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INFLUENCE OF STRATEGIC MANAGEMENT PRACTICES ON PERFORMANCE OF CONSTRUCTION FIRMS IN KENYA

A CASE OF RELIABLE CONCRETE WORKS LIMITED, KENYA

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Abstract

Strategic Management is concerned with making decisions and taking corrective actions to achieve long term targets and goals of an organization. The management of the construction industry is important in order to improve its performance and increase the number of national Gross Domestic Product, since studies indicate that the construction industry contributes on average between 5 to 9% of GDP in developing countries such as Kenya. However, though the need for a strategic perspective for construction companies has long been stressed by many researchers, few studies have focused on the process. The purpose of the study therefore was to establish the influence of strategic management process on the performance of construction firms in Kenya. The study targeted all 52 employees of Reliable Concrete Works Limited, Kenya. The study employed a descriptive research design. Closed ended questionnaires were used to collect data using simple random sampling technique. The data was coded and analyzed using SPSS. For purposes of establishing the strength and direction of the variables in the study, a correlation analysis was carried out. It was established that competitive strategies had a strong and positive relationship with performance of construction firms (r = 0.587). Further, it was established that both portfolio analysis and goal setting were equally important in enhancing the performance of construction firms. It was therefore recommended that construction firms enhance their competitive strategies in order to gain competitive advantage over their business rivals.

Keywords: Strategic Management, Portfolio Analysis, Competitive Strategies, Goal Setting

INTRODUCTION

The construction sector is an important sector of the economy and contributes significantly to GDP. The United Nations Environment Program has noted that about one-tenth of the global economy is dedicated to constructing and operating homes and offices (UNEP, 2006). UNEP further observes that the industry consumes one-sixth to one half of the world's wood, minerals, water and energy. The industry generates employment and income for a significant percentage of the population, and covers a wide variety of technologies and practices on different scales. Activities include industrial processes, which transform raw materials and generate both finished products and waste. In the last three decades, construction research in Kenya has focused on the entities that constitute the construction industry – particularly the projects, the contractors and human resources- deducing the performance of the industry as a whole from the observations made on its parts. Key areas of research have been procurement methods (Gwaya, Masu and Wanyona, 2014). Consequently, little attention has been paid on strategic management in the sector. Strategic management includes understanding the strategic position of an organization, making strategic choices for the future and managing strategy in action. It is a concept that is concerned with making decisions and taking corrective actions to achieve long term targets and goals of an organization. The importance of strategic management in a firm can be answered by analyzing the relationship between strategic management and organizational performance. Strategic management practices can improve efficiency in various organizations such as the construction industry (Njiru, 2014). Strategic management involves the formulation and implementation of the major goals and initiatives taken by a company's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization competes (Nag, Hambrick and Chen, 2012). Strategic management provides overall direction to the enterprise and involves specifying the organization's objectives, developing policies and plans designed to achieve these objectives, and then allocating resources to implement the plans. Academics and practicing managers have developed numerous models/frameworks to assist in strategic decision making in the context of complex environments (Ghemawat 2002). Hill and Jones (2012) contend that strategic management is not static in nature; the models often include a feedback loop to monitor execution and inform the next round of planning.

Strategic management practice is an important practice as it gives a strong influence towards firms' success. The importance of strategic management in a firm can be answered by looking at the relationship between strategic management and organizational performance. Strategic management does give positive influence, especially in its profitability to the large firms (David, 1997). In Japan, Japanese contractors have successfully out-thought construction firms in many markets in various parts of the world because of the attention they give to business strategy (Hasegawa, 1988). US banks show higher return on equity for banks which had both a strategic commitment to planning and provided regular strategic management training. Firms with good performance such as The Body Shop, Sony and Merck effectively exploit visionary strategies. Strategic management is now is now becoming more widely used by many large organizations that are allocating substantial resources to the task (Price et al., 2003) and generally strategic management practices can improve efficiency in various organizations. The application of strategic management in business for various sectors has long been adopted as a response to market demand, variations in clients' taste and changing of technology. The adoption of a clear strategic perspective in organizations is one of the factors that affect the performance of these organizations. Having a good strategy is one of the important factors that enable the organizations to survive and go further. However, many construction companies in Kenya are yet to effectively implement the strategic management practices so as to benefit fully from strategies formulated. It is evident that construction projects in Kenya are supervised by very qualified human resources, who end up failing. An example is the extension by two floors of the school of Built environment building at the University of Nairobi which was supervised by Professors teaching at the same school (Gwaya, Masu and Wanyona, 2014).

The inability of the construction industry to consistently satisfy its clients is a major concern. One way to overcome this problem is to adopt new approaches and techniques to increase the efficiency and client satisfaction. The possibility of improving client's satisfaction is by meeting his needs. According to Love (1996), there are several factors that contribute to client dissatisfaction, they include the following: project not completed on time nor in budget; project not completed according to the required technical specification and quality; lack of feedback from participants and; lack of involvement throughout the project. The Latham Report (2004) reviewed procurement and contractual arrangements in the construction industry and gave emphasis to the importance of clients, good briefing and the essential need to the experts and professions and industry in a team approach to satisfy client requirements. Research by Atkinson (2009) identified the need for clients and their advisors to be aware of the importance of decision making (business case, development of the design and management of the project) at the strategic level. Davenport and Smith (2005) examined the relative level of client satisfaction and involvement with all of procurement types. They concluded that it was more difficult to satisfy private clients than public ones; however, they did not give evidence to the reasons of whether it was that public clients have more understanding of the capability of contractors than private contractors and therefore find satisfaction more easily. However, the success and efficiency of the construction industry is highly dependent on the approach the management use in planning for and using their resources. This is important since construction projects are expensive and more so when they stall for a considerable duration of time, reviving them can sometimes be at astronomical costs (Muchungu, 2012). Therefore, it is important to examine the strategic management practices used by the construction industry in Kenya which is one of the most promising in the region.

Statement of the Problem

It is now widely recognized that construction activity plays a vital role in the process of economic growth and development, both through its products (infrastructure, buildings) and through the employment created in the process of construction itself. The development of an efficient construction industry is an objective of policy in most countries. Strategic management is thus critical to the sector. Strategic management includes strategy formulation, strategy implementation, and evaluation and control. It also can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives (David, 1997). The strategic management process requires competent individuals to ensure its success (Stahl and Grigsby, 1992). To be more effective, Hunger and Wheelen (2003) noted that people at all levels need to be involved in strategic management; scanning the environment for critical information, suggesting changes to strategies and programs to take advantage of environment shifts, and working with others to continuously improve work methods, procedures, and evaluation techniques. However, the focus of research and technical assistance to date has largely been upon the enterprises that comprise the sector – the contractors, subcontractors and consultants. In addition, most of the studies done in this area focus on project management strategies and procurement but very little exist in strategic management. This, therefore, motivates the need for the present study which sought to investigate the influence of strategic management practices on performance of construction firms in Kenya.

Objectives of the Study

The main objective of this study was to investigate the influence of strategic management practices on performance of construction firms in Kenya using Reliable Concrete Works as a case. The specific objectives included:

1. To evaluate the effect of Goal setting on performance of construction firms
2. To establish the effect of competitive strategies on performance of construction firms
3. To determine the effect of portfolio analysis on performance of construction firms

LITERATURE REVIEW

Previous studies have attempted to link strategic management practices and organization performance. Gwaya et al., (2014), recommended that the management variables for Kenya should comprise of the six variables of cost, quality, time, scope, human resources and project performance. These variables can then be monitored is leading measures instead of lagging measures monitored at regular intervals to ensure efficiency in the construction industry in Kenya. A study by Mutunga and Minja (2014) on the generic strategies employed by food and beverage firms in Kenya and their effects on sustainable competitive advantage found that on generic strategies of cost leadership and differentiation, and the accompanying discussion, it was apparent that Kenyan firms specialize in both cost leadership and differentiation simultaneously with exceptional cases of the one firm found 'stuck in the middle' not clearly following any strategy. This confirmed that firms can employ both cost leadership and differentiation simultaneously with few employing any one at the exclusion of the other. Nduati (2014) studied the effect of competition on strategic orientation of cement manufacturing firms in Kenya. The findings revealed that competition in the industry has led to firms seeking three strategic orientations – customer, competitor, and technology orientations. A study by Njiru (2014) on the implementation of strategic management practices in the water and sanitation companies in Kenya showed that all the firms practicing strategic management have a clear objective, a winning strategy to achieve the objective and a sound mission statement to guide the organization towards success. It also proved that the effect of strategic management is positive, allowing organizations to increase profits while accommodating customer needs. However, in order to improve the performance, the implementation of strategic management shall be conducted properly. For the purpose of this study, we review relevant literature based on the variables under study.

Goal Setting and Performance of Firms

Goal setting in an organization performance was advanced by Locke in the 1960's essentially seeks to relate the individual and organizational goals to the overall performance. This theory has been used to demonstrate how the individual or organization driven by the goals set seeks to develop and protect its own knowledge base. Whether individuals have the desire to produce at any given time depends on their particular goals and their perception of the relative worth of performance as a path to the attainment of these goals. The strength of people's motivation to perform (effort) depends on how strongly they believe that they can achieve what they attempt, and whether they have enough knowledge resources to do so. If they achieve this goal (performance), will they be adequately rewarded and, if they are rewarded by the organization, will the reward satisfy their individual goals (Nonaka, von Krogh and Voelpel, 2006). By providing direction and a standard against which progress can be monitored, challenging goals can enable people to guide and refine their performance. It is well documented in the scholarly (Locke & Latham, 2002) literatures that specific goals can boost motivation and performance by leading people to focus their attention on specific objectives, increase their effort to achieve these objectives, persist in the face of setbacks, and develop new strategies to better deal with complex challenges to goal attainment. Through such motivational processes, challenging goals often lead to valuable rewards such as recognition, promotions, and/or increases in income from one's work. Working to attain valued goals relieves boredom by imbuing work with a greater sense of purpose. Even though setting high goals sets the bar higher to obtain self-satisfaction, attaining goals creates a heightened sense of efficacy (personal effectiveness), self-satisfaction, positive effect, and sense of well-being. By providing self-satisfaction, achieving goals often also increases organizational commitment, which in turn positively affects organizational citizenship behavior, negatively affects turnover, and increases the strength of the relationship between difficult goals and performance. Specific challenging goals do not, however, necessarily lead to such desirable personal and organizational outcomes. Rather, the results from goal setting depend critically on issues pertaining to goal commitment, task complexity, goal framing, team goals, and feedback. The purpose of this paper is to discuss recent developments regarding how these five factors can be managed to enable effective performance management.

Performance management involves all the initiatives managers undertake to guide and motivate high performance. Such initiatives have traditionally focused on providing formal performance appraisals, rewards and recognition for high performance, as well as taking remedial action to address performance deficiencies. Performance management can also facilitate adaptability and continually improving performance in rapidly changing contemporary workplaces. To do so, however, traditional periodic performance appraisal initiatives need to be supplemented by ongoing performance coaching. A key ingredient for effectively coaching employees is the prudent use of goal setting. The prime axiom of goal setting theory is that specific, difficult goals lead to higher performance than when people strive to simply "do their best", (Locke & Latham, 2002). The performance benefits of challenging, specific goals have been demonstrated in hundreds of laboratory and field studies. Such goals positively affect the performance of individuals, groups, and organizational units, as well as entire organizations and over periods as long as twenty-five years (Locke & Latham, 2002). Construction activity in Kenya fluctuates excessively and grows very slowly. This remains a big challenge to policy makers, developers, consultants and contractors in their decision-making processes. Construction output cycles of relatively large amplitudes are the norm rather than the exception in the construction industry. The main causes of construction cycles are considered by the majority of construction industry participants in Kenya to be factors outside the construction industry system.

Competitive Strategies and Performance of Firms

Competitive advantage has been defined differently by different authors but all of them agree that it relates to strategy formulation and implementation in organizations (Porter, 2009). Organizations that desire to perform must select strategies that will give them a SCP advantage over their competitors based on their core competencies. Organizations can do strategic analysis to achieve competitive advantage using tools such as (SWOT) Analysis and Porter's five forces Model. SWOT analysis aims at matching an organizations internal strengths and weaknesses with its external opportunities and threats. Porters Five Forces Model determines the firms' abilities to position and compete in the industry. Mibei (2007) also proposes three generic strategies which can help organizations to cope with competitive forces and these include focus, cost leadership and differentiations. According to Lo (2012) these firm's resources include assets, capabilities, organizational processes and knowledge that help firms to implement the strategies that improve performance. Other researchers refer to these resources as core competencies and capabilities that could generate competitive advantage (Peteraf, 1993). David (2005) is of the view that core competencies of hospitality organizations include processes, skills and assets that influence organizations to achieve competitive advantage. Sources that have also been mentioned to contribute to core competencies are location, brand, facilities, employee, customer loyalties, market coverage, market share, service quality, technology, leadership, systems and procedures and organizational culture. Hotels are dynamic organizations which are affected by diverse variables hence the application of strategic practices will help them to sustain exemplary performance. Richard and Marilyn (2006) argue that the essence of business strategy formulation is coping with competition. They also suggest that business strategy is all about competitiveness because the main purpose of strategy adoption is to enable a hotel gain a sustainable edge over its competitors.

According to Jaworski and Kohli (1993) the effect of market orientation on performance is not significantly moderated by market turbulence, technological turbulence, or competitive intensity. Slater and Narver (1994) found only three of 12 conditions in which environmental factors significantly moderate the relative emphasis on the customer v/s competitor orientation–performance relationship. Customer orientation emphasizes the importance for a firm of gaining sufficient understanding of its customers and continuously finding ways to deliver superior customer value. Because customer orientation places the highest priority on meeting customers' needs, a customer-oriented firm is willing and able to identify and analyze customer needs and preferences and, consequently, can serve customers better. Whereas a customer orientation focuses on the needs of the customer, competitor orientation emphasizes collecting competitor-related information and monitoring competitors' behaviors. The competitive environment may affect the relative focus on customers versus competitors and the required level of competitor orientation. Greater benefits might be obtained from acting on a customer- rather than a competitor oriented perspective or vice versa. The level of competitive intensity is indicated by the number of competitors and the frequency and intensity of use of certain marketing techniques to gain high market shares (Jaworski and Kohli, 1993). When market competition is mild, competitor-oriented behaviors may create unnecessary competition and lead to decreased performance. Moreover, information about competitors' actions may stimulate managers to adopt economically irrational behaviors.

Technology orientation suggests that consumers prefer products and services of technological superiority. According to this philosophy, firms devote their resources to Rand, actively acquire new technologies, and use sophisticated production technologies (Voss and Voss, 2000). Technology-oriented firms have a competitive advantage in terms of technology leadership and offering differentiated products, which can lead to superior performance (Hamel and Prahalad, 1994). The value of a technology orientation, however, likely depends on technological turbulence, which refers to the rate of technological changes within an industry. When the level of technological changes is relatively low, firms can benefit from relying on and making full use of their current technologies. When the market environment is marked by rapid technological advances, the value and impact of prior technology deteriorates very quickly, firms must allocate more resources to technology development, experiment with new technologies, and manage uncertainty through innovations; otherwise, they will be driven out of the market due to increasingly obsolete technology. Thus, a higher level of technology orientation is needed to cope with high levels of technological turbulence.

Portfolio Analysis and Performance of Firms

This is an analysis of elements of a company's product mix to determine the optimum allocation of its resources. Two most common measures used in a portfolio analysis are market growth rate and relative market share (Rumelt, 2011). In financial terms, ‘portfolio analysis’ is a study of the performance of specific portfolios under different circumstances. It includes the efforts made to achieve the best trade-off between risk tolerance and returns. The analysis of a portfolio can be conducted either by a professional or an individual investor who may utilizes specialized software (de Wit and Meyer, 2008). Portfolio analysis involves quantifying the operational and financial impact of the portfolio. It is vital to evaluate the performances of investments and timing the returns effectively. The analysis of a portfolio extends to all classes of investments such as bonds, equities, indexes, commodities, funds, options and securities. Portfolio analysis gains importance because each asset class has peculiar risk factors and returns associated with it. Hence, the composition of a portfolio affects the rate of return of the overall investment. The concept of the corporation as a portfolio of business units, with each plotted graphically based on its market share (a measure of its competitive position relative to its peers) and industry growth rate (a measure of industry attractiveness), was summarized in the growth–share matrix developed by the Boston Consulting Group around 1970. By 1979, one study estimated that 45% of the Fortune 500 companies were using some variation of the matrix in their strategic planning. This framework helped companies decide where to invest their resources (i.e., in their high market share, high growth businesses) and which businesses to divest (i.e., low market share, low growth businesses. Porter wrote in 1987 that corporate strategy involves two questions first what business should the corporation be in and second how should the corporate office manage its business units? He mentioned four concepts of corporate strategy; the latter three can be used together (de Wit and Meyer, 2008).

According to the Portfolio theory a strategy is based primarily on diversification through acquisition. The corporation shifts resources among the units and monitors the performance of each business unit and its leaders. Each unit generally runs autonomously, with limited interference from the corporate center provided goals are met. Restructuring: The corporate office acquires then actively intervenes in a business where it detects potential, often by replacing management and implementing a new business strategy. Transferring skills: Important managerial skills and organizational capability are essentially spread to multiple businesses. The skills must be necessary to competitive advantage. Sharing activities are ability of the combined corporation to leverage centralized functions, such as sales, finance, etc and thereby reducing costs.

Other techniques were developed to analyze the relationships between elements in a portfolio. The growth-share matrix, a part of B.C.G. Analysis, was followed by G.E. multi factoral model, developed by General Electric. Companies continued to diversify as conglomerates until the 1980s, when deregulation and a less restrictive anti-trust environment led to the view that a portfolio of operating divisions in different industries was worth more as many independent companies, leading to the breakup of many conglomerates (Kiechel, 2010). While the popularity of portfolio theory has waxed and waned, the key dimensions considered (industry attractiveness and competitive position) remain central to strategy.

RESEARCH METHODOLOGY

Fraenkel and Wallen (2006) summarized the numerous research designs by which a researcher can adopt for a study and categorized them according to purpose, process, logic, and outcome of the research. For purposes of this study, a descriptive design was employed. The method was preferred as it permits gathering of data from the respondents in natural settings.

The target population for the study comprised all 52 employees of Reliable Concrete Works in Kenya and thus the study adopted a census approach. The employees include all the cadres of jobs in the company composed of management, technical staff and all other categories of employees. Although several tools exist for gathering data, the choice of a particular tool depends on the type of research.

In this study an appropriate method to collect the primary data was a questionnaire survey. The survey questionnaire is seen as appropriate; it allows data from both sampled groups to be collected in a quick and efficient manner. The use of survey questionnaire makes it possible for descriptive, correlation and inferential statistical analysis (Saunders & Lewis, 2009).

Out of 52 questionnaires that were issued to the respondents, 48 them were filled and returned. Of the returned questionnaires, 3 were incompletely filled and thus were not used in the final analysis. Therefore, 45 were correctly filled and hence were used for analysis representing a response rate of 86.5%. The achieved response rate was deemed significant for analysis and generalization of the findings.

RESEARCH FINDINGS AND DISCUSSIONS

The findings and discussions are in line with the variables and objectives of the study. The responses on all the variables are on a 5-point scale while the statements in the view of the same are on a Likert scale where 1, 2, 3, 4 and 5 represent strongly disagree, disagree, neutral, agree, and strongly agree respectively. The researcher sought to find out the distribution of the respondents according to their gender, age bracket, education level and working experience. Their profiles were important in the study since a number of previous studies have linked the individual profile of employees to the performance and the overall organizational performance (Voss & Voss, 2000). According to the findings, majority of employees are male (64.4%) while female were 35.6%. The reason attributed to this may be due to the existing gender gap in public sector employment in Kenya and the physical nature of work in the construction industry. Majority of employees in the firm were of the age group 30-40 years (46.7%) while the least age group is above 52 years (6.7%). This can be attributed to the high rate of unemployment in Kenya which has made the younger generation to seek employment in the construction sector in Kenya. The study deduced that over 75% of the respondents had at least a diploma educational level and above which was attributed to the expanded training opportunities available in Kenya today. Most of the respondents (51.1) had between 6 – 10 years working experience in their present work stations. Cumulatively, more than 68% had more than 6 years of experience while only 31.1% had less than 6 years of working experience. This can be attributed to the fact that the construction industry in Kenya has seen enormous expansion in the last decade owing to the infrastructural projects undertaken by the government and the opening up of the credit markets which has seen more individuals venture in to construction owing to availability of credit facilities.

The researcher analyzed the influence of three key strategic management practices on the performance of construction firms in Kenya including goal setting, competitive strategies and portfolio analysis.

Goal Setting and Performance of Construction Firms

The findings in this section are in line with the first study objective. Table 1 shows the findings related to goal setting and its influence on the performance of construction firms.

Table 1: Goal Setting and Performance of Construction Firms

	n	Min	Max	Mean	Std. Dev.
Our firm involves all staff on permanent and long term contracts in setting goals for the company	45	1	5	2.14	0.992
The goals set are well communicated to all management and staff in our company	45	1	5	2.13	0.863
We usually set realistic and achievable goals for our company	45	1	5	3.21	0.991
We do develop strategic plans to achieve our goals	45	1	5	3.93	0.953
We carry out frequent performance analysis to check whether we are on track to achieve our goals	45	1	5	3.81	0.934

Majority of the respondents agreed that they developed strategic plans to achieve their organizational goals (3.93) and that they carried out frequent performance analysis to check whether they were on track to achieve their organizational goals (3.81). However, most of the respondents disagreed that their firm involved all staff on permanent and long term contracts in setting goals for the company (2.14) and that the goals set were well communicated to all management and staff in our company (2.13). Further, the respondents were unsure as to whether they set realistic and achievable goals for their company (3.21). From these findings, the researcher deduced that goal setting plays some role in influencing performance of construction firms in Kenya. From the correlation analysis, there was a moderately strong positive relationship between goal setting and performance of construction firms (r = 0.523). Although the correlation was moderate in strength, the positive nature of the relationship implies that high levels of performance of construction firms in Kenya can be associated with goal setting practices. Based on these findings, the study concluded that goal setting has some significant influence on performance of construction firms in Kenya.

Competitive Strategies and Performance of Construction Firms

The findings of the analysis on factors associated with competitive strategies and how it influences performance of construction firms are shown in Table 2.

Table 2: Competitive Strategies and Performance of Construction Firms

	n	Min	Max	Mean	Std. Dev.
We face stiff competition from the sector all over the country	45	1	5	4.32	0.813
We often carry out SWOT analysis of our strategies and our position in the market	45	1	5	4.03	0.843
We focus on recruiting the best staff for our operations	45	1	5	3.18	0.991
Our company makes considerable investments in equipment	45	1	5	3.82	0.997
Our company has fully fledged departments to oversee all aspects of construction	45	1	5	2.37	0.985

From the findings in Table 2, majority of the respondents agreed that they faced stiff competition from the sector all over the country (4.32), that they often carried out SWOT analysis of their strategies and their position in the market (4.03) and that their company had made considerable investments in equipment (3.82). However the respondents disagreed that the company had fully fledged departments to oversee all aspects of construction (2.37). Further, the respondents were unsure when asked whether they focus on recruiting the best staff for their operations (3.18). This could be attributed to the fact that attracting and retaining the best staff is usually very costly and therefore firms have to balance between staff cost, their performance and organizational profitability. The study further deduced that the cost of equipment in the construction industry is high thereby limiting the ability of firms to invest in the requisite equipment. The researcher therefore deduced that competitive strategies play some role in influencing the performance of construction firms in Kenya. From the subsequent correlation analysis, it was found that there was a fairly strong positive relationship between competitive strategies and performance of construction firms (r = 0.587). The fairly strong positive relationship implies that performance of construction firms is greatly influenced by the competitive strategies that the organization puts in place. The results are in agreement with those of Mutunga and Minja (2014) who concluded that competitive strategies play a key role in sustaining organizational competitive advantage. Based on these findings, the study concluded that competitive strategies play some significant role in influencing the performance of construction firms in Kenya.

Portfolio Analysis and Performance of Construction Firms

In this section the researcher presents various aspects touching on portfolio analysis and how it influences performance of construction firms. The findings are based on a 5-point Likert scale and are depicted in Table 3.

Table 3: Portfolio Analysis and Performance of Construction Firms

	n	Min	Max	Mean	Std. Dev.
Our organization has a well instituted risk assessment department	45	1	5	2.17	0.951
The returns are often evaluated against the risks	45	1	5	1.98	0.883
We have reliable mechanisms of dealing with high risk projects	45	1	5	3.07	0.946
Timing plays a very important role in assessing our investment options	45	1	5	3.91	0.935
We have well thought out strategies of handling both long term and short term projects	45	1	5	3.97	0.967
Balancing portfolio in order to obtain maximum benefits is encouraged in our organization	45	1	5	4.01	0.874

Regarding compensation, most of the respondents agreed on a number of issues. Notably, the respondents agreed that timing played a very important role in assessing their investment options (3.91), that they had well thought out strategies of handling both long term and short term projects (3.97), and that balancing portfolio in order to obtain maximum benefits was encouraged in the organization (4.01). However the respondents disagreed that the organization had a well instituted risk assessment department (2.18) and that the organizational returns were often evaluated against the risks (1.98). Further, the respondents were unsure when asked whether they had reliable mechanisms of dealing with high risk projects (3.07).

The study therefore deduced that portfolio analysis has some influence on the performance of construction firms in Kenya. From the subsequent correlation analysis, there was a weak positive relationship between portfolio analysis and performance of construction firms (r = 0.313). The weak positive relationship implies that high levels of performance of construction firms in the construction industry can be associated with the level of portfolio analysis carried out. The result concurs with Njiru (2014) who established some relationship between portfolio analysis and organizational performance.

CONCLUSIONS

Based on the findings of the study, the researcher has drawn several conclusions which are presented in this section following the order of the objectives of the study. It was concluded that since goal setting played a critical role in enhancing performance of construction firms, the firms should develop strategic plans to achieve their organizational goals, carry out frequent performance analysis to check whether they were on track to achieve their organizational goals, involve all staff on permanent and long term contracts in setting goals, communicate set goals to all management and staff and setting realistic and achievable goals in order to enhance their performance. It was concluded that competitive strategies is one of the most important practices that can enhance performance of firms and thus such firms should work towards establishing a competitive edge, carry out SWOT analysis of their strategies, make considerable investments in equipment, have fully fledged departments to oversee all aspects of construction and focus on recruiting the best staff for their operations which would enhance their performance. The study concluded that though portfolio analysis had a weak positive correlation with performance, the firms should enhance the timing of their investment options, having well thought out strategies of handling both long term and short term projects, balancing portfolio in order to obtain maximum benefits have a well instituted risk assessment department, evaluate organizational returns against the risks and have reliable mechanisms of dealing with high risk projects.

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