THE INFLUENCE OF BUDGETING, STRATEGIC PLANNING AND INTERNAL CONTROL ON THE PERFORMANCE OF MANUFACTURING COMPANIES IN KENYA. A CASE STUDY OF THE COCA-COLA COMPANY KENYA

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DECLARATION

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

SIGNATURE……………………………….. DATE…………………………

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BCOMK/2/00010/2/17

This project has been submitted for examination with my approval as university supervisor.

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DEDICATION

I dedicate this research project to my family who has been pivotal while I was in search for knowledge. I also dedicate to my late mother, who passed on late last year. She really wanted to attend my graduation and see me through this chapter. May her soul Rest in peace. I would also dedicate this to my closest friends for their unending support through this time as I worked on my research.

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ABSTRACT

This study was conducted to investigate the influence of budgeting, strategic planning and internal control on the performance of manufacturing companies in Kenya, a case study of the Coca-Cola Company Kenya. The study variables were budgeting, strategic planning and internal control on how they affect the performance of the manufacturing company which is the Coca-Cola Company. In chapter one the study explained some perspectives of manufacturing companies. The study further established the statement of the problem, the research objectives of the study which were budget, strategic planning and internal control on the performance of manufacturing company the case study being in Coca-Cola Company, Nairobi, Kenya. The research questions used to gather data from the respondents, the significance of the study, the scope of the research, and the chapter summary. In chapter two, the study used Agency Theory, The Balance score card theory and control theory. Empirical review on budgeting and performance, strategic planning and performance and also internal control and performance was provided, summary and research gaps, the conceptual framework, operationalization of variables and the chapter summary thereof. In chapter three, details of the research methodology are explained; study adopted a descriptive case study research design. The study population was 234 employees in departments of Coca-Cola Company limited that are associated with performance of the manufacturing company. The study employed a stratified sampling method where a sample was determined for data collection. A questionnaire was distributed to the target population. Quantitative data collected was analyzed by descriptive statistics, and presented through tables; charts with the aid of microsoft excel software. Qualitative data from open ended questions was analyzed by organizing the data into sub topics or themes as per the research objectives and description given in prose form. Ethical consideration in the study is explained and the chapter summary thereof. In chapter four the findings from the data collected was analyzed by descriptive statistics, and then presented through tables, bar charts with the aid of Microsoft excel software. A regression model was used to show the relationship between the independent and dependent variables. The study limitations and summary of the chapter was highlighted. In chapter five. The study variables had perfect significance on the performance of manufacturing company. The study concluded that all the variables were significant in the study undertaken.

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ACRONYMS AND ABBREVIATIONS

ZBB: Zero-Based budgeting

GDP: Gross Domestic Product

AGM: Annual General meeting

COVID-19: Corona Virus Disease

SWOT: Strength, weakness, Opportunity, Threat.

OPERATIONAL DEFINITIONS OF TERMS

Budgeting: Budgeting is the decisions on the level of expenditures and the repartition of resources among organizational sub-units

Strategic planning: Strategic planning is a process that involves defining an organization's direction and decision making on how to achieve this strategies through resource allocation. Strategic planning is also an activity that is performed by the organization's management to set priorities, gather resources, strengthen operations, ensure stakeholders and workers are working towards common goals and asses and align organizations direction in with changing environment.

Internal control: Internal control is a process through which the enterprise reaches its goals, results, authority performance, and arrangement, monitoring in the whole enterprise or separate subdivision.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This is the opening chapter. This chapter contains the background of the study, statement of the problem, objectives of the study, purview of the study and the limitations of the study.

1.1Background of the Study

About 70 percent of the Kenyan industrial sector constitutes of manufacturing companies. Manufacturing sector is identified as one of the key drivers of achieving a sustainable GDP growth of 10 percent annually in Kenya's vision 2030 (Government of Kenya, 2013). The sector has achieved to create employment at a very high rate over the past few years. It has employed 2.3 million both in the formal and informal sector. Globally most of the successful companies, take the likes of Unilever, they get to be successful due to proper budgeting, internal control and strategic planning that once incorporated and coordinated to work together make them achieve their goals and objectives as a business. In Kenya most manufacturing companies are embracing budgeting and implementing greater internal control measures and strategic planning to help them run the business effectively. Though not all companies have adapted all the three, the acceptance of all three being effective in improving the performance of a business is rising, thus we are witnessing the robust growth of manufacturing companies in Kenya.

Budgeting is important to any kind of business as it helps the business to achieve its goals that are in the organization's strategic plan. An organization has a lot of goals to be achieved. Some of the goals can be achieved through proper budgeting are: Planning of actual operations, control which is achieved through comparing actual expenditure with the estimated expenditure to correct the deviations made, communicating of various plans to various managers, motivate managers to put in effort to try and achieve the budget goals and also assist in coordinating the activities of the organization.

Budgeting is the decisions on the level of expenditures and the repartition of resources among organizational sub-units. (Lepori, Usher, & Montouti, 2013) It can be therefore be defined as organizational process through which centrally available financial resources are divided among organizational sub-units and type of expenditures (Lepori et al, 2013).The budget is considered to be one of the most important management methods in most companies in the world that is why the best practice of this method of formation and application is not questionable (Shcherbina & Tamulericiene, 2016).

Budgeting is a critical process in an organization, be it in a manufacturing company, SME, IT company or whole sale and retail, since it is closely related to key choices concerning strategic priorities and to resources acquisition strategies. The process entails choices on what to produce for the market, how to produce it and provide the goods and services to the consumer and also on matters pricing (Lepori et al., 2013).

According to Mukherjee, Al Rahahlek, Lane and Dunn, 2016. Corporations owned by private investors have a clear objective of increasing the monetary value of the corporations for the owners while the Not for Profit (NPF) organizations have the objective of service mission. Performance of a business refers to the business's ability to attain and meet the required standards, increase its market share, improve its infrastructure, ensuring there is returns on profits as it also maximizes on efficiency. Budgeting is known to assist in all that as well as strategic planning and internal control. Most manufacturing companies be it local or international, their growth always depends on proper strategic planning, budgeting and internal control since they tend to keep the company at bay and assist it in growing. For an organization to be successful, it must plan its financial activities, through proper budgeting and budgetary controls (James Nwoye Obi, 2015). It must also plan and come up with strategies that will assist in achieving its goals. As well as internal control through implementing the best internal control systems according to the organization's structure.

A budget must have estimates of the unit volume of production, unit cost of production and unit price for a specific period (Ross, Westerfield and Jordan, 2016). Therefore, the budget has to have performance measures that will assist in the execution process. The measures are cost volume profit (CVP), net present value (NPV) to assist the management to make choices between alternatives and also the internal rate of return (IRR).

According to Ross et al., 2016. A business is a going concern and it is expected to make profits or break even in any transaction. Therefore, a budget should have a pro forma profit and loss (P&L) that shows net sales, cost of goods sold (COGS), general sales expense (GSE), taxes and projected net income.

Budgeting helps in minimizing business risks since it also involves formulation of strategies that assist in the planning of finances even in making capital investment decisions for an organization through forecasting or making returns projections. Budgeting process involves a policy in the financial department. This assists in tracking how the finances have been distributed in various departments and they key areas to focus on. This assists in creating efficiency and also help the management in planning and forecasting. It ensures the organization stays financially viable and it is still ongoing.

Generally, an organization's objective is expressed in time frames as informed by its vision and mission. The planning stage of an organization may vary depending on organization's objectives and uncertainties involved. The most forward dated budget is the strategic plan which sets the overall goals and objectives of an organization (Kipkemboi, 2013).

There are types of budgets. Some of them are: Master budget is the summary of the divisional budget; it is a continuous financial plan (Ackaha, 2014). It is a projected cash budget. It is one large budget of the organization. It utilizes inputs from financial statements, the cash forecast and the financial plan. The management team uses the master budget to plan for the activities they need in order to achieve their business goals. The master budget consists of a planned operating budget and a financial budget. The planned operating budget helps plan for the future earnings and outcomes in a forecasted income statement. The budget helps management plan the financing of assets and results in a projected balance sheet.

The operating budget shows an organization's forecasted or projected revenue and expenses for a certain period of time. It is inclusive of fixed costs, variable costs, capital costs and non-operating expenses. It is a high-level summary with each line product accompanied with relevant details, which is important for cross-referencing whether the organization is spending according to its plans. The operating budget is mainly based on sales budget. Factors to be considered in preparation of an operating budget are: Inventory at the beginning of year, inventory maintained at the end of the year and number of units manufactured.

Sales budget is a kind of budget that estimates the future sales broken down into both units and currency. It is used to create a company's sales goals and also helps the sales department to focus its attention on management of sales objectives and quotas to bring reasonable performance level, and also bring a balance between sales efforts, expenditure, volumes and performance as per plan. The projections evaluate the product demand against affordability. It also evaluates sales volume against profitability.

The capital budget is a budget that determines the value of a potential investment project to be procured or invested in by the organization. It creates accountability and measurability. It helps in understanding the risks and returns involved in investments by the shareholders and owners.Business strategy is the company's plan to set competitive advantage in its markets. It works under the assumption that company leaders have a greater knowledge on how to succeed in a market as it also involves projections on more attractive markets and ways in which an organization can offer unique value and satisfaction to consumers in that market in a way that is difficult to be matched by its competitors (Godfrey & Bryce, 2016). Strategic planning is a process that involves defining an organization's direction and decision making on how to achieve this strategies through resource allocation (David, 2011) . Strategic planning is also an activity that is performed by the organization's management to set priorities, gather resources, strengthen operations, ensure stakeholders and workers are working towards common goals and asses and align organizations direction in with changing environment (Godfrey & Bryce, 2016).

According to (Bank, 2011), strategic planning is the process of determining what intends to be in the future of an organization and how to attain the target mark set, this process is done by the organization's leaders. Therefore, strategic planning is concerned with formulation of the organizations vision and coming up with the necessary priorities and procedures and activities necessary to actualize the stated vision. The organization's visions should include measurable goals that should be realistic and attainable.

Different levels of organizational strategies. According to (Tapera, 2016), there are four levels of strategy; corporate strategy, Business strategy, functional strategy and operating strategies.

Corporate level strategy, defines the markets and business in which a company will operate. It is formulated by the top managements. It describes the company's overall direction. It also defines the long-term objectives of an organization. A strategic plan is considered to be a tool that is used to define an organization's path, which helps in coming up with realistic objectives and goals for the organization (Tapera, 2016). The foundation of a good strategic plan is innovation and creativity. Strategic plan assists in making decisions on allocating its resources to achieve the strategy and also on the implementation part of the strategy.

According to (Tapera, 2016)strategic planning process has five stages or phases are as follows: Develop a strategic vision that shows the direction the organization desires to follow and the kind of products they want to bring into the market and their target customers. Set progress and performance measuring objectives. Develop strategies to achieve. Implement and execute the accepted strategies effectively. Conduct performance evaluation and rectify the fall outs with the use of appropriate measure.

According to (Bradutan & Sarbu, 2012) , (Ong, 2015). Planning plays a major role in ensuring the business is ongoing and is also growing in the business enviroment. Some of the benefits are: Strategic planning helps in identifying the different strategies to be used in achieving the goals. Strategic planning increases the managers 'commitment to achieving the organization's objectives. It also allows the organization to be more proactive in comparison to reactive, therefore making them more adaptive and successful. Strategic planning gives the organization the chance to analyze the future in a thorough but very systematic manner. Strategic planning assists in improving the activities and creating a more efficient way to allocate the organization's resources.

Internal control is a wide and broad area and concepts that cover the entire range of procedures, methods and controls established by an organization to increase the probability to achieve its business goals (Institute of Internal Auditors, 2012). Internal control is a process through which the enterprise reaches its goals, results, authority performance, and arrangement, monitoring in the whole enterprise or separate subdivision (A.M. King, 2011)). According to (Barnabas, 2011).Internal control is a summation of company's components (including its resources, systems, processes, culture, structure and tasks) that help the employees to achieve the company's goals.

Internal control is a process integrated with all other processes within an agency. It is established, maintained and monitored by all personnel at all levels within an organization. Internal control facilitates in increasing the possibility of an organization achieving its strategic goals and objectives. Internal control is cost effective but its implementation should not exceed the gains from the implementation of the control measures in place. There are various categories in which internal control assists in achieving the objectives. Some of these categories are: Effectiveness and efficiency of operations. Reliability of financial reports. Compliance with the laws and regulations to be applied.

Most manufacturing companies collapse due to improper budgeting, because this leads to poor financial planning. Therefore, making it hard for the company to stay in business. This tends to affect SMEs too. As budgeting is important to all kinds of businesses also strategic planning is and proper internal control. Improper strategic planning makes it hard for the organization to achieve its goals and Internal control makes it hard to manage the employees who are the organization's most valued assets. Take the case of Mumias Sugar company that collapsed due to improper management, this therefore shows that internal control is also key in the general performance of a company.

1.2 Statement of the Problem

Budgeting, strategic planning and internal control are very important to any manufacturing company. The budget provides the organization management with a mechanism to carry out performance evaluation of managers (searforce & Monezka, 2015), therefore assisting in the realization of the budget and organizational goals thus making the managers be in a position to compare the projected performance and actual performance of the company. Budget making is a work in progress; this is because those who make it are never fully satisfied. Budgeting involves making decisions on inadequate information and without full knowledge of how appropriations were used or of the results that new allocations may produce.

(Libby & Lindsay, 2010) Criticisms towards budgets are a fact that they are time consuming. They do limit or deny the organization a chance to seize opportunities and also denies the company the chance to be fluid and adapt to the ever-changing business environment. It therefore eliminates a certain percentage of desire to improve by the organization. Most of the budgets are also not connected to the organization's strategy. Most budgets also tend to focus on its ways to improve and not end up considering the quality of its products and customers. As we look at these problems related to budgeting, we realize that they can be remedied or controlled to a certain level. According to Henry Mintzberg, there are three fallacies against strategic planning and one of them being: Objectivity, these states that strategic planning works with the assumption that keys to a good strategic plan, lie in objective measures of hard data and often ignores what is beneath the hard data, therefore overlooking the critical in choosing the right strategy for an organization.

The second fallacy is predictability. It works on the assumption that the business environment does not change as it waits for the strategic plan to be formulated and implemented. On the real world the business environment is unpredictable and keeps changing overtime. Therefore, the plans always end up being obsolete thus needing change from time to time.

The third fallacy is structural. It works on the assumption that structural systems and, "a rational sequence from analysis through administrative procedures to actions." It focuses on current objectives rather than considering which objectives should be purchased at a moment.

Most of the internal controls are implemented by the organization's human resources. If there is incompliance in any way it tends to affect the organization in many ways and mostly performance wise in matters production, sales, achievement and financial wise. Lack of proper and ineffective strategy plans, poor budgeting and ineffective internal control tend to affect the performance of an organization widely.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective is to: determine the effectiveness of budgeting, strategic planning and internal control in the performance of a manufacturing company in Kenya.

1.3.2 Specific Objectives

The specific objectives of the study were;

i. To examine whether proper budgeting influences the performance of manufacturing companies.
ii. To determine whether strategic planning affects the performance of manufacturing companies.
iii. To examine whether internal control improves the performance of an organization.
iv. To determine how the coordination of budgeting, strategic planning and internal control affect the general performance of a manufacturing company.

1.4 Research Questions

i. Does internal control improve the performance of a manufacturing company?
ii. How does proper budgeting influence the performance of manufacturing company?
iii. What is the effect of strategic planning on the performance of a manufacturing company?
iv. How does the coordination of Internal control, budgeting and strategic planning affect the overall performance of a manufacturing company?

1.5 Justification of the Study

The study will facilitate the documentation of the significance and extent of budgeting, strategic planning and internal control as suggested in the text book and as taught in Bachelor of Commerce are being applied in Kenya. It will show case how close the practice is to the theory in books and schools.

This study will educate managers of manufacturing companies of the importance of budgeting, strategic planning and internal control and its effect on the performance of the organization. It may help managers to use the most appropriate approaches in budgeting, strategic planning and internal control according to their organizational structure and one that fits the company best.

1.6 Scope of the Study

The study is to find out the influence of budgeting, strategic planning and internal control in a manufacturing company, a case study of The Coca Cola company Kenya. The study is going to be conducted in Airport North Road, Nairobi County, Kenya. This where the Nairobi Coca cola branch is located. The study is set to take place from May to July 2021 time frame.

1.7 Chapter Summary

The chapter sheds light on the background to the study, which has brought an understanding on the performance of manufacturing companies. A case study of the Coca-Cola Company Kenya. Identified the statement of the problem and study objectives, research questions, justification of the study, scope of the study and the summary of the chapter thereof.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Budgeting, strategic planning and internal control are as important to a manufacturing company as the finance sector. If done and implemented properly, the company will definitely thrive and continue to last in this competitive business market. A number of companies have been known to fail due to improper budgeting, strategic planning and internal control. A number of theories have been suggested to assist the organizations in proper budgeting, to guide them in the formulation of a strategic plan and ways to ensure there is effective internal control. Many factors may explain why performance budgeting succeeds or fails (Lu & Ho, 2016) they suggest different theoretical perspective and causal logics on performance budgeting. Budgets forecast the financial performance of an organization therefore allowing the assessment of the financial viability of the selected strategy. Most organizations formalize this process through preparation of annual budgets and monitoring performance against budgets (Silva & Jayamaha, 2012)

2.1 Theoretical Literature Review

This study was based on hypothesis of budgeting, strategic planning and internal control on the performance of manufacturing companies. The following theories propose on how to make the decisions. The theories are: Agency theory, balanced score card theory and the priority based risk budgeting theory.

2.1.1 Agency Theory

Agency theory is a contract that defines the relationship between the principals who are also known as the shareholders and the agents also known as the managers who are supposed to perform some tasks on behalf of the principals. Some of them include decision making, with authority from the shareholders/ principals. This theory always works on the assumption that the principles' and agents' interests always clash, but the principle can limit this clash by introducing certain incentives for the agents and monitoring cost to prevent or limit opportunistic moves by the agent. The AGM held by public companies aim to provide control mechanics to the shareholders as a way of solving agency problems. This is based on a notion that shareholders have the ability to manage and monitor board and management. These AGMs are held to make decisions therefore limiting managerial power. They are also used to review and approve of the firm's financial statements, dividend payments, review and approval of the budget and capital expenditures (Roberta, 2010).

Agency theory has a direct relationship to internal control. It suggests the use of incentives like bonuses to employees. These incentives motivate the employees, therefore leading to an easy work flow in the work area and tasks being done well. This is because the employees who are referred to as agents put the organizations' goals first, which eventually leads to better performance of the organization. Principles' interests are also met at the same time.

2.1.2 The Balance score card theory

The balanced scorecard converts a company's vision and strategy into a set of performance measures. There are four perspectives of a balanced scorecard, namely: internal business processes, customer knowledge, financial measures and learning and growth. Its approach starts with strategy and then identify the interrelationships and objectives for each and every stakeholder. It creates a balance between long-term and short-term objective. Also, between outcome expected and performance drivers of certain outcomes. Most important learning and Growth include: employee satisfaction, retention and productivity. Important financial measure include: Returns on investment, revenue growth, cost reduction and profitability. Core customer knowledge measures are customer sourcing, customer retention, satisfaction and market share growth. The relationship between the organization's measures which describe the firm's strategy in a balanced scorecard should be fully explained in order for them to be monitored, managed and validated. Therefore, shows organizations use budgets to measure financial indicators of their strategies. Performance targets are communicated to the staff as a target in the form of a financial budget (Dekker et al, 2012).

This theory explains the relationship between the theory and budgeting and strategic planning, in the sense that the strategies set out to achieve the organization's goals are used to measure the organization's performance after a certain period of time. The budget is created using the strategies, since they give step by step procedure on how the organization is going to achieve its objectives and goals. Then the budget is handed over to employees, which they are going to use as targets. This therefore ensures that the strategies are set out well since they are vital in achieving the organization's goals. Such a set up motivates employees to work towards achieving their targets and as the targets are attained the organization's performance gets to improve.

2.1.3 The priority-based risk budget theory

According to (Kavanagh, Johnson, & Fabian, 2011) Priority based budget theory suggests that the organization's resources should be allocated in accordance to the priority of the organization's activities. It enhances growth and savings in budgeting, since it focuses on the company's priorities. This approach involves reviewing of the objectives of service, standards to be achieved/reached and several areas the service can operate (Pigeon, 2010) and the possible outcomes passed over for decision making. Then later for implementation, this theory tries to show and explain how prioritizing of certain activities/tasks affects budgeting in the long run.

This theory explains its relationship to budgeting. The priority-based risk budget helps the company in spending money on the most urgent needs. This theory helps the company in unnecessary spending, which helps the organization in efficiency during production. Therefore, the unused finances will help in expansion in the near future, which is a capital investment and it is also a form of growth for companies.

2.2 Empirical Literature Review

Empirical review provides insight into the past studies done, the topic, the methodologies used, findings established, conclusion and recommendation and the gaps that need to be filled by the future studies or current study (Mwangi, 2019).

2.2.1 Budgeting and performance.

Modern budgeting without losing its control and mechanisms can integrate financial outcomes through frequent re-forecasting thus supporting performance management. on the budget linked to analysis of performance trends (Asanting Yolla, 2018). The determinants of financial performance are always subdivided into two parts. These are the internal factors and external factors. Internal factors are those factors within an organization that affect the general performance of an organization. External factors are the events from the external environment that affect the performance of the organization. Some of the factors of the internal environment are: availability of capital, size of the firm, management efficiencies, assets tangibility, liquidity management and asset quality. Some of the factors of external environment are political stability, legal policy, taxes, inflation and GDP.

According to Elhamma (2015), the relationship between budgeting and performance on a study he conducted on 62 Moroccan firms, he discovered that the firm's performance is significantly and positively correlated to the firms' budgeting.

Budget evaluation is the most important aspect of the budget process and it has a huge impact on measuring the performance of an organization. Variances go a long way in improving the financial performance of an organization (Laryea, 2016). Therefore, there is a significant relationship between budgeting and financial performance of an organization.

Muhura (2012), conducted a study on budgeting capabilities and the performance of Airtel Kenya. The research showed that budgeting in the human resource, physical infrastructure and distribution of network made it perform better. Budgeting also made them incorporate innovation, market research and manpower development. Therefore, indicating that budgeting significantly correlates with the performance of a company.

According to (Abongo, 2017), on her research of the effect of budgeting process on the financial performance of top 100 small and medium firms in Kenya. She found out budget planning, budget control, budget coordination, budget communication and evaluation processes once implemented to a great extent affects the financial performance of an organization positively. Therefore, came to a conclusion that there is a strong relationship between budgeting processes and financial performance of an organization.

(Isaboke & Kwasira, 2016) Research on determining the influence of the budget process on the financial performance of the County government of Nakuru and found out that the budgeting process strongly affected the financial performance of the County government of Nakuru. This helped it grow widely and was also able to do more development in the county of Nakuru.

(Onduso, 2013) Did research on the topic of the effect of budgets on financial performance of manufacturing companies in Nairobi County. According to Onduso, budgeting and budgetary controls accompanied with proper monitoring and control enhance the performance of a manufacturing company. He also suggests on the use of participatory style of budgeting, for its managers by making them feel valued and their opinions too. Therefore, motivating them towards working to meet the budget goals and organization's goals. This in the long run helps improve the performance of the organization.

(Koech, 2015) Conducted research on the effect of budgetary controls on financial performance of manufacturing companies in Kenya. The study of his suggests that budgetary control incorporate the organization's strategic plan and also identifies the key financial indicators and how and when to monitor them. The budgetary control helps in interpreting budgets and Performance measurements as communication tools which helps in thinking and also being proactive in whole as an organization.

2.2.2 Strategic planning and performance.

Organizational performance comprises of output/ results compared to its inputs (Mugo, 2013). According to Aremu (2010), strategy is required to coordinate and focus effect on organizational activities. He continues to say that without strategy an organization becomes a bunch of people. Therefore, strategy is required to focus effort in order to achieve its goals. Several recent works have highlighted the criticality of performance as a dependent variable. Organizations that adopt strategic planning are more successful as compared to those that do not. Organizations that embrace strategic planning get to increase their sales, market share, productivity and profitability, since strategic planning helps them in coordinating the organization's activities.

Strategic planning helps the business escape financial obscurity as well as it helps the organization aware of external threats by helping it understand its strengths, weaknesses, opportunities and threats using the SWOT analysis method. It also helps the company understand competition, strategy, enhance employee involvement, accepting change and also encourages performance reward relationship in the work space (Bryson, 2011). Strategic planning prepares the organization to encounter challenges and hardships that come along with it, therefore promoting collective responsibility and ownership by management as well a motivated and performance based workforce teams brought out by the sense of ownership cultivated in them.

Having highly motivated employees and well coordinated planned work activities, increases productivity, reduces costs, creates efficiency overall. These activities leads the organization to achieve its objectives. Once the objectives are met, the organization is termed to be successful. Strategic planning once embraced by organizations, they're to survive for long in the market, hence performing better (Taiwo and Indunnu, 2010). Therefore, strategic planning largely affects the performance of a business.

2.2.3 Internal control and performance.

According to Njeri (2014), manufacturing companies that have invested on effective internal control systems, have improved financial performance as compared to those manifacturing firms that have a weak internal control system. Internal control has a significant relationship with financial performance and therefore, internal control is positive predictor of financial performance of a company (Kinyua, 2016). Internal control hepls the organization/ business achieve its profitability and performance target and also prevent loss of resources. It also ensures tge financial statements submitted for reporting are reliable. It also ensures the organization complies with laws and regulations, thus helping it avoid tarnishing its reputation as it goes about its day to day business.

Internal control involves many things that help the organization achieve its specific goals. Some of them include: the organization's structure, work and authority flows, people and management information systems. Organizational performance entails the ability of an organization to achieve its mission through proper management, strong governance and persistent dedication to achieving its goals (Mugo, 2013).

2.3 Summary and Research Gaps

This chapter covered the literature review on the influence of budgeting, strategic planning and internal control on the performance of a manufacturing company. In this section we've come to learn that the performance of the company is the dependent variable and budgeting, strategic planning and internal control are the independent variables. We have also discovered according to the empirical review of existing research, that proper budgeting, strategic planning and internal control of an organization positively influences the performance of the company. Though there is less coverage on how internal control affect the performance of a manifacturing company, most of the studies covered institutions, like hospitals and universities. There is also a gap on the connection on strategic planning to budgeting, since they work hand in hand to boost the perfomance of a company. They do not show how strategies lead to the formation of a budget and how budgetary targets are set from the organization's strategies.

2.4 Conceptual Framework

The conceptual frame work illustrates the relationship that exists between the independent variables namely firm’s size, liquidity management and management efficiency and how they affect the dependent variable that is the financial performance of the Coca Cola company in Kenya.

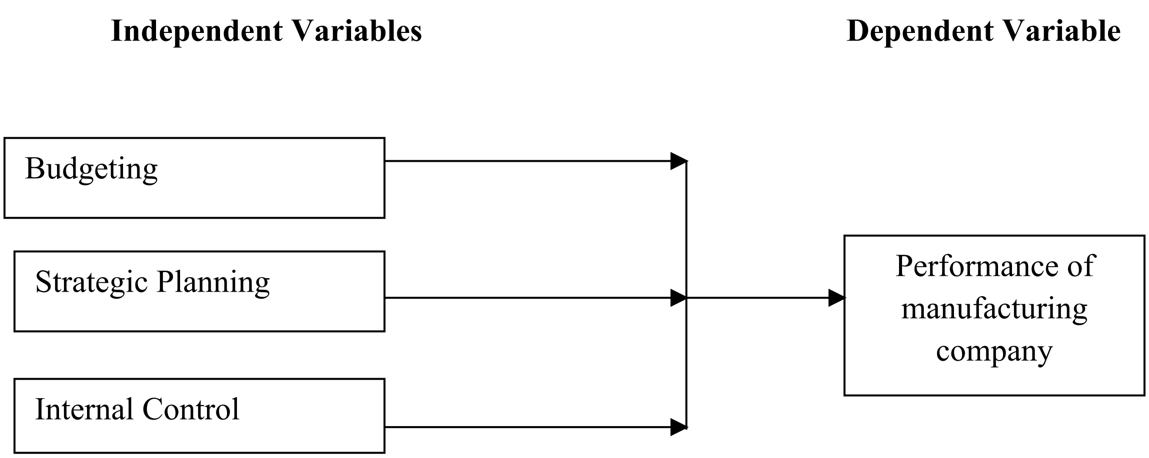

Figure 2.1 Conceptual frame Work

2.5 Operationalization of Variables

An operational definition specifies precisely how study variables are measured and therefore the purpose of operationalizing or operationally defining each variable is to make them measurable.

These entails how the variables (size of available funds, long term business goals, projected return on investments, policies and regulations) influence the performance of Coca cola company in Nairobi, Kenya.

Table 2.2 Operationalization table.

VARIABLES.	INDICATORS.	MEASUREMENTS.
Availability of funds.	Budget planning and budget execution.	Measurement scale of 1-5. 1= strongly disagree to 5= strongly agreee.
Long term business goals.	Strategy formulation. Strategy analysis. Strategy implementation. Strategy evaluation.	Measurement scale of 1-5. 1= strongly disagree to 5= strongly agreee.
Projected returns on investments.	Projected income on the budget. Projected sales on the budget. Projected expenditure on the budget.	Measurement scale of 1-5. 1= strongly disagree to 5= strongly agreee.
Policies and procedures in place.	Level of control in the organization. Protective system on linkage	Measurement scale of 1-5. 1= strongly disagree to 5= strongly agreee

	of information. Management information systems in place.	

2.6 Chapter Summary

In summary, the chapter addresses the theoretical literature review. Further in the chapter the summary and research gaps are explained in tabular form, the conceptual frame work depicts relationship between the study independent variables

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

The chapter deals with design and methodology of the study. It conducts a detailed study on the following: the research design, target population, sample size, sampling design, data collection instruments and procedures, pilot study, validity, reliability test, data analysis and presentation techniques, ethical considerations and the chapter summary.

3.1 Research Design

Research design can be termed as a blueprint for conducting business research projects in an efficient manner. It discusses in details the data collection, measurement and analysis procedures which helps to solve business research problem (Sreejesh, Mohapatra, & Mr. Anusree, 2011). In this study we are going to use descriptive research design. This design is used to check and analyze how things are. Which are: the influence of budgeting strategic planning and internal control on the performance of a manufacturing company.

3.2 Target Population

The target population includes all group members that a researcher has an interest on in his study (Yin, 2003). Since the population has significant characteristics, the results of the study are summed to the researcher's population.

The selected company of study is the Coca-Cola Company in Nairobi, Kenya. The target population in the company and the accountants, this is because they are in charge of budgeting and finances of the company. The other target is the managers in the company from each and every department to help in determining their budgeting style used in the company and also since they are in charge of formulation of Strategic plans and their implementation. The last target population is the same of the junior staff to assist in determining how the budgeting style affects them, the types of internal control used by the company and how it affects their performance on certain task. The target of interest in the study was the staff of the company totaling to 234 employees in different departments involved in the study.

Table 3.1: Table showing the target population.

Departments	Number of Employees
Finance	41
Management development	80
Marketing	59
Field Surveillance(security)	31
Public issues	23
Total	234

3.3 Sample and Sampling Technique

The target population embraces a number of distinct categories of the bottling company which possess departments that deal exhaustively on the subject matter, thus stratified sampling was suitable. The samples were collected by the researcher from the employees. According to (Mugenda & Mugenda, 2003), the appropriate sample size of a descriptive study is between 10% and 30%.

Thus 30% of the population was selected as the sample in each section and the sample size was considered to be enough to represent the entire population as shown in Table 3.2.

Table 3.2 Sample Size

Departments	Number of Employees	Sample Size
Finance	41	12
Management development	80	24
Marketing	59	18
Field Surveillance(security)	31	9
Public issues	23	7
Total	234	70

3.4 Data Collection Instruments

In data collection both primary and secondary data was used. The primary data was collected using interviews and questionnaires. Questionnaires were handed over to the managers and accountants to obtain information on the influence of budgeting and strategic planning on the performance of the company. The questions were both open-ended and closed-ended. The open-ended were there to give more and wide information. Closed-ended were used to get specific information. Interviews were used on some of the managers and willing employees to acquire data on the influence of internal control on the performance of the company. The secondary data was acquired from the budget records of the company, annual financial statements and records for the past four years (2016 to 2020).

3.5 Pilot Study

The main reason a pilot study is conducted is to assess the possibility of an approach that was forecasted to eventually be used in a bigger scale study. Prior examination of the research tools to be used was done as allowed for by the study and was definitely not included in the actual study. Pilot study is a mini inquiry conducted on techniques to be used later for a bigger scale (Yin, 2003)The pilot study was done in the commercial department where according to Mille, Huberman, and (Saldana, 2014) pilot study of the 10% of the selected sample had expected the wider extent study. Six employees from the commercial department were selected randomly.

According to (McKim, 2017) the results of a pilot study helps the researcher identify problems in the main research process. It also assists in identification of faults in the main research process by the researcher, outline techniques and also approximate the amount of time in days and resources required to complete the research process.

3.5.1 Validity and Reliability

Reliability is the consistency in results over time and accurate representation of the entire population under study. Validity examines if what was to be measured was measured and how accurate and truthful the research results are (Muthoni, 2010) Quantitative validity is known as construct validity. The construct is the initial concept, notion, questions or hypothesis that determines the data to be collected and method of collection.

3.6 Data Collection Procedure

The data collected is both quantitative and qualitative. Quantitative measure quantifiable phenomenon to represent a sample. Descriptive design was used to analyze the data. Qualitative analysis describes a phenomenon at one point in time. It was used to summarize the data collected and edited for uniformity, completeness and accuracy and arranged for coding. Qualitative analysis was mainly used for the open-ended and closed-ended questionnaires.

The researcher will collect data through questionnaires to be filled in by the respondents in the sample group. The researcher will use interviews in a situation where there is lack of literacy. The researcher will meet the respondents and present the questionnaires and conduct interviews. The researcher will also be available throughout this process to cater to the respondents in case of any clarification required.

3.8 Ethical Considerations

3.8.1 Informed Consent

Before providing the respondents with any requirements for the study, the researcher explained to them the purpose of the study. The researcher also ensured utmost caution prior to the administration of the data collection instruments.

3.8.2 Voluntary Participation

The researcher ensured the information provided by the respondents was done willing fully. The researcher also ensured the moral principal was put into great consideration when carrying out the study and made sure no respondent was forced to give information.

3.8.3 Confidentiality

The researcher bore in mind the company processes hence was disciplined, customer sensitive, and showed respect to the company leaders. Information provided by the respondents, was treated confidentially. The researcher observed integrity to crucial information that was obtained so as to safeguard the confidential matters of the company.

3.8.4 Privacy

Respondents' rights and privacy were upheld and the researcher ensured that no participant was identified from the information they provided in the questionnaires.

3.9 Chapter Summary

In summary the chapter sheds light on the research methodology employed in conducting the study that is the design used the population considered, the techniques used to sample, instruments of data collection, procedures for collecting data, the pretesting of the questionnaires (pilot study through ascertaining validity and reliability), data analysis and presentation techniques, ethical considerations and the chapter summary.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction

This chapter shows the analysis, presentation and interpretation of findings from primary quantitative and qualitative data that was collected from the selected company employees (respondents).The study was to establish the influence of budgeting, strategic planning and internal control on the performance of manufacturing companies. A case study of Coca-Cola Company. The analysis of data was done through descriptive statistics and the findings of the study were presented in form frequency distribution tables, percentage charts and graphs. The interpretation of the outcomes is based on the outputs from the Microsoft Excel software as per the objectives and indicators of the variables of the study.

4.1 Presentation of Research Findings

4.1.1 Respondent Rate Analysis

Table 4.1: Response Rate Table

Departments	Sample Size	Frequency	Percent (%)
Finance	12	10	14.29
Management Dev	24	18	25.71
Marketing	18	16	22.86
Field Surveillance	9	7	10.00
Public Issues	7	6	8.57
Total	70	57	81.43

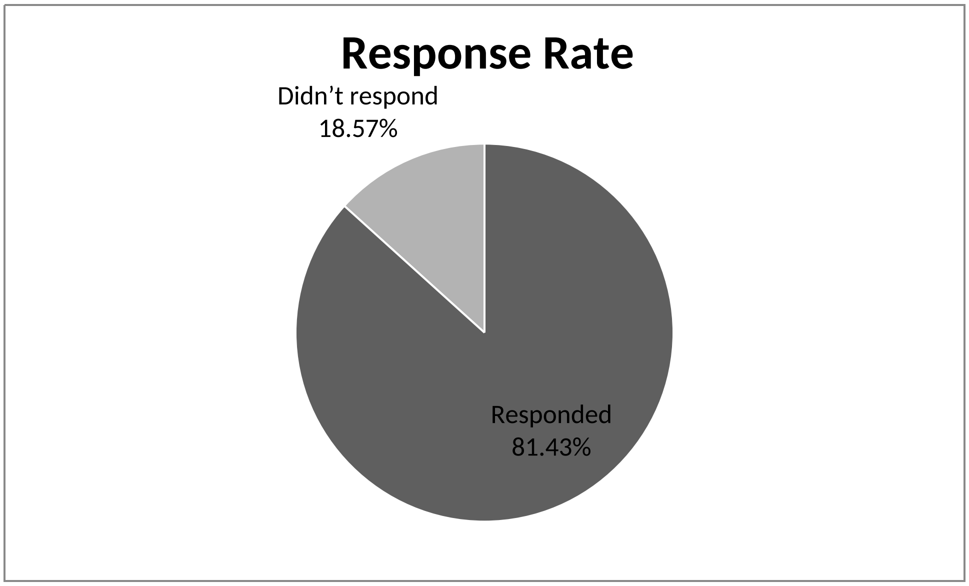

Figure 4.1 Response Rate chart.

Table 4.1 and Figure 4.1 shows a total of 70 questionnaires were disseminated and 57 came back filled. Therefore achieving a response rate of 81.43% was obtained. According to Peil (2015), questionnaire return rate above 50% is considered good for a study.

4.1.2 Information on Gender of the Respondents

Table 4.2: Gender of the Respondents table.

Gender	Frequency (n)	Percent (%)
Male	37	64.91
Female	20	35.09
Total	57	100

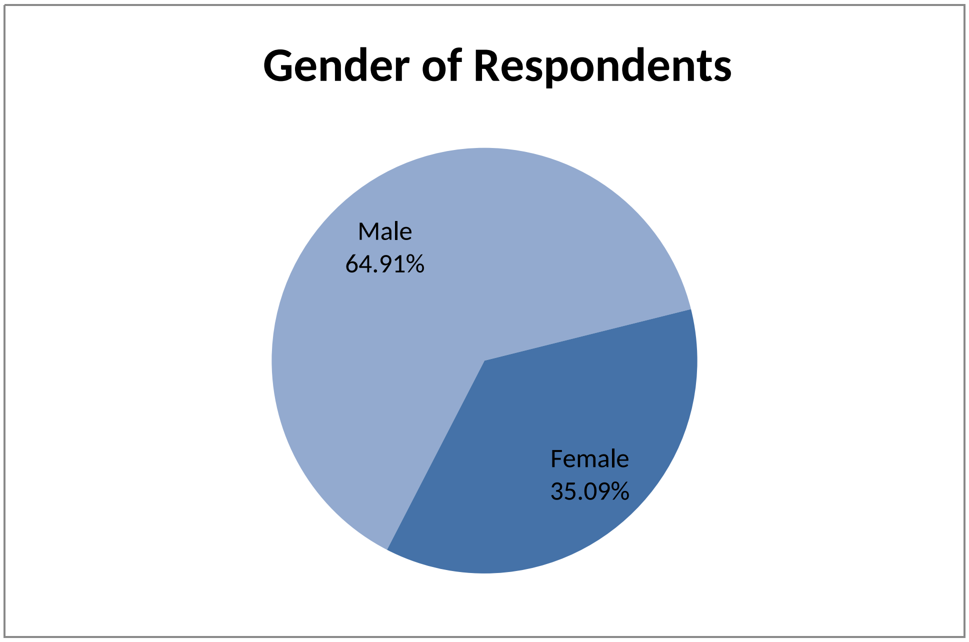

Figure 4.2: Gender of Respondents chart.

Table 4.2 and Figure 4.2 show that 35.08% of the respondents are females while 64.91% are males, an indication that males are more dominated as compared to females, thereby a disparity in gender representation in the study employees in the Coca-Cola Company.

4.1.3 Information on Respondents Age

Table 4.3: Respondents Age Table

Age Bracket (Years)	Frequency (n)	Percent (%)
15– 20	3	5.26
21 – 25	16	28.07
26 – 30	19	33.33
31 – 35	9	15.79
36 & over	10	17.55
Total	57	100

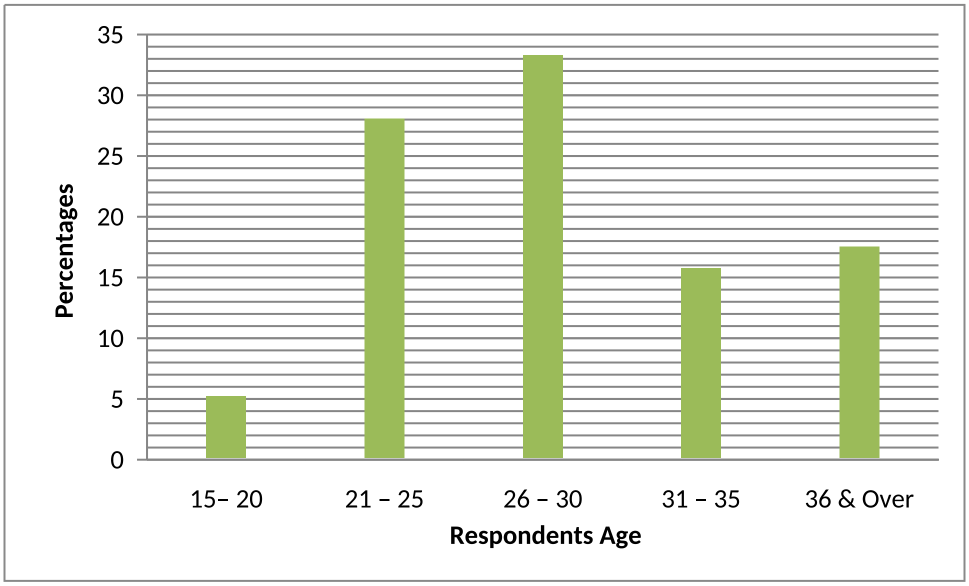

Figure 4.3 Respondents Age Chart

Table 4.3 and Figure 4.3 show that respondents between the ages of 15 to 20 years are 5.26%, 28.07% were between the ages of 21 to 25 years, 33.33% were aged 26 to 30 years, 15.79% were aged 31 to 35 years while 17.55% were 36 years and above. According to the respondent's interpretation, majority of the employees are aged between 26 to 30 years, indicating that most of the company employees are young and full of energy.

4.1.4 Level of Education of the Respondents

Table 4.4: Level of Education of the Respondents Table

Level of Education	Frequency (n)	Percent (%)
Certificate	11	19.3
Diploma	36	63.16
Degree	9	15.79
Masters	1	1.75
Total	57	100

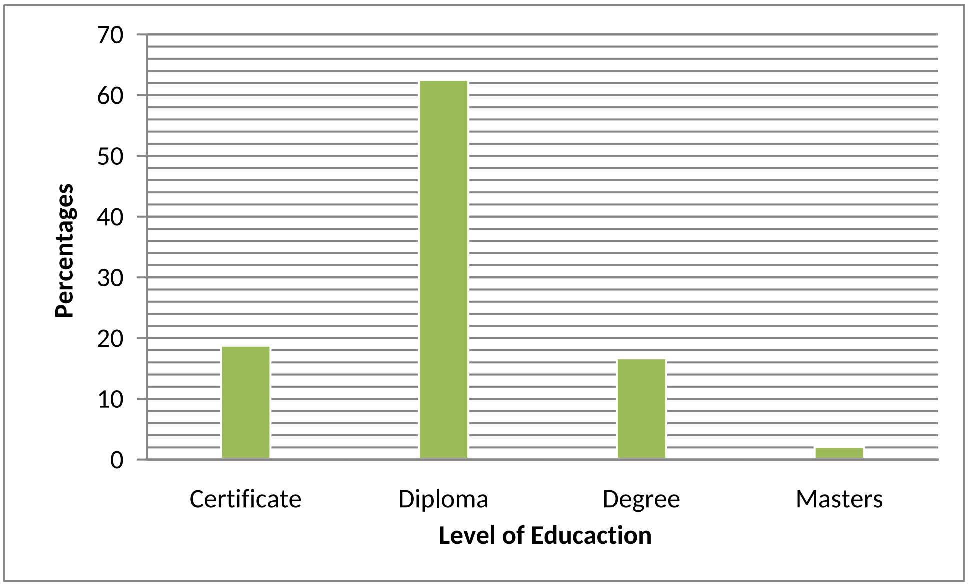

Figure 4.4:Level of Education of the Respondents Chart

Table 4.4 and Figure 4.4 show that 19.3 % of the respondents hold certificates, 63.16 % hold diplomas, 15.79 % possess first degree and 1.75% were post graduates with Masters. Thus most of the study respondents were diploma holders in the Coca-Cola Bottling company.

4.1.5 Length of Service of the Respondents

Table 4.5: Length of Service of the Respondents Table

Length of Service (Years)	Frequency (n)	Percent (%)
1 – 2 years	18	31.58
3 - 4 years	23	40.35
5 - 6 years	9	15.79
7 years and above	7	12.28
Total	57	100

Figure 4.5: Length of Service of the Respondents Chart

Table 4.5 and Figure 4.5 show that 31.58% of the respondents have served between 1 to 2 years, 40.35% have served for 3 to 4 years, 15.79% have served for a period of between 5 to 6 years, and 12.28% have served for a period of 7 years and above. It shows that most of the respondents in the company have served for 3 to 4 years.

4.1.6: Budgeting

Data was collected on Budgeting to determine its effects on the performance of the coca cola company.

Table 4.6: Table showing the issue of budgeting on performance

Response	Frequency (n)	Percent (%)
Strongly Agree	21	36.84
Agree	12	21.05
Neutral	6	10.53
Disagree	11	19.3
Strongly Disagree	7	12.28
Total	57	100

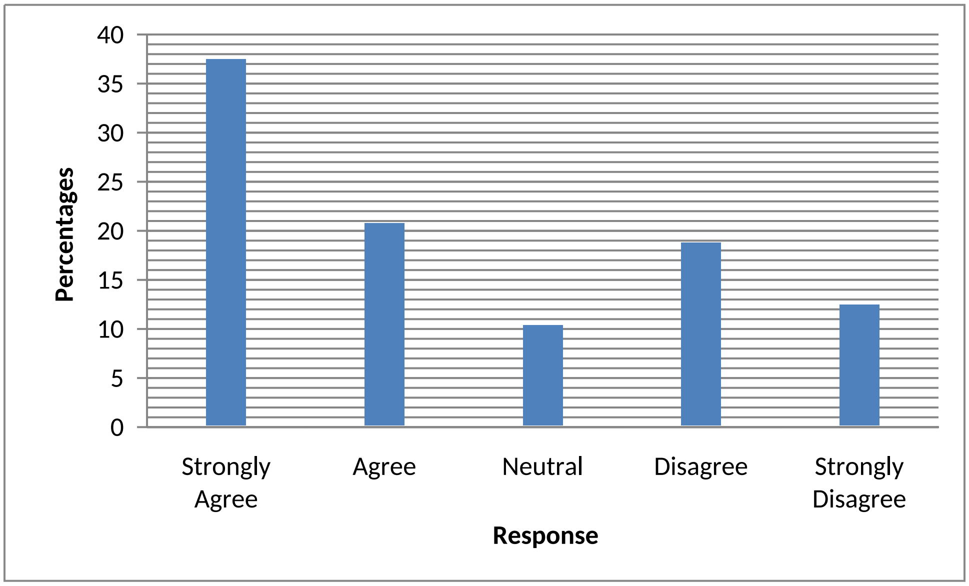

Figure 4.6: Figure showing the issue of budget on performance

The findings in Table 4.6 and Figure 4.6 shows that 36.84% of the respondents agreed strongly that the budget should be maintained and updated, 21.05 % agreed, 10.53% were neutral, 19.3% disagreed while 12.28% strongly disagreed that there is no need to maintain the budget. An interpretation of the findings is that the company budget should be maintained and updated.

4.1.7 Strategic Planning

Table 4.7: Table showing Strategic Planning on performance

Response	Frequency(n)	Percent (%)
Strongly Agree	25	43.86
Agree	14	24.56
Neutral	5	8.77
Disagree	7	12.28
Strongly Disagree	6	10.53
Total	57	100

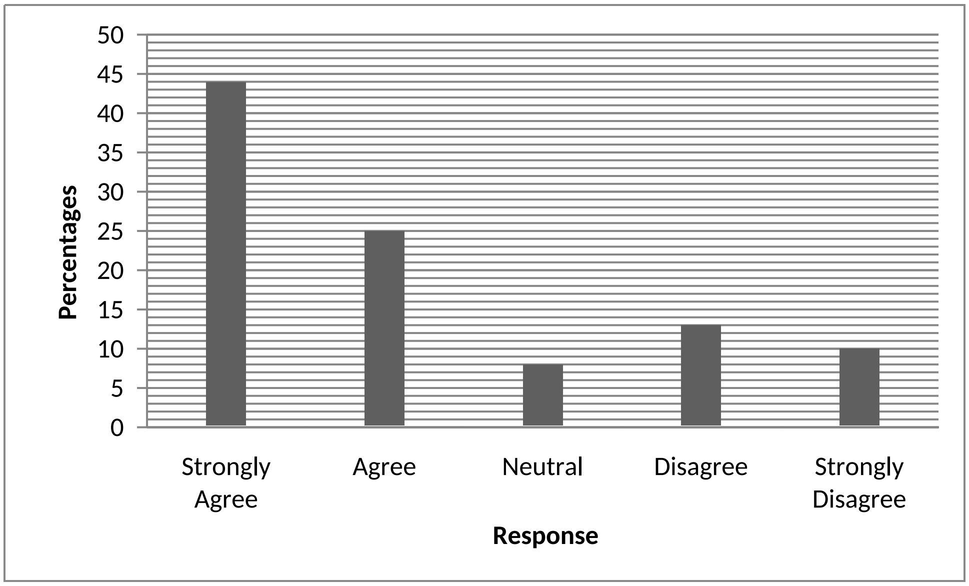

Figure 4.7: Figure showing Strategic Planning on performance

The findings in Table 4.7 and Figure 4.7 revealed that 43.86% of respondents strongly, those that agreed were 24.56%, 8.77% were neutral, 12.28% disagree while 10.53% of the respondents strongly disagreed.

4.1.8 Internal Control

Table 4.8 : Table showing internal control on performance

Response	Frequency (n)	Percent (%)
Strongly Agree	28	49.1
Agree	18	31.6
Neutral	6	10.5
Disagree	1	1.7
Strongly Disagree	4	7.1
Total	57	100

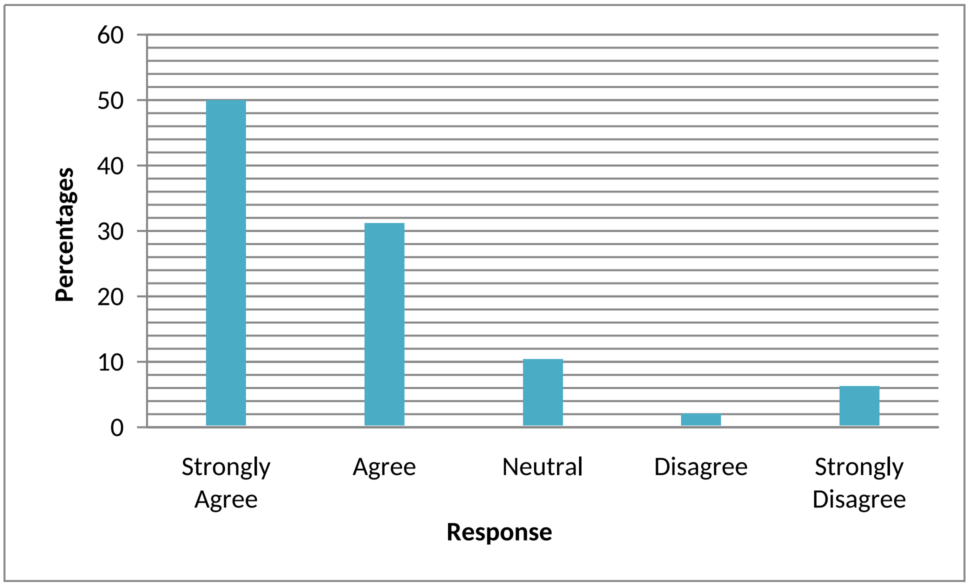

Figure 4.8: Figure showing internal control on performance

The findings in Table 4.8 and Figure 4.8 revealed that 49.1% of the respondents, while 31.6 agree, 10.5% are neutral, 1.7% disagreed and 7.1% strongly disagree .Thus most of the respondents in the Coca-Cola company in agrees there is verification; although there is some dissatisfaction from a few of the respondents.

4.1.9 Performance of manufacturing company

Table 4.9: Table showing performance of the Manufacturing Company

Response	Frequency (n)	Percent (%)
Strongly Agree	17	29.84
Agree	12	21.05
Neutral	7	12.28
Disagree	14	24.56
Strongly Disagree	7	12.28
Total	57	100

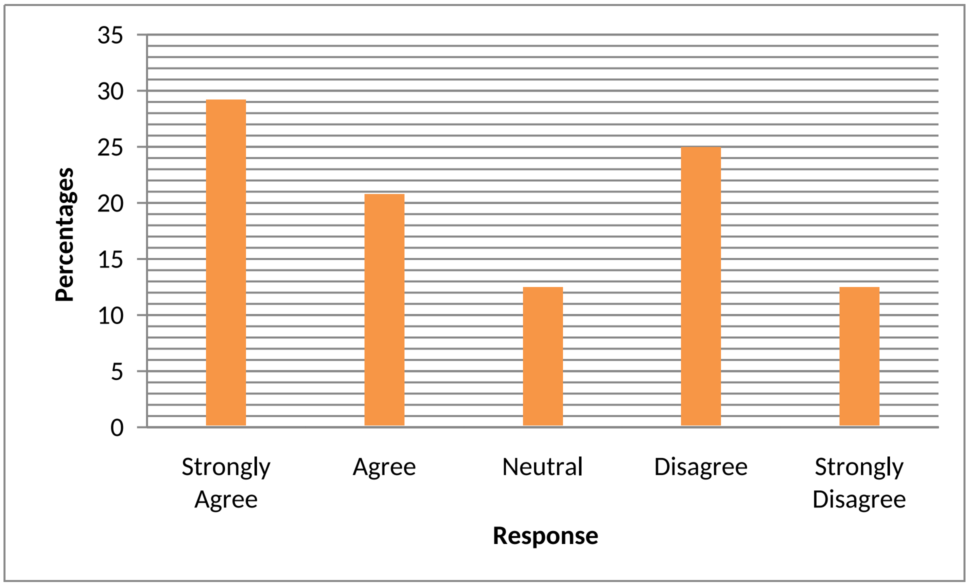

Figure 4.9: Figure showing Performance of the Manufacturing Company

The findings of the study in Table 4.9 and Figure 4.9 revealed that 29.84% of the respondents agree strongly on the performance of the company, 21.05% of the respondents agreed, 12.28% of the respondents were neutral, 24.56% of the respondents disagreed while 12.28% disagreed strongly on the performance. An interpretation of the idea that a bigger number of employees strongly agree 29.84% while 24.56% of the respondents disagreed on its overrated performance

4.2 Limitations of the Study

As the researcher carried out the study, the researcher was tasked to locating the employees as they were locked down due to the Corona Virus Disease (COVID -19) and most of them were tied up in their day to day activities and therefore it was difficult to locate them. It was hard for some of the respondents to understand the purpose of the study as they viewed it to competitive tool meant to expose their company hence the response received was not as expected, while others held back since they felt the information required was sensitive to their revenue policy in their company. These constraints made the researcher to reassure the respondents of their confidentiality and the benefits of giving the information openly.

4.3 Chapter Summary

The chapter has covered the analysis, interpretation and presentation of findings from the collected data from the respondents. The researcher intended to collect data from 70 employees, but complete feedback was from 57 respondents. Data presentation is in table forms, charts and bar graphs based on the research objectives and the variable indicators. The limitations of the study have been explained and how the researcher overcame the constraints experienced in study.

CHAPTER FIVE

SUMMARY, RECOMMNDATIONS AND CONCLUSIONS

5.0 Introduction

This chapter abbreviated the greatest findings of the study conducted, relevant recommendations drawn from the findings and conclusions based on the main objective of the study.

5.1 Summary of Findings

The main purpose of this study was to evaluate the influence of budgeting, strategic planning and internal control on the performance of manufacturing companies in Kenya. a case study of the Coca-Cola company Kenya.

5.1.1 Budgeting

Budgeting is the decisions on the level of expenditures and the repartition of resources among organizational sub-units. (Lepori, Usher, & Montouti, 2013) It can be therefore be defined as organizational process through which centrally available financial resources are divided among organizational sub-units and type of expenditures (Lepori et al, 2013).The budget is one of the most important management methods in most companies in the world that is why the best practice of this method of formation and application is not questionable (Shcherbina & Tamulericiene, 2016). On the issue of the budget, I found that 36.84% of the respondents agreed strongly that the budget should be maintained and updated, 21.05 % agreed, 10.53% were neutral, 19.3% disagreed while 12.28% strongly disagreed that there is no need to maintain the budget. An interpretation of the findings is that the company budget should be maintained and updated.

5.1.2 Strategic Planning

Strategic planning is the process of determining the organization's direction to help in achieving its strategies through decision making on resource allocation (David, 2011) . Strategic planning is also an activity that is performed by the organization's management to set priorities, gather resources, strengthen operations, ensure stakeholders and workers are working towards common goals and asses and align organizations direction in with changing environment (Godfrey & Bryce, 2016).According to (Bank, 2011), strategic planning is the process of determining what intends to be in the future of an organization and how to attain the target mark set, this process is done by the organization's leaders. Therefore, strategic planning is concerned with formulation of the organizations vision and coming up with the necessary priorities and procedures and activities necessary to actualize the stated vision. The organization's visions should include measurable goals that should be realistic and attainable. Figurative information revealed that 43.86% of respondents strongly agreed, those that agreed were 24.56%, 8.77% were neutral, 12.28% disagree while 10.53% of the respondents strongly disagreed.

5.1.3 Internal control

Internal control is a summation of company's components (including its resources, systems, processes, culture, structure and tasks) that help the employees to achieve the company's goals.

Internal control is a process integrated with all other processes within an agency. It is established, maintained and monitored by all personnel at all levels within an organization. Internal control facilitates in increasing the possibility of an organization achieving its strategic goals and objectives. Internal control is cost effective but its implementation should not exceed the gains from the implementation of the control measures in place. There are various categories in which internal control assists in achieving the objectives. Some of these categories are: Effectiveness and efficiency of operations. Reliability of financial reports. Compliance with the laws and regulations to be applied. The figurative data revealed that 43.86% of respondents strongly agreed, those that agreed were 24.56%, 8.77% were neutral, 12.28% disagree while 10.53% of the respondents strongly disagreed.

5.2 Recommendations

Based on the findings, the following represents key recommendations for effective performance of manufacturing companies. Coca-Cola Limited should increase it budget on the hardware and software acquisitions Continue with better strategic planning acts and international procurement required standard. Be consistent with reviewing and updating their system updates for protection against intrusion unwanted malwares. This will reduce cases of fraud or corruption in the industry.

5.3 conclusions

From the analysis it is believed that the respondent gave the actual information regarding the phenomena understudy, the area understudy showed positive outcomes considering the high amount of positivity in the variables understudy we see that under the budget column the highest agreeing percentage is 36.84%, for strategic planning the percentage is 43.86% and finally for internal control the percentage of the variable is 49.1%.

The study findings concluded that most of the variables were significant in the performance of the manufacturing companies especially the area of the study which is the Coca-Cola company.

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APPENDIX I

INTRODUCTION LETTER

Dear Respondents,

RE: PERMISSION TO UNDERTAKE ACADEMIC RESEARCH

I am a bachelor student at Management University of Africa, currently undertaking research on the influence of budgeting, strategic planning and internal control on the performance of manufacturing companies in Kenya. a case study of the Coca-Cola company Kenya. I hereby request for your co- operation and assistance in meeting the above stated requirements. I kindly request for the forms to be filled in individually. I also assure you the information that will be given is confidential and will be used for academic purposes only. Kindly no names should be written on the questionnaires.

Yours sincerely,

Purity Murembe.

APPENDIX II

QUESTIONNAIRE

<u>PART A: BACKGROUND INFORMATION</u>

In each section TICK in the box or fill in your response in the space provided as appropriate

1. Indicate your Gender

Male [ ] Female [ ]

2. Which age, bracket do you fall in?

15– 20 years [ ] 26 – 30 years [ ]

21 – 25 years [ ] 31 – 35 years [ ]

36 years & above [ ]

3. Which level of education did you attain?

Certificate level [ ] Diploma level [ ]

Degree level [ ]

Masters level [ ]

4. For how long have you been working in this organization?

1-2 years [ ] 3 – 4 years [ ]

5 – 6 years [ ] 7 years & above [ ]

SECTION B: BUDGET

1. This section seeks to establish the extent to which budget affects the performance of manufacturing companies. using a scale of 1 to 5 where 1 is very small extent, 2 is small extent, 3 is moderate extent, 4 is large extent and 5 is to a very large extent.

Statements		1	2	3	4	5
i.	The organization ensures that it complies with the budgetary issues					
ii.	The organization has a high level of transparency and accountability of budgetary funds					
iii.	The issues of employees are considered during budgeting					

2. Comment on how budget affects the performance of manufacturing companies. A case study of Coca-Cola Company?

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SECTION C: STRATEGIC PLANNING

1. This section seeks to establish the extent to which strategic planning affects the performance of manufacturing companies. Please indicate by ticking in the box of the number of the extent to which you agree with each of these statements.

Statements		1	2	3	4	5
i.	Strategic planning in the organization is in tandem with the new technology					
ii.	The organization has involved all the employs in strategic planning implementation					
iii.	There is continuous training in the application strategic planning					

2. Comment on how strategic planning affects the performance of manufacturing companies a case study of the Coca-Cola Company?

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SECTION D: INTERNAL CONTROL

1. This section seeks to establish the extent to which internal control affects the performance of manufacturing companies. Please indicate by ticking in the box of the number of the extent to which you agree with each of these statements.

Statements		1	2	3	4	5
i.	The organization has a high level of control in its operations					
ii.	The organization has a good protective system on linkage of information					
iii.	The organization has a good back up mechanism					

2. Comment on how internal control affects the performance of manufacturing companies a case study of the Coca-Cola Company?

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Thank you for your cooperation.

APPENDIX III.

BUDGET.

ITEM	**DESCRIPTION**	**AMOUNT**
1.	Printing and binding research proposal.	300/=
2.	Flash disk (16 GB)	1200/=
3.	Transport	2500/=
4.	Airtime	1000/=
5.	Printing and binding of the project	1500/=
6.	CD	50/=
Total		6550/=

APPENDIX IV.

WORK PLAN.

ACTIVITIES	DATES	INDICATORS	REMARKS
Topic Identification	6^{th} March		
Supervisor allocation	10^{th} March		
Approval of Topic	4^{th} April	Approved.	
Presentation of chapter 1	15^{th} May	Finalized.	
Approval	17^{th} May	Finalized	
Presentation of chapter 2	28^{th} May	Finalized	
Presentation of chapter 3	7th June	Finalized	
Approval	13^{th} June	Finalized	
Data collection	23^{rd} June	Finalized	

Data analysis	30th June	Finalized	
Presentation of chapter 4	3rd July	Finalized	
Approval	10th July	Finalized	
Presentation of Chapter 5	24th July	Finalized	
Approval	25th July	Finalized.	
Presentation and submission of the project	14th August		Ready.