

EXTERNAL ENVIRONMENTAL FACTORS AND MANAGEMENT STRATEGY OF PRIVATE SECURITY FIRMS IN NAIROBI CITY COUNTY, KENYA

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Abstract

This study examined the influence of external environmental factors on the management of Private Security Firms in Nairobi City County in Kenya. The objectives were to determine the impact of competition, socio-cultural environment, and Information Communication Technology on the management of Private Security Firms in Nairobi City County. The study also sought to establish the moderating influence of Legal and Regulatory Frameworks on the management of Private Security Firms in Nairobi City County. The study was guided by Institutional Theory, PESTEL Framework, and Systems Theory. The study concluded that increased competition in the security industry, such as due to the entry of new players in the industry, affects the strategy of the firms' operations. The study also established that socio-cultural factors such as education levels and social classes positively influence the management of private security firms. The study concluded that changes in information communication technology influence managerial and strategic approaches. The study recommends the administration of Private Security Firms in Kenya adopt innovative strategies to remain competitive against the entry of new players. The study also suggests the management of PSF to monitor the changing sociocultural factors, such as peoples' attitudes toward embracing technology. This would help them strategize their service delivery in line with the current customer preferences, technological evolution, and settlement patterns (gated communities). There is also a need for the management of PSF to closely monitor the dynamism in the technological world (global market trends) to realign their strategic approaches towards quality service provision to their clients.

1.0 INTRODUCTION

External environment collectively denotes the environmental aspects that directly or indirectly affect a firm's management. Isaac (2014) refers to the external environment as a set of exterior elements, for instance, economic, social, political, legal, demographic, and technological aspects, which are beyond the firm's control, and affect efficiency and management. Simply put, they are factors outside of the organization's scope (Engel & Schutt, 2014). Managers must continuously monitor the occurrences in the outside operating environments to identify evolving prospects regarding chances and threats. The external environment provides athletic opportunities for development, control, and market domination while at the same time posing risks such as product obsolescence, technological evolution, and competition. The economic, political, legal, social, and technological elements that make up an organization's external environment are all broadly classified as external variables. These external elements, over which the company often has little to no say, provide the company with either possibilities or threats (Hunger et al., 2012). All variables, whether static or changing, that has an effect on the business in the long or short term fall under this category.

The technical, political, legal, social, and economic environments are all considered in this method. In addition to business regulations, competition laws, environmental laws, education laws, monopoly laws, discrimination laws, intellectual property and copyright laws, consumer protection and e-commerce laws, employment laws, data protection laws, health and safety laws, and so on, the legal environment of a country can have a significant effect on the activities of organizations (Pulaj & Kume, 2013). Due of their influence in luring funding and inspiring investors to launch new businesses, these elements are gaining prominence. Laws and regulations also have an effect on the technological world. But environmental protection helps boost both the efficiency of industrial processes and the quality of final goods and services. Legislation and policies that accomplish security stability would assist firms enhance performance and decrease risks they are exposed to in light of the abrupt shift, volatility, and quick change in the external environment.

2.0 METHODOLOGY

2.1 Research Design

This study employed descriptive explanatory study that employed a survey research design and quantitative data collection and analysis method. Descriptive research is appropriate for identifying the phenomena' characteristics, trends, and correlations (Williams, 2007). Descriptive research design was suitable for this study as it allows the researcher to describe the effect of environmental factors on management's decision-making. Descriptive research helps answer the *how, what, when, and where* questions of the research problem, (Cuneen&Tobar, 2017). In order to completely address all of the concerns that the researcher seeks to address, quantitative research methodology was used. The study employed a quantitative method to comprehensively describe the influence of external environmental phenomena on the management of private security companies. Data was gathered quantitatively with the help of a structured questionnaire. The use of structured questionnaires made it easier for researchers to gather the necessary data for statistical analysis (Orodho, 2002). Independent and dependent variables were studied quantitatively to discover the link between them (Bryman, 2012). The data was gathered over a period of time.

3.0 RESULTS

3.1 Response rate

The study targeted four managers (heads of operations, human resource, and finance and ICT departments) from the 53 Private Security Firms in Nairobi County. A hundred and sixty (160) out of 212 sampled participants duly filled out and returned their questionnaires. This translates to 75.47% response rate, which is an acceptable response rate in social research

Table 1.1 Response Rate

Response	Frequency	Percent (%)
Returned Questionnaires	160	75.47
Unreturned Questionnaires	52	24.53
Total	212	100

Pilot Test Results

A pilot test was carried out to determine the reliability of the research tools in generating reliable and consistent results. Pilot test results are as depicted in Table 1.2.

Table 1.2 Reliability Test Results

Variables	No. of items/questions	Cronbach's Alpha	Interpretation
Competition in the Private Security Industry	5	0.754	Reliable
Socio-Cultural Factors	5	0.756	Reliable
Information Communication Technology	5	0.754	Reliable
Legislative and Regulatory Framework	5	0.758	Reliable
Management of PSF	4	0.760	Reliable

3.2 Distribution of the Respondents' Characteristics.

3.2.1. Respondents' Gender

The findings of the study are as indicated below.

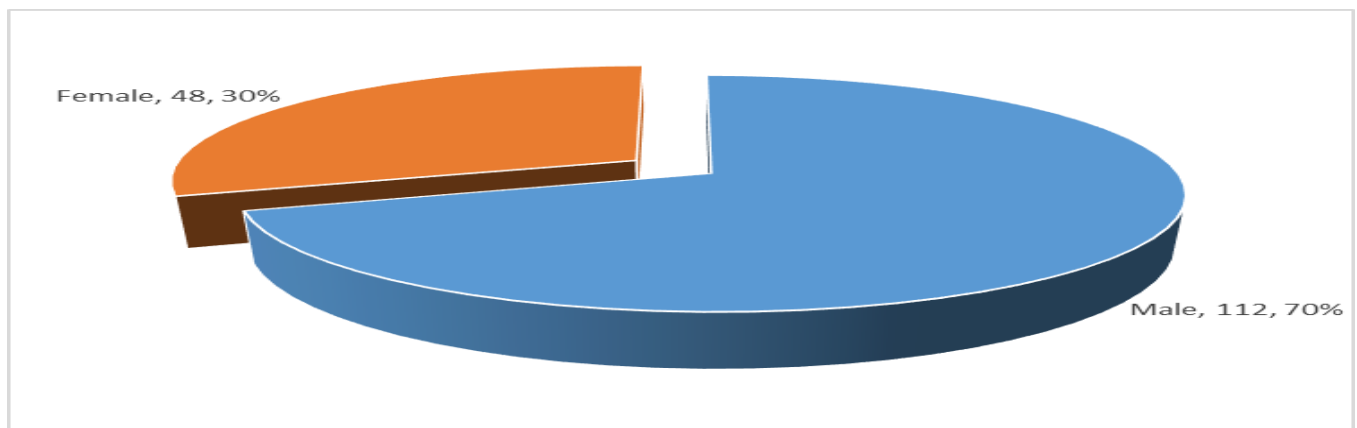


Figure 1.1 Respondents' Gender

Results indicated that the gender composition of the sampled respondents was primarily male (70%), while only 30% stated that they were female.

3.2.2. Respondents' Educational Qualifications

The outcome of the study is as represented below.

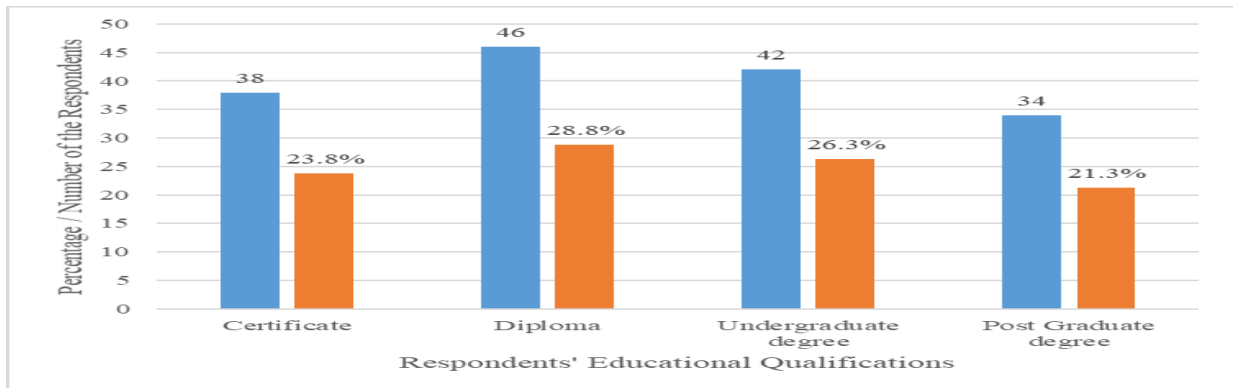


Figure 1.2 Respondents' Educational Qualifications

Outcome showed that most of the respondents (28.8%) indicated that they have diploma educational qualifications, 26.3% and 21.3% of the participants indicated that they have undergraduate and postgraduate educational qualifications respectively.

3.2.3. Respondents' Work Department

Given that the study sampled the respondents from the four levels of management, the participants were asked to state the respective departments they are working in. Results of the responses provided by the participants are as shown in figure 1.3.

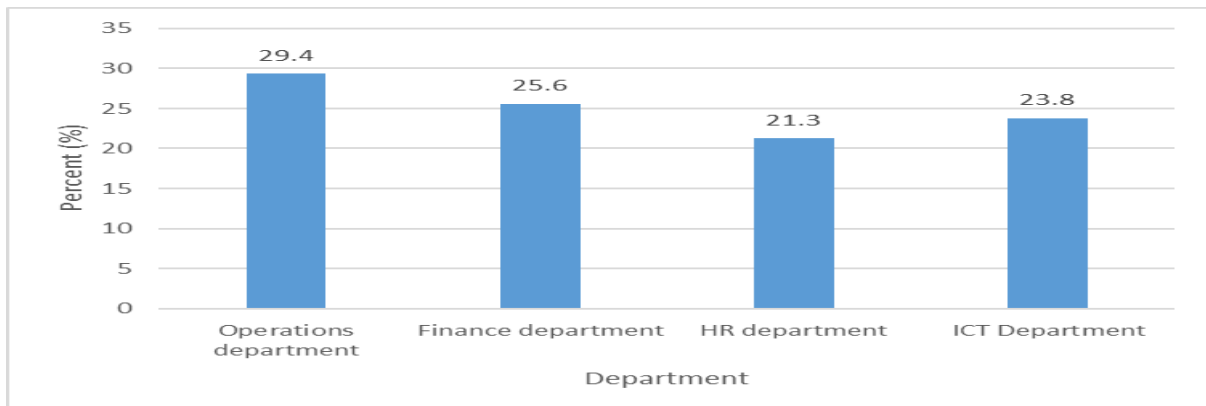


Figure 1.3 Respondents’ Work Department

Results revealed that majority of the sampled participants (29.4%) are working under operations department, 25.6% of them indicated that they work under Finance department, 23.8% work under ICT department while 21.3% of the sampled respondents work under HR department.

3.2.4. Respondents’ Years of Experience

The study sought to find out the years the respondents have served in the Private Security Industry. Hence, participants were asked to state the range of years they have been in service in the Private Security Industry. The outcome of the responses given by the participants is as depicted in figure 1.4.

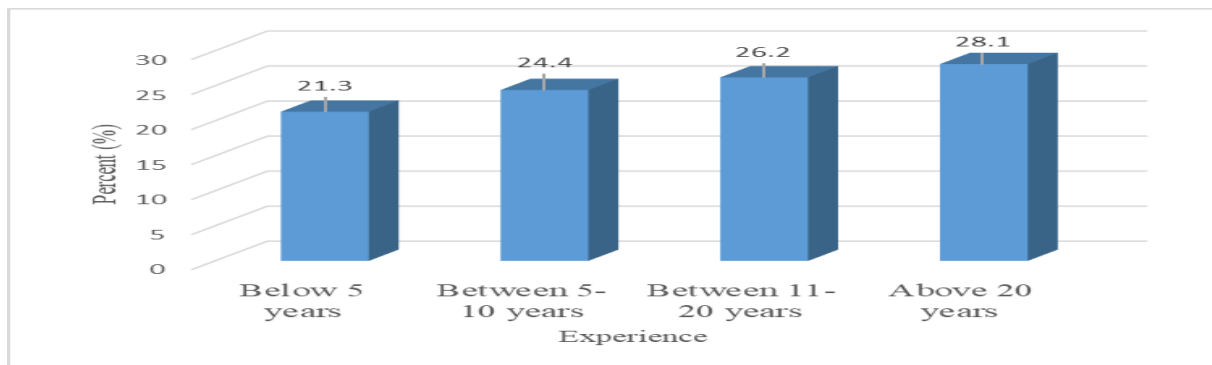


Figure 1.4 Respondents’ Years of Experience

. Findings also disclosed that 26.2% and 21.3% of the participants indicated that they have worked for between 11-20 years and below 5 years respectively while those who indicated that they have worked for between 5 and 10 years were 24.4%.The findings of the study show that most of the staff had worked for over 5 years.

3.2.5. Respondents’ Age

The study asked the participants to indicate their age bracket. The responses provided by the participants are as presented in Figure 4.5.

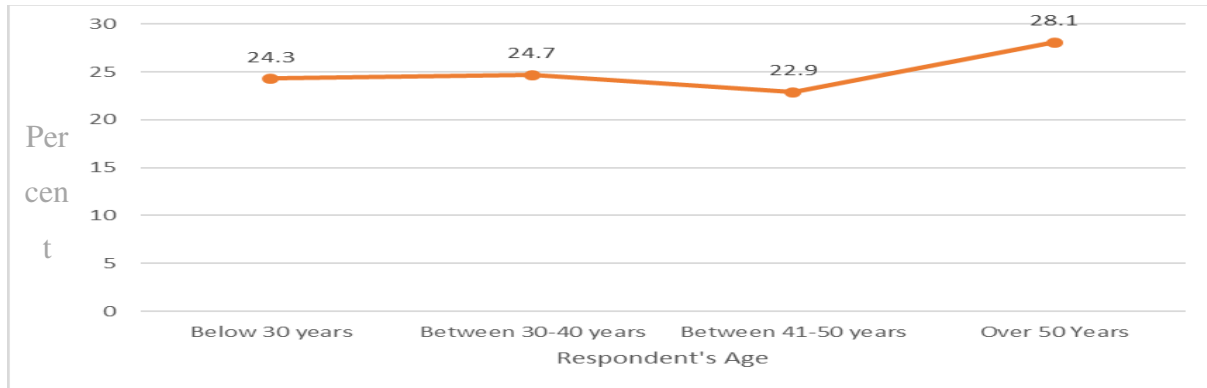


Figure 1.5 Respondents' Age

Results on Figure 1.5 indicate that 24.3% of the participants indicated they are aged below 30 years, those who indicated that they are aged between 30 and 40 years were 24.7%, while 22.9% of them stated that they are aged between 41 and 50 years.

3.3 Descriptive Statistics of Study Variables

Descriptive findings entailing measure of central tendency of the study variables was evaluated by the study.

3.3.1 Management of Private Security Firms

The study sought to determine whether the participants agree or disagree with the statements on management of Private Security Firms based on a 5-point Likert scale.

Table 1.3 Management of Private Security Firms

Statement	SD	D	NS	A	SA	Mean	Std Dev.
Managers pay close attention to the legal and regulatory framework to ensure compliance of their operations	0.0	0.0	18.1	42.5	39.4	4.21	0.73
	%	%	%	%	%		
Managers monitor the changes in ICT in order to align strategic decisions	0.0	0.0	27.5	35.6	36.9	4.09	0.80
	%	%	%	%	%		
Managers of PSF monitor closely the	0.0	0.0	23.1	41.9	35.0	4.12	0.76

competition in the industry to align strategic plans	%	%	%	%	%		
Managers monitor socio-cultural factors so as to streamline their strategic approach to security services	0.0	0.0	18.1	43.8	38.1	4.20	0.73
	%	%	%	%	%		
Total						4.16	0.75

Key: SD=Strongly Disagree; D= Disagree; NS=Not Sure; A=Agree; SA=Strongly Agree

Table 1.4 Management Strategy

The study sought to determine the extent to which external environmental factors influence the management strategies adopted by management of Private Security Firms based on a 4-point Likert scale.

Management strategy	VL	LE	HE	VH	Mea	Std
	E			E	n	Dev.
Diversification	0.0	0.0	15%	50%	4.36	0.55
	%	%				
Pricing	0.0	0.0	24%	40%	4.12	0.73
	%	%				
Marketing	0.0	0.0	13%	31.9	4.32	0.56
	%	%		%		
Staff training	0.0	0.0	10%	15.9	4.00	0.64
	%	%		%		
Total					4.20	0.62

Key: VLE=Very Low Extent; LE= Low Extent; HE=High Extent; VHE=Very High Extent

From the findings, the majority of the respondent agreed that Diversification influence firms' management strategy (Mean=4.36), Marketing influence management's strategy (Mean=4.32), and pricing also affects management strategy approach (Mean=4.12). Lastly, results showed that least of the participants agreed that Staff training (Mean=4.00) affect the management strategies. In conclusion, the findings of the study indicated that most of the participants agree with the statements regarding management strategy, as shown by an average mean of 4.20.

3.3.2 Does an external environmental factor influence management?

Most of the respondents 70% indicated that environmental factors have an influence on management while 30% indicate that environmental factors have no influence on management.

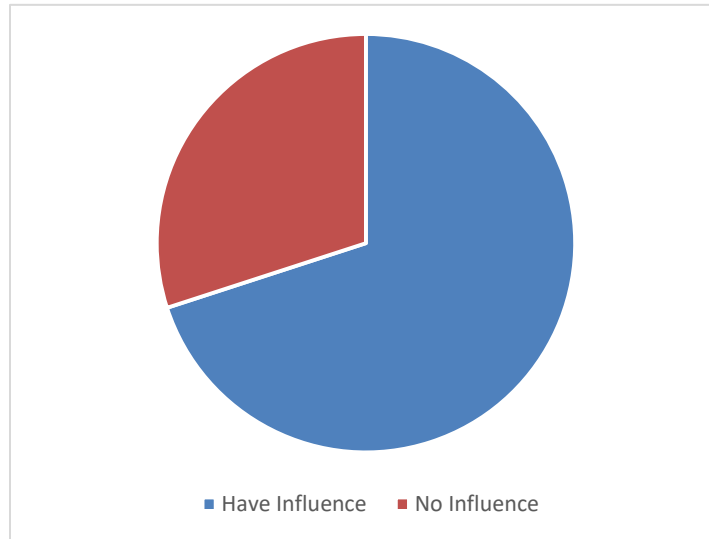


Figure 1.6 Competitive rivalries on the influence of the environment on management.

3.3.3 Competition in the Private Security Industry

The study sought to determine whether the participants agree or disagree with the statements on management of Private Security Firms based on a 5-point Likert scale.

Table 1.4 Competition in the Private Security Industry

Statements	SD	D	NS	A	SA	Mea n	Std Dev.
Entry of new private security players has led to increased competition in the industry	0.0	0.0	21.9%	42.5%	35.6%	4.14	0.75
Competition for market among the	0.0	0.0	30.6%	37.5%	31.9%	4.01	0.79

private security players has led to price wars in the industry	%	%						
Increased competition has led to innovation among the security players in the industry	0.0	0.0	25.0%	44.4%	30.6%	4.06	0.75	
Globalization has led to increased competition in the security industry	0.0	0.0	23.8%	45.0%	31.3%	4.08	0.74	
Rivalry among the private security players has intensified competition for the market	0.0	0.0	33.8%	35.0%	31.3%	3.98	0.81	
Total						4.05	0.77	

Key: SD=Strongly Disagree; D= Disagree; NS=Not Sure; A=Agree; SA=Strongly Agree

Results revealed that majority of the respondents agreed that entry of new private security players has led to increased competition in the industry influencing the management of private security firms (Mean=4.14), followed Globalization which has led to increased competition in the security industry influences the management of private security firms (Mean=4.08) then Increased competition that has led to innovation among the security players in the industry (Mean=4.06) influence the management of private security firms.

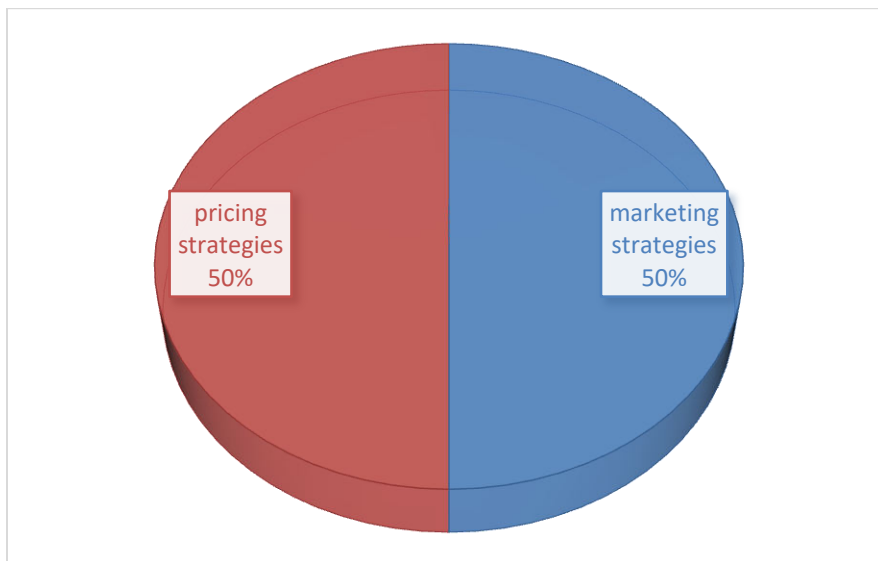


Figure 1.7 Managerial strategy that is most affected by the intense competition in the private security industry

From the findings an equal response of 50% of the respondents indicated that marketing strategies and pricing strategies are the key strategies that affect the intense competition in the private security industry.

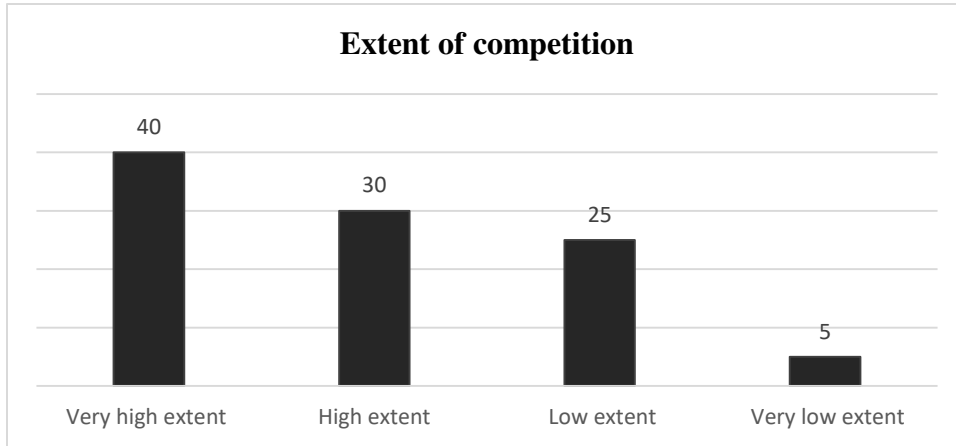


Figure 1.8 Influence of competition on management strategies

Most of the respondents 40% indicated that the extent to which competition in private security industry is very high extent, followed by the respondents 30% High extent, 25% indicated low extent and 5% indicated that the extent to which competition as very low extent.

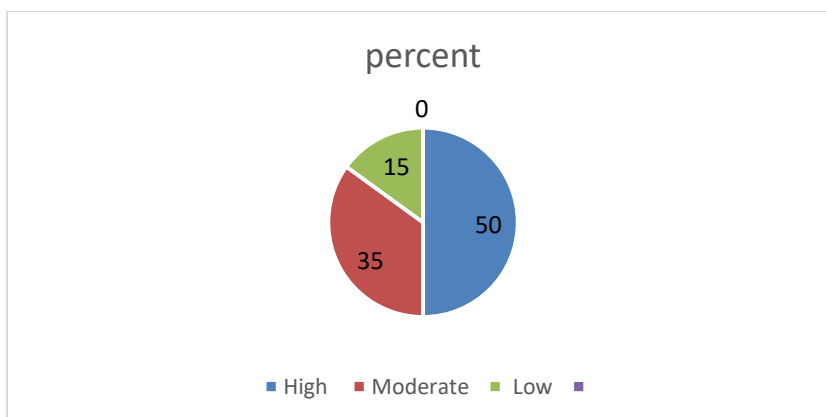


Figure 1.9: Competitive rivalry among the private security players

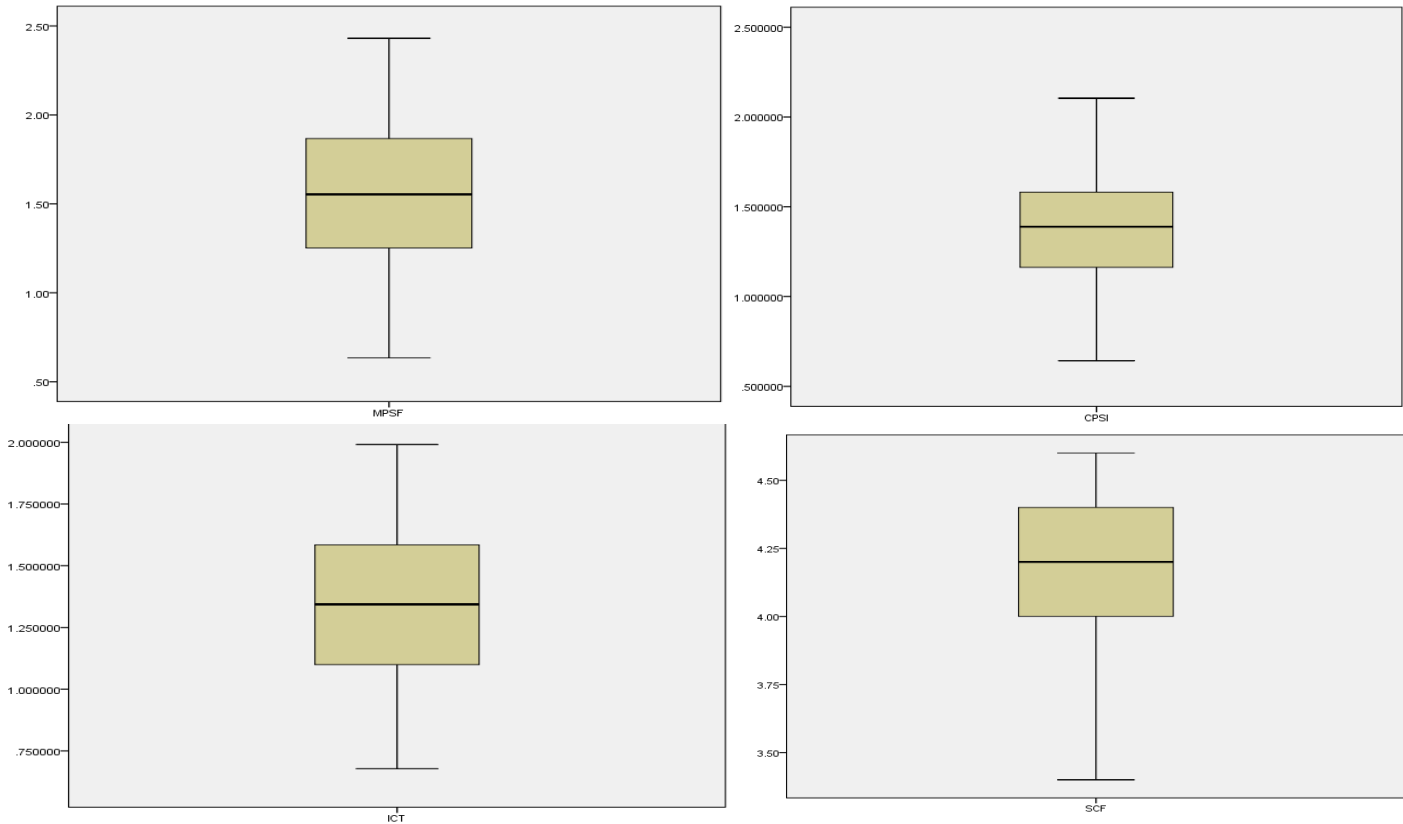
From the findings, 50% of the respondents indicated that there is high competitive rivalry, followed by 35% that stated that there is moderate competition and the lowest 15% indicated that there is low competition among the private security players.

3.4 Tests of Assumptions of Regression Analysis

The study sought to ascertain whether residuals of the data are in line with the assumptions of Ordinary Least Squares. Specifically, the study conducted outlier (boxplot), homoscedasticity, normality, autocorrelation (test for independence) and linearity tests to make certain whether the data meet or violate the assumptions of ordinary least squares. Test of assumptions of regression analysis also allowed the study to determine the robustness of the results.

3.4.1 Test for Outliers

The study used Box plots to check for the overall patterns of response for a group in order to check whether there are outliers / variances in their responses. Box plots are appropriate for checking / visualizing whether outliers are present or not in the responses for a large group.



Test for Outliers

Results above shows that Box Plot for the competition in the security industry (CPSI), ICT, Socio-Cultural Factors had similar median with slightly different distribution. While the Box Plot for Management of Private Security Firms (MPSF) indicates a higher level of agreement with the questionnaire items. The findings indicate that the median for the Box Plots is close to the average implying that overall, the respondents have a high level of agreement with the respective items of the research instrument.

4.0. DISCUSSION

This study sought to evaluate the environmental factors on the management of PSF in Nairobi City County. External environment are factors outside of the organization's scope and include economic, social, political, legal, demographic and technological factors. These factors often are beyond the firm's control and affect efficiency and management. To underscore the influence of external environmental factors (competition in the security industry, socio-cultural factors, and

ICT) and respond to the research questions, the managers of the Private Security Firms in Nairobi City County were sampled.

4.1. Competition in private sector industry

Descriptive results revealed that most of the participants pointed out that they strongly agree with the statements regarding competition in the private security industry as shown by an average mean of 4.14. Correlation results indicated that competition in the private security industry has a positive and significant association with the management of private security firms ($r = 0.550$, $Sig = 0.000$). Bivariate regression results also showed that the management of Private Security Firms in Nairobi County is positively and significantly influenced by the competition in the private security industry ($\beta = 0.590$; $sig=0.000$). The study revealed that increased competition in the security industry such as entry of new players, price wars, globalization, increased competition and rivalry of the competitors have a positive influence in the management of Private Security Firms in Nairobi City County.

4.2. Socio cultural factors and management of PSF

In addition, descriptive results showed that most of the participants pointed out that they agree with the statements regarding socio-cultural factors as indicated by an average mean of 4.19. Correlation findings also indicted that socio-cultural factors have a strong positive and significant association on the Management of Private Security Firms ($r = 0.465$, $Sig = 0.000$). Bivariate regression results revealed that there is a positive and significant relationship between socio-cultural factors and the Management of PSF ($\beta = 0.448$; $Sig=0.000$). The study indicated that socio-cultural factors such as changes in customer preferences, changes in societal wellbeing, educational level, social classes of consumers and people's attitude influencing the management of Private Security Firms in Nairobi City County.

4.3. Information Communication Technology and management of PSF

Further, descriptive analysis results revealed that most of the participants agree with the statements regarding Information Communication Technology as indicated by an average mean of 4.21. Correlation findings indicated that Information Communication Technology has a positive and significant relationship with the Management of Private Security Firms ($r = 0.428$, $Sig = 0.000$). Bivariate regression results revealed that there is a positive association between

Information Communication Technology and the Management of PSF ($\beta = 0.354$, Sig=0.000).The study revealed that a change in factors of Information Communication Technology such as support systems, influence on staffing, technological changes/ advancement, adoption of ecommerce and increased research and development could lead to a 0.354 unit effect in the management of private security firms.

4.4. Combined regression results

The combined regression results revealed that the external environmental factors in this study account for up to 58.8% of the variation in the management of Private Security Firms. This implies that other factors not examined in this study account for 41.2% of the variation in the management of PSF, and therefore, further research should be conducted to determine those factors. Regression analysis results also showed that competition in the private security industry, socio-cultural factors, and Information Communication Technology have a positive and significant relationship with the Management of Private Security Firms in Nairobi City County.

5.0 CONCLUSIONS

Based on the results, the study concluded that the entry of new players in the industry influences managerial strategic approach for business transformation and flow of operations. The study also established that factors of competition such as price wars influence managerial formulation of organizational strategy to maintain their customer base. Moreover, the study concluded that increased competition in the industry leads to the adoption of proactive approaches to maintaining consumer tastes and preferences. Finally, the study established that globalization influences the organizational strategy of managers in the industry. The study established that socio-cultural factors such as people's attitude towards technology influence managerial strategic planning. The study established that education levels and Changes in consumer preferences could influence firms' strategic goals. The study also concluded that social classes for consumers influence better business strategy. In addition, the study established that changes in societal wellbeing influences strategic management approach of private security firms. The study recommends the management of PSF to monitor the changing socio-cultural factors such peoples' attitude towards embracing technology. This would help them strategize their service

delivery in line with the current customer preferences; technological evolution and settlement patterns (gated communities and social classes).

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