

Effect of Strategy Formulation on Organizational Performance of Biscuit Manufacturing Firms in Kenya

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Abstract: This study examined the effect of strategy formulation on organizational performance of biscuit manufacturing firms in Kenya. The survey used descriptive research design. The target population comprised 500 employees from selected biscuit manufacturing firms in Kenya, including Manji Industries Limited, Sunveat, Parle Products (Parle), Bakers Ltd, Golden Biscuits, and Nuvoita. These firms were deliberately selected due to their significant contribution to Kenya's biscuit industry and the diversity of their organizational structures. The instruments of data collection were questionnaires. Data was analyzed using descriptive and inferential statistics. The findings revealed that strategy formulation significantly influenced organizational performance of biscuit manufacturing firms in Kenya ($B = 0.105$; $P = 0.096$). The study concluded that Companies that make proper strategy formulation are in a better position to adapt to the changes in the market, make sound decisions and achieve their performance goals, which eventually lead to sustainable growth and enhanced market position. The study recommends that the management must engage the key shareholders in the procedure of strategy development so that it leads to buy-in and improved implementation. Through well-organized strategic planning activities, companies would enhance the allocation of resources, competitiveness as well as overall organizational performance. Future studies should explore other organizational and environmental conditions such as innovation, organizational culture, market competition, technology adoption and financial strategies that could provide a more comprehensive understanding of the factors influencing performance

Keywords: strategy formulation, organizational performance, biscuit manufacturing firms

I. Introduction

Organizational performance is a critical measure of how effectively a firm achieves its objectives, including profitability, productivity, market share, innovation, and operational efficiency (Gulaid, 2024). It is a skill that involves an ability to maximize resources, enhance product quality, deliverability, and competence in volatile market areas in a manufacturing firm. Good organizational performance is usually characterized by a long-term growth, economical expenses, increased organizational productivity of employees, and high return on investment (ROI). Strategic leadership actions, choices, and behaviors utilized by supreme executives to direct the destiny of the organization, marshal the resources and other aspects to the attainment of the strategies and maintainability of the performance is referred to by the term, strategic leadership practices. With references to manufacturing companies in Kenya, the mentioned practices can be synonymous with vision creation, strategic planning, talent management, change management, innovation, and performance measurement (Jaleha & Machuki, 2018).

The resultant effect of such rehearses is on the performance of the firms which is comprised of productivity, profitability, market share and operational efficiency. Nevertheless, as global manufacturing giants capitalize on the use of strategic leadership to achieve high production and innovation, most manufacturers in Kenya continue to confront issues of poor planning, low technology and lack of leadership synergies (Nduati, *et al.*, 2021). Such problems have led to poor performance concerning the contribution GDP and the level of productivity against the international standards. Thus strategic leadership practices must be enhanced to increase the competitiveness and general performance of the manufacturing firms in Kenya (Willis *et al.*, 2022).

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contribution GDP and the level of productivity against the international standards. Thus strategic leadership practices must be enhanced to increase the competitiveness and general performance of the manufacturing firms in Kenya (Willis *et al.*, 2022).

In Kenya, the performance of manufacturing firms has remained below potential. Kenya National Bureau of Statistics (KNBS, 2023) notes that the contribution of the manufacturing sector to GDP has shown a stagnation of about 7.6%, which is way below the national average development target of 15% as stipulated in Kenya Vision 2030 (Okumu, 2023). The level of capacity utilization across manufacturers in Kenya is also quite low averaging 55 percent and that most firms do not incorporate leadership styles that aim at improving innovation and operational excellence (Nduati *et al.*, 2021). Moreover, productivity rates as measured in production per manufacturing worker in Kenya are extremely poor, and are approximated to be about USD 5,000 per annum, as compared to an average of USD 85,000 in the U.S. and USD 45,000 in China (World Bank, 2022). This performance failure is an indicator of serious leadership and strategic planning gaps, which reverse the competitiveness and long-run sustainability processes (Iswan & Kihara, 2022).

During the last decade, the biscuit industry has grown steadily in Kenya, with the urbanization of the population, shifting of consumer preferences and the demand for processed food products. Local manufacturers have a huge opportunity in the Kenyan cookie market, which was valued at approximately USD 766 million in 2021 and is projected to reach USD 1.2 billion by 2030. Though some of these companies are growing, many biscuit manufacturing companies are facing problems in the business due to rising costs of production, rising competition from imported biscuit products, disruptions in the supply chain, fluctuations in raw material prices, changing customers, and strict regulations

1.1 Research Objective

The study was guided by the following objective;

To examine effect of strategy formulation on organizational performance of biscuit manufacturing firms in Kenya

1.2 Limitations of the Study

One of the limitations of the survey was the lack of cooperation by some of the respondents because some were afraid to give the required information due to their busy work schedules and personal commitments. This challenge could have impacted the amount of data collected. The scholar overcame this by securing official authorization letters, informing the respondents about the use and purpose of the survey and arranging the data collection at a time convenient with the respondents.

1.3 Theoretical Review

1.3.1 Resource-Based View (RBV) Theory

The theory was formulated by Jay Barney (1991). The theory states that organizations gain sustainable competitive advantage by effectively using internal resources that are valuable, rare, inimitable and non-substitutable (VRIN). However, according to RBV, performance is obtained not only by positioning companies externally, it is also achieved through optimizing and utilizing companies' tangible and intangible resources (Cortes & Herrmann, 2021). For biscuit production companies, these resources can encompass brand recognition, human resource expertise, manufacturing capabilities, and distribution channels, among other elements (Willis *et al.*, 2022).

The key strength of the theory is that it is internal and is focused on efficiency and capability development. It provides an understanding of the ways in which firms that invest in optimized production systems, improving employee skills and investing in strong supplier relationships can reduce operational costs and increase the quality of their products (Barney & Hesterly, 2015). In the biscuit manufacturing sector in Kenya, companies that have invested in automation, quality management systems and value chain integration tend to perform better in the aspects of profitability and market expansion (Ojogiwa, 2021).

1.4 Strategy formulation and organization performance

It is important to note that strategy formulation has great importance as it can help improve the performance of an organization by giving them direction and a framework that will guide them in making decisions in accordance with the organization's goals and activities (Mutua, 2021). It aids businesses to acquire a competitive advantage by predicting market changes and utilizing their resources correctly (Kamau & Ochieng, 2022). Furthermore, effective strategies help in

better inter-facilities coordination and improve employees' motivation to achieve the organizations' goal (Wanjiku 2023). This eventually helps to boost productivity, profitability and the success of the organization

According to Kenea (2022), formulation of strategy is one of the key factors which will increase the efficiency and effectiveness of the companies in their manufacturing activities and the evidence was taken from biscuit manufacturing industry. Kenea said strategic clarity and middle management involvement in the decision-making process led to better decision-making and fast production cycle time. To support this, Miller and Scott (2022) found that companies that applied structured approaches to strategy formulation, like SWOT and PESTLE, had more efficient operations, particularly in marketing and distribution. Oyula (2023) further showed that integrating the trend of customer demand into strategy formulation had a significant positive effect on the market share of snack producers. Overall, the outcome of these studies was that inclusive and data-informed strategy formulation practices leads to alignment of the corporate objectives and operations that ultimately leads to improved organizational performance.

Mokaya (2023), the development of strategies in the circles of the biscuit companies is strongly associated with the context related to the automation investment and adoption of technology. Companies with clearly spelt out plans that revolve around modernization experienced increased throughput and cost reduction. De Luca (2022) also conducted research and pointed out the fact that inclusion of supply chain partners into strategy formulation practices resulted in more fortified procurement, and distribution systems. Bellini (2024) also demonstrated that employee input in strategy meetings enhanced the achievement of strategy execution and decreased the level of change resistance at an internal level. The conclusion of these studies was that balanced strategy development that embraces technology and inclusiveness of the stakeholders leads to a better performance of operation in the production of biscuits

Mutua (2020) found that companies that wrote and shared their strategies organization-wide had more coherence and unity of purpose in their operations. This was corroborated by Wanjiku (2022) who found that biscuit factories that developed formal strategy formulation processes performed better than the ones that developed ad hoc or informal strategies particularly in achieving production efficiency and cost control. Another more recent study by Kiprotich (2024) showed that companies that engaged external consultants when formulating their strategy were more comprehensive and their strategy was more anticipatory of market risks. Taken together, these results highlight the need for intentional and deliberate strategy formation processes to support the overall performance of biscuit manufacturing companies, particularly in a dynamic and competitive market as in Kenya.

Conceptual Framework

This exhibits the linkage between strategic leadership practices and the performance of biscuit manufacturing companies in Kenya. It highlights the independent variable which was Strategy formulation and the dependent variable was organization performance

Independent Variable

Strategy Formulation

- Environmental Scanning
- Goal Setting
- Strategy Development

Dependent Variable

Organization Performance

- Employee Productivity
- Customer Satisfaction
- Market share



Figure 1: The Conceptual Framework Showing Strategy formulation and organizational performance of biscuit manufacturing firms in Kenya

II. Research Methods

The study adopted a descriptive research design to examine the effect of strategic leadership practices on the organizational performance of biscuit manufacturing firms in Kenya. The target population comprised 500 employees

drawn from five selected firms Manji Industries Limited, Sunveat, Parle Products, Bakers Ltd, Golden Biscuits, and Nuvita with a stratified random sampling technique used to ensure proportional representation. Using Yamane's formula, a sample size of 222 respondents was determined. Primary data were collected through structured online questionnaires administered via Google Forms. A pilot study was conducted to assess the validity and reliability of the research instrument, with content and face validity established through expert review and pilot testing, while reliability was measured using Cronbach's alpha, adopting a threshold of 0.7. Data were analyzed using descriptive statistics (means and standard deviations) and multiple regression analysis with the aid of SPSS to determine the influence of strategy formulation, resource optimization, strategic visioning, and change management on organizational performance.

III. Result and Discussion

3.1 Response Rate

The response rate attained during the data gathering procedure is shown in this section. Out of all the questionnaires that were distributed, the response rate shows the percentage of those that were successfully completed and returned by the responders.

Table 1 Response Rate

Group	Frequency	%
Response	200	90
Non-Response	22	10
Total	222	100

3.2 Descriptive Statistics

The results on the state of Strategy formulation are presented in Table 2.

Table 2 Strategy formulation and organizational performance of biscuit manufacturing firms in Kenya

S/N	Indicators	Mean	SD
1	Regular environmental scanning helps the firm respond effectively to market changes	4.96	.196
2	Clear goal setting enhances the firm's overall performance	4.07	.247
3	Well-defined goals provide direction for resource allocation and operations	4.39	.489
4	Strategy development aligns organizational activities with long-term objectives	4.94	.238
5	Effective strategy development improves the firm's competitiveness in the market	4.82	.382

Table 2 presents the respondents' perceptions of strategy formulation and firm execution in biscuit manufacturing firms in Kenya. The outcomes show strong agreement across all items, with regular environmental scanning receiving the highest mean of 4.96 (SD = 0.196), indicating its critical role in assisting corporations to answer efficiently to market changes. Effective strategy development (mean = 4.82, SD = 0.382) and alignment of organizational activities with long-term objectives (mean = 4.94, SD = 0.238) were also highly rated, reflecting their importance in enhancing competitiveness. Clear goal setting (mean = 4.07, SD = 0.247) and well-defined goals for resource allocation (mean = 4.39, SD = 0.489) further demonstrate the significance of structured strategy formulation in guiding firm operations. These outcomes are reinforced by a survey done by Kamau (2020), which argues that strategic planning and goal clarity are fundamental to organizational performance, as they provide direction, improve resource utilization, and strengthen competitiveness in dynamic markets.

3.3 Descriptive Statistics

The results on the state of Organizational performance are presented in Table 3.

Table 3. Organizational performance of biscuit manufacturing companies

S/N	Indicators	Mean	SD
1	The firm has experienced steady sales growth over the past few years	4.91	.287
2	Effective strategies have improved the firm's overall profitability	4.14	.343
3	The firm consistently achieves its financial performance targets	4.33	.471
4	The firm has successfully expanded its share in the biscuit market	4.89	.307
5	Increased competitiveness has strengthened the firm's position in the industry	4.87	.337

Table 3 presents the respondents' perceptions of firms' execution in biscuit manufacturing companies in Kenya. The outcomes show high agreement across all indicators, with steady sales growth receiving the highest mean of 4.91 (SD = 0.287), followed closely by market share expansion (mean = 4.89, SD = 0.307) and increased competitiveness (mean = 4.87, SD = 0.337). Achievement of financial performance targets (mean = 4.33, SD = 0.471) and improvements in overall profitability (mean = 4.14, SD = 0.343) were also strongly supported, indicating that firms have effectively implemented strategies to enhance growth, competitiveness, and financial outcomes. These outcomes are reinforced by a survey done by Otieno (2020), which argues that strategic planning, market expansion, and performance monitoring ominously subsidize to the general achievement and competitive positioning of manufacturing companies.

3.4 Correlations Analysis

In this investigation, the Pearson product moment correlation coefficient was used. (Creswell, 2009) states that correlations are used to assess the strength of a two-variable linear connection. Table 4 presents the Pearson correlation results between Strategy formulation and firm execution of biscuit manufacturing companies in Kenya. The findings show that strategy formulation has a weak positive and substantial relationship with organizational performance ($r = 0.160$, $p = 0.023$)

Table 4. Correlations Statistics

	Organizational performance	Strategy formulation
Organizational performance	1	0.160*
Strategy formulation	0.160*	1
Sig.	0.023	

*. Correlation is significant at the 0.05 and 0.01 level (2-tailed).

3.5 Regression Analysis

This section presents the regression analysis conducted to explore the level to which the independent elements predict changes in the dependent element.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.160 ^a	0.025	.021	.22859

a. Predictors: (Constant), X1_mean

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	0.102	1	0.102	17	0.000
1	Residual	1.312	198	0.006		
	Total	1.414	199			

a. Dependent Variable: Y

b. Predictors: (Constant), X1

Model	Unstandardized Coefficients			Standardized Coefficients		Collinearity Statistics	
	B	Std. Error		Beta	t	Tolerance	VIF
1	(Constant)	2.894	.446		6.485	.000	
	X1	.105	.063	.118	1.671	.096	1.042

a. Dependent Variable: Y

Table 5 presents the regression model summary for the linkage between strategic leadership practices and firm execution of biscuit manufacturing companies in Kenya. The outcomes designate that Strategy formulation recorded a correlation coefficient (R) of 0.160, showing a solid positive association between the predictor variables strategy formulation (X1) and organizational performance (Y). Further ANOVA tests were conducted to determine whether the model works in explaining the relationship among variables as postulated in the conceptual model. The findings from Table 5 show an F value of 17 with a significance level of 0.000 which is far lower than the confidence level of 0.05, hence establishing the model is statistically significant. Table 5 showed that unit change in Strategy formulation caused a 0.105 increase in organizational performance. The study found that Strategy formulation had a positive and significant effect on organizational performance $\beta = 0.105$ p-value $= 0.096 < 0.05$.

$$Y = 2.894 + 0.105X_1$$

Where Y is organizational performance X1 is Strategy formulation

IV. Conclusions

The survey remarks that strategy formulation has a substantial positive outcome on the firms' execution of biscuit manufacturing companies in Kenya. Formulated strategies such as frequent environmental scanning, good goal formation and alignment of organizational efforts in relation to long term goals were observed to drive competitiveness, allocation of resources and overall operational efficiency. Companies that make proper strategy formulation are in a better position to adapt to the changes in the market, make sound decisions and achieve their performance goals, which eventually lead to sustainable growth and enhanced market position.

V. Recommendations

The research endorses that the primary efforts of the biscuit manufacturing companies in Kenya should consist of proper development of their strategies through regular environmental scanning, establishment of clear and attainable goals, and alignment of organizational functions to the long-term objectives. The management must engage the key shareholders in the procedure of strategy development so that it leads to buy-in and improved implementation. Through well-organized strategic planning activities, companies would enhance the allocation of resources, competitiveness as well as overall organizational performance. Future studies should explore other organizational and environmental conditions such as innovation, organizational culture, market competition, technology adoption and financial strategies that could provide a more comprehensive understanding of the factors influencing performance

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