall due by having enough cash or near cash assets to cover all short-term debts (Stewart, 2007). Organizations that strategically plan are likely to exhibit favourable financial stability. Specific studies that had considered the relationship between strategic planning and financial stability are few, however, a number

of studies relating strategic planning to positive financial performance often allude to financial stability as an indicator of positive financial performance.

A study by Owolabi and Makinde (2012) in Nigeria conducted on employees of Babcock University revealed that there was a significant positive correlation between strategic planning and financial stability. Their study concluded that strategic planning is beneficial to organizations in terms of meeting short-term and long-term obligations and in achieving the set goals. They recommended that universities and other corporate organizations should engage in strategic planning in order to enhance corporate performance. Their study focused on correlation between strategic planning and financial stability in a university.

Wijesinghe, Ten and Foreman (2012) conducted a study in Sri Lanka with 150 selected small and Medium Enterprises (SMEs) and eight case studies. They concluded that less than 25% of the SMEs were engaged in strategic planning. Their findings revealed that SMEs that were not applying strategic planning were financially unstable, with many of them having stagnated or failed.

Slack (1998) in a study of Canadian national sport federations found that sport federations which have not replaced state funding with strategically planned internal financing risked being financially unstable compared to their counterparts that planned beyond government support. He further noted that government funding depended on changing funding circumstances which was well beyond the control of sport federations. The study recommended that Canadian sport federations needed to strategically plan for their financial stability without placing too much reliance on government funding.

Andreff (2001) asserted that failure to meet financial demands of athletes led to exodus of talented players from developing countries to European markets thus denying their native countries financial revenues that could accrue from high quality on-field performance. This view is supported by Munayi (2000) who noted that demoralized Kenyan athletes partially performed on-field at home leading to poor fan attraction and diminishing financial returns whereas their performance abroad were exemplary. In all these cases the NSFs suffered financial instability making it difficult for them to sustain the athletes.

Winand (2009) assessed financial stability of NSFs in Belgium in a study aimed at developing a measurement tool for analysis of NSFs financial performance. The study used financial balance as a measure of financial stability, which considered annual losses, profits and percentage of revenues not spent. The study found out that a national sport federation with a positive net annual income over time arising from effective strategic planning enjoys financial stability.

Whereas Owolabi and Makinde (2012) based their study in a University set up with financial stability being linked to meeting of the academic goals, Wijesinghe, Ten and Foreman (2012) studied SMEs and considered stagnation or failure of the SMEs as arising from lack of financial stability, Andreff (2001) and Munayi (2000) alluded that the consequences of lack of financial stability was loss of talented players to clubs abroad. Winand (2009) on the other hand linked financial stability to positive net annual income of sports federations implying the sport federations met their sporting objectives in the course of their financial year.

The studies reviewed above all concur with the notion that strategic planning lead to financial stability. The studies contrasted in terms of the measures used to assess financial stability. The studies were also carried out in different countries, organizations and had varied scopes. Despite the studies using different measures of financial stability they all concur that it is a significant indicator of financial performance. It is also clear that financial stability can only be achieved through strategic planning. However, no study has addressed effect of strategic planning on financial stability of NSFs in Kenya.

### **2.2.3 Effect of Strategic Planning on Revenue Diversification**

Gerrard (2005) carried out a study on resource-utilization model of organizational efficiency in professional sports teams. The findings revealed that a good financial performance for a sport organization can be derived from a careful revenue diversification and cost reduction strategy. Barajas and Rodriguez (2010) and Dietl and Franck (2007) support the view by pointing out that professional sport clubs investing heavily in sporting performance at the expense of their revenue diversification capacity have had financial problems.

Russell and Graham (2007) recognized globalization as the driving force that has led NSFs to diversify their revenue sources. They posited that the way sport is produced and consumed has greatly changed. Spectators and television audiences interested in elite sport events such as Olympic and Commonwealth games, world championships and world cups for a number of sports enjoy unprecedented media coverage. They concluded that NSFs could generate revenues through partnerships with television networks; radio broadcasters, internet service providers and mobile phone networks. This view is supported by Stewart (2007) who observed that a wide audience access information about

favourite players and teams from newspapers and dedicated sport magazines and receive audio and visual progress scores, commentary, highlights packages or real time broadcasts through mobile phone networks. Russell and Graham (2007) further suggest that revenue diversification could also be achieved through development of a viable financial structure and allocation of financial resources to revenue generating activities and programmes.

Winfrey and Rosentraub (2012) and European Union Commission (2011) in assessing the financial structure of sport organizations in member states of the European Union alluded that NSFs could diversify their revenue through membership fees and other expenditures by households; contribution from volunteers; public sector funding, at national, regional and local levels; revenues from levies and charges on lotteries, betting and gambling operators; revenue from sponsorship, patronage and donations; and revenue from media rights. The funds can be grouped in terms of funds from operations, funds from borrowings, funds from government and funds from corporate sponsors.

Peters (2004) looked at a good practice guide for sport organizations in Australia and concluded that revenue diversification could be achieved through purposeful allocation (utilization) of financial resources and budgets. Allocation must be in line with the level of strategic focus and the degree and direction of anticipated change in revenue conditions, and status or attainment of specific financial performance goals set by the management. Good utilization of funds derives from effective financial planning which articulates long-term objectives and takes care of short-term commitments (Peters, 2004). Short-term planning is realized through a monthly cash flow budget which monitors financial utilization on a monthly basis, while an annual projected operating budget is

used to allocate funds to strategic priority areas and to project annual financial results over a yearly period.

Wicker and Breuer (2013) say that the relationship between sporting and financial performance through enhanced revenue diversification has often elicited controversy in research. Some scholars contend that emphasis on revenue diversification is likely to interfere with sport related goals. In a subsequent study, Wicker and Breuer (2013) applied financial portfolio theory (Markowitz, 1952), and looked at the effect of revenue diversification on the financial performance of National Sport Federations in Germany (n = 1,080). They concluded that revenue diversification had a positive effect on the financial condition of NSFs. Financial condition was measured in terms of total revenues, break even, profit, and investments for sport governing bodies. Their assertion was that financial risk could be decreased by diversifying revenue portfolio of NSFs. This means that NSFs' would generate revenues from multiple sources and reduce their financial risk by relying on revenues of different risk levels.

Galaskiewicz and Bielefeld (1998) observed that revenue streams differ regarding their financial risk since some revenues are typically of higher risk and some are of lower risk. By mixing revenue streams of different risk levels the organization reduces its overall financial risk. Yet, an important precondition of this assumption is that revenue streams must not be correlated; high correlation among income streams would make the idea of diversification redundant.

Studies by Carroll and Stater (2008); Chang and Tuckman (1996); and Fischer, Wilsker, and Young (2011) examined revenue diversification among nonprofit organizations in

several industries outside sport. The studies showed that the composition of the revenue mix is mirrored in the nature of the organization's services. For example, organizations providing public services rely more heavily on donations (Fischer et al., 2011). Also, the level of revenue diversification depends on the type of activity; nonprofits that rely heavily on donations and program service revenues were found to have less diversified revenues (Chang & Tuckman, 1996). Carroll and Stater (2008); and Chang and Tuckman (1996) measured revenue diversification in terms of the Herfindahl index. This index is calculated by adding up the squared proportions of each revenue category. Originally, the index measures revenue concentration; therefore, the value should be subtracted from 1 that it is a diversification measure. The studies reported a low to medium level of revenue diversification among nonprofits  $M = 0.30$  (Carroll & Stater, 2008). Moreover, the level of revenue diversification differs among nonprofit organizations in different industries (Chang & Tuckman, 1996). For example, average revenue diversification was  $M = 0.29$  in the health sector and in the community improvement/capacity building sector, whereas a mean value of 0.42 was measured in the public safety sector (Chang & Tuckman, 1996). Chang and Tuckman (1996) further examined the effects of revenue diversification on financial performance of organizations and found that organizations with more diversified revenues had a stronger financial position, were less financially vulnerable (Greenlee & Trussel, 2000; Tuckman & Chang 1991; Trussel, 2002), and had a lower insolvency risk (Keating et al., 2005).

Wicker and Breuer (2013); Carroll and Stater (2008); Chang and Tuckman (1996); Fischer, Wilsker, and Young (2011); Gerrard (2005), Barajas and Rodriguez (2010), and Dietl and Franck (2007) concluded that revenue diversification impacts positively on financial performance. On the contrary, Russell and Graham (2007); and Stewart (2007)

looked at effect of globalization and technology on revenue diversification capacity of sport organizations and the two factors had created enormous opportunities for sport organizations to diversify their revenue sources. Rosentraub (2012) identified revenue sources for sport organizations and classified the sources in terms of funds from operations, funds from borrowings, funds from government and funds from corporate sponsors. Peters (2004) looked at the role of purposeful allocation of financial resources and budgets in achieving revenue diversification. While, Galaskiewicz and Bielefeld (1998) concluded that the benefits of revenue diversification capacity of organizations depended on the revenue mix used in the diversification process since different revenue sources had varied levels of financial risks.

Whereas the studies reviewed above are agreed that revenue diversification is an indicator of financial performance, none of the studies demonstrated the link between strategic planning and revenue diversification capacity of both sport and non-sport organizations. It is also clear that none of the studies carried out in sport organizations were done in Kenya. Therefore, the effect of strategic planning and revenue diversification capacity of National Sport Federations in Kenya is unknown.

#### **2.2.4 Moderating Effect of Strategic Planning Intensity on the Relationship between Strategic Planning and Financial Performance**

A moderator is a variable that specifies conditions under which a given predictor is related to an outcome (Aiken & West, 1991). The moderator explains ‘when’ a dependent variable (DV) and independent variable (IV) are related. Moderation implies an interaction effect, where introducing a moderating variable changes the direction or magnitude of the relationship between two variables. A moderation effect could be

enhancing, where increasing the moderator would increase the effect of the predictor (IV) on the outcome (DV); buffering, where increasing the moderator would decrease the effect of the predictor on the outcome; or antagonistic, where increasing the moderator would reverse the effect of the predictor on the outcome (Aiken & West, 1991). In the current study, strategic planning intensity was conceptualized as enhancing the relationship between strategic planning and financial performance.

The intensity with which managers engage in strategic planning depends on managerial factors including planning expertise and beliefs about planning-performance relationships. Amounts of resources devoted to planning, Organizational size and structural complexity are also elements of strategic planning intensity. A number of studies have shown that strategic planning on its own may not necessarily lead to positive organizational performance.

Arasa and K'obonyo (2012) conducted a study in Kenya in which correlation analysis results indicated a strong relationship between strategic planning and firm performance. However, they contended that there was need for future studies to look into the role of moderating variables in translating the strategic planning intentions into reality. The study did not address the moderating effect of the intensity with which managers engaged in strategic planning and how this influenced financial performance of various firms.

In Finland Kohtamaki, Kraus, Makela and Ronkko (2012) studied effect of strategic planning on 160 small and medium-sized Finnish IT companies. The results of their study revealed that participative strategic planning positively affects personnel commitment to strategy implementation, which thereby increases company performance. Participative

strategic planning is an aspect of strategic planning intensity which enhances the employees' strategic planning-performance belief. However, the study partially addressed the concept of strategic planning intensity as it considered only employee participation.

Bolo, Muturia and Oeba (2006), investigated the influence of strategic planning and planning outcomes; planning outcomes and firm performance of 44 commercial banks in Nairobi, Kenya. The study found that there is a positive and significant relationship between strategic planning and firm performance; strategic planning and planning outcomes and finally planning outcomes and firm performance. Planning outcome was considered as a moderator between strategic planning and firm performance which enhanced performance. Their study measured planning outcomes in terms of direction and focus, sustainable competitive advantage, firm-environment fit, efficiency in allocation of resources, improved innovation, greater organizational commitment, improved co-ordination and control of organization activities, improved organizational analysis. Some of the measures of planning outcome mirror on planning intensity, however, they did not consider planning outcome as constituting strategic planning intensity.

Rogers *et al.* (1999) argued that a direct link between strategic planning and performance cannot be made without considering the moderating effect of the actual content of the strategy. They investigated whether the relationship between strategic planning processes and organizational performance depends on the content of the strategy pursued and not just the extent of planning. Strategic planning was measured by using a questionnaire completed by representatives of several banks, which resulted in a set of planning dimensions. When the data was controlled to include strategy content, it was found that

strategy content moderates the relationship between planning and performance. The study however, considered strategy content as a moderator and not strategic planning intensity. Strategy content is determined by the level of expertise of those involved in planning and therefore can be considered as an indicator of planning intensity.

Baker, Addams and Davis (1993) studied the practice of strategic planning in US small high growth firms. The study found that most of these companies perform strategic planning; 95% of the companies which perform strategic planning have a written plan and had their top management involved in the planning. The conclusion was that the planning-performance belief exhibited by the top management of the firms in strategic planning had a positive influence on their companies. However, better results could be registered if all the employees in the firms were involved.

Mankins and Steele (2005) support the Strategic Planning - Performance Claim but argue that companies typically only realize 63% of the potential value of their strategy because of defects in planning and execution by the executive. Mankins and Steele (2005) provide a list of causes of performance loss, but do not recognize that contingencies can negatively influence company performance. They thus imply that any strategy can be realized, as long as effectively planned and executed appropriately. Effective execution of strategy require a management with planning expertise, adequate resources be devoted to planning, planning-performance belief and that structures are aligned to strategy commensurate to the size of the organization.

Aldehayyat, Al-Khattab and Anchor (2011) conducted a study with questionnaire survey in Jordanian hotels. The findings revealed strategic planning process involved a number

of techniques which were related more to the size of hotel and less to age and ownership type. They reported positive relationship between the use of strategic planning techniques and size of hotel. The managers of these hotels were having generally positive attitudes towards the strategic planning process commensurate to their belief. Karabulut and Efendioglu (2010) in their study with 71 returned responses in Turkey observed that involvement of top management in the process of strategic planning process was correlated and statistically significant to performance.

Johnson, Scholes and Whittington (2005), noted that strategic drift occurs when the organization's strategy gradually moves away from relevance to the forces at work in its environment. Tourangeau (1987) shares these sentiments but cautions that strategic planning cannot be expected to address other shortcomings of the management process, but can best be seen as a partial solution to management problems. Strategic planning is of limited value by itself unless it is accompanied with effective execution. Effective strategy execution is an aspect of planning-performance belief. Hence, these studies implied the moderating role of strategic planning intensity.

Winand (2009) examined determinants of organizational performance in sports federations in Belgium and found that a number of them had ad hoc, incremental way of making policy relating to their financial performance. Although this design was not necessarily bad for all of them, it led to financial instability when facing changing funding circumstances which did not augur well for their future. However, the study did not clearly determine the cause of the ad hoc approach to planning.

Mwisukha *et al* (2007) posit that most of the personnel serving in the various National Sport Federations and organizations in Kenya as managers are not trained professionals in the areas of management and administration. Munayi (2000) recommended establishment of a policy to regulate sport management. Both Mwisukha *et al* (2007) and Munayi (2000) concurred on the fact that leadership in NSFs in Kenya was open to every other person who had the interest to seek for elective position and win elections. Further, the officials are inadequately trained. However, studies did not explore the extent to which the officials in NSFs in Kenya embraced strategic planning practices and the intensity with which it was done.

Arasa and K'obonyo (2012) and Tourangeau (1987) looked at strategic planning- firm performance relationship but did not incorporate a moderator although they recognized it as an area of research gap. Rogers et al. (1999) considered content of the strategy as a moderator which basically would depend on the planning expertise of the management. Baker, Addams and Davis (1993) considered top management involvement in the planning, on the contrary, Bolo, Muturia and Oeba (2006), investigated the influence of planning outcomes as a moderator. Kohtamaki, Kraus, Makela and Ronkko (2012) suggested participative strategic planning as the moderating factor. Mwisukha *et al* (2007) and Munayi (2000) revealed the gap in level of professional training of officials managing NSFs, which could have a great bearing on their expertise in strategic planning.

The foregoing studies on strategic planning-performance agree that the relationship is moderated by various factors. In the current study these factors could be considered under strategic planning intensity. However, none of the aforementioned studies considered planning expertise, amount of resources devoted to planning, planning-performance

belief, and organizational size and structure as constituent variables of strategic planning intensity. Furthermore, most studies were not based on NSFs but looked at for-profit commercial firms. Therefore, research on moderating effect of strategic planning intensity on the relationship between strategic planning and financial performance of sport organizations in general remain inconclusive and for NSFs in Kenya is unknown.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter focuses on the research procedure as presented under the following sub-headings: Research Design, Study Area, Target Population, Sample and Sampling Procedure, Data collection methods and Data analysis.

#### **3.1 Research Design**

This study adopted a quantitative approach of both descriptive and correlation designs. The designs suit this study since they enabled the researcher to establish the application of strategic planning practices in the NSFs as well as determine the effect of strategic planning on financial performance of the NSFs (Robson 2002, cited by Saunders et al (2009). The designs further provided opportunity for the status of strategic planning-financial performance relationship in the NSFs to be studied without manipulation of the research context yet the data collection procedures used were fairly explicit. The design also fits favourably within previous similar studies (Arasa & K'obonyo, 2012; Bolo, Mutoria & Oeba, 2006) among others. Replication of the designs therefore helped the researcher to adequately address the study objectives.

#### **3.2 Study Area**

This study was carried out in Kenya. The Republic of Kenya has its geographic location in Eastern Africa within latitude 1°00'N and longitude 38°00'E (Appendix V). Kenya covers an area of 582,650 sq km. The diverse physiographic and climatic conditions provide opportunity for a number of sporting activities. The capital of Kenya is Nairobi and its geographic coordinates are 1°16'S latitude and 36°48'E longitude. All the NSFs have their head offices in Nairobi. A number of the offices are located at Nyayo National

Stadium, with others sublet in offices of organizations where their officials are permanently employed. Some of the executive officials of the NSFs are located in other cities and towns away from Nairobi. According to Kenya Bureau of Statistics (2012) the population of Kenya is 43,013,341 and the nation has a density of 76 people per square kilometer. Across section of this population participate directly or indirectly in sport hence, influence or is influenced by the activities of National Sport Federations. The study collected information from the officials of NSFs from wherever they were located within Kenya with the majority of them being in Nairobi.

### **3.3 Target Population**

The study population was drawn from 39 active National Sports Federations (NSFs) in Kenya who are affiliated to National Olympic Committee of Kenya (NOC-K) and Kenya National Sports Council, charged with the management and development of specific sports (Appendix III). From each federation 4 officials who form the top executive were targeted. This translated into a target population of 156 officials.

### **3.4 Sample Size Determination, Sampling Technique, and Sample Size Distribution**

#### **3.4.1 Sample Size Determination**

Sample size was determined using Fisher's formula (Mugenda & Mugenda, 2003) as stated below;

$$n = \frac{z^2 pq}{d^2} \tag{3.1}$$

Where;

$n$  = desired sample size if the target population is greater than 10,000;

$z$  = the standard normal deviate at the required confidence level;

$p$  = the proportion in the target population estimated to have the characteristics being measured;

$q = (1 - p)$ ; And

$d$  = the level of statistical significance set.

Fisher et al as cited in (Mugenda & Mugenda, 2003) further state that where the data on the proportion of respondents with characteristic being investigated is not available,  $p = 0.5$  is regarded as appropriate. Therefore, at 95% confidence interval, the desired sample size is determined as;

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

$$= 384$$

The above assumes a target population of more than 10,000; but since the target population was less than 10,000; the formula below was applicable;

$$n_f = \frac{n}{1 + \frac{n}{N}}$$

**3.2**

Where  $n_f$  = desired sample for population less than 10,000;

$n$  = desired sample size for target population of more than 10,000; and

$N$  = estimate of population size in the current study, sample size was consequently calculated as follows:

$$\therefore n_f = \frac{384}{1 + \frac{384}{156}} = 111$$

From the calculation a study of a minimum of 111 official distributed across the 39 NSF's was considered suitable in providing a fair distribution of the characteristics of the 156 top executive officials.

### 3.4.2 Sampling Technique

A sample of the population was drawn from 156 officials got from 39 National sports federations in Kenya. Purposive sampling was used to pick four out of a possible 15 officials from each National Sports Federation. The four officials were specifically; the chairman, secretary, treasurer and organizing secretary/fixtures secretary. The four officials in the top management were considered better placed to provide relevant information in terms of strategic planning activities of the federations. Denscombe, (1998) asserts that a sample must be carefully selected to be representative of the entire population and to provide information that can scientifically be tested.

### 3.4.3 Sample Size Distribution

The 39 National Sports Federations each provided one official in the categories purposively picked for the study; chairmen, secretaries, treasurers and organizing/fixtures secretaries. Each category therefore had a total of 39 officials from which samples were drawn as shown in Table 3.1.

**Table 3.1 Sample Size Distribution**

<b>NSFs Officials</b>	<b>Number of Officials</b>	<b>Number Sampled</b>	<b>Percentage Sampled</b>
<b>Chairmen</b>	39	28	25.2%
<b>Secretaries</b>	39	28	25.2%
<b>Treasurers</b>	39	28	25.2%
<b>Organizing/fix. Secretaries</b>	39	27	24.4%
<b>Total</b>	156	111	100%

**Source:** Survey Data (2014)

### **3.5 Data Collection Methods**

Data was collected using both questionnaires and document analysis protocol sheets. Data sources were identified, data collection procedure was established, data collection instruments developed; and reliability and validity tests carried out, as discussed below.

#### **3.5.1 Data Sources**

Both Primary and Secondary data was collected. Primary data was collected from the national sports federations' officials. Secondary data was obtained from records that are kept by the National Sports Federations. A number of documents and records were requested for from the management of the NSFs. These documents and records included financial statements, budgets, strategic plans, work plans and minutes of meetings where issues of funding strategies have been discussed. Where some financial statements could not be accessed from some federations' offices and copies had been submitted to Kenya National Sports Council, arrangements were made to get the same from the council offices.

#### **3.5.2 Data Collection Instruments**

Primary data was collected from the national sports federation officials using self administered questionnaires. The questionnaires were designed in the form of a five point Likert scale rating. A set of items in the questionnaire addressed each specific objective. A Likert Scale (Likert, 1932) is a rating scale that requires the subject to indicate his or her degree of agreement or disagreement to a statement. The questionnaire items used to measure the theoretical constructs of strategic planning and strategic planning intensity were based on an extensive review of related literature.

Protocol sheets were designed for capturing information from financial statements and records kept by the NSFs. The protocol sheets were designed in such a manner that they

captured a summary of indicators of financial performance of NSFs in Kenya. Financial Performance of the NSF was operationalized by items indicating the extent of changes in annual income, financial stability and revenue diversification capacity.

### 3.5.2.1 Reliability Tests

The questionnaire items were subjected to pre-testing through pilot study using 12 officials from NSFs who did not form part of the study sample during the main study. The respondents from the pilot study were asked to express the ease with which they interpreted and understood the questionnaire items in order to establish the relevance of the items to the proposed study. The items were then adjusted where necessary and improved to increase their accuracy. Despite the difficulty experienced in distributing and collection of questionnaires from the respondents, the pilot test response was very satisfactory from all categories of officials. Pilot test response was as shown in Table 3.2.

**Table 3.2 Pilot Test Response**

<b>NSFs Officials</b>	<b>Number Sampled</b>	<b>Response</b>	<b>Percentage response</b>
<b>Chairmen</b>	3	3	100%
<b>Secretaries</b>	3	3	100%
<b>Treasurers</b>	3	3	100%
<b>Organizing/fix. Secretaries</b>	3	3	100%
<b>Total</b>	12	12	100%

**Source:** Survey Data (2014)

To ascertain internal consistency of the items for each sub measurement, Cronbach's alpha scale was calculated based on the following formulae by Cronbach (1990):

$$\text{Cronbach Alpha} = \left( \frac{k}{k-1} \right) \left( 1 - \frac{\sum \sigma_i^2}{\sigma_x^2} \right) \quad 3.3$$

Where:  $k$  = Number of items

$\sigma_i^2$  = Variance of individual items

$\sigma_x^2$  = Variance of total scores

The results were as shown in Table 3.3

**Table 3.3: Alpha Coefficient for the Reliability Test**

<b>Dimension</b>	<b>No. of Items</b>	<b>Cronbach Alpha</b>
<b>Establishing Strategic planning Platform</b>	10	.912
<b>Formulation of financing strategies to address financial performance</b>	5	.910
<b>Strategy implementation</b>	5	.923
<b>Monitoring and Evaluation</b>	5	.926
<b>Financial performance</b>	10	.916
<b>Assessment of strategic planning intensity and financial performance</b>	4	.781

**Source: Survey Data (2014)**

The measurement constructs alpha coefficients ranged from 0.781 to 0.926 (Table 3.4). According to Nunnally, (1978) and Devellis, (2003) a value of 0.7 implies that the test items correlate highly among themselves and there is consistency in measuring the concept of interest.

### **3.5.2.2 Validity Tests**

The questionnaire items were subjected to pre-testing through pilot study to ascertain validity before embarking on the main study. The research supervisors and other experts in the School of Business and Economics, Maseno University were approached to review the research instruments for content validity. The respondents from the pilot study were

asked to express the ease with which they could interpret and understand the items in order to establish the relevance of the items to the proposed study. The items were then adjusted where necessary to improve their accuracy.

Construct validity was ascertained by assuming that there was a causal relationship between the variables in the study. To achieve this, the constructs were developed in such a way that they reflected well on the variables to be measured. This was based on extensive literature review before developing the data collection tools. These approaches guaranteed that the study provided the information and measurement of the cause effect relationship outcomes through credibility and operationalization of the constructs as intended in the objectives (Aila & Ombok, 2015). Purposive sampling ensured that data was collected from carefully selected respondents who had relevant information. This is supported by Denscombe (1998) who asserts that the sample must be carefully selected to be representative of the entire population. The study also used a representative sample size calculated using the formulae in equations (3.1 and 3.2) as recommended (Mugenda & Mugenda, 2003).

### **3.5.3 Data Collection Procedures**

Before proceeding to the field for data collection, authorization was sought from Maseno University and the National Commission for Science Technology and Innovation (Appendix IV). Three research assistants were identified, hired and trained to compliment the researcher's effort in distributing and collecting questionnaires.

The primary data was obtained by distributing the questionnaires to respondents by the researcher and his assistants. During the pilot study involving 12 respondents it was realized that most of them were difficult to locate. Returning the pilot questionnaires was

also slow and took too long than anticipated. This revealed high possibility for non-response. To take care of the non-response, 144 questionnaires were administered during the actual study. The respondents were to score appropriate values corresponding to each statement in the questionnaire. Provision was made for remarks by the respondent against each statement where necessary. This helped establish the accuracy of scores by ascertaining respondent's awareness and application of key strategic planning practices in their NSFs. This modified instrument was considered relevant for this study as it allowed more information to be captured from the respondents.

To obtain secondary data, financial statements were analyzed using protocol sheets specifically designed to determine the levels of financial performance in the NSFs. Information from financial statements and status of strategic planning practices drawn from primary data were integral in establishing effect of strategic planning on financial performance of National Sports Federations in Kenya. Financial performance data could only be obtained from secondary sources; hence, the use of financial statements to help in capturing study data while responses from NSFs officials on strategic planning constructs would help in assessing status of strategic planning practices and strategic planning intensity.

### **3.6 Data Analysis and Presentation**

Descriptive and inferential statistical techniques were employed in data analysis. Descriptive analysis was approached using frequencies, means and standard deviations. All the four objectives were first analyzed descriptively. In order to establish the status of strategic planning practices each component was analyzed in terms of the constructs that

respondents were asked to respond to on a five point scale. Combined mean was then analyzed for each strategic planning component using the model

$$\bar{x}_c = \sum_{i=1}^t \bar{x}_i \quad 3.4$$

where  $\bar{x}_c = \text{combined mean}$   
 $x_i = \text{mean of } i^{\text{th}} \text{ construct}$   
 $t = \text{number of constructs}$

The combined standard deviation was analyzed using the model

$$\sigma_{1,2,\dots,t} = \sqrt{\frac{\sum_{i=1}^t (\sigma_i^2 + d_i^2)}{t}} \quad 3.5$$

where  $d_i = (\bar{x}_i - \bar{x}_c)$   
 $\bar{x}_c = \text{combined mean of the constructs}$   
 $\bar{x}_i = \text{mean of each construct}$   
 $t = \text{number of constructs}$

Inferential statistical analyses were carried out using multiple regression (objectives i, ii and iii), Pearson Correlation was used to test for linearity and the strength of the relationship between the specific independent variables for each of the four objectives and step-wise regression analysis was used to determine the moderating effect of strategic planning intensity on the relationship between strategic planning and financial performance (objective iv). Statistical Package for Social Sciences (SPSS: Version 21) software aided the analysis.

### 3.6.1 Multiple Regression Models Specification

In order to assess the relationship between Strategic Planning and NSF's financial performance, two regression models were developed and used. The first model measured the strength of relationship between Financial Performance variables as a function of strategic planning variables. The second model was used to assess the moderating effect

of Strategic Planning Intensity on the relationship between strategic planning and financial Performance. Regression Analyses was deemed suitable in this study due to its statistical robustness in assessing relationships between independent and dependent variables (strategic planning and financial performance of NSFs in this case). It was also considered versatile in capturing predictive abilities in terms of effects of one or more variables on the other (Allan, 2008).

### **3.6.1.1 Multiple Regression Model I:**

Multiple Regression model I was based on the following general formulation as proposed by Allan (2008):

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_p X_{pi} + \epsilon_i \quad \mathbf{3.6}$$

Where:

$Y_i$  = Set of dependent variables

$\beta_0$  = Constant term

$\beta_1 \dots \beta_p$  = Coefficients relating to p explanatory variables of interest.

$\epsilon_i$  = Error term i.e. residual representing deviations of the observed value of the ith response variable from that approximated by the model.

The multiple regression model helped in testing the extent to which the components of strategic planning influenced the financial performance individually and when they were put together. To cater for other variables that may not be explicitly measured and put in the model an error term was included. It assumed that; the relationship between the dependent and independent variables were linear, absence of correlation between the independent variables stated and that data for the variables had a normal distribution (Allan, 2008). Multiple regression model was considered suitable for this study since

financial performance (dependent variables) was conceptualized as being influenced by the sub variables of strategic planning namely; establishing strategic planning Platform; formulating financing strategies; developing clear implementation framework; and monitoring and evaluation (Barney, 1991; Shapiro, 1995). In model form this was stated as

$$Y_{wti} = \beta_0 + \beta_1 SPP_{1i} + \beta_2 FS_{2i} + \beta_3 IF_{3i} + \beta_4 ME_{4i} + \epsilon_i \quad 3.7$$

Where:

$Y_{wti}$  = Weighted Financial Performance for five years ( $i = 1, 2, 3$ ;  $Y_1 =$  annual income,  $Y_2 =$  financial stability,  $Y_3 =$  revenue diversification capacity)

$\beta_i$  = Parameters to be determined ( $i = 0, 1, 2, 3, 4$ )

$SPP_{1i}$  = Strategic Planning platform corresponding to the  $i^{th}$  financial performance indicator

$FS_{2i}$  = Financing strategies corresponding to the  $i^{th}$  financial performance indicator

$IF_{3i}$  = Implementation framework corresponding to the  $i^{th}$  financial performance indicator

$ME_{4i}$  = Monitoring and Evaluation corresponding to the  $i^{th}$  financial performance indicator

$w$  = Weighted average of financial performance for five years.

$t$  = Time period (5 years) within which data was considered.

$\epsilon_i$  = Error term i.e. residual representing deviations of the observed value of the  $i^{th}$  response variable from that approximated by the model.

Model 3.7 was based on the assumption that financial performance variables were independent of each omitted variable, error term was normally distributed, the combined effect of the omitted variables had zero expectation and that the combined effect of the omitted variables did not affect all the stated variables across the subjects.

### 3.6.1.2 Multiple Regression Model II:

Multiple regression model II was based on the general formulation that financial Performance is a function of Strategic Planning Expertise, resources devoted to planning, Strategic planning-performance belief and Organization size and structure. In this respect a second Regression model was specified. The moderating effect of Strategic Planning Intensity was assessed by considering Financial Performance in terms of Gross Income as the dependent variable.

In particular the second model was expressed as;

$$Y_{wti} = \beta_0 + \beta_1 SP_{1i} + \beta_2 SPI_{2i} + \beta_3 SP_{1i} \cdot SPI_{2i} + \epsilon_i \quad 3.8$$

Where:

- $Y_{wti}$  = Weighted average Gross Income (Financial Performance) for five years.
- $\beta_i$  = Parameters measured ( $i = 0, 1, 2, 3$ )
- $SP_{1i}$  = Strategic Planning corresponding to the  $i^{th}$  financial performance indicator
- $SPI_{2i}$  = Strategic Planning Intensity corresponding to the  $i^{th}$  financial performance indicator
- $SP_{1i} \cdot SPI_{2i}$  = Interaction between Strategic Planning and Strategic Planning Intensity
- $\epsilon_i$  = Error term corresponding to the  $i^{th}$  financial performance indicator

### 3.6.2 Correlation Analysis Model Specification

Pearson product moment correlation was based on the following formula:

$$r = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \times \sqrt{N \sum Y^2 - (\sum Y)^2}} \quad 3.9$$

**Source:** Mugenda and Mugenda (2003).

Where:

$r$  = Pearson correlation coefficient

$N$  = number of values in each data set

$\sum X$  = sum of X scores

$\sum Y$  = sum of Y scores

$\sum XY$  = sum of the products of paired scores

$\sum X^2$  = sum of squared X scores

$\sum Y^2$  = sum of squared Y scores

### **3.6.3 Summary of the Data Analysis Techniques**

Table 3.4 provides a brief summary of the techniques used in data analysis and the assumptions that the data met before using the suggested method.

**Table 3.4: Summary of Data Analysis by Objectives**

<b>Objective</b>	<b>Data Analysis Techniques</b>	<b>Assumptions</b>
Establish effect of Strategic Planning on annual income of National Sports Federations in Kenya.	Descriptive statistics Regression analysis	Quantitative data Linearity Normality of error distribution Independence of errors
Investigate effect of Strategic Planning on financial stability of National Sports Federations in Kenya	Descriptive statistics Regression analysis	Quantitative data Linearity Normality of error distribution Independence of errors
Analyze effect of strategic planning on revenue diversification capacity of National sports federations in Kenya.	Descriptive statistics Correlation Regression analysis	Quantitative data Linearity Normality of error distribution Independence of errors
Determine the moderating effect of strategic planning intensity on the relationship between strategic planning and financial performance of National sports federations in Kenya.	Descriptive statistics Regression analysis (Step-wise multiple regression)	Quantitative data Linearity Normality of error distribution Independence of errors

**Source:** Researcher (2014)

In order to analyse the results of the questionnaire, the weighted mean computed from each study item was used. The weighted mean helped in obtaining the average values that would represent the sample's response to each question in the study. This enabled the researcher to identify the general response of the participants for each statement in the questionnaire. The information generated in form of frequencies, percentages, means, standard deviations and standard error of estimates was presented using tables and graphs.

### 3.6.4 Diagnostic Tests for Regression Analysis

As a prerequisite to regression analysis tests were carried out to establish normality, independence of errors, linearity and uncorrelation of errors as under:

#### 3.6.4.1 Normality of Error Distribution

Normality of error distribution was tested using the measures of kurtosis and skewness according to the recommendations by Tabachnick and Fidell (2011) which state that the distribution of the variable responses is considered normal if the kurtosis and skewness falls between -2.0 and +2.0.

**Table 3.5: Testing for Normality Requirements**

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Strategic planning platform	.409	.228	-.063	.453
Form. financing strategies	.401	.229	-.090	.455
Implementation framework	-.147	.228	.194	.453
Monitoring and Evaluation	.803	.229	-.312	.455
Strategic Planning Intensity	.671	.228	.569	.453
Annual Income	.418	.421	.073	.087
Financial Stability	.667	.228	.176	.453
Revenue Diversification	.603	.409	.078	.099

**Source:** Survey data (2014)

The test results were within the recommended range giving the assumption that the variables were normally distributed (Table 3.6).

#### 3.6.4.2 Testing for Independence of Errors

The Durbin-Watson statistic was used to test whether prediction of independence error were correlated for each of the objectives.

**I. Objective 1: Effect of Strategic Planning on Annual Income of National Sports Federations in Kenya**

Independent and dependent variables for objective one were tested for independence of errors using the Durbin-Watson Test. Results were as shown in Table 3.6.

**Table 3.6: Testing for Independence of Errors for Objective One**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.791 <sup>a</sup>	.626	.612	.438	1.541

. Predictors: (Constant), Overall Strategic Planning

. Dependent Variable: Annual income

*Source: Survey data (2014)*

According to the Tabachnick and Fidell (2001) recommendations the errors are deemed to be uncorrelated if the Durbin – Watson statistic falls within the range of 1.50 – 2.50 or 1.0 – 3.0 according to Field (2005). The results in Table 3.7 indicate a value of 1.541 implying that there was no correlation in the errors such that each error occurring was independent.

**II. Objective 2: Effect of strategic planning on financial stability of National Sports Federations in Kenya**

Independent and dependent variables for objective two were tested for independence of errors using the Durbin-Watson Test. Results were as shown in Table 3.7.

**Table 3.7: Testing for Independence of Errors for Objective Two**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.622 <sup>a</sup>	.387	.381	.55551	1.591

**Predictors:** (Constant), Overall Strategic Planning)

**Dependent Variable:** Financial Stability

*Source: Survey data (2014)*

According to the Tabachnick and Fidell (2001) recommendations the errors are deemed to be uncorrelated if the Durbin – Watson statistic falls within the range of 1.50 – 2.50 or 1.0 – 3.0 according to Field (2005). The results in Table 3.8 indicate a value of 1.591 implying that there was no correlation in the errors such that each error occurring was independent.

### III. Objective 3 Effect of strategic planning on revenue diversification capacity of National sports federations in Kenya

Independent and dependent variables for objective three were tested for independence of errors using the Durbin-Watson Test. Results were as shown in Table 3.8.

**Table 3.8: Testing for Independence of Errors for Objective Three**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.383 <sup>a</sup>	.150	.125	.50844	1.030

. Predictors: (Constant), Overall Strategic Planning

. Dependent Variable: Revenue Expansion capacity

*Source: Survey data (2014)*

According to Field (2005) recommendations the errors are deemed to be uncorrelated if the Durbin – Watson statistics falls within the range of 1.0 – 3.0. The results in Table 3.9 indicated a value of 1.030 implying that there was no correlation in the errors such that each error occurring was independent.

**IV. Objective 4: Moderating effect of strategic planning intensity on the relationship between strategic planning and financial performance of National Sports Federations in Kenya**

Independent and dependent variables for objective four were tested for independence of errors using the Durbin-Watson Test. Results were as shown in Table 3.9.

**Table 3.9: Testing for Independence of Errors for Objective Four**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>	<b>Durbin-Watson</b>
Financial Performance	.582 <sup>a</sup>	.339	.333	.57423	1.758
Strategic Planning intensity	.798 <sup>a</sup>	.637	.634	.43235	1.121

- a. Predictors: (Constant), Strategic Planning Intensity
- b. Dependent Variable: Financial Performance
- c. Dependent Variable: Strategic Planning

**Source:** Survey Data (2014)

According to Field (2005) recommendations the errors are deemed to be uncorrelated if the Durbin – Watson statistics falls within the range of 1.0 – 3.0. The results in Table 3.10 indicate a value of 1.758 and 1.121 implying that there was no correlation in the errors such that each error occurring was independent.

**3.6.4.3 Testing for Linearity of Independent Variables**

Correlation analysis was used to test for linearity and the strength of the relationship between the specific independent variables for each of the four objectives. Results of the analysis were as shown in Tables 3.10 and 3.11.

**Table 3.10: Correlation between Strategic Planning Variables**

<b>Independent Variable:</b>		Strategic Planning Platform	Formulation of Financial Strategies	Strategy Implementation	Monitoring and Evaluation
Strategic Planning Platform	Pearson Correlation	1	.485*	.571*	.501*
	Sig. (2-tailed)		.015	.020	.016
	N		112	112	112
Formulation of Financial Strategies	Pearson Correlation		1	.412*	.548*
	Sig. (2-tailed)			.010	.018
	N			112	112
Strategy Implementation	Pearson Correlation			1	.482*
	Sig. (2-tailed)				.012
	N				112
Monitoring and Evaluation	Pearson Correlation				1
	Sig. (2-tailed)				
	N				

\*\*. Correlation is significant at the 0.05 level (2-tailed).

**Source:** Survey Data (2014)

Correlation analysis (Table 3.10) indicates that there was a positive linear relationship between the different variables that determine the extent of strategic planning at 95% confidence limit. This implied that there was moderate co-linearity among the predictor variables to strategic planning that may have some effect on the results of the regression. However, according to Pasha, and Shah (2004), any correlation between the independent variables with  $r < 0.5$  and  $p < 0.05$  is considered acceptable. This is more applicable because the calculated VIF and Tolerance values were also within the acceptable levels as indicated by Montgomery and Peck, (1992).

**Table 3.11: Correlation between Strategic Planning Intensity Variables**

<b>Moderating Variable: Strategic Planning Intensity</b>		Planning expertise	Amount of resources devoted to planning	strategic planning-performance belief	Organizational size and structure
Planning expertise	Pearson Correlation	1	.130	.427*	.543**
	Sig. (2-tailed)		.471	.013	.001
	N		112	112	112
Amount of resources devoted to planning	Pearson Correlation		1	.575**	.203*
	Sig. (2-tailed)			.000	.032
	N			112	112
Strategic planning-performance belief	Pearson Correlation			1	.458**
	Sig. (2-tailed)				.000
	N				112
Organization size and structure	Pearson Correlation				1
	Sig. (2-tailed)				
	N				

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

\* . Correlation is significant at the 0.05 level (2-tailed).

**Source:** Survey Data (2014)

Correlation analysis indicates that there was a positive linear relationship between the different variables that determined the extent of strategic planning at both 95% and 99% confidence limits. This implied that there was moderate co-linearity among the predictor variables to strategic planning that may have some effect on the results of the regression. However, according to Pasha and Shah (2004), any correlation between the independent variables with  $r < 0.5$  and  $p < 0.05$  is considered acceptable. This is more applicable because

the calculated VIF and Tolerance values were also within the acceptable levels as indicated by Montgomery and Peck, (1992).

### 3.7 Data Cleaning and Screening

The data collected was cleaned and organized systematically according to specific objectives. The data was also screened to ensure its quality before embarking on data analysis. This was done by analyzing the behavior of the data in relation to the fulfillment of the conditions required for the analysis techniques that were used. Among the conditions analyzed before using both correlation and regression analysis included the following: missing data, the outliers, linearity as well as independence of errors and normality of error distribution.

#### 3.7.1 Analysis of Missing Data

Missing values which arise under various circumstances are common in social science research and there was no exception in this particular study. The missing variables in this particular study arose from incomplete filling of questionnaire by respondents and unavailability of financial records. The missing values were evaluated in the study with respect to each variable and as indicated in Table 3.12.

**Table 3.12: Missing Values**

Number of Variable Items	Number of Missing Values
88	0
3	1
2	2
2	3
2	6
<b>Total</b> 97	<b>12</b>

**Source:** Survey Data (2014)

Table 3.12 shows, 12 data values which were found missing during analysis. Financial performance indicators had the highest number of missing values due to incomplete financial records in some of the national sports federations. However, the spread of missing values per item was not significant hence, did not invalidate the variable constructs. Since the variables with missing values were less than 5% of the cases they were not deleted. This is in line with Tabachnick and Fidell (2001) who recommended that variables with missing values on less than 5% of the cases should not be deleted from analysis.

### **3.7.2 Analysis of Outliers**

Outliers refer to the data values that significantly differ from the majority of cases in the data set and are categorized as either Univariate or multivariate.

#### **3.7.2.1 Univariate Outliers**

The study analyzed the cases which had unusual values for the single variables for each of the independent, moderating and the dependent variables. The unusual variables were identified by converting all the scores for each variable to standard scores and a case treated as an outlier if its score had an absolute value above three as suggested by Stevens (2002). The results showed that there were no outliers. According to Stevens (2002), a case is treated as an outlier if its standard score has an absolute value above 3.0. None of the cases had a score of 3 and above. The researcher therefore concluded that there were no cases with Univariate outliers.

#### **3.7.2.2 Multivariate Outliers**

Mahalanobis distance ( $D^2$ ) which indicates how far a case is from the centroid of all cases for predictor variable was used to detect multivariate outliers. According to Tabachnick and Fidell (2001), a case is considered to be a multivariate outlier for the independent

variables if the probability associated with its  $D^2$  is to be 0.001 or less. In this study, none of the Mahalanobis distance ( $D^2$ ) values had a probability of less than 0.001. The researcher therefore concluded that there were no cases with Multivariate outliers.

### **3.8 Ethical Considerations**

This study took cognizance of a number of ethical issues that may affect this type of research. As a concept, 'research ethics' refers to a complex set of values, standards and institutional schemes that help constitute and regulate scientific research activity. Ultimately, research ethics is a codification of ethics of science in practice. In other words, it is based on general ethics of science, just as general ethics is based on commonsense morality (Ragnvald Kalleberg, 2005). Ethical issues are likely to arise from the areas including; confidentiality, disclosure of the purpose of the study, legitimacy of data, respect for values and views of respondents, professional assessment of each NSF and obligation to share the study findings with the concerned NSFs.

Before proceeding to the field for data collection, authorization was sought from National Commission for Science Technology and Innovation (Appendix IV). Respondents who did not wish to give certain responses regarding their federations were given an assurance regarding their right to confidentiality. The purpose of the study was made clear to the respondents and also assured that recommendations from the study would be made available to the federations to help them improve. The research tool was carefully developed to ensure legitimacy of the information gathered from the respondents. For the documents to be analyzed from the federations, all efforts were made to counter check them with the copies submitted to Kenya National Sports Council as annual returns, particularly where they appeared doubtful. Strategic planning approaches by the NSFs

were likely to be varied with some being none formal in nature. Each NSF was therefore assessed impartially, objectively and transparently in order to bring out competing schools of thought that may have characterized strategic planning in different organizations and managers.

## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

This chapter presents response rate, study findings and discussions. The analysis of variables and constructs was done using descriptive and inferential statistics. Descriptive analysis was approached using frequencies, means and standard deviations. Correlation and regression analyses were used to generate inferential statistics. The results are analyzed, discussed and interpreted based on each specific objective of the study.

#### 4.1 Response Rate

A sample size of 111 respondents was determined. However, during a pilot pre-testing involving 12 respondents who were not included in the final study, the researcher realized that a number of the targeted officials were difficult to locate given the temporary nature of their physical addresses. A survey approach which involved giving questionnaires to 144 respondents was therefore adopted to take care of possible non responses. Upon collection of the completed questionnaires 112 responded as shown in Table 4.1.

**Table 4.1 Actual Response from Target NSF's Officials**

Categories of NSF's Officials	Target Respondents	Actual Respondents	Percentage response
Chairmen	36	21	58.3%
Secretaries	36	25	69.4%
Treasurers	36	33	91.7%
Organizing/fix. Secretaries	36	33	91.7%
<b>Total</b>	<b>144</b>	<b>112</b>	<b>77.8%</b>

**Source:** Survey Data (2014)

Each official in every category was purposively issued with a questionnaire (Table 4.1).

The expectation was to get 144 questionnaires returned from all the four categories.

However, the officials responded in a varied manner with some categories returning more questionnaires than others. The main hitch was their availability for collection of the questionnaires by the researcher or assistants. In some cases the questionnaires were either not filled or were partially filled, particularly by the chairmen and the secretaries. The questionnaires which were not completely filled were treated as having missing data. A total of 112 questionnaires were returned giving an overall response rate of 77.8%. The response was higher than the determined sample size by one respondent. This was considered very close and therefore all were analyzed.

## **4.2 Strategic Planning Practices by NSFs in Kenya**

Descriptive analysis of responses from NSFs officials was done to establish extent of strategic planning practices by National Sport Federations in Kenya. Strategic planning as a predictor variable was measured using four indicators. The indicators used were extent to which NSFs had: established strategic planning platform; formulated financing strategies; developed clear implementation framework as well as their efforts in monitoring and evaluation. Analysis of strategic planning practices in the NSFs helped in addressing all the objectives of this study which involved testing effect of strategic planning and strategic planning intensity on financial performance of NSFs in Kenya.

### **4.2.1 Establishment of Strategic Planning Platform by NSFs in Kenya**

Extent of establishment of strategic planning platform was analyzed using ten constructs. The respondents were requested to rank statements that related to practices that establish strategic planning platform in their organizations using a Likert scale of 1-5 (Strongly Disagree; Disagree; Uncertain; Agree; Strongly Agree). They were also allowed to give remarks on alternative practices that actually existed in the organization other than what was stated where appropriate. Results are presented in Table 4.2.

**Table 4.2: Establishing Strategic Planning Platform**

	Strongly Disagree		Disagree		Uncertain		Agree		Strongly Agree		Total	
	f	%	f	%	f	%	f	%	f	%	M	SD
Value Clarity	1	0.9	7	6.3	23	28.6	49	43.8	32	20.5	3.62	.913
Key Planning Goals	0	0.0	16	14.3	16	14.3	68	61.1	12	10.3	4.35	.733
Key Strategic Initiatives	2	1.8	18	16.1	60	53.6	27	24.1	5	4.5	3.13	.800
Alignment Mechanism	1	0.9	20	17.9	67	59.8	23	20.5	1	0.9	3.03	.677
Strategic Plan	1	0.9	24	21.4	50	44.6	28	25.0	9	8.0	3.18	.893
Systems, controls & procedures exist	1	0.9	41	36.6	42	37.5	22	19.6	6	5.4	2.42	.902
Strategic Planning & action planning are linked	2	1.8	46	41.1	38	33.9	22	19.6	4	3.6	2.22	.893
SWOT analysis conducted	4	3.6	36	32.1	30	26.8	37	33.0	4	3.6	3.01	.977
Long term view	5	4.5	49	43.8	31	27.7	19	17.0	8	7.1	2.79	1.02

**Key: 1.0 - 1.4-** Strongly Disagree, **1.5 - 2.4** - Disagree, **2.5 - 3.4** - Uncertain, **3.5 - 4.4** - agree, **4.5 - 5.0-** Strongly Agree

**Source:** Survey data (2014)

Results in Table 4.2 indicate that majority of the respondents were uncertain on all the constructs of strategic planning platform. Most notable included: existence of alignment mechanism (59.8%,  $\mu = 3.03$ ,  $SD=0.677$ ), setting key strategic initiatives (53.6%,  $\mu = 3.13$ ,  $SD=0.800$ ), the fact that local branches, athletes and clubs set their own strategic and financial objectives and align it to their overall federation objective (48.2%:  $\mu = 2.76$ ) and need for clear understanding of the strategic plan (44.6%:  $\mu = 3.18$ ,  $SD=0.893$ ). This implies that majority of the officials were not engaged in practices that helped in establishing strategic planning platform. Although, a number of respondents were uncertain, the high variability in standard deviation (0.677-1.02) indicating that the respondents fell between disagree and agree. This position was further confirmed by the remarks given by the respondents in the remarks column of the questionnaires. The results

imply that the NSFs engage in practices that are associated with establishing strategic planning platform but in a haphazard manner. This is evidenced by the fact that a good proportion of respondents agreed and strongly agreed with existence of certain components of planning platform such as value clarity (agreed = 43.8%; strongly agreed = 20.5;  $\mu=3.62$ ;  $SD= 0.913$ ). A good number also confirmed existence of setting of key planning goals (combined agreed and strongly agreed = 71.4%;  $\mu= 4.35$ ;  $SD= 0.733$ ). These results show that there is lack of holistic approach to establishment of strategic planning platform and poor alignment of the elements that provide necessary prerequisite to strategic planning platform. This is in contradiction of Shapiro (1995) who recommends alignment of these elements if an organization has to have a sound platform for strategic planning. However, the results confirm observations by Thibault, Slack and Hinnings (1991) that raised two major concerns about strategic planning in sports federations by stating that in most instances, the individuals involved in the sports management are far more interested in sports participation and often used ad hoc approaches in planning. Secondly, for the voluntary organizations it is very often found that the individuals who spend all their working life in corporate firms planning were often reluctant to spend their spare time doing the same for sport organizations on voluntary basis. This left sport federations planning activities to popularly elected individuals who in most cases were not sound in strategic planning.

The respondents strongly disagreed with existence of systems, controls and procedures (36.6%: $\mu=2.42$ ) and that strategic planning and action planning were strongly linked (41.1%:  $\mu=2.22$ ). This implies that most NSFs could easily fall prey to misallocation of funds to unplanned non- priority activities. Furthermore, funds could easily pilfer through officials who were not obliged to be accountable through formal systems, controls and

procedures. Hoye and Cuskelly (2007) cited that national sport federations had to contend with weak governance systems which were manifested through poorly established processes which negatively affected their planning and overall financial condition. The extent of establishing strategic planning platform is encompassing and most previous studies cited looked at its aspects individually, the current study took a holistic approach which considered a combination of elements that constitute strategic planning platform and their complementarity (Shapiro, 1995). Results show the mean score for all items of strategic planning platform at 3.08. On a scale of 1 to 5 this means that the ratings were uncertain implying an overall weak establishment of strategic planning platform by National Sport Federations.

#### **4.2.2 Formulating Financing Strategies by National Sport Federations**

Extent of formulation of financing strategies was analyzed using five constructs that determine effective formulation of financing strategies by the National Sports Federations. Respondents were asked to rank statements which indicated practices and efforts that officials of the federations were putting in place to ensure formulation of sound financing strategies. Results are presented in Table 4.3.

**Table 4.3: Formulating Financing Strategies by National Sport Federations**

	Strongly Disagree		Disagree		Uncertain		Agree		Strongly Agree		Total	
	f	%	f	%	F	%	F	%	f	%	M	SD
Federation has formulated a number of financing strategies	1	0.9	42	37.5	40	35.7	17	15.2	12	10.7	2.97	1.00
Management sets annual financial targets which are tracked and reviewed quarterly	3	2.7	43	38.4	48	42.9	9	8.0	9	8.0	2.80	.928
Systems procedures and controls exist which ensure prudent management of financial resources	9	8.0	40	35.7	33	29.5	17	15.2	13	11.6	2.87	1.14
There is a well crafted marketing plan for the sports aimed at increasing revenue base	9	8.0	55	49.1	28	25.0	13	11.6	7	6.3	2.09	1.01
The federation developing strategic partnerships and are fairly accountable to them resulting to improved funding opportunities	4	3.6	31	27.7	49	43.8	19	17.0	9	8.0	2.98	.958

**Key:** 1.0 - 1.4- Strongly Disagree, 1.5 - 2.4 - Disagree, 2.5 - 3.4 - Uncertain, 3.5 - 4.4 - Agree, 4.5 - 5.0- Strongly Agree

**Source:** Survey data (2014)

Results show that majority of the respondents were uncertain of most of the efforts being made in terms of formulation of financing strategies to address financial performance. High percentages of those who were uncertain were noted in the components such as the need to develop strategic partnerships that are fairly accountable resulting into improved

funding opportunities (43.8%:  $\mu=2.98$ ) and the fact that management set annual financial targets which are tracked and reviewed quarterly (48%:  $\mu = 2.80$ ). Majority of respondents confirmed that there was a weak marketing plan put in place by NSFs aimed at increasing revenue base (49.1%:  $\mu = 2.09$ ). It is only a small percentage of the respondents ranging from 8.0% to 17.0% who agreed and strongly agreed with the statements.

The large percentage of those who were uncertain and those who disagreed with the components of the formulation of the financing strategies is an indication that formulation of financing strategies has not been taken seriously by the management of national sports federations in Kenya. This goes contrary to theory which allude a direct link between the qualities of strategies formulated and success in strategic planning, consequently leading to positive financial performance (Rogers et al, 1999).

These results confirm previous findings by researchers' that formulation of strategies has not been given attention by non-profit sports federations. A study by Thibault, Slack and Hinings (1993) revealed that NSFs in Canada placed little importance on development of strategies. They further posit that a number of NSFs used the concept of situational strategizing; where the strategy developed reflect the organization's prevailing situation. Hence, different organizational situations will yield different strategies and different performance results. Ferkins, Shilbury and McDonald (2005) highlighted significant gap in the knowledge and understanding of strategy formulation by most boards that were charged with managing sports. The individual mean score for each of the items was below 3.0 with the mean score for all the items being 2.74. This means that there was high uncertainty by respondents implying low involvement in formulation of financing strategies by the majority of the NSFs officials. However, the high variability in the standard deviations indicate that the majority of them fall between uncertain and agree

implying that quite a number of NSFs in Kenya employed ad hoc approach and placed little importance to strategy formulation. From the descriptive results it can be seen that officials of NSFs in Kenya have not given attention to comprehensive formulation of financing strategies. This could be responsible for their weak financial performance. The significance of formulating financing strategies on financial performance was robustly tested using correlation and regression analyses (Tables 4.7, 4.9, 4.11 and 4.12).

#### **4.2.3 Developing Clear Strategy Implementation Framework by NSFs in Kenya**

Extent of development of a clear implementation framework was analyzed using five constructs. The respondents ranked statements that relate to practices indicating the efforts which the federation management had put in place to ensure effective implementation of strategies in their organizations. Results are presented in Table 4.4.

**Table 4.4: Developing a Clear Implementation Framework**

	Strongly Disagree		Disagree		Uncertain		Agree		Strongly Agree		Total	
	f	%	F	%	f	%	f	%	f	%	M	SD
There is strategy implementation matrix guiding implementation of the process.	16	14.3	31	27.7	37	33.0	22	19.6	6	5.4	2.74	1.097
Activities / actions to be implemented are budgeted for	9	8.0	10	8.9	50	44.6	39	34.8	4	3.6	3.17	.939
Action plans have time lines.	3	2.7	20	17.9	59	52.7	26	23.2	4	3.6	2.93	.813
Structures have been put in place which is clearly understood by the officials.	13	11.6	15	13.4	61	54.6	20	17.9	3	2.7	2.87	.935
Roles are clearly defined and clear communication mechanism exist	18	17.1	20	17.9	58	51.8	24	21.4	2	1.8	3.07	.867

**Key:** 1.0 - 1.4- Strongly Disagree, 1.5 - 2.4 - Disagree, 2.5 - 3.4 - Uncertain, 3.5 - 4.4 - Agree, 4.5 - 5.0- Strongly Agree

*Source:* Survey data (2014)

Results in Table 4.4 indicate that majority of the respondents were either uncertain or disagreed with all the five constructs that relate to practices indicating existence of a clear implementation framework; there is strategy implementation matrix guiding implementation process (33%,  $\mu = 2.74$ ,  $SD = 1.097$ ), activities and actions to be implemented are budgeted for (44.6%:  $\mu = 3.17$ ,  $SD = .939$ ), that Action plans have time lines (52.7%:  $\mu = 2.93$ ,  $SD = .813$ ), that structures have been put in place which are clearly understood by the officials responsible (54.6%:  $\mu = 2.87$ ,  $SD = .935$ ) and that roles are clearly defined and there is clear communication mechanism (51.8:  $\mu = 3.07$ ,  $SD = .867$ ) as important components of developing a clear implementation framework.

A relatively smaller proportion of the respondents agreed that there is strategy implementation matrix guiding implementation process (19.6%), the activities and actions to be implemented were budgeted for (34.8%) and that action plans have time lines (23.2%). The results are indicative of weak development of implementation framework by NSFs in Kenya. The mean for all the items stood at 2.95 which would mean that the respondents were unaware of the existence of clear implementation framework, however the standard deviations showed high variability meaning that most respondents fell between disagree and agree. The implication of this is that there is a great variation in the development of implementation frame works among the NSFs in Kenya. This situation confirm the argument by Yow et al. (2000) who identified three reasons that make sports organizations struggle to implement their plans. First, officials lack training and do not know how to plan. This lack of knowledge prevents them from planning and from expecting others in the organization to plan. Second, officials do not think planning is necessary and see the process of planning as additional work without significant reward. These officials fail to see the benefits of planning. Third, officials see problems with the implementation of plans. These officials may know how to plan and may know well the benefits of planning but don't believe implementation can be effective.

Mintzberg (1994) and Miller (2002) posit that less than 50% of formulated strategies get implemented thus reducing the utility of strategic planning as a tool for improving performance. They further assert that every failure of strategy implementation is a reflection of weak formulation. This assertion is supported by Ferkins, Shilbury and McDonald (2005) who identified existence of a significant gap in the knowledge and understanding of strategy formulation by most boards that were charged with managing sports. The results show that NSFs generally lack clear implementation framework for

their strategies and there is lack of coordination of implementation activities. The majority of the officials showed lack of knowledge and understanding of components of clear implementation framework.

#### 4.2.4 Monitoring and Evaluation by National Sport Federations

Extent of Monitoring and Evaluation (M&E) of the implementation of strategic plans was analyzed using five constructs. Results are presented in Table 4.5.

**Table 4.5: Monitoring and Evaluation**

	Strongly Disagree		Disagree		Not sure		Agree		Strongly Agree		Total	
	F	%	f	%	f	%	F	%	f	%	M	SD
There are clearly stated financial performance objectives	13	11.6	69	61.6	19	17.0	10	8.9	1	0.9	2.26	.814
Federation emphasizes balanced measurement of objectives	15	13.4	67	59.8	17	15.2	12	10.7	1	0.9	2.26	.857
Information drawn from financial analysis is used to improve planning for improved future cash flows	11	9.8	63	56.3	21	18.8	14	12.5	2	1.8	2.40	.897
A monitoring and evaluation log frame exists and is objectively used by officials	23	20.5	59	52.7	11	9.8	17	15.2	2	1.8	2.25	1.009
Feedback mechanisms exists for incorporating learning experiences	9	8.0	60	53.6	22	19.6	19	17.0	2	1.8	2.51	.930

**Key:** 1.0 - 1.4- Strongly Disagree, 1.5 - 2.4 - Disagree, 2.5 - 3.4 - Uncertain, 3.5 - 4.4 - Agree, 4.5 - 5.0- Strongly Agree

*Source: Survey data (2014)*

Results in Table 4.5 indicate that majority of the respondents with percentages ranging from 52.7% to 61.6% disagreed with the statements that indicated the extent of monitoring and evaluation as part of strategic planning. The response scores for all the M&E components were 2.51 and below implying that most respondents rated this element of their strategic planning practices fairly low. Further, all the standard deviations save for existence and use of M&E log frame were below 1.00 indicating little variation in responses captured. The results show that monitoring and evaluation as part of strategic planning was heavily weak within the national sports federations. According to Shapiro (1995) monitoring and evaluation of the strategic plan enable planners to regularly reflect on the extent to which the goals are being met and whether action plans are being implemented. The results agree with the assertions of Andreff (2001) that NSFs are characterized by weak governance devoid of structured monitoring of federation activities. Munayi (2000) revealed that most of the officials of NSFs were not trained in management, further Andreff (1988) that assessment of NSFs financial position was hindered by inadequate data. The above situations mean that the NSFs officials may not have the capacity to carry out monitoring and evaluation. The results in the current study indicate that NSFs are weak in terms of monitoring and evaluation of their strategic planning and this could be responsible for their weak financial performance.

**Table 4.6: Summary of Strategic Planning Practices by NSFs**

<b>Strategic Planning Components</b>	<b>Combined Mean</b>	<b>Combined Standard deviation</b>
Establishment of Strategic Planning Platform	3.08	1.068
Formulating Financing Strategies	2.74	1.066
Developing Clear Strategy Implementation Framework	2.96	0.947
Monitoring and Evaluation	2.31	0.910

**Key: 1.0 - 1.4-** Strongly Disagree, **1.5 - 2.4 -** Disagree, **2.5 - 3.4 –** Uncertain, **3.5 - 4.4** Agree, **4.5 - 5.0-** Strongly Agree.

*Source: Survey data (2014)*

Table 4.6 shows combined means and standard deviations representing extent of agreement/disagreement with practices that promote strategic planning based on each strategic planning component. The majority of respondents fell between agreeing and disagreeing with establishing strategic planning platform, formulating financing strategies and developing clear strategy implementation framework in their NSFs. Monitoring and evaluation suffers most as respondents were either disagreeing or were uncertain of existence of the practices. The implication of the results points to a weak entrenchment of strategic planning among the NSFs in Kenya. The results contradict the expectation prior to the study that NSFs had embraced strategic planning practices following policy enactment by the government of Kenya in the year 2002. The overall position is that strategic planning in NSFs is weak.

### **4.3 Objective One: Effects of Strategic Planning on Annual Income of NSFs**

Effect of strategic planning on annual income was tested by regression analysis of the weighted annual income (dependent variable) of the NSFs over five year period (2009-2013) against components of strategic planning (independent variable).

### 4.3.1 Effect of Strategic Planning on Annual Income

The research objective one had sought to establish effect of strategic planning on annual income of National Sport Federations in Kenya. A multiple regression model was considered suitable in testing effect of strategic planning on annual income. The effect was analyzed by considering how components of strategic planning affected annual income individually and when they are considered together as hypothesized in the multiple regression model. The values from the analysis were as shown in Table 4.7.

**Table 4.7: Regression Analysis of Effect of Strategic Planning on Annual Income**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.319	.122		2.615	.014
	Establishing strategic planning platform	.231	.089	.085	2.595	.012
	Formulating financing strategies	.080	.034	.032	2.353	.027
	Developing clear implementation framework	.337	.092	.082	3.663	.002
	Monitoring and evaluation	.347	.107	.109	3.243	.000
		R = .791				
		R <sup>2</sup> = .626				
		Adjusted R <sup>2</sup> = .612				
		F = 44.801				

a. Dependent Variable: Annual Income (based on Return on Revenue Ratio)

**Source: Survey Data (2014)**

Results in Table 4.7 show that all the components of strategic planning significant effect on annual income of National Sports Federations. Monitoring and Evaluation had a Beta coefficient of 0.109 and was significant at 0.000 levels. Establishing Strategic Planning Platform had Beta coefficient of 0.085 (p= 0.012), for Developing Clear Implementation

Framework the Beta value was 0.082 (p= 0.002) and Formulating Financing Strategies had Beta value of 0.032 (p= 0.027). The results imply that all the components of Strategic Planning positively contribute to Financial Performance of NSFs in Kenya with Monitoring and Evaluation being the most influential. All the components were also significant at p<0.05% level. The regression summary was:  $R^2 = 0.626$ ; Adjusted  $R^2 = .612$ ;  $F = 44.801$ . The  $R^2$  indicates that the combined effect strategic planning components (independent variables) account for 62.6% of the variations in the Annual Income (dependent variable). Adjusted  $R^2$  is close to the  $R^2$  indicating accurate estimation of effect of Strategic Planning on Annual Income. To confirm model 4.1 for determining Annual Income of NSFs in Kenya based on Strategic Planning practices conceived in the study, unstandardized B coefficients were used with Strategic Planning Platform (B=0.231), Formulating Financing Strategies (B=0.080), Developing Clear Implementation Framework (B=0.337) and Monitoring and Evaluation (B=0.347)

$$\text{Annual Income} = .319 + 0.231 \text{ Establishing Strategic Planning Platform} + 0.080 \text{ Formulating Financing Strategies} + 0.337 \text{ Developing Strategy Implementation Framework} + 0.347 \text{ Monitoring and Evaluation} \dots \dots \dots 4.1$$

Results from regression analysis show that strategic planning has significant effect on annual income. The results are in agreement with the argument by Miller and Cardinal (1994) that strategic planning positively influences annual income of an organization. They investigated how firm size, capital intensity and environmental turbulence influence performance in firms with different degrees of formal strategic planning. The scholars concluded that the mean correlations support the thesis that planning positively affects growth and profitability. This argument is supported by Owolabi and Makinde (2012),

Fubara (1986), Alaka et al. (2011), Bolo, Mutoria and Oeba (2006), that a significant positive correlation exists between strategic planning and financial performance. Contradictions have also been noted in previous studies on strategic planning-annual income relationship. Boyd (1991) in a meta-analysis of 21 studies registered between modest to insignificant positive correlations which were attributed to measurement errors and unclear definition of strategic planning components. Bausman (2002) gave attention to the errors arising from the meta-analysis, and maintained the notion that there is a positive relationship between strategic planning and improved annual income.

However, descriptive analysis of strategic planning practices in NSFs in Kenya shows that there is weak entrenchment of the practice. This is a contradiction of the expectation since strategic planning in NSFs has been encouraged through a government policy since the year 2002. From the results it can be concluded that there is weak integration of all components of strategic planning in the National Sport Federations in Kenya despite strategic planning having positive effect on annual income. The low annual income registered by NSFs over the years is therefore due to weak application of all the strategic planning components.

#### **4.4 Effect of Strategic Planning on Financial Stability**

The research objective two had sought to investigate effect of strategic planning on financial stability of National Sports Federations in Kenya. Extent of financial stability was conceptualized in terms of constructs that point towards sustainable cash flows from diverse and stable sources, ability to meet annual financial obligations as they fall due and having sport industry foresight in terms of emerging financing trends. Strategic planning was envisaged to emphasize the practices that would ensure NSFs financial stability. The

variable used to determine the actual financial stability was the current ratio which is the ratio of current assets to current liabilities. Analysis of relevant constructs was done using weighted means, frequencies, percentages and multiple regressions.

#### **4.4.1 Extent of Financial Stability in National Sport Federations**

Extent of financial stability was analyzed using ten constructs that relate to practices that establish financial stability the federations. Results presented in Table 4.8.

**Table 4.8: Extent of Financial Stability**

	Strongly Disagree		Disagree		Uncertain		Agree		Strongly Agree		Total	
	F	%	f	%	f	%	f	%	F	%	M	SD
<b>Traditional financing sources have been strengthened</b>	3	2.7	39	34.8	40	35.7	25	22.3	5	4.5	2.91	.926
<b>Strategic planning has led to improved cash flows</b>	2	1.8	35	31.3	52	46.4	18	16.1	5	4.5	2.90	.849
<b>The federation has been able to meet her annual financial obligations</b>	4	3.6	66	58.9	21	18.8	10	8.9	11	9.8	2.13	1.041
<b>The federation regularly post surplus from the annual income</b>	20	17.9	63	56.3	15	13.4	10	8.9	4	3.6	2.24	.970
<b>The federation has more than one source of income which have been develop through careful planning</b>	6	5.4	31	27.7	45	40.2	24	21.4	6	5.4	2.94	.961
<b>Investors and sponsorships are carefully drafted so as not compromise its values and financial autonomy</b>	4	3.6	20	17.9	55	49.1	29	25.9	9	3.6	3.09	.876
<b>Growth in size and scope is planned and carefully marched with financial structures</b>	2	1.8	41	36.6	47	42.0	20	17.9	2	1.8	2.81	.811
<b>Customer /Consumer Insight</b>	1	0.9	46	41.1	33	29.5	22	20.5	2	1.8	2.95	1.003
<b>Sports Industry foresight</b>	2	1.8	53	47.3	32	28.6	23	20.5	1	1.8	2.73	.870
<b>There is a deliberate effort to involve all key stakeholders in discussions</b>	1	0.9	58	51.8	26	23.2	19	17.0	8	7.1	2.78	.984

**Key: 1.0 - 1.4- Strongly Disagree, 1.5 - 2.4 - Disagree, 2.5 - 3.4 - Uncertain, 3.5 - 4.4 - Agree, 4.5 - 5.0- Strongly Agree**

*Source: Survey Data (2014)*

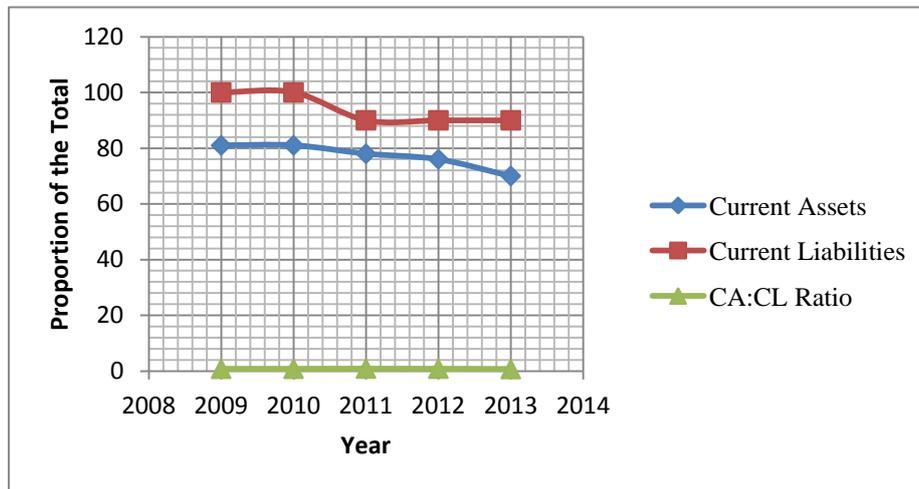
Results in Table 4.8 indicate that a larger proportion of respondents were uncertain on four out of the ten financial stability constructs that were analyzed. The most notable components of the financial stability which the respondents were uncertain of included: Traditional financing sources have been strengthened through innovative strategies (35.7%:  $\mu = 2.92$ ). There is evidence that strategic planning has led to improved cash flows from traditional sources (46.4%:  $\mu = 2.90$ ), the federations has more than one source of income which have been developed through careful planning (40.2%:  $\mu = 2.94$ ), investors and sponsorships are carefully drafted which ensure that the federation does not compromise its values leading to financial autonomy (49.1%:  $\mu = 3.09$ ), growth in size and scope is planned and carefully marched with structures that ensure financial sustainability (42.0%:  $\mu = 2.81$ ). The high proportion of uncertain responses could be explained from the point of view that the respondents could have been neutral and non-committal to avoid being associated with failure to manage their NSFs in a financially stable manner. The high variability in the standard deviations mean that most responses fell between disagree and agree. Given that the proportion of respondents who disagreed with financial stability constructs were equally high, this is indicative that issues of financial stability were not effectively addressed in the NSFs strategic planning. The respondents disagreed with the fact that the federation has been able to meet her annual financial obligations in the 5 years analyzed (58.9%:  $\mu = 2.13$ ) and the fact that the federation regularly posted surplus from the annual income after meeting operating expenses (56.3%:  $\mu = 2.24$ ). This is an indication that the NSFs are cash strapped and are not expected to be financially stable. On the basis of customer insight, most respondents disagreed with the constructs that were used to indicate close customer involvement and sport industry foresight. The results show that NSFs have not embraced the position espoused by Stewart (2007) that financial stability is dependent on the sport

organization's passionate relationship with their fan base and understanding of emerging industry trends. The findings also agree with views of Andreff (2001) that the management of sport in developing countries is characterized by weak governance, lack of clear policy and poor integration of sports stakeholders which has had a negative effect on their financial stability.

The percentages of respondents who agreed with constructs such as the fact that the federation has more than one source of income which have been developed through careful planning; customer /consumer insight exists and that investors and sponsorships are carefully drafted which ensure that the federation does not compromise its values leading to financial autonomy were relatively low at (21.4%:  $\mu = 2.94$ , 20.5%:  $\mu = 2.95$  and 25.9%:  $\mu = 3.09$  respectively). The lower means were indicative of the fact that although there are some NSFs that embraced strategic planning activities related to financial stability they remained few. These results confirm an earlier study by Winand (2009) who examined determinants of financial performance in sports federations in Belgium and found that very few NSFs practiced planning activities that led to financial stability with a number of them having ad hoc, incremental way of making policy relating to their financial performance, which led to many being financially unstable. Although ad hoc planning was not necessarily bad for all of NSFs depending on their size, it demonstrated a lack of effective strategic planning leading to financial instability when facing changing funding circumstances which did not augur well for their future (Slack, 1998). From the analysis of financial stability constructs done using means, frequencies and percentages, the findings point to lack of effective strategic planning for enhancing financial stability in National Sport Federations in Kenya.

#### 4.4.2 Analysis of Financial Stability based on Current Ratio

The weighted means of current assets were expressed in terms of current liabilities to determine the short term financial stability of the NSFs in Kenya and the analysis over the five year period presented in Figure 4.1 below.



**Figure 4. 1: Trend of Financial Stability based on CA: CL ratio**

*Source: NSFs Financial Data (2009-2013)*

Trend of current ratio Figure 4.1 shows that current liabilities remained high in the federations as compared to current assets. This gave an indication that the federations are unable to pay their creditors as the obligations fall due. The imbalance between the assets and the liabilities resulted into a small ratio that did not seem to be changing significantly from year to year. Borrowing from external sources is common in national sports federations but in this particular study, the results indicate that NSFs borrowed more money than what they generated directly from their activities. The observation was further strengthened by the fact that the current assets showed a steady downward trend over the five year period. The observed pattern of over reliance on borrowing is not very healthy in terms of financial stability because it denotes lack of sustainability. According to Stewart, (2007), sports organizations need to establish how well they can service their

short-term debts as they fall due as well as how well they manage their long-term borrowings. Short-term financial stability exists when the organization is able to meet its debt obligations as they fall due by having enough cash or near cash assets to cover all short-term debts. The results show that NSFs in Kenya have low current ratio below 1.0 which means they are not able to meet their short term debt obligations as they fall due. The implication is that on the basis of short-term stability NSFs are financially unstable.

#### **4.4.3 Effect of Strategic Planning on Financial Stability**

The research objective two had sought to investigate effect of strategic planning on financial stability of National Sports Federations in Kenya. Regression analysis was used to test the extent to which the components of the independent variable of strategic planning had effect on dependent variable of financial stability. Results which were used to hypothesize the multiple regression model are shown in Table 4.9.

**Table 4.9: Regression Analysis of Effect of Strategic Planning on Financial Stability**

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
1 (Constant)	.288	.115		2.504	.002
Establishing strategic planning platform	.359	.118	.114	3.042	.001
Formulation of financing strategies	.167	.055	.047	3.036	.001
Strategy implementation	.330	.060	.033	5.512	.000
Monitoring and evaluation	.180	.044	.022	4.091	.000
R = .622					
R <sup>2</sup> = .387					
Adjusted R <sup>2</sup> = .381					
F = 10.555					

. Dependent Variable: Financial Stability

**Source: Survey Data (2014)**

The results in Table 4.9 show the multiple regression analysis of effect of Strategic Planning on Financial Stability of NSFs in Kenya. The standardized Beta values for each of the Strategic Planning components were: Establishing strategic planning platform, Beta = 0.114 (p = 0.001); Formulation of Financing Strategies, Beta = 0.047 (p = 0.001); Developing Clear Implementation Framework, Beta = 0.033 (p = 0.000) and Monitoring and Evaluation, Beta = 0.022 (p = 0.000). The Beta coefficients on effect of individual Strategic Planning components on Financial Stability show that all of them have positive and significant effect on Financial Stability of NSFs in Kenya. The most influential variable was Establishing Strategic Planning platform with Beta = 0.114 (p = 0.001) with the least effective component being Monitoring and Evaluation, Beta = 0.022 (p = 0.000). When the combined effect of Strategic Planning Components on Financial Stability is considered then at p < 0.05; R-Square = 0.387 and the F-value = 10.555. The results imply that Strategic Planning account for 38.7% of the variations in Financial Stability

of NSFs in Kenya. This means although Strategic planning positively affect Financial Stability, an entire 61.3% of the variance in financial stability of NSFs in Kenya is contributed for by other factors. The results are in agreement with the descriptive analysis which indicated majority of the NSFs were not engaged in strategic planning efforts which addressed financial stability. The findings confirm an earlier study by (Winand, 2009) of sports federations in Belgium which found that very few NSFs practiced planning activities that led to financial stability. The results are indicative of the financial vulnerability of NSFs in Kenya when faced with changing funding circumstances especially from government and sponsors (Slack, 1998). Using the unstandardized Beta coefficients for Strategic Planning, a model derived for analysis of Financial Stability of National Sports Federations:

$$\text{Financial stability} = 0.288 + 0.359 \text{ strategic planning platform} + 0.167 \text{ formulation financing strategies} + 0.330 \text{ existence of strategy implementation framework} + 0.180 \text{ monitoring and evaluation} \dots\dots\dots 4.2$$

The significant positive linear relationship indicate that the different variables that determine the extent of strategic planning are important and are related such that when gearing to embark on the strategic planning process, none should be left out. The relationships also indicated the importance of the components of strategic planning on financial stability. However, in the case of NSFs in Kenya responses from sports officials indicated that some of the elements of strategic planning that enhanced financial stability were not being effectively practiced. The varied approach with which NSFs embrace strategic planning as reported from descriptive analysis of responses from the officials could be responsible for their weak financial stability. This draws concurrence with a study by Wijesinghe, Ten and Foreman (2012) in Sri Lanka with 150 selected Small and

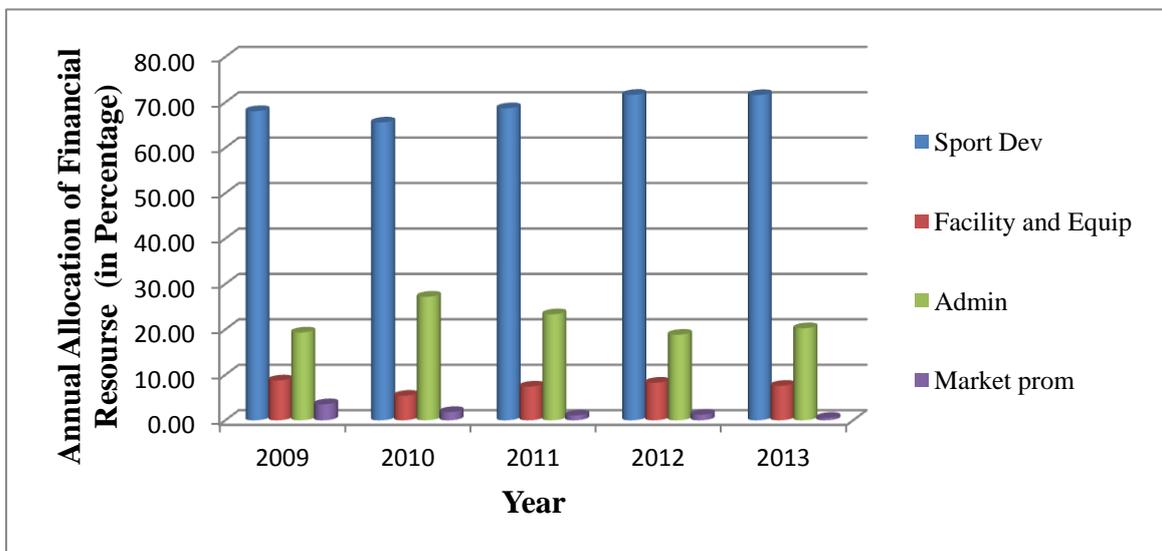
Medium Enterprises (SMEs) and eight case studies which concluded that less than 25% (32) of the respondents were using formal strategic plans leading to majority of the organizations being financially unstable. However, a part from Winand (2009), Andreff (2001) and Slack (1998) studies linking strategic planning and financial stability of NSFs seem to be lacking. This study makes a significant contribution to knowledge by testing the link between strategic planning and financial stability of sport organizations in general and NSFs in Kenya in particular an area of previous research gap.

#### **4.5 Effect of Strategic Planning On Revenue Diversification Capacity**

The research objective three had sought to analyze effect of Strategic Planning on the Revenue Diversification Capacity of National Sports Federations in Kenya. Revenue Diversification capacity was conceptualized in terms of constructs which measure innovative use of traditional sports financing sources alongside non-traditional sources. It was also approached from National Sports Federations' officials' effectiveness in allocation of financial resources towards marketing activities that yield more revenues (Stewart, 2007). For ease of analysis financial sources were grouped under four categories namely; borrowings, corporate sponsorship, government support and operations. Within each category both traditional and non-traditional financing sources were considered. Financial allocation was assessed in terms of sports development, facility and equipment acquisition, administration and, marketing and promotion. Under each area the study was keen on the relative allocative importance given to revenue generation compared to routine management issues. Analysis was done descriptively using weighted mean percentages; and inferential analysis was done using Pearson correlation coefficient and multiple regression equation 3.1.

#### 4.4.1 Annual Allocation of Financial Resources by National Sport Federations in Kenya

Analysis of the NSF's income statements helped in establishing how they allocated their financial resources. The purpose of evaluating allocation (utilization) of financial resources was to determine the level of strategic focus with respect to diversification of revenue sources. The analysis of the allocations of financial resources was done using weighted mean percentages and results presented as shown in Figure 4.2.



**Figure 4. 2: Annual Allocations of the Financial Resources by NSFs**

*Source: NSF's Financial Data (2009-2013)*

Results in Figure 4.2 show that the allocation of the federations' financial resources was mainly in four areas. Among the four areas of resource allocation, sports development was allocated the largest share of resources each year by each NSF (65% - 70%) followed by administration, taking between (19%- 25%) while facility and equipment improvement, and marketing and promotions took the least share of below 10% each year. This showed that most of the NSFs tend to lay emphasis on sports development. Whereas sports development is encompassing remarks from the NSFs officials revealed

that they mainly concentrated on organizing tournaments where affiliate clubs are invited to compete. Despite this being a source of revenue which may be generated through participation fees, these very sources are restricted in terms of the number of teams and facilities such as stadia where gate ticketing may effectively be administered. Furthermore, most NSFs do not have control over individual player development, and formation and sustainability of clubs leave alone being assured of their participation in the federation organized tournaments. It can therefore be concluded that most national sports federations in Kenya seem to be operating mainly of Amateur Sports Planning Model as described by Stewart (2007) associated with restricted revenue diversification capacity. Some of them could be described as embracing the Traditional Professional Sports Planning Model as described by Andreff and Staudohar (2000) but with less emphasis on attracting the members and fans through facility improvement and marketing efforts. However, the changes in yearly allocations per item were not significantly different over the five year period, indicating that the national sports federations were not innovative in terms of resource allocation to enhance revenue diversification.

#### **4.5.2 Financing sources of National Sport Federations in Kenya**

The changes in the financing sources of the federations were used as one of the indicators for analyzing revenue diversification capacity of national sports federations. The extent of change in revenue diversification capacity was in turn determined by analyzing the changes in the sources of financing for the NSFs over a five year period. Analysis of the balance sheets of NSFs helped determine their financing sources. Analysis was done using percentages to provide averaged financing sources of NSFs in Kenya between 2009-2013 and results presented in Table 4.9.

**Table 4.10: Averaged components of financing sources of NSFs**

	<b>Borrowing</b>	<b>Corporate/NOC- K/ Sponsorships</b>	<b>Government Support</b>	<b>Operation</b>	<b>Total</b>
<b>Components of Financing Sources</b>	25.16%	28.36%	16.38%	30.10%	100%

*Source: NSFs Financial Data (2009-2013)*

Results in Table 4.10 show that over the five year period the main source of financing for the NSFs was operations (30.10%) followed by sponsorship (28.36%). The percentages for borrowing was (25.16) while government support accounted for (16.38) of the averaged composition of financing sources. The results show that NSFs in Kenya largely rely on external financing which constitute 69.90% leaving only 30.10% being generated internally from federation activities. The implication of this is a clear manifestation of lack of revenue diversification since the managements of the federations have to depend on the limited external sources to realize their sporting goals. Further, sponsorship that constitute the second largest source (28.36%) is normally pegged on marketing interests very few commercial firms and the revenues generated from sponsors only met operating expenses of specific sponsored events. Support from NOC-K and government only come in a limited way when a national team of a federation qualifies for international assignments and through occasional training programmes. Borrowings are often in form of unpaid for services such as hire of stadia, accommodation for national teams during preparations and championships and rent for office space among others hence, do not help in acquisition of assets that could diversify sources of revenue. Comments from the respondents indicated that the 30.10% financing from NSFs operations mainly target tournament participation fees and annual affiliation fee paid by clubs. The only other source which is limited and unreliable is gate ticketing where tournaments are held at venues with enclosed stadia. The

findings mean that NSFs are unable to generate revenue through effective strategic planning which would enable them to diversify potential revenue streams from the sports spectacles themselves contrary to a position espoused by Andreff (1992) for a sustainable revenue base.

The revenue trends revealed by NSFs from the analyses (Table 4.10) agree with Slack (1998) who observed that Canadian sport federations have been the least successful to replace state funding with corporate financial support and were showing signs of returning to the 'kitchen table' type of design associated with very limited revenue sources. This organizational design shows a handful of charismatic volunteers who manage the policies, programs and finances of the organization with little planning and informal rules, regulations, decision making and communication (Kikulis et al, 1992). Sport federations that operate at the level of the 'kitchen' table model have very little revenue diversification capacity and often rely on government funding to host any international event leave alone participating abroad (Andreff, 1992). This study contributes towards unraveling the limited manner in which NSFs in Kenya approach revenue diversification in their planning and proceeds to show case the effect of strategic planning in revenue diversification

#### **4.5.3 Correlation between strategic planning and revenue diversification capacity**

Correlation analysis was used to test for linearity and the strength of the relationship between the specific strategic planning variables (Establish strategic planning platform, Formulating financing strategies, Strategy implementation, Monitoring and evaluation) and the components of the revenue diversification capacity (allocation of financial resources and the financing sources) for the NSFs in Kenya. Results are presented in Table 4.11.

**Table 4.11: Correlation between strategic planning and Revenue Diversification**

		<b>Revenue diversific ation</b>	<b>Establish strategic planning platform</b>	<b>Formulation of financing strategies</b>	<b>Strategy impleme ntation</b>	<b>Monitoring and evaluation</b>
<b>Revenue diversific ation</b>	Pearson Correlation		.171	<b>.488*</b>	.171	.092
	Sig. (2-tailed)		.343	<b>.005</b>	.341	.612
	N		33	33	33	33

*Source: Survey Data (2014)*

Table 4.11 revealed that there was only one component of strategic planning which was significant and positively correlated with revenue diversification capacity. The notable correlation was between formulation of financing strategies and revenue diversification capacity ( $r = 0.488$ ;  $p = 0.005$ ). The results relate revenue diversification to formulation of financing strategies leaving out other important components such as establishing strategic planning platform, strategy implementation, and monitoring and evaluation. The result implies that the NSFs in Kenya although formulate strategies aimed at diversifying their revenue base, they do not consider relevance of financing strategies to their industry environment which would be revealed by establishing strategic planning platform. The financing strategies are also not implemented and consequently not monitored and evaluated. It further confirms that the NSFs in Kenya are still operating in the Amateur (Kitchen table model) of sports planning (Stewart, 2007; Andreff, 1992) which is characterized by limited revenue diversification. This situation revealed by the current study in the NSFs in Kenya is consistent with previous observations by (Andreff & Staudohar, 2000; Winand, 2009) who asserted that sport federations with constrained financial performance had a problem with their revenue diversification capacity.

#### 4.5.4 Effect of Strategic Planning on Financial Sources

Regression analysis was used to test the extent to which the independent variables of strategic planning influenced the dependent variable (financial sources) which provides an easily observable evidence of revenue diversification capacity of an organization. The results were as shown in Table 4.12.

**Table 4. 12: Effect of strategic Planning on Financial Sources**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.574	.995		1.582	.124
Overall Strategic Planning	.189	.308	.110	.614	.544
R	.110				
R <sup>2</sup>	.012				
Adjusted R <sup>2</sup>	.020				
F	14.213				

a. Dependent Variable: Financial Sources

b. Predictors: Overall Strategic Planning

*Source: Survey Data (2014)*

Table 4.12 presents results of regression analysis of financial sources as affected by strategic planning. The results show that the effect is insignificant (B = 0.189, Beta =0.110; p = 0.544) although there is a positive relationship between strategic planning and financial sources (R = 0.110). The R<sup>2</sup> value of 0.012 indicates that strategic planning influenced only1.20% of the decisions on financial sources in the case of NSFs in Kenya; the low contribution of strategic planning to decisions on financial sources shows that revenue diversification is not influenced by strategic planning. This contradicts Smith and Stewart (1999) and Gerrard (2005) who both agree that a good financial performance for a sport organization can be achieved by enhancing revenue diversification capacity and cost reduction strategy arising from managerial planning

effectiveness and efficiency. From the results, NSFs in Kenya seem to pursue sporting objectives more than financial success hence, their low revenue diversification capacity. This perhaps explains why NSFs in Kenya are constrained financially. This is consistent with views of Wicker and Breuer (2013); Barajas and Rodriguez (2010); and Dietl and Franck (2007) who assert that sports organizations that placed more emphasis on sporting objectives at the expense of financial success were often cash trapped and ended up failing to realize sporting success.

#### **4.6 Moderating Effect of Strategic Planning Intensity on the Relationship between Strategic Planning and Financial Performance**

The fourth objective sought to determine moderating effect of strategic planning intensity on the relationship between strategic planning and financial performance of national sports federations in Kenya. Data analysis was done to establish the extent to which strategic planning intensity affected financial performance of the National Sports Federations in Kenya. The strategic planning intensity was treated as the independent variable moderating both strategic planning and financial performance and was analyzed using the constructs that determine the conditions required to establish strategic planning intensity. The constructs used in the analysis included the following: planning expertise, amount of resources devoted to planning, planning performance-belief as well as organizational size and structure.

The relationship between strategic planning intensity and the financial performance was analyzed using weighted means, frequencies, percentages and step-wise regression model. Financial performance was measured in terms of gross income. This was meant to avoid a situation where annual income may be negative as may be the case when annual income is measured in terms of net income (return on revenue).

#### 4.6.1 Extent of Strategic Planning Intensity by NSFs in Kenya

Extent of strategic planning intensity was analyzed using four constructs that would determine its effect on financial performance. The respondents were requested to rank statements on practices that relate to the strategic planning intensity and improved financial performance in the NSFs using a Likert scale of 1-5 (Strongly Disagree; Disagree; Uncertain; Agree; Strongly Agree). They were further requested to give brief comments on evidence of similar practices. They were also allowed to provide alternative views of what actually existed in the organization in the remarks column. The analysis of the responses was done using frequencies, percentages, means and standard deviations and results presented in Table 4.13.

**Table 4.13: Extent of Strategic Planning Intensity**

	Strongly Disagree		Disagree		Not sure		Agree		Strongly Agree		Total	
	f	%	f	%	f	%	F	%	f	%	M	SD
<b>Strategic Planning expertise</b>	8	7.1	8	7.1	55	49.1	26	23.1	15	13.4	3.29	1.05
<b>Organizational size and structure</b>	1	0.9	13	11.6	59	52.7	30	26.8	9	8.0	3.29	0.812
<b>Strategic planning-performance belief</b>	1	0.9	33	29.5	56	50	16	14.3	6	5.4	2.95	0.831
<b>Allocation of adequate resources to strategic planning</b>	7	6.2	42	37.5	51	45.5	12	10.7	12	10.7	2.61	0.764

**Key: 1.0 - 1.4-** Strongly Disagree, **1.5 - 2.4 -** Disagree, **2.5 - 3.4 -** Uncertain, **3.5 - 4.4 -** Agree, **4.5 - 5.0-** Strongly Agree

*Source: Survey Data (2014)*

Results in Table 4.13 indicate that the majority of the respondents (between 45.5% and 52.7%) were uncertain of the level of intensity attached to strategic planning through existence of planning expertise (49.1%,  $\mu=3.29$ ,  $SD =1.05$ ); organization size and structure (52.7%,  $\mu=3.29$ ,  $SD =0.812$ ); planning-performance belief (50%,  $\mu=2.95$ ,  $SD = 0.831$ ) and allocation of adequate resources to strategic planning (45.5%,  $\mu=2.61$ ,  $SD = 0.764$ ) by their federations. Approximately 37.5% and 29.5% disagreed with the fact that there was some resources attached to planning and that there was a planning-performance belief in their organizations respectively. On the basis of high variability in the standard deviations the responses were considered to spread between disagree and agree. The implication of these results point to high variability in strategic planning intensity in the NSFs in Kenya. This was also supported by the fact that only about 38% of the organizations had indicated in their responses that they had strategic plans for their federations. These results indicate that NSFs lack intensity in their strategic planning. This situation is inconsistent with positions taken by a number of scholars. Mankins and Steele (2005) support the Strategic Planning - Performance Claim but argue that companies typically only realize 63% of the potential value of their strategy because of defects in planning and execution (intensity). Drago and Clements (1999) and Rogers et al. (1999) are all in agreement that strategic planning intensity leads to better organizational performance.

#### **4.5.2 Moderating Effect of Strategic Planning Intensity on the Relationship between Strategic Planning and Financial Performance**

The research objective four sought to determine the moderating effect of strategic planning intensity on the relationship between strategic planning and financial performance. This was done using a step-wise multiple regressions (equation 4.3).

Regression analysis was used to test the extent to which the independent variables of Strategic Planning Intensity influenced the dependent variable (Financial Performance) individually and when it interacted with strategic planning. Stepwise multiple regressions were used as shown in Table 4.14.

**Table 4.14 Moderating effect of strategic planning intensity on strategic planning and financial performance relationship**

Model 1	Unstandardized Coefficients		Standardised Coefficients Beta	t	Sig.F Change	Co-linearity Statistics	
	B	Std. Error				Tolerance	VIF
(Constant)	.771	.325	.299		.044		
Strategic Planning	.481	.127	.089	3.7 87	.000	.739	1.006
Strategic planning Intensity	.251	.109	.289	2.3 03	.002	.739	1.354
R	.834						
R <sup>2</sup>	.696						
Adjusted R <sup>2</sup>	.676						
F Change	34.333						

Model 2	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.F Change	Co linearity Statistics	
	B	Std.Error				Tolerance	VIF
(Constant)	.657	.439	.399		.000		
Strategic Planning	.389	.064	.051	6.078	.000	.731	1.004
Strategic Planning Intensity	.231	.038	.041	6.079	.000	.771	1.008
Interaction	.201	.034	.029	5.912	.000	.743	1.020
R	.803						
R <sup>2</sup>	.644						
Adjusted R <sup>2</sup>	.589						
R <sup>2</sup> Change	.055						
F Change	31.324						

- a. Dependent Variable: Financial performance  
b. Predictors: (Constant), Strategic Planning Intensity, Strategic Planning  
*Source: Survey Data (2014)*

**Step 1:** The relationship between Strategic Planning and Strategic Planning Intensity was determined, without the interaction term (Table 4.14, model 1), the unstandardized

coefficients of Strategic Planning and Strategic Planning Intensity were  $B = 0.481$  ( $p = 0.000$ ) and  $B = 0.251$  ( $p = 0.002$ ) respectively. This meant that a unit percentage change in strategic planning will result in 0.481% change in financial performance of NSFs while a unit percentage change in strategic planning intensity will lead to 0.251% change in financial performance of the NSFs in Kenya. The coefficients for the moderator regression were reported in terms of unstandardized (raw) values since they represent simple effects instead of main effects brought about in the additive regression model (Whisman & McClelland, 2005) cited by Ondoro (2014). The  $R^2$  was 0.696 and adjusted  $R^2$  being 0.676.

**Step 2:** Inclusion of the interaction variable (standardized values of Strategic Planning and standardized values of Strategic Planning Intensity) the coefficients for Strategic Planning was  $B = 0.389$  ( $p = 0.000$ ), Strategic Planning Intensity was  $B = 0.231$  ( $p = 0.000$ ) while interaction term was  $B = 0.201$  (0.000). The  $R^2$  change (0.055) was positive and significant ( $p = 0.000$ ) confirming moderating effect of Strategic Planning Intensity. The predictor variables of Strategic Planning and Strategic Planning Intensity used in the model were both significant ( $p = 0.000$ ) indicating that they were predicting the variance. The significant interaction was an indication that the strategic planning intensity did moderate the effect of strategic planning on the financial performance. The results supported the hypothesized moderating model which was drawn as:

$$Y = 0.657 + 0.389SP + 0.231SPI + 0.201SP \times SPI \dots \dots \dots 4.3$$

The model implies that a unit change in Strategic Planning Intensity changes the relationship between Strategic Planning and Financial Performance by 0.201. The results confirm that Strategic Planning Intensity enhances the strength of relationship between

the Strategic Planning and Financial Performance of NSFs in Kenya. This is in agreement with Whisman and McClelland (2005) who asserted that a negative coefficient of the interaction term means the slope relating independent variable to dependent variable is reduced by increasing the moderator variable and vice versa.

The adjusted  $R^2$  of model 1 is 0.676 while  $R^2$  is 0.696 this shows a drop of 0.020, while  $R^2$  change in model 2 is 0.055 in regression model 2 (Table 4.14) when the interaction is introduced. In both cases the shrinkage of  $R^2$  falls below acceptable ceiling of 0.5 (Field, 2005). This imply that the models are valid and stable for predicting financial performance at 69.6% and 64.4% variance respectively. The results confirm a fairly high power to detect interactions contrary to previous thresholds set by Fairchild and Mackinnon (2009) at as low as 7.8% or even 1% which although very small but still confirm moderation. The high power of moderating effect of strategic planning intensity in this result is contrary to the hypothesized position that strategic planning intensity has no moderating effect on the relationship between and financial performance of National Sport Federations in Kenya. The results confirm findings by Paul (2004), Karabulut and Efendioglu (2010) and Winand (2009) who variously said the relationship between strategic planning and performance was often compromised by other factors that in this study constituted Strategic Planning Intensity. Further, the results address Strategic Planning Intensity gaps in sport organizations identified by Oakley and Green (2001), Thibault, Slack and Hinnings (1991). Consequently it can be concluded that the current weak financial performance of NSFs in Kenya despite a number of them having strategic plans could be due to lack of emphasis in Strategic Planning Intensity as shown in results of descriptive analysis.

## **CHAPTER FIVE**

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

This chapter presents the summary of key findings, conclusions, recommendations of the study, contributions of the study, limitations of the study and suggestions for further research.

#### **5.1 Summary of the Findings**

The general objective of this study was to establish the effect of strategic planning, strategic planning intensity on financial performance of National Sport Federations in Kenya. The results showed that strategic planning had a positive effect on financial performance of National Sport federations in Kenya. Results also revealed that strategic planning significantly affected financial performance of National Sport federations in Kenya.

The first specific objective of the study sought to establish effect of strategic planning on annual income of National Sports Federations in Kenya. Findings revealed that there is a positive and significant relationship between strategic planning and annual income. However, integration of all strategic planning components was weak among the National Sports Federations in Kenya which explain why most of them regularly posted deficits in their annual income.

The second objective was to investigate effect of strategic planning on financial stability of National Sports Federations in Kenya. It was hypothesized that Strategic Planning had no significant effect on financial stability of National Sports Federations in Kenya. Multiple regression analysis revealed, contrary to the null hypothesis, that all strategic planning variables had positive and significant effect on financial stability of National

Sports Federations in Kenya. However, results of investigations on the views of NSFs officials regarding practices that enhanced financial stability indicated that the majority of them were uncertain, although with high variability of the existence of the practices leading to financial stability within their federations. The results imply existence of weak integration of strategic planning practices associated with financial stability in the National Sports Federations in Kenya.

The third objective sought to analyze effect of strategic planning on revenue diversification capacity of National sports federations in Kenya. Results showed that effect of strategic planning on revenue diversification capacity is not significant although there is a positive relationship between strategic planning and revenue diversification capacity measured in terms of financial sources. Results of correlation analysis were mixed with two components of strategic planning being significant (formulating financing strategies and monitoring and Evaluation) leaving out other two components of strategic planning (establishment of the strategic planning platform and strategy implementation) which is contradictory since the components complement one another. Regression analysis confirmed that strategic planning had a positive effect on revenue diversification although the relationship was insignificant. Results from descriptive analysis showed that NSFs had low revenue diversification capacity.

The fourth objective was to determine moderating effect of strategic planning intensity on the relationship between strategic planning and financial performance of National Sports Federations in Kenya. Objective four hypothesized that Strategic Planning Intensity had no moderating effect on the relationship between strategic planning and financial performance of National Sports Federations in Kenya. The analysis of the interactions

indicated that strategic planning intensity had a moderating effect. The null hypothesis ( $H_0$ ) was rejected, thus it was restated that Strategic Planning Intensity had a moderating effect on the relationship between strategic planning and financial performance of National Sports Federations in Kenya. However, during investigations on views of NSFs officials with respect to the constituent variables of strategic planning intensity, the majority of them did not seem to be sure of the variables or their level of practice. The high variability in their response implies that strategic planning intensity was generally weak in National Sports Federations in Kenya.

## **5.2 Conclusions**

In conclusion, strategic planning has a positive effect on financial performance of National Sport Federations in Kenya. Specifically, Strategic planning had a positive and significant effect on annual income and financial stability of National Sport Federations in Kenya. Also, Strategic planning had a positive effect on revenue diversification capacity of National Sport Federations in Kenya, despite the effect being insignificant. On strategic planning intensity, it significantly moderates the relationship between strategic planning and financial performance. However, weak application of strategic planning intensity in National Sports Federations in Kenya could be responsible for their overall poor financial performance.

## **5.3 Recommendations**

The study recommends that officials of National sports federations in Kenya should improve overall financial performance through strategic planning practices. Specifically, they should: strengthen strategic planning practices in order to improve their annual income, financial stability and revenue diversification capacity; further, National Sport

Federations in Kenya should strengthen strategic planning intensity by enhancing their planning expertise, committing adequate resources to planning effort, improving planning-performance belief and aligning strategies to structures that suit the sizes of the individual federations.

#### **5.4 Contributions of the Study**

The current study makes a number of contributions to theories of strategic planning as it relates to financial performance of sports organizations. This study stands out as the first one to test the combined effect of all components of strategic planning on annual income of non-profit National Sport Federations in developing countries in general and Kenya in particular. The findings strongly agree with prescriptive strategic planning literature which advocates existence of a positive relationship between strategic planning and financial performance firms.

This study makes a significant contribution to knowledge by testing the link between strategic planning and financial stability of sport organizations in general and NSFs in Kenya in particular. The link between strategic planning and financial stability has previously been deprived of research attention, most previous studies focused on more pronounced financial performance indicators including profit and return on assets among others. In this study financial stability was specifically addressed and contextually extended to include ability to meet sport specific non-debt obligations.

The current study is the first one to test the effect of strategic planning on revenue diversification of non-profit National Sport Federations in Kenya. For-profit organizations anchor their revenue diversification strategy on Markowitz portfolio concept. The study therefore contributes to cross discipline application of the of revenue

diversification theory in non-profit sport organizations in general and NSFs in Kenya in particular.

The findings of this study lead to extension of theory in terms of the relationship between strategic planning and financial performance by introducing strategic planning intensity as a moderator in the relationship which has often been mentioned but seldom tested in previous studies. This could provide empirical insight on why organizations including NSFs often fail to realize the full potential of strategic planning by ignoring moderating variables. The study went further into testing the integration of the elements of strategic planning intensity among NSFs as well as their combined effect as moderators.

### **5.5 Limitations of the Study**

The study was limited to audited financial records of National Sports Federations in Kenya. Some of these records could have been manipulated for general public consumption of member clubs during annual general meetings when the actual situation could have been different. Further, financial records did not account for services offered by volunteers. However, an attempt was made to corroborate the statements with other records and reports drawn from Kenya National Sports Council and Ministry of sports.

Some National Sports Federations did not provide all the financial statements. A few of them availed unaudited financial reports. It was difficult to get records of game attendance by fans among others. Unavailability of some of these records made it difficult for the researcher to calculate and analyze certain critical financial performance indicators such as long-term financial stability, cash adequacy ratio and measuring operating efficiency using revenue efficiency ratio. These financial performance measures

could have enriched the study. Nonetheless, the less the information gathered met the critical threshold sufficient for credible conclusion.

Administration of questionnaires posed a challenge particularly with officials who were residing away from Nairobi. This challenge had been realized during pilot study; hence, instead of confining administration of questionnaires to only the established sample size for the study, questionnaires were distributed to the entire target population apart from those used in the pilot study. Further, to achieve the desired response rate data collection was given more time than had earlier been anticipated.

Although the study was limited to nonprofit National Sports Federations in Kenya, the model developed may be applicable across the sport industry. The findings may also be generalized to other organizations in improving both financial and non-financial performance,

## **5.6 Suggestions for Further Research**

The overall integration of strategic planning practice as a tool for improving financial performance in National Sports Federations in Kenya was found weak. This situation contradicts the efforts made by the government in a period of more than ten years in encouraging NSFs to develop and implement strategic plans. In deed the current study established that most of the federations had strategic plan documents, yet the responses from officials regarding practices that lead to effective strategic planning revealed that the practices were not entrenched. To resolve this dilemma, there is need for future research to focus on the barriers to strategic planning effectiveness in National Sports Federations in Kenya.

This study focused on effect of strategic planning on financial performance. Future studies could incorporate other performance measures including quality of sport, on-field success and player satisfaction and whether they had any significant link to financial performance. This would enrich the understanding of effect of strategic planning on non-financial performance of National Sports Federations in Kenya. Such a study could even consider using financial performance as a moderator. Further, future studies should consider non- monetary services of volunteers and how such services could be accounted for to reflect their proportion in the overall financial capacity of the federations.

The current study was mainly carried out at National Sports Federations level. There is need to explore the effect of strategic planning, strategic planning intensity on financial performance at local and club levels. This would provide a good assessment of integration of the practice at the grassroots which is critical for overall sport development.

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## APPENDIX I

### QUESTIONNAIRE (Administered to NSFs Officials)

**BIO DATA:**

**Name of Sport Federation/Association**-----

**Designation of respondent**-----

**Professional training/career**-----

**Contact**-----

The following questions/ statements seek to establish **Effect of Strategic Planning on Financial Performance in your federation/association**. Kindly provide honest, objective and accurate response as relates to your organization.

**1.0.STRATEGIC PLANNING PRACTICES:**

The following statements relate to practices that enhance strategic planning and improved financial performance in organizations. Using a scale of **1-5**, rate your level of agreement with each statement with respect to your organization. **1-Strongly Disagree; 2-Disagree; 3-Uncertain; 4-Agree; 5-Strongly Agree**. Give brief comments on evidence of practice or absence of practice or alternative view of what actually exists in the organization in the remarks column where necessary.

**1.1 Establishing Strategic Planning Platform**

NO	CRITERIA	RATING (1 – 5)	REMARKS
1	<b>Value clarity:</b> There is a clearly defined mission which informs strategic planning process and adds unique value to your sport stakeholders.		
2	<b>Key planning goals for the year:</b> Management sets at least 2-5 goals each year and strives to achieve them within the year.		
3	<b>Key strategic initiatives:</b> The organization has identified Key Result Areas to move it forward in its strategy and financial performance		
4	<b>Alignment Mechanism:</b> Organization wide, consistent focus, communication, standard tools, and methods exist to ensure that all branches and stakeholder efforts are aligned to the organization’s overall focus and strategic goals for the year.		
5	There is a clearly understood <b>strategic plan</b> which detail financial plans, forecasts and budgets.		

<b>6</b>	Effective strategic <b>systems, controls</b> and <b>procedures</b> exist. They are understood by all and aligned to sound financial management of the Federation.		
<b>7</b>	<b>Strategic planning</b> and <b>action planning</b> are strongly linked. All activities are run within the estimated budgets and any unexpected revenues over and above the projected amount is saved or carefully invested for future cash flows		
<b>8</b>	Continual <b>SWOT</b> analysis is conducted to assess the Federation's Strengths, Weaknesses, Opportunities and Threats as a basis of planning.		
<b>9</b>	<b>Local branches, affiliates, and clubs</b> set their own strategic and financial objectives and align it to the federation's overall objective. This enables the federation to monitor and control its strategy in a coordinated manner.		
<b>10</b>	<b>Long – term view:</b> Decisions consider long-term vision of what the organization will be like in 5-10 years time and impact on financial performance.		
	<b>TOTAL</b>		
	$\Sigma$ f of 1-5		
	<b>MEAN SCORE</b>		

## 1.2. Formulating financing strategies

<b>NO</b>	<b>CRITERIA</b>	<b>RATING (1 – 5)</b>	<b>REMARKS</b>
<b>1</b>	The federation has formulated a number of financing strategies in the last five years with clear performance objectives		
<b>2</b>	Management sets annual financial targets which are tracked and reviewed on quarterly basis.		
<b>3</b>	Systems, procedures and controls exist which ensure prudent management of financial resources.		
<b>4</b>	There is a well crafted marketing plan for the sport aimed at increasing the revenue base.		
<b>5</b>	The federation has developed strategic partnerships with fans (customers), corporate organizations, International organizations and government of Kenya and is fairly accountable to them which have resulted into improved funding opportunities.		
	<b>TOTAL</b>		
	$\Sigma$ f of 1-5		
	<b>MEAN SCORE</b>		

### 1.3. Strategy implementation

NO	CRITERIA	RATING (1 – 5)	REMARKS
1	There is a strategy implementation matrix which guides the implementation process.		
2	Activities and actions to be implemented are budgeted for which enable them to be accomplished		
3	Action plans have time lines within which activities have to be accomplished		
4	Structures have been put in place which is clearly understood by the officials charged with the implementation of the strategic plan		
5	Roles are clearly defined and communication mechanism put in place which ensures co-ordination and reporting of outcomes.		
	<b>TOTAL</b>		
	$\Sigma$ f of 1-5		
	<b>MEAN SCORE</b>		

### 1.4. Monitoring and Evaluation

NO	CRITERIA	RATING (1 – 5)	REMARKS
1	There are clearly stated financial performance objectives which form the basis for information dissemination, discussions and negotiations at various levels of the federation.		
2	The Federation emphasizes balanced measurement of financial objectives, governance objectives, process improvement objectives, customer service objectives and learning objectives.		
3	Information drawn from financial analyses is used to improve planning for improved future cash flows		
4	A monitoring and evaluation log frame exists and the officials use it objectively to track the federation's performance.		
5	Feedback Mechanisms exists for incorporating learning experiences that may lead to improving the existing financial performance measurements		
	<b>TOTAL</b>		
	$\Sigma$ f of 1-5		
	<b>MEAN SCORE</b>		

### 1.5. Strategic planning intensity

NO	CRITERIA	RATING (1 – 5)	REMARKS
1	Members of the top management have requisite <b>knowledge</b> and <b>expertise</b> in Strategic planning/ <b>Engage experts</b> from time to time.		
2	The <b>governance structure</b> clearly spells out individual roles and responsibilities in strategic planning.		
3	There is a strong <b>strategic planning - performance belief</b> from the top management at national level which cascades down to braches and clubs		
4	Appropriate operational processes, functional structures and allocation of adequate staffing, funding; and management support is given to strategic planning		
5	Management rapidly identifies key trends in sport production and consumption and incorporates such trends into the Federation’s strategic planning and financing scheme.		
6	There is continuous effort to develop leaders at all levels of the organization through training and education particularly in line with strategic planning and financial management.		
7	Top management decisions are guided by their strategic implications and planning frequency is regular		
8	Leadership ensures that the organization maintain good public image with all stakeholders and continuously strengthens its brand to assure its presence in a competitive sport industry.		
9	There are annual (quarterly) reviews of trends in financial demands and expenditure, cash flows and periodic reports on financial performance at top level management meetings as part of emerging strategies		
	<b>TOTAL</b>		
	<b><math>\sum</math>f of 1-5</b>		
	<b>MEAN SCORE</b>		

### 1.6. Extent of Financial stability

NO	CRITERIA	RATING (1 – 5)	REMARKS
1	Traditional financing sources have been strengthened through innovative strategies.		
2	There is evidence that strategic planning initiative has led to improved cash flows from the traditional sources.		
3	The federation has been able to meet her annual financial obligations in the last five years		
4	The federation regularly post surplus from the annual income after meeting operating expenses		
5	The federation has more than one source of income which have been developed through careful planning		
6	Investors and sponsors are carefully drafted which ensure that the federation does not compromise its values leading to financial autonomy		
7	Growth in size and scope is planned and carefully marched with structures that ensure financial sustainability		
8	<b>Consumer/Customer Insight:</b> The federation is passionate and has committed relationship with her fan base which translates to fan/supporter loyalty.		
9	<b>Sport Industry Foresight:</b> The federation has a systematic process for actively monitoring and exploring emerging financing trends and developing alternative scenarios to counter threats or exploit opportunities		
10	There is a deliberate effort to involve all key stakeholders of the sport in discussions on how the sport as a product could be improved in terms of its production and consumption.		
	<b>TOTAL</b>		
	<b>∑f of 1-5</b>		
	<b>MEAN SCORE</b>		

**Thank you very much for your generous and valuable contribution to this study.**

## APPENDIX II

### PROTOCOL SHEETS (For Analysis of NSF's Financial Performance)

Name of Sport Federation/Association-----

#### 2.1. Determining Annual Income using Return on Revenue (RoR).

Year	Net Revenue (profit) Ksh. (P)	Total Revenue Ksh. (R)	Return on Revenue Ratio (Annual Income) (P ÷ R)
2013			
2012			
2011			
2010			
2009			

#### 2.2. Determining financial stability using Current Ratio.

Year	Current Assets(CA) Ksh.	Current Liabilities(CL) Ksh.	Current Ratio (CA ÷ CL)
2013			
2012			
2011			
2010			
2009			

**2.3. Determining the composition of the Federation's financing sources (in percentage).**

<b>Year</b>	<b>From operations</b>	<b>From borrowings</b>	<b>From government</b>	<b>From corporate sponsors</b>
<b>2013</b>				
<b>2012</b>				
<b>2011</b>				
<b>2010</b>				
<b>2009</b>				

**2.4. Determining the composition of the Federation's financial structure (in percentage)**

<b>Year</b>	<b>Long term assets</b>	<b>Short term Assets</b>	<b>Long term borrowings</b>	<b>Short-term borrowings</b>
<b>2013</b>				
<b>2012</b>				
<b>2011</b>				
<b>2010</b>				
<b>2009</b>				

**2.5. Determining annual allocation of financial resources (in percentage)**

<b>Year</b>	<b>Sport development</b>	<b>Facility and equipment</b>	<b>Administration</b>	<b>Marketing /promotion</b>
<b>2013</b>				
<b>2012</b>				
<b>2011</b>				
<b>2010</b>				
<b>2009</b>				

## **APPENDIX III**

### **LIST OF ACTIVE NATIONAL SPORTS FEDERATIONS IN KENYA**

1. ATHLETICS KENYA
2. KENYA BADMINTON FEDERATION
3. KENYA BASKETBALL FED.
4. KENYA BODY BUILDING FED.
5. AMATEUR BOXING ASS.
6. CHESS KENYA
7. CRICKET KENYA
8. KENYA CYCLING ASS.
9. KENYA DARTS ASS
10. KENYA GOLF UNION
11. KENYA HANDBALL FED.
12. KENYA HOCKEY UNION
13. KENYA JUDO ASS.
14. KENYA FOOTBALL FED.
15. KENYA KARATE FED.
16. KENYA KICK BOXING ASS.
17. KENYA UNIVERSITIES SPORTS ASS.
18. KENYA LADIES GOLF UNION
19. KENYA LAWN TENNIS ASSOCIATION
20. KENYA NETBALL ASS.
21. KENYA NATIONAL PARALYMPICS
22. KENYA PREMIER LEAGUE FOOTBALL
23. KENYA PROFESSIONAL POOL ASS.
24. KENYA PROFESSIONAL BOXING COMMISSION
25. KENYA SQUASH ASS.
26. KENYA SWIMMING FED.
27. KENYA TABLE TENNIS ASS.
28. KENYA TAE KWON DO ASS.
29. KENYA TRIATHLON ASS.
30. KENYA VOLLEYBALL FED.
31. KENYA AMATEUR WEIGHTLIFTING ASS.
32. KENYA AMATEUR WRESTLING ASS.
33. KENYA ROWING AND CANOE ASS.
34. KENYA RUGBY
35. KENYA ROLLER SKATING ASS.
36. KENYA AMATEUR SCRABLE ASS.
37. KENYA TUG-OF-WAR ASS.
38. KENYA SOFTBALL FED.
39. KENYA WHEEL CHAIR BASKETBALL FED.

APPENDIX IV

NACOSTI RESEARCH CLEARANCE PERMIT

**CONDITIONS**

- 1. You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit.**
- 2. Government Officers will not be interviewed without prior appointment.**
- 3. No questionnaire will be used unless it has been approved.**
- 4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.**
- 5. You are required to submit at least two(2) hard copies and one(1) soft copy of your final report.**
- 6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice.**



REPUBLIC OF KENYA



National Commission for Science, Technology and Innovation

RESEARCH CLEARANCE PERMIT

Serial No. A 2058

**THIS IS TO CERTIFY THAT:**  
**MR. MARK OUCHE OBONYO**  
**of MASENO UNIVERSITY, 502-0**  
**KISUMU, has been permitted to conduct**  
**research in Kisumu , Nairobi Counties**  
**on the topic: EFFECT OF STRATEGIC**  
**PLANNING ON FINANCIAL**  
**PERFORMANCE OF NATIONAL SPORTS**  
**FEDERATIONS IN KENYA**  
**for the period ending:**  
**10th June,2015**

**Permit No. : NACOSTI/P/14/4742/2145**  
**Date Of Issue : 27th June,2014**  
**Fee Received :Ksh 2,000**



Handwritten signature of the applicant

Applicant's Signature

Handwritten signature of the Secretary

National Commission for Science, Technology & Innovation

## APPENDIX V: MAP OF STUDY AREA-KENYA



## **APPENDIX VI: RAW DATA**

Survey Data Source (2015)

VarId	Name	espp1	espp2	espp3	espp4	espp5	espp6	espp7	espp8	espp9	espp10	ffsafp1	ffsafp2	ffsafp3	ffsafp4
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a1048	triatreasurer	3	3	2	2	3	3	2	3	2	2	2	2	2	2
a1047	triatsecretary	3	3	2	2	3	3	2	3	2	2	2	2	2	2
a1034	tkftreasurer	3	3	3	2	3	2	2	4	3	2	3	3	3	2
a1033	tkfsecretary	3	3	3	2	3	2	2	4	3	2	3	3	3	2
a1035	tkdffixturessecretary	3	3	3	2	3	2	2	4	3	2	3	3	3	2
a1032	tkdfchairman	3	3	3	2	3	2	2	4	3	2	3	3	3	2
a1037	sftreasurer	3	2	2	3	2	2	2	2	3	2	2	2	3	2
a1039	sbfsecretary	3	2	2	3	2	2	2	2	3	2	2	2	3	2
a1036	sbffixturessecretary	3	2	2	3	2	2	2	2	3	2	2	2	3	2
a1038	sbfchairperson	3	2	2	3	2	2	2	2	3	2	2	2	3	2
a1109	rugbyfixturessecretary	5	4	3	3	5	4	4	3	3	3	4	4	5	5
a1046	rtreasurer	3	3	3	3	3	3	2	2	2	2	3	3	3	2
a1045	rsecretary	3	3	3	3	3	3	2	2	2	2	3	3	3	2
a1044	rchairman	3	3	3	3	3	3	2	2	2	2	3	3	3	2
a1106	paralympicschairman	5	4	4	3	5	4	4	1	1	1	1	4	4	4
a1079	kwatreasurer	5	4	4	4	4	4	5	5	4	4	4	4	5	4
a1077	kwasecretary	4	4	4	4	4	4	3	4	2	2	4	3	2	3
a1080	kwafixsecretary	4	4	4	3	4	3	3	4	4	2	4	3	2	3
a1078	kwachairman	5	4	4	2	4	4	4	3	4	2	4	3	2	3
a1064	kvbtreasurer	4	4	4	4	4	3	3	4	3	3	3	3	4	3
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a1063	kvbfixsecretary	4	4	4	4	4	3	3	4	3	3	3	3	4	3
a1065	kvbchairman	4	4	4	4	4	3	3	4	3	3	3	3	4	3
a1103	kusatreasurer	3	4	1	4	3	2	1	4	5	2	3	1	3	3
a1092	kusachairman	4	2	4	4	4	4	4	5	5	4	4	3	4	3
a1024	ktwtreasurer	3	3	3	3	3	3	2	3	2	2	2	2	2	3
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a1022	ktwcompetititonsecretar	3	3	3	3	3	3	2	3	2	2	2	2	2	2
a1021	ktwchairman	3	3	3	3	3	3	2	3	2	2	2	2	2	2
a1076	kttatreasurer	3	4	5	4	5	5	4	4	4	3	5	5	5	5
a1075	kttasecretary	3	4	5	4	5	5	4	4	4	3	5	5	5	5
a1074	kttafixsecretary	3	4	5	4	5	5	4	4	4	3	5	5	5	5

Survey Data Source (2015)

ffdafp5	si1	si2	si3	si4	si5	me1	me2	me3	me4	me5	asfp1	asfp2	asfp3	asfp4	asfp5	asfp6	asfp7	asfp8	asfp9	fss1	fss2
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3	3	4	4	4	4	3	4	4	4	4	5	4	4	4	3	4	4	4	3	4	3
3	2	3	3	3	3	2	2	2	2	2	3	3	3	3	2	2	3	3	2	2	3
3	2	3	3	3	3	2	2	2	2	2	3	3	3	3	2	2	3	3	2	2	3
3	2	3	3	3	3	1	2	2	2	2	3	3	2	2	3	2	3	3	2	2	3
3	2	3	3	3	3	2	2	2	2	2	3	3	3	3	2	2	3	3	2	2	3
5	4	4	4	4	4	3	4	4	4	4	4	4	2	4	4	4	4	4	3	2	3
5	4	4	4	4	4	3	4	4	4	4	4	2	4	4	4	4	4	4	3	4	4
5	4	4	4	3	3	4	4	4	4	4	4	2	4	4	4	4	4	4	3	4	4

Survey Data Source (2015)

fss3	fss4	fss5	fss6	fss7	fss8	fss9	fss10	espmean	fssmean	ffsafpmean	simean	memean	asfpmean	fperfm
2	2	3	3	2	3	3	3	2.5	2.5	2.2	2.2	2.8	2	2.888888889
2	2	3	3	2	3	3	3	2.5	2.5	2.2	2.2	2.8	2	2.555555556
2	2	3	3	2	3	3	3	2.5	2.5	2.2	2.2	2.8	2	2.888888889
2	2	2	3	2	3	2	2	2.7	2.7	2.8	2.8	3	2	2.666666667
3	2	2	3	2	3	2	2	2.7	2.4	2.8	2.8	3	2	2.666666667
2	2	2	3	2	3	2	2	2.7	2.2	2.8	2.8	3	2	2.666666667
2	2	2	3	2	3	2	2	2.7	2.2	2.8	2.8	3	2	2.666666667
2	2	2	3	2	2	2	2	2.3	2.1	2.2	2.2	2.8	2.4	2.444444444
2	2	2	3	2	2	2	2	2.3	2.1	2.2	2.2	2.8	2.4	2.444444444
2	2	2	3	2	2	2	2	2.3	2.1	2.2	2.2	2.8	2.4	2.444444444
2	2	2	3	2	2	2	2	2.3	2.1	2.2	2.2	2.8	2.4	2.444444444
2	2	2	3	2	2	2	2	2.3	2.1	2.2	2.2	2.8	2.4	2.444444444
4	4	5	5	5	5	5	4	3.7	4.6	4.2	4.2	3.4	4	3.777777778
3	3	2	3	2	2	3	2	2.6	2.6	2.6	2.6	3	2	2.888888889
3	3	2	3	2	2	3	2	2.6	2.6	2.6	2.6	3	2	2.888888889
3	3	2	3	2	2	3	2	2.6	2.6	2.6	2.6	3	2	2.888888889
3	4	2	1	3	4	3	2	3.2	2.9	4.2	4.2	4.2	4	4.111111111
2	2	3	2	2	3	4	4	4.2	3	4.2	4.2	3.8	2	3.777777778
2	2	2	2	2	2	2	2	3.3	2.1	2.6	2.6	2.8	1.8	2.555555556
2	2	3	2	2	2	2	2	3.2	2.2	2.6	2.6	2.8	2	2.555555556
2	2	2	2	2	2	2	2	3.4	2.1	2.6	2.6	3.6	2	2.666666667
3	3	3	3	3	2	2	2	3.6	2.8	3.2	3.2	3.6	2	3.222222222
3	3	3	3	3	2	2	2	3.6	2.8	3.2	3.2	3.6	2	3.222222222
3	3	3	3	3	2	2	2	3.6	2.8	3.2	3.2	3.6	2	3.222222222
3	3	3	3	3	2	2	2	3.6	2.8	3.2	3.2	3.6	2	3.222222222
2	2	1	2	2	5	3	4	2.9	2.4	3.4	3	3.4	3.2	2.555555556
3	1	1	1	4	4	4	4	4	2.9	3.4	3.4	3.8	3.8	3.888888889
2	2	3	3	3	2	2	2	2.7	2.5	2.4	2.4	2.8	2	2.777777778
2	2	3	3	3	2	2	2	2.7	2.5	2.2	2.2	2.8	2	2.777777778
2	2	3	3	2	2	2	3	2.7	2.5	2.2	2.2	2.8	1.8	2.666666667
2	2	3	3	3	2	2	2	2.7	2.5	2.2	2.2	2.8	2	2.777777778
2	2	4	4	4	4	4	4	4.2	3.4	5	5	4	3.8	3.444444444
2	2	4	4	4	4	4	4	4.2	3.4	5	5	4	3.8	3.444444444
2	2	4	4	4	4	4	4	4.2	3.4	5	5	3.6	3.8	3.444444444



Survey Data Source (2015)

2	1	1	5	4	4	5	4	3.1	3.3	4	5	4.2	3.333333333
2	2	2	2	2	2	2	2	2.4	2	2.2	2.2	2	2.444444444
2	2	3	3	3	3	2	2	3	2.6	2.8	3	2	2.888888889
2	2	2	2	2	2	2	2	2.4	2	2.2	2.2	2	2.444444444
2	2	3	3	3	3	2	2	3	2.6	2.8	3	2	2.888888889
2	2	2	2	2	2	2	2	2.4	2	2.2	2.2	2	2.444444444
2	2	2	2	2	2	3	3	2.5	2.1	2.2	2.2	2	2.444444444
2	2	3	3	3	3	2	2	3	2.6	2.8	3	2	2.888888889
4	4	4	4	4	3	3	3	3.8	3.7	3.4	3.2	3	3.555555556
4	4	4	4	4	3	3	3	3.8	3.7	3.4	3.2	3	3.555555556
4	4	4	4	4	3	3	3	3.8	3.7	3.4	3.2	3	3.555555556
2	2	3	3	3	2	2	2	2.4	2.4	2.4	3	1.6	3
4	3	5	4	3	4	4	5	4.2	4.1	4.2	3.8	3.8	4
2	2	3	3	3	2	2	2	2.4	2.4	2.4	3	1.6	3
4	2	2	4	3	3	2	2	3.1	2.9	3.2	3.4	2.2	3.333333333
2	2	3	3	3	2	2	2	2.4	2.4	2.4	3	1.6	3
2	1	4	4	3	4	2	2	2.9	3	2.8	3.2	2.8	2.777777778
2	2	3	3	3	2	2	2	2.4	2.4	2.4	3	1.6	3
2	2	3	3	3	2	3	2	3.1	2.6	2.2	3	2	3.111111111
2	2	3	3	3	3	3	2	2.9	2.7	2.8	2.8	2	2.666666667
2	2	3	3	3	2	3	2	3.1	2.6	2.2	3	2	3.111111111
2	2	3	3	3	3	3	2	2.9	2.7	2.8	2.8	2	2.666666667
2	2	3	3	3	3	3	2	2.9	2.7	2.8	2.8	2	2.666666667
2	2	3	3	3	3	3	2	2.9	2.7	2.8	2.8	2	2.666666667
2	2	3	3	3	2	3	2	3.1	2.6	2.2	3	2	3.111111111
2	2	3	2	2	2	3	3	2.8	2.4	2.6	3	2	2.555555556
3	4	3	3	3	2	2	3	2.8	2.9	2.6	2.8	2	2.555555556
3	4	3	3	3	2	2	3	2.8	2.9	2.6	2.8	2	2.555555556
2	2	3	3	3	3	3	2	2.888888889	2.7	2.6	2.8	2	2.555555556
2	1	2	3	3	3	2	4	3.7	2.7	3.6	4.4	3	4
2	1	4	4	4	4	3	4	3.7	3.3	3.4	4	3.6	3.666666667
3	3	4	3	5	5	3	4	4	3.7	4.6	3.8	3.6	3.777777778
2	1	4	4	4	4	3	4	3.8	3.2	3.6	4.2	3.6	3.888888889
2	1	4	5	3	4	2	4	2.8	3.3	2.6	3	2.8	2.777777778

Survey Data Source (2015)

a1105	kdapublicrelationsofficer	5	3	4	3	5	4	4	1	1	1	4	5	5	3
a1028	kftreasurer	3	3	3	2	2	2	2	2	2	3	2	3	2	2
a1053	kftreasurer	4	3	3	3	3	3	3	3	2	3	3	3	3	2
a1027	kfsecretary	3	2	3	3	2	2	2	2	2	3	2	3	2	2
a1054	kfsecretary	4	3	3	3	3	3	3	3	2	3	3	3	3	2
a1026	kcforganimizingsecretary	3	2	3	3	2	2	2	2	2	3	2	3	2	2
a1025	kcfchairman	3	3	3	3	2	2	2	2	2	3	2	3	2	2
a1052	kcfchairman	4	3	3	3	3	3	3	3	2	3	3	3	3	2
a1050	kcatreasurer	4	4	4	3	4	4	4	4	3	4	4	3	4	3
a1051	kcassecretary	4	4	4	3	4	4	4	4	3	4	4	3	4	3
a1049	kcachairman	4	4	4	3	4	4	4	4	3	4	4	3	4	3
a1042	kbfreasurer	3	2	2	2	3	2	2	3	2	3	3	3	2	2
a1090	kbfreasurer	4	4	4	4	5	4	5	3	5	4	5	3	4	4
a1041	kbfsecretary	3	2	2	2	3	2	2	3	2	3	3	3	2	2
a1091	kbbfixsecretary	4	5	3	3	3	2	4	4	2	1	4	2	2	4
a1043	kbfcompetitionsecretary	3	2	2	2	3	2	2	3	2	3	3	3	2	2
a1089	kbbchairman	5	4	4	2	4	2	2	2	2	2	2	2	2	4
a1040	kbbchairman	3	2	2	2	3	2	2	3	2	3	3	3	2	2
a1009	kbbftreasurer	3	3	3	3	3	3	3	4	3	3	2	2	2	2
a1013	kbbftreasurer	4	3	3	3	3	3	3	3	2	2	3	3	3	2
a1010	kbbfsecretary	3	3	3	3	3	3	3	4	3	3	2	2	2	2
a1014	kbbfsecretary	4	3	3	3	3	3	3	3	2	2	3	3	3	2
a1004	kbbffixturessecretary	4	3	3	3	3	3	3	3	2	2	3	3	3	2
a1001	kbbfchairman	4	3	3	3	3	3	3	3	2	2	3	3	3	2
a1008	kbbfchairman	3	3	3	3	3	3	3	4	3	3	2	2	2	2
a1061	kbatreasurer	3	3	3	3	3	3	3	2	3	2	3	2	3	2
a1059	kbasecretary	3	3	3	3	3	3	3	2	3	2	3	2	3	2
a1058	kbbfixsecretary	3	3	3	3	3	3	3	2	3	2	3	2	3	2
a1060	kbbachairman	3	3	3	3	3	3	3	3	3	2	3	2	3	2
a1102	icestocksportkenya	5	4	4	5	3	3	3	5	2	4	4	3	3	4
a1107	htsosecretarygeneral	5	3	4	4	4	3	4	2	4	4	3	2	4	4
a1104	boxingvicechairman	5	4	3	3	3	3	4	5	5	5	5	3	5	5
a1111	boxingsecretary	5	3	4	4	4	3	3	4	4	4	3	3	4	4
a1002	bbsecgeneral	5	4	4	2	3	2	2	2	2	3	2	2	1	4



Survey Data Source (2015)

a1067	aktreasurer	5	4	4	4	4	4	4	4	5	4	4	4	3
a1066	aksecretary	5	4	4	4	4	4	4	4	4	4	4	4	3
a1093	aklsfsecgeneral	5	4	3	3	2	2	2	2	2	2	2	2	1
a1094	aklsfsecgeneral	5	4	3	3	2	2	2	2	2	2	2	2	1
a1095	aklsfsecgeneral	5	4	3	3	2	2	2	2	2	2	2	2	1
a1096	aklsfsecgeneral	5	4	3	3	2	2	2	2	2	2	2	2	1
a1097	aklsfsecgeneral	5	4	3	3	2	2	2	2	2	2	2	2	1
a1098	aklsfsecgeneral	5	4	3	3	2	2	2	2	2	2	2	2	1
a1099	aklsfsecgeneral	5	4	3	3	2	2	2	2	2	2	2	2	1
a1069	akfixsecretary	5	4	4	4	4	4	4	4	4	4	4	4	3
a1068	akchairman	5	4	4	4	4	4	4	4	4	4	4	4	3



Survey Data Source (2015)

4	4	4	4	4	4	4	4	4	4	4	4.1	4	4	4.2	3.4	3.888888889	
4	4	4	4	4	4	4	4	4	4	4	4	4	3.8	4	3.4	3.888888889	
5	1	4	4	2	5	4	4	5	4	5	2.8	3.7	1.6	1.2	1.4	3.111111111	
5	1	4	4	2	5	4	4	5	4	5	2.8	3.7	1.6	1.2	1.4	3.111111111	
5	1	4	4	2	5	4	4	5	4	5	2.8	3.7	1.6	1.2	1.4	3.111111111	
5	1	4	4	2	5	4	4	5	4	5	2.8	3.7	1.6	1.2	1.4	3.111111111	
5	1	4	4	2	5	4	4	5	4	5	2.8	3.7	1.6	1.2	1.4	3.111111111	
5	1	4	4	2	5	4	4	5	4	5	2.8	3.7	1.6	1.2	1.4	3.111111111	
5	1	4	4	2	5	4	4	5	4	5	2.8	3.7	1.6	1.2	1.4	3.111111111	
4	4	4	4	4	4	4	4	4	4	4	4	4	3.8	4	3.4	3.888888889	
4	3	4	4	4	4	4	4	4	4	4	4.1	3.9	3.8	4	3.4	3.888888889	