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MARKET STRATEGY AND CORPORATE PERFORMANCE: THE CONTEXTUAL APPLICATION OF PIMS PRINCIPLES IN KENYA

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The influence of market strategy on corporate performance has been and still is a central issue in Strategic Management Discipline. In spite of immense academic curiosity in this area, exemplified by extensive empirical research, results still remain inconclusive. Some argue that performance differences across firms is as a result of strategic choice the firm makes regarding the market and its subsequent positioning while others argue that firm performance is influenced by the context within which it operates. Besides, empirical studies that forge these propositions in an African setting, and specifically in Kenya using empirically grounded PIMS (Profit Impact of Market Strategy) principles, are scanty. This study examined the influence of PIMS principles on corporate performance in Kenya. Both primary and secondary data were collected from Listed Companies in Kenya. Primary data were collected vide a structured close ended Likert type questionnaire administered to all 56 CEOs of quoted companies in a census survey. Secondary data were collected on financial performance of the same companies for a period of five years between 2002 and 2006. Data were analyzed using descriptive and multivariate techniques. Theory testing show that Kaplan and Norton's Balanced Score Card (BSC) conforms to Kenyan context and remains a viable measure of Corporate performance. Further, the study provides additional support for the linkages between PIMS principles and corporate performance, suggesting that PIMS principles are generalizable across a broad spectrum of contexts though the veracity of prediction varies across the principles and the model is also context specific. In Kenyan context, the PIMS model explains up to 53.9% (Adj.R^2 =0.539) of variation in corporate performance. These findings hold implications for corporate managers. They should pay special attention to market positioning strategies especially product quality and market share. These strategies should be specifically targeted to cash generating portfolios calibrated in such a manner as to avoid investment intensity that acts as a drag to profitability. Future studies should seek to replicate the findings of this study to Small and Micro Enterprises. Also open to further study is extension of this study results by employing optimization methodology procedures to address the limitation of spuriousness.

Keywords: PIMS, Corporate Performance, Contextual Application, Kenya

INTRODUCTION AND RESEARCH OBJECTIVES

Performance, which is an outcome of a given market strategy (Hax & Majluf, 1991), is the ultimate test for any institution whether profit making or non profit making (Kotler, 1991).

This is because the relationship between market strategy and performance can contribute to greater effectiveness for individual firms and entire economies

(Buzzell & Gale, 1987). According to Montgomery (1979) empirical work designed to explore the relationships between various strategic variables and corporate performance can provide valuable insights into optimal strategy for a business firm. A major initiative in studies connecting market strategy and performance has been PIMS (Profit Impact of market Strategy) project (Meng Leong, 2001). The PIMS principles are discovered by documenting actual experiences of many businesses operating in many different kinds of markets and competitive settings (Buzzell & Gale, 1987). These principles can help managers understand and predict how strategic choices and market conditions will affect performance (Buzzell & Gale, 1987).

The PIMS Principles

Extensive research by Strategy Planning Institute (SPI) launched in 1972 has culminated in some general strategy principles (Buzzell & Gale, 1987; Kotabe, Dale, Smith & Wilson, 1991; Meng Leong, 2001). Studies involving PIMS data base began in USA and were later extended to Europe. Lately the veracity of these US derived PIMS principles have been assessed in Japan and Singapore (Meng Leong, 2001). These studies have identified a set of business principles regarding the relationship between performance and strategy (Buzzell & Gale, 1987; Kotabe et al. 1991; Meng Leong, 2001).

PIMS programs are designed to explore many possible diversions of strategy and the market environment that might influence performance. Some of these principles apply to virtually all kinds of businesses while others apply only to specific types or certain conditions (Buzzell & Gale, 1987). PIMS project and its associated research address generally the relationships between market structure, market strategies and business performance (Kotabe et al. 1991). However, extensive work with PIMS data base by Buzzell and Gale (1987) specified six basic principles with predictive value on corporate performance. These include product/ service quality, market share, investment intensity, business portfolio, vertical integration and long-term value. These are the principles which will be employed in this study as the predictor variables.

The Link between PIMS Principles and Corporate Performance

There has been considerable interest in establishing the relationship between PIMS principles and corporate performance (Meng Leong, 2001). Craig, Douglas and Reddy (1987) observed that high market share was related to high return on investment (ROI) among US businesses serving other world markets, although different factors appeared to be related to market share and ROI in different markets. Differences were also observed in magnitude of these effects in different geographic markets. Szymanski, Baradarawaj and Varadarajan (1993) expounding on Craig, Douglas and Reddy (1987) study by adding more marketing mix variables, found that with few exceptions, the effects of competitive strategy and market structure variables generalize across the US, UK, Canadian and Western European Markets.

Kotabe et al (1991) assessed the veracity of the US derived PIMS principles in a study of Japanese executives and found that most of the PIMS principles with predictive value on performance, were perceived by Japanese executives to apply in Japan but the level of veracity differed between the Japanese and the American contexts. Jain (1989) supposed that in theory business strategies and their effect on firm performance should generalize across national markets that are economically and culturally similar. Thus the differences revealed in Kotabe et al. (1991) research may be attributed to such market variations.

Similarly the findings in Szymanski, Baradarawaj and Varadarajan (1993) research may be explained by evidence suggesting US, UK Canadian and Western European markets are economically, politically and culturally similar (Meng Leong, 2001).

Meng Leong (2001) replicated Kotabe et al. (1991) study in Singapore, but this time he expanded the population to include not only marketing executives but also sales people and business undergraduate students who had no management experience. Results indicated that Singaporean marketing manager's perceptions were in line with those of American and Japanese counterparts. The veracity perceptions of Singaporean sales people and business undergraduates were also found to be positively correlated with those of Singaporean, American and Japanese managers. This made him to conclude that PIMS principles were relevant across markets and have sufficient initiative appeal to be predicted similarly by individuals of varying expertise.

This paper sought to determine the influence of PIMS market principles on corporate performance in Kenya, since the Kenyan context is different from the one where PIMS were discovered and subsequently replicated. In order to meet this objective, six hypotheses were formulated regarding the six key empirically ground PIMS principles (see Buzzell & Gale, 1987):

Ho_1: There is no positive relationship between corporate performance and product/ service quality.

Ho_2: There is no positive relationship between market share and corporate performance.

Ho_3: Investment intensity does not have a negative relationship with corporate performance.

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Ho_4: There is no relationship between business portfolio (based on BCG model) and corporate performance.

Ho_5: There is no negative relationship between vertical integration and corporate performance.

Ho_6: Long term value indicated by strategic factors that enhance total return and Market value is not positively correlated with corporate performance.

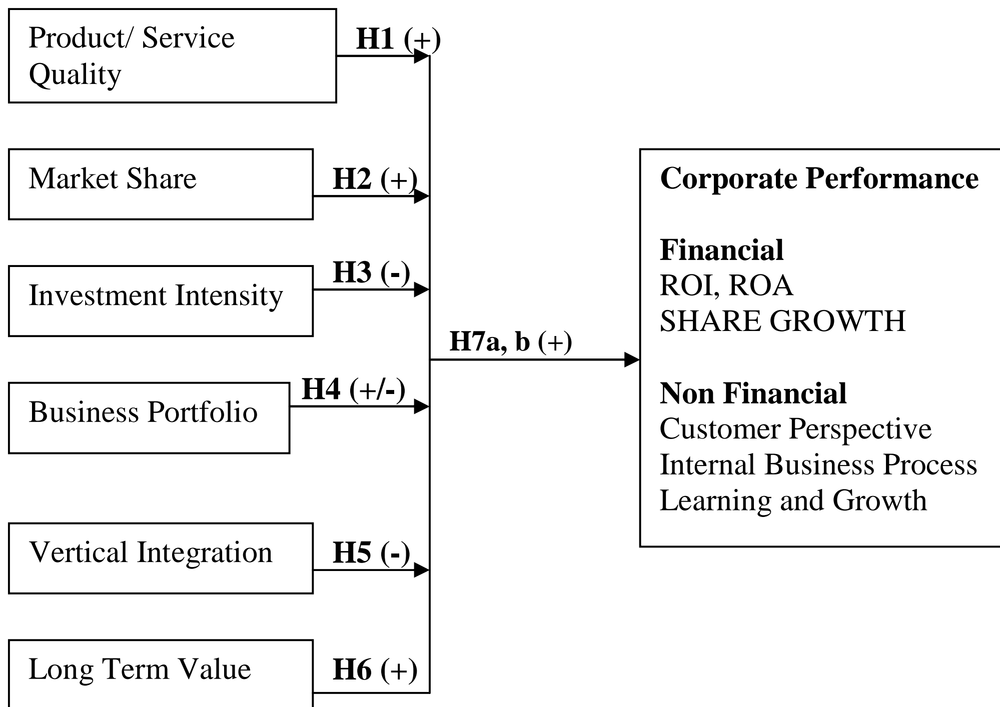
Ho_{7a}: There is no positive relationship between corporate performance and PIMS principles as a composite variable.

Ho_{7b}: PIMS principles have no significant predictive power on corporate performance

THEORETICAL BACKGROUND

PIMS competitive strategy paradigm views corporate performance as a function of three major sets of factor: (1) the characteristics of the market in which a firm competes, (2) its competitive position in the market place and (3) and the strategy it pursues. Each of these classes of performance is posited to have direct effects and interactive effects (Buzzell & Gale, 1987; & Jaworski, 1989). Six PIMS principles identified by Buzzell and Gale (1987) have received praise from other scholars like Kotabe, et al. (1991) and Meng Leong (2001) as excellent predictors of corporate performance. They include product/ service quality, market share, investment intensity, business portfolio, vertical integration and long term value. These PIMS principles constitute predictor variables for this study and are discussed below. Figure1 shows the relationships between PIMS principles and corporate performance. The hypothesized directions of these relationships are also shown in figure

Figure 1: The relationship between PIMS Principles and Corporate Performance.



Service/ Product Quality

Zeithaml, Parasuraman and Berry (1990) observed that leading US service companies are obsessed with service excellence. Excellent service is a key to being different, productive, and efficient, and it can pay off richly (Chang & Chen, 1998). Empirically PIMS studies by Buzzell and Gale (1987) and Phillips, Chang and Buzzell (1983) have demonstrated the relationship between quality and profitability. Buzzell and Gale (1987) suggested that achieving superior quality has three competitive advantages: (1) premium price, (2) resources for R&D, and (3) better customer value.

Building on the PIMS data base, Philips, et al. (1983) demonstrated that quality of products and services is the most important factor affecting performance. They suggested that superior quality yields higher profits via premium prices and is an effective way for business growth. Buzzell and Gale (1987) further reported that quality is related not only to profitability but also to growth because of the impact of quality on perceived value. Zeithaml, et al. (1996) found that service quality has a strong effect on behavioral intentions: subject's loyalty to the company (+), propensity to switch (-), willingness to pay more (+), and external response to problem (-). Rust, Zahorik and Keiningham (1995) proposed a model of service quality improvement and profitability. Based on their model, service quality improvements lead to higher customer satisfaction and retention rate, generate greater revenue and market share, achieve cost reduction, attract new customers and yield greater profitability. Chang and Chen (1998) concluded that superior service quality has a positive effect on business profitability. It is expected that superior product/ service quality has positive effect on corporate performance in Kenya.

Market Share

To achieve a high profitability, selecting the right markets in which to compete is not enough; a high market position is also necessary (Jaworski, 1989). Buzzell and Gale (1987) posit that market share has much more dramatic effect on ROI than market concentration when both factors are considered together and, on average market share leaders are more profitable than their smaller share rivals. Businesses with large market share benefit from economies of scale resulting in lower per unit cost than that of competitors with smaller market share (Buzzell & Gale, 1987).

Market leaders not only command higher prices, but also maintain their leadership position by offering products and services that are superior to those of their competitors (Buzzell & Gale, 1987). Though low market share businesses may exhibit superior profits, Buzzell and Gale (1987) posit that they are favorably positioned on most other key strategic dimensions such as product/ service quality, investment intensity, labor productivity and market growth rate. It is therefore, expected that market share is positively correlated to performance in Kenya.

Investment Intensity

PIMS businesses with investment to sale ratios of 20% or less earn ROI that are dramatically greater than those of businesses with investment to sales ratios of 80 % or more (Buzzell & Gale, 1987). Among the reasons offered for the negative relationship between investment intensity and profitability are that (1) capital intensity leads to aggressive and often destructive competition, (2) heavy capital investment often acts as a barrier to exit from an unprofitable business, (3) managers sometimes set a normal profit-to- sales target for businesses that have heavier than normal investment- to- sales ratio and (4) capital intensive businesses may be less efficient in using fixed or working capital than competitors (Buzzell & Gale, 1987; & Jaworski, 1989).

Buzzell and Gale (1987) do note, however, that capital investments can pay off if the discounted cash flow plus the discounted future market value of a strategy exceeds the current market value of investment. Investment intensity is expected to be negatively correlated to performance in Kenya. This is because as investment intensity rises there is moderate rise in profits and since the base is rising ROI falls.

Business Portfolio

Business portfolio analysis is based on the premise that high growth market segments require cash investments and products/ services with higher market shares generate cash. Based on the market growth and relative market share, a business portfolio can be classified into four categories in what is known as BCG (Boston Consulting Group) growth share matrix. These categories are cash cow, Star, Question mark and Dog (Buzzell & Gale, 1987; & Kotler, 2000).

Cash cows have large market shares and operate in slow growth market segments and are therefore cash generators. Stars have large market shares and operate in fast growth market segments and though they generate cash they also consume it. Question marks have low market shares and operate in fast growth markets and are therefore net cash users. Dogs have low market shares and operate in low market segments and therefore net cash users (Buzzell & Gale, 1987). Business portfolio could therefore be either negatively or positively correlated to corporate performance in Kenya depending on the cash flow characteristics.

Vertical Integration

PIMS results on vertical integration suggest that (1) there is no difference in profit

margins up to a value added per sales ratio of 60% but, from that point onward, profit raises consistently with increasing integration, (2) either a very low or a very high level of integration yields an above average ROI whereas profit is lowest in the middle, (3) for both consumer and industrial manufacturing processes, ROI is usually enhanced by a high degree of backward integration but there is no connection between ROI and different degrees of forward integration, and highly integrated businesses generate more new products in mature as well as growth markets (Buzzell & Gale, 1987; & Jaworski, 1989).

Vertical Integration may result in either positive or negative correlation with performance in Kenya, depending on the circumstances under which it's achieved. If increased vertical integration leads to higher investment intensity as firms acquire suppliers or/ and intermediaries, it will be negatively correlated to performance, otherwise the reverse of this will lead to positive correlation.

Long term Value

Long-term value is positively correlated to corporate performance. This is because factors that enhance long term value also enhance ROI e.g. strong initial competitive positions, high employee productivity and cost advantages relative to competitors (Buzzell & Gale, 1987).

METHODOLOGY

A census survey was used to collect primary data and secondary data from the population of interest. All Companies listed at the Nairobi Stock Exchange (NSE) formed the population of interest. Currently, 56 companies are listed on NSE (see appendix B). Four justifications were used to settle on a census of NSE. Firstly, the financial data required for this kind of study was readily obtained at NSE. When Aosa (1992), attempted to collect financial data from private non quoted Manufacturing Companies in Kenya, he was unsuccessful because respondents considered this kind of information confidential. Secondly, a census provides a useful resource with which to compare or set in context research findings (Saunders, Lewis & Thornhill, 2007). Third, the quoted companies are relatively few and concentrated in Nairobi area, and therefore, it is appropriate to include all of them in the study. Finally, with such few units of study, if sampling was used and there was a large non response, this would greatly affect quantitative data analysis used.

Instrumentation

The study constructs are based on theory of corporate performance (Hax & Majluf, 1998; Kaplan & Norton, 1996; Nelson, 1994; Porter, 1994; Rumelt, 1991; & Williams, 1994) and PIMS principles (Buzzell & Gale, 1987; Kotabe, et al. 1991; & Meng Leong, 2001). Review of theory of corporate performance and PIMS principles found existing scales for measuring the variable's underlying constructs. Relevant measurement scales for corporate performance were identified and grouped into two categories, that is, financial measures and non financial measures. Financial measures were largely adopted from studies by Montgomery (1979), Hax and Majluf (1988) and Desarbo, et al. (2005). Non financial measure scales were adopted from Kaplan and Norton's (1996) Balanced Score Card (BSC) to include customer, internal-business-processes and learning and growth perspectives. PIMS scales were identified from Buzzell and Gale (1987) and PIMS data bases. Six PIMS principles specified by Buzzell and Gale (1987) and demonstrated to have predictive value on corporate performance have been adopted for this study.

All the above described construct measure scales, with the exception of financial category of corporate performance were incorporated in a three section questionnaire.

Section A collected general demographic information regarding the respondents and their organizations. Section B collected data relating to non financial aspect of corporate performance while section C collected data on PIMS principles.

Instrument Pre-testing and Revision
Construct measures were adopted from studies conducted in America. To avoid American bias, the questionnaire was pre-tested with 6th cohorts of Executive Master of Business Administration (EMBA) students of Moi University, Nairobi campus. To qualify as an EMBA student of Moi University, one requires an undergraduate degree or its equivalent and at least five years management experience. The students were therefore presumed to have sufficient management skills necessary for instrument pre-testing. DeSarbo, et al. (2005) used EMBA students to validate their measures in a similar study. The questionnaire was administered to 50 students specializing in Strategic Management. These students were presumed to have sufficient management skills considered necessary for pre testing. A total number of 32 questionnaires representing a response rate of 62% were returned.

Measures of Validity
Data analysis for the purpose of testing instrument validity and revision was performed in three phases. The first phase was to inspect the data using descriptive statistics such as frequency distribution, percentages, the mean and standard deviation. Skew ness, kurtosis and cross tabulations were also applied. The second phase involved use of factor analysis procedures. Principal component with Kaiser Normalization was used. Varimax rotation method was employed and iteration transformations performed. Finally, reliability assessment of internal consistency of items was performed using cronbach alpha coefficient.

Variable Operationalization
This study has two sets of variables: Corporate performance is the criterion variable, PIMS principles is the predictor variable, operationalized as per the table 1 and table 2.

Table1: Criterion Variable

Category	Item	Operationalization	Measure(s)
Financial	Investment	$\frac{\text{Net income A.T.} + \text{Interest}}{\text{Shareholders equity} + \text{L.T. debt}}$	Return on Investment (ROI)
	Assets	$\frac{\text{Net income A.T.}}{\text{Total assets}}$	Return on Asset (ROA)
	Share growth	$\frac{100}{N} \frac{XN - XI}{X1}$	Average percentage growth in earnings per common share (GEPS)
Non-financial (customer perspective)	Market share	Management's perception on organization's market share to that of three close competitors	Sum of management judgments on 1-5 scales
	Customer retention	Customer retained by the organization	Sum of management judgments on 1-5 scales
Internal-business-process perspective	Research	$\frac{\text{Profit before tax}}{\text{Total R\&D}}$	Return on research and development (RR&D)
	Process efficiency	Amount of waste, scrap, rework and returns	Sum of management judgments on 1-5 scales
	Service delivery	Waiting times, information accuracy, service accessibility, transaction fulfillment, communication, customer PR	Sum of management judgments on 1-5 scales
Learning and growth	Employee retention	$\frac{\text{Staff turnover}}{\text{Number of staff}}$	Rate of staff turnover (RST)
	Staff contribution to revenue	$\frac{\text{Total revenue}}{\text{Number of employees}}$	Revenue per staff (RPS)
	Employee empowerment	Employee involvement with decision making, reskilling, recognition, access to information, encouragement and support, reward structure.	Sum of management judgments on 1-5 scales
	Process efficiency	Process redesign and reengineering	Sum of management judgments on 1-5 scales

Table 2: Predictor Variable

Category	Item	Operationalization	Measure(s)	Hypothesized direction of predictor
Product/ service quality	Price ratio	Sales revenue / Direct costs	Relative price ratio (RPR)	Positive
	Product innovation	Investment in research and development of new products/services, expenditure in product/service enhancement, marketing expenditure	Sum of management judgments on 1-5 scales	Positive
	Pricing advantage	Ability to command higher relative price without effecting market share, cushioning against price vulnerability due to price wars.	Sum of management judgments on 1-5 scales	Positive
Market share	-	Proportion of market share relative to three close competitors	Sum of management judgments on 1-5 scales	Positive
Investment intensity	Investment	Total assets–Current liabilities / Sales	Amount invested to sales (INSA)	Negative
Investment Intensity	Working capital	Current assets-current Liabilities / sales	Amount of working capital to sales	Negative
	Plant and equipment	Gross book value of P&E / sales	Investment in plant and equipment	Negative
	Labor costs	Total Assets-current liabilities / Labor costs	Investment per labor cost	Negative
Business portfolio	Cash cow	Business portfolio with large relative market share in a slow growth market	Sum of management judgments on 1-5 scales	Positive
	Star	Business portfolio with large market share in a high growth market	Sum of management judgments on 1-5 scales	Negative/ Positive
	Question mark	Business portfolio with low relative market share in a high growth market	Sum of management judgments on 1-5 scales	Negative/ Positive
	Dog	Business portfolio with low relative market share in a slow growth market	Sum of management judgments on 1-5 scales	Negative/ Positive
Vertical integration	Value added	Sales – purchases x 100 / Sales	Percentage value added	Positive/ Negative
	Adjusted value added	ROI / Invested capital	ROI per invested capital in value chain acquisition	Positive/ Negative

	Backward integration	Organization acquisition of suppliers	Sum of management judgments on 1-5 scales	Positive/ negative
	Forward integration	Organization acquisition of intermediaries	Sum of management judgments on 1-5 scales	Positive/ Negative
Long term value	Total return	∑divided paid + net Δ in stock / Stock beginning value	Percentage total return (TR)	Positive
	Market value	Market value of equity / Book value of equity	Market to book value (MB)	Positive

Note. A.T. = after tax; L.T. = long term; R&D = research and development; P&E = plant and equipment; PR = Public relations, BK = book value.

RESULTS

Descriptive Results

This section presents descriptive statistics on study variables. Mean being the most robust statistic for interval and ratio data, has been employed to measure central tendency. Range has been used to show the spread between the minimum score and the maximum score while standard deviation has been employed as the measure of dispersion. Standard deviation has been chosen because of its stability (e.g. Gall, Gall & Walter, 2005).

The analysis begins by examining the characteristics of corporate performance. Measures of financial performance when aggregated and per sector are first examined. Next, Non financial measures of performance are examined. This is followed by PIMS principles.

Corporate Performance

As mentioned earlier, corporate performance was assessed using both financial and non financial measures. As shown on table 3, quoted companies in Kenya have an average Return on Investment (ROI) of 10.27%. This however, ranges from a minimum of negative 66.92% to a maximum of 55.98% indicated by a dispersion of SD 16.00. On average these companies have Return on Assets of 4.97 ranging from a minimum of negative 14.84% to 18.08% with a standard deviation of 6.51. In terms of share growth, the companies registered a mean of ln 5.57%, ranging from ln – 2.89 to ln 8.54% with a SD of 2.24.

Table 3: Measures of Financial Performance

Performance Indicators	N	Range	Minimum	Maximum	Mean	Std. Deviation
Return on Investment	54	122.90	-66.92	55.98	10.2672	16.00484
Return on Asset	54	32.86	-14.84	18.02	4.9657	6.50850
Share Growth	44	11.43	-2.89	8.54	5.5723	2.23503

Note: Natural logarithm, ln was used to transform share growth data

On the basis of NSE sector grouping, financial and investment sector is the best performer in terms of ROI with an average of 14.55% and dispersion of SD 7.90. This sector is closely followed by Industrial and Allied with an average of 12.74% and a higher dispersion of SD of 9.49. Commercial services sector follow with an average ROI of 11.13% and the largest dispersion of SD=29.97. Agriculture sector had a relatively low ROI of 4.77%, although this closely distributed among the companies within the sector with SD=3.98. The worst performer in terms of ROI is the Alternative sector with negative 3.16%, implying that companies in this sector are loss makers on average. However the dispersion in performance is relatively high with SD of 8.73.

Table 4: Financial Performance by Sector

NSE Grouping		**Return on Investment**	**Return on Asset**	**Share Growth**
Agricultural	Mean	4.7725	3.8375	5.4175
	n	4	4	4
	Std. Deviation	3.98425	2.99337	1.21859
Commercial and services	Mean	11.1318	6.7009	4.9100
	n	11	11	7
	Std. Deviation	29.97397	8.11846	3.47535
Financial and Investment	Mean	14.5593	3.0893	6.4755
	n	15	15	11
	Std. Deviation	7.90499	2.09609	.70456
Industrial and Allied	Mean	12.7412	8.6171	6.2931
	n	17	17	16
	Std. Deviation	9.49157	5.94970	1.25964
Alternative Investment	Mean	-3.1571	-1.9629	2.8700
	n	7	7	6
	Std. Deviation	8.72782	6.80113	2.99483
Total	Mean	10.2672	4.9657	5.5723
	n	54	54	44
	Std. Deviation	16.00484	6.50850	2.23503

Note: Natural logarithm ln used to transform share growth data

In terms of ROA Industrial and Allied sector registered the highest average score of 8.62% with a dispersion of SD=5.95. This was followed by Commercial and services sector with an average score of 6.70% with a wide distribution of SD=8.12. Agricultural sector came next with an average ROA of 3.84% distributed closely around SD of 2.99. Financial and investment sector followed closely with an average of 3.09% also distributed closely within SD of 2.10. Again, Alternative investment sector registered the least ROI of negative 1.96% widely dispersed with SD= 6.80. Since ROA is an indicator of growth, this would imply the Alternative sector shrank by 1.96%.

Generally, NSE listed companies registered phenomenal average share growth of ln5.57% which translates to 262.43% between 2002 and 2006. Financial and investment sector recorded the highest share growth rate of ln6.48% closely distributed about SD of ln0.70. This was closely followed by Industrial and Allied sector with an average of ln6.29% dispersed about SD of ln1.26. Agricultural sector had share growth of ln5.42% dispersed about SD of ln1.22. Then follows Commercial and services with an

average of ln4.91% with SD of ln3.48 and finally alternative Investments with an average of ln2.87 with SD of ln2.99.

To assess the non financial measures of performance respondents were asked to evaluate on a five point likert scale how well or poorly they believed their companies performed on predetermined indicators in comparison with three close competitors, whereby 1=much worse, 2=worse, 3=neither worse nor better, 4=better, 5=much better. Table 5 show the descriptive statistics on the respondent's opinions.

Table 5: Non Financial Measures of Performance

Variable Construct	N	Minimum	Maximum	Mean	Std. Deviation
Market Share	43	2	5	3.84	.871
Overall Customer Retention	43	2	5	3.95	.872
Retention of Major Customers	43	2	5	4.23	.751
Customer Acquisition	43	1	5	3.81	.906
Resource Utilization	43	2	5	3.95	.754
Waiting Time	43	2	5	3.77	.718
Information Accuracy	43	3	5	4.16	.615
Service Accessibility	43	2	5	4.12	.793
Transaction Fulfilment	43	2	5	3.88	.823
Lead Times	43	2	5	3.72	.766
Yields	43	2	5	4.05	.785
Throughput Time	43	2	5	3.60	.849
Employee involvement in Decision Making	43	1	5	3.72	.934
Employee Training	43	2	5	3.95	1.045
Employee access to information	43	2	5	3.88	.905
Employee Creativity	43	1	5	3.91	.895
Continuous Process Improvement	43	2	5	4.21	.742

The result shows that on average respondents generally believed that their companies performed better than the competition on all the non financial measures of performance. The scores were closely distributed with SD<1, except for employee training that had SD of 1.045.

PIMS Principles

PIMS principles were assessed on both ratio and interval scales. Items on ratio scale were ratios computed from the financial statements of the participating companies while interval data was generally gathered from respondents vide a five point likert scale questionnaire. Table 5.6 summarizes descriptive results on PIMS principles. Other than price ratio (M=1.81, SD=1.12), investments to sales (M=1.53, SD=2.79) and investment in plant and equipment (M=0.44, SD=0.53), that have close dispersion, other ratio measures of PIMS principles have wide range and SD ranging from 9.83 to 26.37. This implies that

investment per labour cost, total return and market to book value among NSE listed companies are heterogeneous.

Table 6: Means and Standard Deviations for Measures of PIMS Principles

Variable constructs	N	Minimum	Maximum	Mean	Std. Deviation
Price Ratio	51	-1.29	6.25	1.8141	1.11891
Investment to Sales	55	-2.79	15.79	1.5285	2.78944
Investment in Plant and Equipment	50	.00	3.27	.4350	.53263
Investment per Labour Cost	53	-4.99	188.84	11.7304	26.37243
Total Return	42	-.09	52.45	7.8921	9.83401
Market to Book Value	44	.46	126.29	17.0105	23.32959
Market Share	42	2	5	3.83	.881
Investment in Research	42	1	5	3.81	1.153
Product Enhancement	42	2	5	3.81	.890
Premium Pricing	42	2	5	3.52	.917
Market Share Improvement	42	1	5	3.93	1.091
Price Discounting	42	1	5	2.83	1.208
Business Portfolio	41	1	4	1.95	.805
Forward Integration	41	1	5	2.76	1.356
Backward Integration	40	1	5	2.43	1.318

On market share (M=3.83, SD=0.881), respondents believed they are better than the competition. When they were asked to indicate the amount of emphasis they put on investment in research and development (M=3.81, SD=0.881), product enhancement (M=3.81, SD=1.153), premium pricing (M=3.52, SD=0.92) and market share improvement (M=3.93, SD=1.09) the results reveal that the participating companies put more emphasis on these product related principles. However, respondent's opinions were not well formed regarding the emphasis participating companies put on price discounting (M=2.83, SD=1.21). The results further reveal that on average NSE listed companies have their dominant portfolio in the category of stars (M=1.95, SD=0.81). Finally, when respondents were asked the extent to which they agreed their companies engaged in vertical integration, there was no formed opinion on whether the companies engaged on forward integration (M=2.76, SD=1.356) and they tended to disagree that they engaged in backward integration (M=2.43, SD=1.318).

TEST OF HYPOTHESES

Results of the Tests of Hypothesis 1 to 7 on the Link between PIMS

Principles and Corporate Performance

This section addresses objective one by presenting results on tests of hypotheses 1 through to hypotheses 7 a, and 7b. Correlation statistics namely, Pearson's product moment correlation analysis was employed to test hypotheses 1 to 7a, while stepwise estimation regression was employed to test hypothesis 7b. Results on correlation analysis are presented in table 7 while results of stepwise estimation are presented in table 8.

Table 7: Correlations between PIMS principles and corporate performance

Variable construct	Statistic	Product/ Service Quality	Market Share	Investment Intensity Index	Business Portfolio	Vertical Integration Index	Long Term Value Index	PIMS Principles Index	Corporate performance
Product/ Service Quality	Pearson Correlation	1							
	Sig. (1-tailed)	.							
	N	43							
Market Share	Pearson Correlation	.358(**)	1						
	Sig. (1-tailed)	.009	.						
	N	43	43						
Investment Intensity Index	Pearson Correlation	-.005	.055	1					
	Sig. (1-tailed)	.487	.364	.					
	N	43	43	43					
Business Portfolio	Pearson Correlation	-.386(**)	-.325(*)	-.002	1				
	Sig. (1-tailed)	.005	.017	.495	.				
	N	43	43	43	43				
Vertical Integration Index	Pearson Correlation	-.113	.036	.028	.042	1			
	Sig. (1-tailed)	.235	.410	.430	.395	.			
	N	43	43	43	43	43			
Long Term Value Index	Pearson Correlation	.203	.176	-.091	-.056	.070	1		
	Sig. (1-tailed)	.096	.129	.281	.360	.327	.		
	N	43	43	43	43	43	43		
PIMS Principles Index	Pearson Correlation	.149	.181	.830(**)	-.035	.126	.474(**)	1	
	Sig. (1-tailed)	.170	.123	.000	.411	.211	.001	.	
	N	43	43	43	43	43	43	43	
Corporate performance	Pearson Correlation	.646(**)	.585(**)	-.101	-.337(*)	-.202	.300(*)	.100	1
	Sig. (1-tailed)	.000	.000	.260	.014	.096	.025	.263	.
	N	43	43	43	43	43	43	43	43

** Correlation is significant at the 0.01 level (1-tailed).
* Correlation is significant at the 0.05 level (1-tailed).
2-tailed test between business portfolio/corporate performance (r=0.337, p=0.027)

Hypothesis Ho1: There is no positive relationship between corporate performance and product/service quality

In order to establish the strength, direction and significance of the relationship between the product/ service quality and corporate performance, Pearson's product moment correlation was employed and the results are shown in the table 5.19. The results reveal that there is a strong positive correlation between product/ service quality and corporate performance ($r=0.646$, $p=0.000$). Since $p<0.05$ there is no support for the null hypothesis. We therefore reject the null hypothesis and accept the alternative hypothesis. Thus, "there is a significant positive relationship between corporate performance and product/ service quality.

The above finding is not surprising since many PIMS studies such as Buzzell and Gale (1987); Kotabe et al. (1991) and Meng Leong (2001) among others, have rigorously demonstrated this relationship. This study therefore replicates this relationship in Kenyan context implying that the principle of product/ service quality is robust and can be generalized across different markets.

Hypothesis Ho2: There is no positive relationship between market share and corporate performance

To test this null hypothesis, Pearson's product moment correlation analysis was employed and results presented in the table 5.19. Results show that market share is positively correlated with corporate performance ($r=0.585$ $p = 0.009$). The relationship is quite strong since the correlation is above 0.5 mid point and significant at $p< 0.01$. This implies that there is no support for the null hypothesis. Thus we reject the null and accept the alternative hypothesis, implying, "there is significant positive relationship between market share and corporate performance".

The above result is also an expected outcome extensively corroborated by PIMS studies. PIMS studies suggest that market leaders not only command higher prices, but also maintain this leadership leading to superior performance (Buzzell and Gale, 1987).

Hypothesis Ho3: Investment intensity does not have negative relationship with corporate performance

This hypothesis was tested using Pearson's product moment correlation analysis. As shown on table 5.19, there is a weak negative correlation between investment intensity and corporate performance ($r = -0.101$, $p = 0.26$). Although the results are in the hypothesized direction, there is evidence in support of the null hypothesis, hence we reject the alternative hypothesis and accept the null hypothesis above.

The foregoing result implies that in the Kenyan context, high investments in working capital, plant and equipment, workers and labour costs, does not necessarily act as a drag to corporate performance. Although this is inconsistent with PIMS principles, companies in Kenya that seem to invest heavily in plant and machinery, operations and in employees for example Safaricom and East African Breweries, are also doing very well in terms of profitability. This principle is further revisited under the discussion section.

Hypothesis Ho4: There is no relationship between business portfolio (based on BCG model) and corporate performance.

This hypothesis sought to establish whether there is a relationship between business portfolio (based on the BCG model) and corporate performance. In order to test this hypothesis Pearson's product moment correlation analysis was employed. The results in table 5.19 show that there is a negative relationship between business portfolio and corporate performance ($r= -0.337$, $p= 0.027$) albeit weak.

In order to assess characteristics of individual business portfolios, descriptive statistics were used. In this study, respondents were asked to classify their dominant business portfolio along the BCG growth share matrix classification. Twelve (27.9%) classified their dominant portfolio as "cash cow", twenty three (53.5%) classified their dominant portfolio as star, six (14 %) classified their dominant portfolio as "question mark" while two (4.7%) classified their dominant portfolio as "dog". From theoretical foundations, "question marks" are cash users as they require to be propped to weather the competition in high growth markets. This implies increased marketing expenditures resulting in higher operating costs and consequently lower profit margins. Given the proportion of these cash consumers is 67.5% as opposed to 42.5% of cash generators, it is in order, for the correlation between business portfolio and corporate performance to be negative.

Although in the above test the correlation is weak (r= -0.337, P=0.027), it is significant at P<0.05, implying there is a relationship between business portfolio and corporate performance. Although this is contrary to the PIMS principles, the hypothesis compares with BCG theorem. It appears, therefore, that Kenyan firms tend to subscribe to the BCG theorem as opposed to PIMS principles.

Hypothesis Ho5: There is no negative relationship between vertical integration and corporate performance

To test this hypothesis, Pearson's product moment correlation technique was used and the results are presented in table 5.19. The results reveal that there is a weak negative correlation between vertical integration and corporate performance (r = -0.202, P=0.096). Although the results are in hypothesized direction, the p value is greater than 0.05, implying that there is support for the null hypothesis. We thus reject the alternative hypothesis and accept the null hypothesis. This suggests that there is no relationship between vertical integration and corporate performance.

Previous studies based on PIMS principles have demonstrated that ROI is usually enhanced by high degree of backward integration but not by forward integration. Descriptive statistics in table 5.6 show that there are no formed opinions on whether companies in this study engaged in forward integration (M=2.76, SD=1.356) and respondents tended to disagree that their companies engaged in backward integration (M=2.43, SD=1.318). This could explain the reasons why this null hypothesis is not rejected.

Hypothesis Ho6: Long term value indicated by strategic factors that enhance total return and market value is not positively correlated with corporate performance

To test this hypothesis, Pearson's product moment correlation analysis was used and the results are presented on table 5.9. The results show that there is a relatively weak relationship between long term value and corporate performance (r =0.300, P=0.025). However, since P<0.05 there is no support for the null hypothesis. We therefore reject the null hypothesis and accept the alterative hypothesis indicating that "long term value indicated by strategic factors that enhance total return and market value is positively and significantly correlated with performance". This is in support of PIMS studies. This means that factors that enhance long term value of the firm also enhance performance in the long run.

Hypothesis Ho7a: There is no positive relationship between PIMS principles as a composite variable and corporate performance

This hypothesis was intended to establish whether there is a significant relationship

between corporate performance and PIMS principles when aggregated and addressed jointly. To test this hypothesis, all the PIMS principles/ constructs were summated into a composite score. This score was then correlated with performance vide Pearson's product moment correlation and the results are presented in table 5.19.

The results show a positive correlation between PIMS composite score and corporate performance (r= 0.236, P=0.263). Although the correlation is in the hypothesized direction, it is weak and the p value of 0.236 implies support for the null hypothesis. We therefore reject the alternative hypothesis and accept the null hypothesis. This implies that the relationship between composite measure of PIMS principles and corporate performance though positive it is not significant at P<0.05. PIMS theory suggests that PIMS principles have predictive power on corporate performance. We expect therefore, to find significant relationship between composite score of PIMS principles and corporate performance. However, by lumping all the principles together in one score, the underlying relationships may be influenced by variance inflation factor (VIF) thus suppressing the relationship. This is evident from the descriptive statistics of PIMS principles index (M=55.6437, SD=35.5516) showing a very large standard deviation around the mean. To determine the predictive power of PIMS principles on corporate, we need to assess hypothesis Ho7b.

Hypothesis Ho7b: PIMS principles do not have predictive power on corporate performance

To test this hypothesis, stepwise regression was employed. Hair et al. (2006) posit that stepwise estimation maximizes the incremental variance explained in each step of model building. The relationship between PIMS principles and corporate performance is captured by equation number 3 explained under model formulation and estimation on page 101. Based on results of Pearson’s product moment correlation presented on table 5.19, product/ service quality has the highest correlation with performance (r =0.646, P=0.00) and was therefore selected to enter the estimation equation in the first step. Results of this estimation are presented on table 5.20.

Table 8: Stepwise Estimation Model of PIMS Principles

Step 1- Variable Entered: Product/ service quality

Variable construct	B	Std. Error	Beta	t	P-values	Zero-order	Partial	Part	Tolerance	VIF
(Constant)	50.088	4.430		11.307	.000					
Product/ Service Quality	3.059	.565	.646	5.418	.000	.646	.646	.646	1.00	1.00

Model summary
R=0.646,
R^2=0.403
Adj. R^2=0.403,
SE=6.82212

Model fit
Regression χ^2=1366.269,
Residual χ^2 =1908.196,
F=29.356, P=0.00

Variables Not Entered into the Estimation Model

Constructs	B	Std. Error	Beta	t	P-values	Zero-order	Partial	Part	Tolerance	VIF
(Constant)	59.443	6.746		8.812	.000					
Market Share	5.207	1.306	.514	3.986	.000	.585	.548	.477	.864	1.158
Business Portfolio	-1.679	1.426	-.149	-1.178	.247	-.337	-.190	-.141	.892	1.122
Investment	-.030	.034	-.104	-.862	.394	-.101	-.140	-.103	.985	1.015

Construct	B	Std. Error	Beta	t	P-values	Zero-order	Partial	Part	Tolerance	VIF
Intensity Index										
Vertical Integration Index	-.829	.441	-.226	-1.880	.068	-.202	-.295	-.225	.990	1.010
Long Term Value Index	.097	.057	.208	1.697	.098	.300	.269	.203	.954	1.048

Step 2- Variable Entered: Market share

Construct	B	Std. Error	Beta	t	P-values	Zero-order	Partial	Part	Tolerance	VIF
(Constant)	39.543	4.864		8.130	.000					
Market Share	4.114	1.137	.406	3.617	.001	.585	.496	.379	.872	1.147
Product/ Service Quality	2.371	.531	.501	4.464	.000	.646	.577	.468	.872	1.147

Model summary
R=0.749,
R^2=0.561
Adj. R^2=0.539,
SE=5.99559

Model fit
Regression χ^2=1836.580,
Residual χ^2 =1437.885
F=25.546,
P=0.000

Dependent Variable: Corporate Performance

The results reveal that product/ service quality explain up to 41.7% (R= 0.417, Adj. R^2=0.403) of variation in corporate performance. However, when the coefficient of determination is adjusted for the sample size and degrees of freedom, the product/ service quality construct explains up to 40.3% of variation in corporate performance. The ANOVA analysis provides the statistical test for the overall model fitness in terms of the F-ratio. Using product/ service quality construct reduces the error of criterion estimation and this is deemed significant with an F ratio of 29.356 and a significance level of 0.001. This implies the data set fits the estimation model. The value 3.059 is the regression coefficient for the product/ service construct. The predicted value for each observation is the intercept (50.088) plus the regression coefficient (3.059) times the value of the independent variable, product/ service quality (Y=50.088+ 3.059X).

The standardized regression coefficient value of 0.646 is the value calculated from the standardized data and aids comparison between independent variables. The standard error of product of the regression coefficient of 4.430 is an estimate of how much regression coefficient will vary from sample to sample. The standard error of product/ service quality is 0.565 denoting that the 95% confidence interval for product/ service quality, would be 3.059±(1.96x0.565) or ranging from low of 1.9516 to a high of 4.1664. The value product/ service quality divided by the standard error is the calculated t value for a t test of hypothesis (i.e. 3.059/0.565 = 5.414). The t measures the significance of the partial correlation of the variable reflected in the regression coefficient. In this case, the t value is significant at 0.000 implying that there is no support for the null hypothesis relating to product/ service quality construct. We therefore reject the partial null hypothesis and accept the partial alternative hypothesis. Thus product/ service quality has significant predictive value of 40.3% on corporate performance.

With the first step of the stepwise procedure completed, the next step is to evaluate the variables not in the equation and determine whether another variable meets the criteria for addition into the regression model. Hair et al.

(2006) sets the criteria for addition as partial correlation great enough to be significant at specified level of significance of between 0.05 and 0.1. For this study a significance of 0.05 will be used to determine whether a variable will be added or dropped from the equation.

Table 5.20 shows that market share has the highest partial correlation of 0.585 among the constructs unrepresented in the first step of the equation, and it is the only one that is significant at $p<0.05$. Market share is therefore added into the equation in step two and all other variables dropped from further consideration since they are not significant. Results are presented in table 5.20. The multiple R, R^2 and the adjusted R^2 increased with the addition of market share. The R^2 increased by 0.144 from 0.417 to 0.561 and the adjusted R^2 increased by 0.136 from 0.403 to 0.539. Standard error of estimate decreased from 6.82212 to 5.99559. The three measures demonstrate the improvement in the overall model fitness after the addition of market share construct, while controlling product/ service quality.

The predictive power of the new model is therefore 53.9% as adjusted for the number of variables with the additive explanatory power of market share being 13.6%. The regression coefficient for market share is 4.114 and the beta weight is 0.406 thus market share has a substantial impact on overall regression model. The coefficient is statistically significant at $p<0.01$ and multicolinearity is minimal. Thus, tolerance is quite acceptable with a value of 0.872 and VIF of 1.147 indicating that only 12.8% of either variable is explained by the other. Market share therefore has a significant predictive power of 13.6% on corporate performance. This partially supports the alternative hypothesis, “that PIMS principles have predictive power on corporate performance”. However, only product quality and market share among PIMS principles, have significant predictive power on corporate performance, explaining up to 53.9% of variance in corporate performance when adjusted for number of variables and degrees of freedom.

The other PIMS principles including long term value, vertical integration, business portfolio and investment intensity, do not have significant predictive power in an aggregated composite model. This therefore implies that the alternative hypothesis stating that “PIMS principles have significant predictive power on corporate performance” is only partially supported. This is not surprising since some PIMS scholars recognize that it is product quality and market share that have rigorously been linked with corporate performance (Shoeffler, 1977).

DISCUSSIONS

Buzzell and Gale (1987), Kotabe et al. (1991) & Meng Leong (2001) have demonstrated that a firm’s performance is influenced by PIMS Principles. This study provides additional support for these previous findings implying that PIMS principles are generalizable across a broad spectrum of countries including developing ones like Kenya. Correlation results are largely in the predicted direction and do conform to PIMS studies as summarized by Buzzell and Gale (1987). Except for investment intensity ($r = -0.101$, $p = 0.260$) and vertical integration ($r = -0.202$, $p = 0.096$), other PIMS principles show significant associations with corporate performance, thus corroborating PIMS studies.

The first hypothesis (H_{o1}) suggested that high performing firms have quality products and services. That their quality products/services are characterized by innovation and investments in research and development aimed at product enhancements. This finding is consistent with PIMS findings (Buzzel and Gale 1987, Kotabe et al, 1991, Meng Leong, 2001) and cuts across markets and countries.

The second Hypothesis (H_{o2}) relating to market share and corporate performance, as expected revealed that market share is strongly and positively correlated to corporate performance. This is again corroborated by PIMS studies that suggest market leaders not only command higher prices but also maintain this leadership by offering high quality products that are superior to their competitors.

Contrary to the expectation this study offers some support to the null hypothesis H_{o3}, implying that in Kenya, high investments in working capital, plant and equipment, workers and labour costs, does not act as a drag to corporate performance. Although this is inconsistent with PIMS studies, a Kenyan would not be surprised to find that investment intensity does not drag profitability. This is because companies that invest heavily in plant and machinery, operations and in employees like Safaricom and East African Breweries (EABL) are also doing very well in the market in terms of profitability. In fact, Safaricom has consistently ploughed back its profits as retained earnings and is now currently reported to be the most profitable company in East and Central Africa and has also won the title of the most respected company in East Africa.

Some of the reasons that have been advanced under PIMS studies to support negative relationship between investment intensity and profitability are that (1) capital intensity leads to aggressive and often destructive competition and (2) capital intensive businesses may be less efficient in using fixed and working capital than competitors (Buzzel and Gale, 1987 and Jaworski, (1989) among others. If the two examples of Safaricom and EABL were to be considered, it can be inferred among others that the two companies are superior performers because they have not had very serious local competition in the last five years. In fact, EABL has been a near monopoly in malted beer market after the exit of South African Breweries (SAB) from the Kenyan market in 2001. Their brands are also perceived by Kenyans to be of high quality and they have therefore managed to acquire market leadership. In Kenyan context it can therefore, be argued if a company produces quality products and it is a market leader, market intensity will not act as a drag to its performance. However, this cannot be said to apply to other companies that do not have quality products and a sizeable market share.

Hypothesis H_{04} was accepted implying that corporate performance depends on the dominant business portfolio. Though this position is consistent with BCG (Boston Consulting Group) assertions on business portfolio, PIMS studies show that while market growth and relative market share are linked to cash flows, many other factors also influence this dimension of performance. As a result, forecasts of cash flow based solely on the growth – share matrix are often misleading (Hambric & Macmillan, 1982, Gale and Branch, 1981, and Buzzell and Gale, 1987).

In this study respondents were asked to classify their dominant business portfolio along the BCG growth Share Matrix Classification. Twelve (27.9%) classified their dominant portfolio as a cash cow, 23 (53.5%) as a star, 6 (14.0) as a question mark and 2 (4.7%) as a dog. One tailed correlation test revealed negative correlation between business portfolio and corporate performance (-0.337, $p = 0.014$) significant at $P<0.05$. Given the proportion representation of stars and question mark portfolios in this study it is not surprising that business portfolio tend to be negatively associated with performance. From the BCG model, stars and question marks have heavy cash requirements. This would correspond in increased marketing expenditures resulting in lower profit margins. This study therefore tends to lend support to BCG market share / market growth

business portfolio models. Though PIMS studies tends to repudiate BCG underpinnings, in Kenyan context BCG model tends to hold, although from the analysis the relations presented are quite complex and perhaps further studies modeling business portfolio are required.

The findings of this study tend to support null hypothesis H_o5 meaning that vertical integration is negatively correlated with performance. According to PIMS results, ROI is usually enhanced by a high degree of backward integration but there is no connection between ROI and different degrees of forward integration. The findings of this study are inconsistent with those of PIMS studies. In this study, backward integration is negatively correlated with performance ($r = -0.356$, $p = 0.019$) and the association is significant at $P<0.05$. Forward integration is also negatively correlated to performance ($r= -0.026$, $P = 0.868$) although the association is not significant.

As predicted in the conceptual framework, vertical integration may result in either positive or negative correlation in Kenya, depending on the circumstances under which it is achieved. If vertical integration leads to higher investment intensity as firms acquire suppliers and or/ intermediaries, it will be negatively correlated to performance, as the incremental returns are not sufficient to offset the capital outlay. This tends to be the case in Kenyan context.

As expected the hypothesis H_{06} was accepted implying that long term value indicated by total return and market to book value is positively correlated to performance. This is because the constructs that measure long term value also reinforce corporate performance. This implies that managers should not sacrifice long term objectives in pursuit of short term quick fixes.

Generally, the result of this study suggests that market strategies, in this case represented by PIMS principles positively and significantly influence firm performance accounting for up to 55.6% of variation in corporate performance. This study therefore lends further support to the body of literature on PIMS principles, especially regarding the relationship between market share, product quality and performance. This study further confirms that the relationship between PIMS principles is interactive. This is demonstrated by the positive association between market share and product/ service quality ($r=0.358$, $P=0.019$) with the correlation significant at $P< 0.05$ (see table 5.19). The study also supports Kotabe et al. (1991) and Meng Leong (2001) studies that concluded PIMS Principles have predictive effect on corporate performance across different markets. This implies therefore, PIMS principles, especially those relating to product/ service quality and market share, can be applied in Kenya to inform strategic decisions.

CONCLUSIONS

The key findings as they relate to study objectives and hypothesis are as follows: The first objective seeking to establish the link between PIMS principles and corporate performance, had six hypotheses each relating to six principles that have been extensively grounded on theoretical and empirical literature. As expected, product/ service quality and market share are strongly and positively correlated to corporate performance with significance at $P < 0.01$. Contrary to PIMS findings investment intensity does not act as a drag to corporate performance in Kenya. This could be explained by the fact that companies in Kenya that have invested heavily on plant and equipment, working capital and labor costs, are near monopolies and as such have high market share and their products are perceived as being of high quality. Regarding business portfolio, the

study findings are in support of the BCG underpinnings and therefore inconsistent with PIMS studies that have tended to dismiss BCG business portfolio relationship (e.g. Hambric & Macmillan , 1982; Gale & Branch, 1981; & Buzzell & Gale, 1987). The findings of hypothesis testing also revealed that there is no significant negative relationship between vertical integration and corporate performance in Kenya. From PIMS arguments, if vertical Integration leads to high investment intensity as a firm acquires suppliers and or intermediaries it acts as a drag to profitability. However, the findings of this study showed little vertical integration among the population of study. As expected long term value enhances corporate performance.

When the six PIMS principles, were aggregated and the composite score correlated to corporate performance, the correlation was found to be positive, although not significant at $p<0.05$. This could be attributed to variance inflation factor (VIF) suppressing the individual relationships between the PIMS principles and corporate performance. However, on their own, PIMS principles were found to account for 55.6% of variation in corporate performance among companies listed on NSE, with product/ service quality accounting for 53.9% of variation among the study population. It can therefore be concluded that PIMS principles have predictive power on corporate performance in Kenya. It can further be concluded that product/ service quality and market share are more important in predicting corporate performance in the Kenyan context.

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Strategic Management within Kenya Firms

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This study investigated strategic management practices within large, private manufacturing companies in Kenya. A total of 73 companies (both local and foreign) were surveyed. Personal interviews were conducted with top managers in all these companies. The findings revealed that large manufacturing companies had adopted strategic management. However, there were variations in the practices. Foreign companies were more involved and committed to strategic management than the local ones. The local companies (especially family ones) exhibited heavy financial orientation in their plans (cash flow projections and extended budgeting). Differences in organizational factors were cited as explanations for the observed variations in strategic management practices.

Key words: Strategic Management, Firms, Development, Planning, Kenya

INTRODUCTION

Although our knowledge of strategic management has increased greatly over the last three decades, most of it has been accumulated in developed country contexts. As Haines (1988) pointed out, the foremost thinking in strategic management reflects business circumstances in developed countries. Little has been written on strategic management practices in less developed countries as a whole and more so on Africa. Glueck and Jauch (1984) recognized this knowledge gap by noting that little was known about strategic management processes in developing countries. Blunt and Jones (1986) similarly pointed out that little research and analysis had been done on managerial processes in Africa.

A few studies have been carried out in Africa to document strategic management practices there. These include Woodburn (1984), Adegbite (1986) and Fubara (1986). The first of these was based in South Africa while the other two were based in Nigeria. These studies gave us valuable insights into aspects of corporate planning in Africa.

It has been pointed out that strategic management is very useful to organizations during turbulent times (Ansoff and McDonnel,1990). Where the external environment is changing rapidly, managers have to constantly re-examine and change their product/market scope if organizations have to remain successful. Over the past decade, a lot of external changes have taken place in Kenya. The country was affected by such international trends as the recession and globalization of competition. Locally, the government has been

implementing a very ambitious economic reform programme. In the face of these and other external developments, one would expect organizations in Kenya to turn to strategic management as a way of securing future success.

DEVELOPMENT OF STRATEGIC MANAGEMENT

Formal strategic planning seems to have its beginnings in the early 1950s in the United States of America. Peter Drucker (1954) appears to be one of the first to address the issue of strategy and strategy formulation as an approach to managing organizations. His concern was primarily with identifying the business of a company. Little attention was given to this concept of strategy until 1962 when Chandler defined it and outlined the processes by which strategy could be formulated. The ideas of Chandler were then further developed by Ansoff (1965) and Andrews (1971). These writings were no doubt instrumental in triggering off the adoption of strategic planning by business firms during this time.

From the late 1960s, studies carried out indicated that strategic planning was practiced both in the United States and abroad. Ringbakk (1969), in a study on organized planning in the United States found that corporate long range planning was being practiced. The practice was not uniform across the firms studied. There was a heavy financial orientation in the plans, making them resemble the traditional budgets that were already in use.

Taylor and Irving (1971) carried out a similar study in the United Kingdom and observed the same phenomenon as Ringbakk had in the United States i.e. though some corporate planning was being practiced; it was not as well developed as publicized. Denning and Lehr (1971) observed the same phenomenon as Ringbakk and Taylor and Irving. It therefore appears that in the initial stages, firms were slow in adopting strategic planning.
The situation soon changed as a series of studies in different countries revealed increasing and widespread adoption of corporate strategic planning practices (Rue, 1973; Grinyer and Norburn, 1974; Eppink et al., 1976; Henry, 1977; Al-Bazzaz and Grinyer, 1980; Boulton et al, 1982; Woodburn, 1984; Fubara, 1986; Adegbite, 1986; Caeldries and Van Dierdonk, 1988; Wee et al., 1989). From evidence provided by these studies, it appears that over the years, as managers increased their familiarity with strategic planning, they increasingly adopted it (both in USA and abroad).

In the mid-1970s, managers started expressing dissatisfaction with strategic planning. The general feeling was that strategic planning was not delivering the benefits it promised. These critics included Higgins, 1976; Hobbs and Heany, 1977; Peters and Waterman, 1982, Steiner, 1983; Barrie, 1984; Taylor, 1986; Giles, 1991 and Robert, 1991.

Despite the dissatisfaction, it soon became clear that strategic planning was still useful to organizations. Strategic planning needed to be revived and improved. Chief among the revivalists was Porter (1987) who did admit that strategic planning had fallen out of fashion in the 1970s. However, it needed to be rediscovered and not discarded. Strategic

planning needed to be recast to meet today's environmental challenges.

It is evident that strategic planning originated in USA and then spread to other parts of the world. As a result of this pattern, American companies would be expected to take the lead in practicing strategic management. Similarly, in Kenya, foreign companies would lead local ones in strategic management practices. This was tested as a proposition in this study;

H1: Foreign companies will be more involved in strategic management than local ones.

THE STUDY

This study investigated strategic management practices within private manufacturing companies in Kenya. Strategic management was defined as the formulation and implementation of strategy to achieve corporate success. The focus of the study was on the formulation (strategic planning) phase of this process. The following strategic planning aspects were studied;

a. Existence of written mission statements
b. Presence of strategic plans
c. Planning horizons
d. Financial orientation in planning (mix of plans)
e. Conduct of management training
f. Presence and use of goals
g. Formality in planning
h. Planning history
i. Flexibility of plans
j. Collection of external data

A survey was conducted within large, private manufacturing companies in Kenya. The population was all large, private manufacturing companies in Kenya. A sampling frame was constructed with the help of three directories: the Directory of Industries (Kenya Industrial Development Research Institute), Register of Industries (Ministry of Commerce and Industry) and the Members' List of the Kenya Association of Manufacturers. There was a total of 548 companies. All of them were contacted. 73 fully participated in the survey (24 foreign and 49 local companies).

Interviews were conducted by the researcher in all the companies. Respondents were top managers in these companies. The questionnaire used was prepared after thorough review of relevant literature. It was pre- tested before being used.

Data were analyzed using the nonparametric chi-square and mann-whittney techniques. Preliminary analysis had indicated that the data violated several assumptions underlying parametric analysis.
Comparisons were made between the various groups of companies that participated in the survey to check for variations in strategic management practices. The groups compared were Foreign, Indigenous Kenyan and Asian Kenyan companies.

RESULTS

Mission statements

Out of the 73 companies, one third had written mission statements (Table 1). This suggests that a big proportion of the large manufacturing companies do not prepare written mission statements. When foreign and local companies were compared, a larger proportion of foreign

companies had such statements. Within the local group, indigenous Kenyan companies tended to have mission statements more than Indian Kenyan companies. The differences observed here were all statistically significant (Table 2).

Strategic plans

A small proportion of companies had strategic plans (Table 1). A larger proportion of foreign companies had such plans compared to local ones. Very few of the latter had such plans. The difference between foreign and local companies in having strategic plans was statistically significant. Within the local companies, although the Indigenous ones had strategic plans more than the Indian Kenyan ones, the difference were not significant (Table 2).

Mix of plans (Financial orientation)

The type and mix of plans developed varied across companies. In some companies, we had several plans developed. These included companywide plans, functional plans, budgets, project plans, short term plans and long term plans. Other companies had basically financial plans i.e. budgets and cash flow projections. As table 1 show, 68% of all the companies prepared several plans. The remainder prepared basically financial plans i.e. budgets.

All foreign companies indicated they prepared financial and other plans. About half of the local companies had basically financial plans. Indian Kenyan companies tended to have more of such plans than the indigenous Kenyan ones. The differences between foreign and local companies were statistically significant (Table 2).

Table 1: Strategy involvement

Strategy Aspect	**All Firms**		**FF&LI Firms**		**FF&LK Firms**		**LI&LK Firms**	
	n	**%**	**n**	**%**	**n**	**%**	**n**	**%**
Written mission	24	33%	3	10%	17	71%	4	31%
Mix of plans	50	68%	14	55%	24	100%	9	69%
Strategic plans	28	38%	5	16%	19	79%	3	23%
Management training	41	56%	8	26%	23	96%	8	62%

Foreign companies (FF); Indian Kenyan companies (LI); Indigenous Kenyan companies (LK)

Note: 5 joint local companies are omitted from the individual group tabulations.

Source: Interviews

Table 2: Strategy involvement: Prob values and significance levels

Strategy Aspect	All Firms	FF&LI Firms	FF&LK Firms	LI&LK Firms
Written mission	0.0000**	0.0000**	0.0189*	0.1001
Mix of plans	0.0000**	0.0000**	0.0040**	0.1447
Strategic plans	0.0000**	0.0000**	0.0009**	0.4386
Management training	0.0000**	0.0000**	0.0069**	0.0246*
Planning horizon	0.0001**	0.0000**	0.0420*	0.1429
Planning history	0.0030**	0.0007**	0.0150*	0.3554

Foreign companies (FF); Indian Kenyan companies (LI); Indigenous Kenyan companies (LK) * and ** represent significance at the 5% and 1% levels respectively.

Planning horizons

The companies operated with varying planning horizons. The average planning horizon for all the companies was 3 years. The shortest was 1 year while the longest was 20 years. The most popular range of planning horizons was 3-5 years (49% of the companies). 45% of the companies had planning horizons less than 3 years while 6% had horizons longer than 5 years. Foreign companies operated with the longest planning horizons while Indian Kenyan companies had the shortest horizons.

The difference in planning horizon between foreign and local companies was significant. Such a difference did not exist between the two groups of local companies. It was also observed that foreign companies had a significantly longer planning history than the local ones i.e. they had been planning for a longer time.

Goals

All the companies indicated they had goals. Some prioritized their goals but most of them did not do this. Commitment to goals set differed across companies. In some cases, it was not clear what the purpose of the goals was while in others, goals were very important in managing companies. The following were the goals most frequently present (in order of frequency): profitability, volume growth, production, market share, return on investment, quality improvement, manpower, survival, production development and procurement.

Goal setting differed across the companies. Some reported high levels of participation while others had very low levels of participation. The majority of companies reported low levels of participation. Owners or top managers set goals. Goal setting was a top-down affair.

The same was the case for the entire strategy development process. Participation was lowest among Indian Kenyan companies and highest in foreign ones.

Formality in planning

Some of the companies had very formal planning processes while others were rather informal. By formal planning we mean deliberateness in planning as evidenced by planning timetables and production of written plans. A majority of companies reported high levels of formality in planning. Foreign companies exhibited higher levels of formality followed by indigenous Kenyan companies. Indian Kenyan companies had the lowest levels of formality in planning.

Flexibility of plans

Although many companies reported having goals and plans, they stressed that flexibility was important in running their companies. This meant that plans could change at any time. 9% of the companies indicated they monitored operations and held discussions daily. 7% said they held weekly management meetings to review operations. 38% reported they held monthly management meetings to discuss operations. The remaining companies either had no schedules for review meetings (i.e. they could be held at any time) or held such meetings less frequently e.g. quarterly, semi-annually etc. The outcomes of such meetings would lead to plans and goals either being upheld or revised. This indicates that despite the number of plans that companies had, they still paid a lot of attention to very short term operational issues.

External data

All the companies reported that accounting and other internal data were not adequate for planning purposes. Attempts were made to gather external information. The performance of this function varied greatly across the companies. In many of them, external information gathering was more informal than formal. Top managers used their personal contacts to get pertinent information. Such information, once obtained, was not necessarily communicated to other managers in the company.

No company had an environmental scanning unit. Instead, where environmental scanning was more formal, it was the responsibility of the management team i.e. the chief executive and department heads. Each function head gathered information pertinent to their department. The information was then discussed in management meetings and was recorded as minutes. The highest level of attention was given to external data gathering where the chief executive co-ordinated the exercise.

Companies reported they had problems in performing external analysis. There were no information bureaus in Kenya. The most frequently used sources of information were published sources, associations, parent companies, personal contacts, consultants, suppliers, customers and field sales people. The activity was not performed in a systematic manner in many of the companies. Only in one foreign company did we have a management information system. Here, all internal and external information was stored and available for use by managers.

Others felt scanning was too expensive to carry out formally. They favoured informal scanning. Many companies reported that their top managers maintained informal contacts for purposes of gathering information. Some of

these contacts were kept secret. This partly explains why scanning was informal. Critical information was obtained through top level informal contacts. Such information was not widely communicated in the company.

The difficulties experienced in conducting external analysis were reported in this study. A managing director of an American company explained thus:

> "The accounting side is relatively easy. The biggest problem is not the sheer accounting and numbers. It is the assumptions e.g. What is really going to happen to the economy? The birth rate? What is going to be the role of exports in the company? What is going to develop politically? What are interrelationships between countries going to be? These tend to have major impacts and these tend to be the difficult ones."

Some respondents lamented that not enough was being done on environmental scanning. A general manager of a British multinational subsidiary expressed this clearly.

> "We do not collect statistics on environmental factors. I do not know why we do not collect such statistics."

The difficulty in conducting external analysis was attributed to environmental uncertainty. The general manager of another foreign company expressed this clearly:

> "The Kenyan business environment is erratic. It is difficult to predict what is going to happen."

Management training

Over half of the companies reported they undertook management training and development for their employees (Table 1). The purpose was to increase management ability to perform and to prepare employees to take on increasing responsibilities. Again, foreign companies led in carrying out this activity. Indian Kenyan companies did very little training. The difference between foreign and local companies in carrying out management training was significant. The same was the case between the two groups of local companies.

DISCUSSION

Foreign companies were compared with local companies with respect to their involvement in strategy development i.e. their practices. The practices were preparing written mission statements and strategic plans, length of planning horizons, length of time for which they had been planning (planning history), degree of financial orientation and undertaking management training. In all these strategy aspects, foreign companies were significantly different from Kenyan companies. They had written mission statements and strategic plans more than Kenyan companies. They operated with longer planning horizons and had been planning for a longer period than Kenyan companies. They also had a lesser financial orientation in their plans and carried out more management training than Kenyan companies.

One factor which may explain the differences between foreign and Kenyan companies is that the former were subsidiaries of bigger international companies. Their activities were therefore supported and influenced by their parent companies. Pugh et al (1969) call such relationship dependence and argue that dependent companies tend to differ from independent companies in their management approaches. Such parent company influence was reported widely by the foreign companies in this study. One managing director of an American multinational subsidiary explained this clearly.

> "Policy, in terms of strategy is set by our head office. They would formulate strategy for the corporation. Then with divisional vice presidents, they formulate for divisions.
> Then divisional management with the subsidiaries together formulates strategy for the individual subsidiaries. It is pretty structured as it goes."

He went on to point out that,

> "There are many things in our kind of corporation which you cannot change and that is not unusual in big corporations. There are certain things that are laid down in the strategy that have to be done."

The local companies were not subjected to such influences. However, in foreign subsidiaries, management activities were influenced by parent company practices.

Foreign and local companies differed in the amount of management resources available to them. The former had access to managerial resources throughout the international corporate network. Foreign companies in this study reported having such access. One chief executive of a British multinational subsidiary emphasized this point.

> "We have an overall strategic plan which focuses our attention on the direction the company should take. It stretches throughout the manufacturing side, sales force, distribution, plant design to the marketing side. It is coherent. At each level, we have project and planning committees where we take the strategy and decide how to best implement it. In trying to do things better, we rely on expertise from the centre in appropriate areas. It is interchange of ideas all the time. We don't work in separate compartments. We work across not only divisions within this particular company but also across transnational divisions."

Many foreign companies received corporate support in developing and implementing their strategies. Such support was not available to local companies.

Foreign companies were largely professionally run. They had formal structures, management

approaches and employed professional managers. They relied on the skill and talent of their managers. This induced them to carry out management training and development to improve performance. Many of the local companies were family companies. Managers were largely recruited from within the family. Training was on the job and was of an experiential nature. There was little formal management training. These family companies had inclinations towards less formality in management with a focus on short term operations. Their strategy activities were more implicit than explicit. A general manager of a local company had this to say about family companies.

"A lot of industrial companies in Kenya were set up within family control. They have not yet outgrown the "duka" (small shop) mentality. There are no objectives to gauge efficiency. There are no forward plans. Modern management approaches are very new in such companies."

Thus the differences between professional and family companies in part explain the differences in strategy practices between foreign and local companies.

The indigenous Kenyan companies showed significantly higher involvement in strategy than their Indian Kenyan counterparts. The former carried out more management training than the latter. However, there were no significant differences in the performance of other strategy activities. Most of the Indian Kenyan companies were family run while the indigenous Kenyan ones were professional. This may explain some of the differences in management approach between the two groups.

The influence of foreign culture and administrative practices may also explain some of these differences. Henley (1973) and Blunt (1978) observed that East African organizations closely resembled Western bureaucracies. This was largely due to the influence of the colonial administration in this region. Even when these colonial administrators left, the indigenous people who took over retained existing systems. The indigenous organizations therefore retained the features the Europeans had implanted in them. Such influence did not extend to Indian Kenyan companies.

The results of the study are in line with earlier findings that foreign companies led local ones in practicing strategic management. Frederick (1983) found that Canadian companies lagged behind USA ones in practicing strategic management. In South Africa, Woodburn (1984) established that foreign companies led South African ones in strategic management. Similarly, Adegbite (1986) found that Nigerian companies lagged behind foreign ones in carrying out strategy activities. These results conform to the pattern of diffusion of strategic planning i.e. originating in USA and then spreading to Europe, Japan and the rest of the world.

The variation in strategic management practice is in line with the proposition that management is sensitive to the context in which it is practiced. Pugh et al (1963) and Pugh et al (1969) pointed out that environmental and organizational factors influenced management processes in organizations. Hussey (1990) suggested that environmental and organizational differences across countries may

affect the way strategic management is practiced. Hoffman and Hegarty (1989) pointed out that even where there were no environmental differences, variations in management practice could still be brought about by organizational differences.

The companies in this study were all drawn from Kenya. Environmental variations were minimal. The companies exhibited differences in their strategic management practices. These variations could largely be attributed to differences in company characteristics.

Managers reported they had difficulty in carrying out external analysis. This appears to be the experience in other contexts. Rue (1974) found that although strategic planning was popular in USA and Canada, managers tended to shy away from conducting external analyses. Similarly, Frederick (1983) established that Canadian managers gave little attention to environmental analysis when developing strategic plans.

CONCLUSIONS

Kenyan companies have adopted strategic management. However, there are variations in company practices here. Foreign companies have taken the lead in strategy practices. There are still instances of implicit, informal planning within the large private companies in Kenya. For some of the companies, basic financial planning (extended budgeting) is the only formal planning activity that is carried out. Foreign companies are playing a leading role in the spread and adoption of strategic management in Kenya.

In using the results of this study, it is important to keep in mind its limitations. The study was cross-sectional and it is therefore difficult to draw conclusions about causality. Industry effects were not controlled. This means some of the variations observed in strategy practices may be attributed to industry variation. Despite these limitations, the study provides insights into the practice of strategic management in Kenya.

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Pre and Post-alliance Formation Factors and Financial Performance of Small and Medium Enterprises Involved in Strategic Alliances in Kenya

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The primary objective of this study was to determine the pre- and post-alliance formation factors influencing the financial performance of SMEs involved in strategic alliances in Kisumu District, .Kenya. The study was necessitated by anecdotal documentation of such factors and the financial performance of SMEs in strategic alliances, particularly in developing economies. Data was sourced from a total of 120 SMEs involved in strategic alliances. Chi square was used to test hypotheses, while binary logistic regression was applied to determine the effect of such factors on the financial performance of SMEs involved in strategic alliances, while considering the influence of institutional characteristics. The study found that financial performance of SMEs in strategic alliances was significantly associated with firm attributes such as age, type of business activities, legal status, place of location, average income and firm size. Among the pre- and post-alliance formation factors, prior experience with partners accounted for the highest variance in financial performance of SMEs involved in alliances (13.2%); followed by the trust for partners (11.4%) and partner's reputation (9.7%). Overall, the model explained up to 58.8 percent of variance in the financial performance among targeted SMEs. The study concluded that the involvement of SMEs in strategic alliances does not necessarily guarantee better financial performance among alliance partners. In this regard, SMEs require appropriate information to enable them choose most appropriate partners; understand the culture of partners as well as potential risks and how best such risks may be managed. The study recommends the need to: improve awareness about business strategic alliances, as a key strategy through which SMEs can secure their survival and growth in today's globalized economies; develop a comprehensive communication strategy aimed at promoting the development of SMEs and encouraging entrepreneurs to initiate strategic alliances; and develop appropriate curriculum on business strategic alliances and encourage Technical, Industrial, Vocational and Entrepreneurship Training (TIVET) institutions to implement the curriculum.

Key words: Pre and Post Alliance, Formation Factors, Financial Performance, Strategic Alliance, Kenya

BACKGROUND OF THE STUDY

Small and Medium Enterprises (SMEs) are defined in relation to various parameters, including the number of employees, value of assets, sales volume or capital size (World Bank, 2009). Of these, the most commonly used criterion is the number of employees because of the relative ease of empirical verification using documented information or report by business owners. SMEs are usually owner-managed or family-owned and supported by 2 to 250 employees. Besides, SMEs operate from definite business premises, are often tax-registered and meet other formal registration requirements (World Bank, 2009).

SMEs play an important role in economic development in both developing and developed economies. In Kenya, SMEs contribute to economic development by creating over 70 percent of employment opportunities and generating up to 22 percent of the national Gross Domestic Products (GDP); thus, providing a source of livelihood for middle and low-income households (Atieno, 2001; Mbithi & Mainga, 2006; Beck & Demirguc-Kunt, 2006). In view of this, stagnation or even demise of SMEs translates into loss of job opportunities and upsurge of poverty levels.

SMEs are increasingly forming strategic alliances with various actors, including their suppliers, customers, financiers and competitors to enable them cope with negative effects of globalization such as competition and technological advances (Varadarajan, 1995; Das, 1997). Increasing market complexity and competition makes it necessary for SMEs to seek refuge in strategic alliances to achieve competitive advantage and enhance their survival (Das, 1997).
In this regard, '…strategic alliances are as necessary for the survival of SMEs in the modern market economy as a chassis is to a car' (Das, 1997: 34).

Strategic alliances are agreements between two or more firms to cooperate in undertaking a common business activity, where each partner commits resources and effort, including skills, financial resources or technology to the arrangement; thus, improve their survival and growth chances (Gulati, 2000). According to Hoffmann and Schlosser (2001), through strategic alliances, firms can improve their competitive positioning, gain entry to new markets, supplement knowledge and skills, as well as share risks and costs of joint projects, while remaining independent. Similarly, Kale (2001) notes that strategic alliances create opportunity for risk minimization, cost reduction, efficiency as well as for sharing information, technology, financial and physical resources by partnering firms in rapidly-changing business environments. Without strategic alliances, most SMEs are not able to achieve competitive advantage by themselves due to financial, technological and technical resource constraints (Hoffmann & Schlosser, 2001).

Scholars differ on the subject matter of how to gauge the performance of alliance SMEs. However, the use of accounting-based measures seems to be more acceptable than stock-market indicators such as share price, which is limited to firms listed in stock

exchanges (Grant, 1988; Varadarajan, 1995). Accounting-based measures of financial performance have been applied by various scholars, including Anderson and Weitz (1979), Grant (1988) and Sandoval (2001). These studies used parameters such as asset value, liability portfolio and net worth to show financial performance. The cited studies also noted that financial performance was significantly associated with firm attributes such as age, size, type of business activities, location, legal status, income level, number of alliance partners and frequency of communication between partners.

Pre- and post-alliance formation factors influencing financial performance of SMEs

The performance of SMEs in alliances is a complex phenomenon that becomes relevant only when its components are dissected to the operational level. Empirical studies conducted in various geographical and national contexts have revealed an array of factors determining the financial performance of alliance SMEs (e.g. Larson, 1992; Kogut, 1988; Gulati, 1998). A detailed review of such studies, reveal two main conceptual categories of factors influencing the financial performance of alliance SMEs, namely pre-alliance formation and post-alliance formation factors (Larson, 1992; Kogut, 1988; Gulati, 1998).

Pre-alliance formation factors include attributes such as prior experience with a partner, partner reputation and perceived learning potential; while post-alliance formation factors include variables such as trust and protectiveness of information (Larson, 1992; Kogut, 1988). Figure 1 below shows the conceptual framework, indicating the perceived influence of pre- and post-alliance formation factors on the financial performance of alliance SMEs.

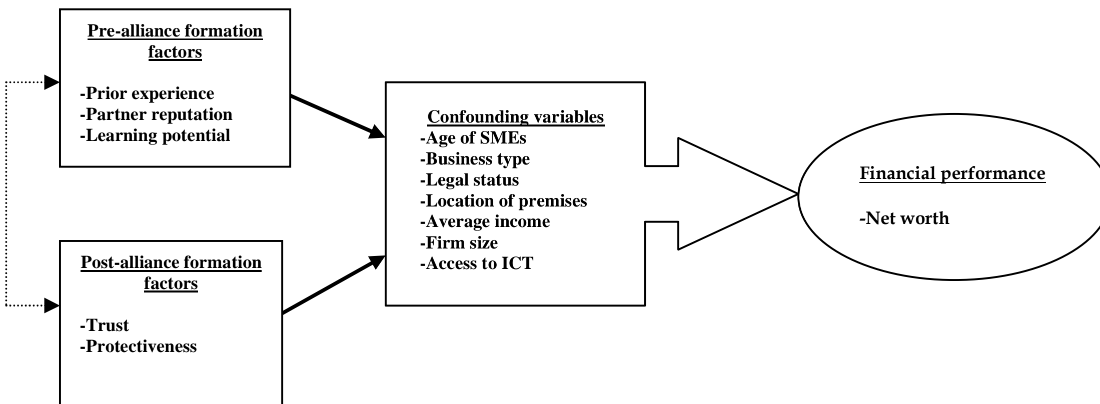

Figure 1: Conceptual framework

Source: adapted and modified from (Kogut, 1988)

Pre-alliance formation factors

Previous studies have shown that SMEs form strategic alliances with various firms, including suppliers, customers, financial institutions and competitors (De Wit & Myer, 2004). Prior experience with potential partners is likely to have some bearing on the financial performance of alliance SMEs. In this regard, firms that have repeatedly worked together tend to know and understand each other (Hoffmann & Schlosser, 2001). Prior experience is advantageous in deterring opportunism; it also provides opportunity for SMEs to build confidence in potential partners (Varadarajan, 1995); which in turn, inspires partners to invest resources in strategic alliances (Larson, 1992).

Prior experience with partners facilitates the creation of strategic alliances in which chosen partners are similar in management style and company culture (Bucklin & Sengupta, 2003). Earlier, a study by Ruekert (1997) found that factors such as domain similarity and goal compatibility enhance the co-existence of firms involved in strategic alliances. On the same note, Bucklin and Sengupta (2003) also indicate that the compatibility of the partners is critical to the performance and success of strategic alliances.

Reputation refers to the knowledge held by individuals about a potential alliance partner in terms of behaviour in previous engagements with other firms. Nielsen (2002) likens the concept of reputation to Mayer's (1995) concept of integrity. Most firms are, either directly or indirectly, involved in networks with various organizations and individual (Kogut, 1988). Within such networks, reputation plays an important role in determining how a firm's status is perceived by society; it also adds value to a firm's legitimacy and credibility; thus, defines its potential for future alliances (Kogut, 1988).

By bringing together different firms with unique capabilities, strategic alliances create unique learning opportunities for partner firms (Saxton, 2001). As pointed out by Muthusamy and White (2005), learning involves acquisition and exploitation of new knowledge by alliance partners. Such new knowledge provides the basis for organizational renewal and sustainable competitive advantage. Partner firms recognizing and using strategic alliances as opportunities for learning are likely to acquire knowledge that can be useful in enhancing financial performance. In this regard, SMEs engaging in strategic alliances should choose partners with complementary skills and resources to facilitate knowledge transfer and improve financial performance.

According to Richter and Vettel (1995), firms planning to form strategic alliances should consider the amount of knowledge that can be gained from identified partners; but cautions alliance partners to exercise patience because knowledge sharing takes a while as partners study each other. Similarly, Inkpen and Crossan (2005) notes that firms getting into strategic alliances should ensure that potential partners are similar enough to understand each other, but also diverse in terms knowledge and skills to permit learning.

Post-alliance formation factors

Empirical studies have identified trust as one of the key factors influencing the performance and long-term sustainability of strategic alliances among SME (e.g. Larson, 1992; Morgan & Hunt, 1994; Jennings (2002). The literature further suggests that '…trust improves cooperation and flexibility, lowers the cost of coordinating activities, as well as increases knowledge transfer (Larson, 1992: 78). In this regard, trust enables alliance partners to share resources, including information to improve their competiveness. Consequently, trust is an important determinant of alliance performance because it increases a firm's access to external resources. For any strategic alliance to achieve its objectives, some degree of trust must exist between partnering firms (Larson, 1992).

As noted by Kumar (2006), trust in strategic alliances reduces the perception of risks that may be associated with opportunistic behaviour. In this regard, alliance partners trusting each other generate greater profits, serve customers better and are more adaptable (Kumar 2006). Furthermore, a study conducted by Smith (2007) suggests that the degree of trust is one critical factor influencing the performance of strategic alliances among SMEs. In view of this, the study points out that trust is so important to strategic alliances that it is considered the "cornerstone of the strategic partnership success" (Smith, 2007:43).

Consistent with the resource-based view of the firm, knowledge protectiveness is often seen as an appropriate safeguard against opportunistic behaviour in strategic alliances (Larson, 1992). Alliance partners are likely to be more protective of their knowledge resources when their competitive advantage relies on such information. In a situation of high competitive overlap between partners, firms are likely to restrict knowledge sharing because of the risk of spill over (Varadarajan, 1995). Nielsen (2002) also found that protectiveness was negatively related to knowledge transfer, suggesting that it acts as a barrier to effective knowledge and resource exchange; which in turn, is likely to breed conflicts between partners, thus, render alliances ineffective and unsuccessful. However, another perspective advanced by Khanna (2004) suggests that despite their advantages, strategic alliances among SMEs may introduce the risk of a firm losing its critical capabilities or skills to a partner without receiving any benefits in return. This possibility necessitates alliance members to be protective of their information, knowledge and skills, especially as they build trust towards partners.

Confounding variables

The influence of pre- and post-alliance formation factors on the financial performance of SMEs is likely to be confounded firm attributes, such as age, type of business activity, legal status, location of premises, average income, farm size and access to ICT facilities in the premise. A study conducted by Pasanen (2006) found that financial performance of SMEs in strategic alliances was influenced by institutional factors such as duration of operation, capitalization level, number of paid workers and form of legal status. These variables returned significant association with financial performance, which was measured in terms of

rate of return on assets (ROA). The mentioned variables also brought out significant differences between long-lived and young business firms; thus, long-lived firms reported better performance than young firms.

In another study, Hashim and Hassan (2007) identified various institutional attributes which influenced the performance of sampled SMEs. The study found that financial performance was a function of factors such as legal status of firms, number of employees, age, total sales and pre-tax net profit. According to Wincent (2006), financial performance of SMEs is a function of firm characteristics, which fall into two categories, viz. 1) trait-like factors that are stable and capture resources and capabilities that the firm brings into cooperation, and 2) factors that are likely to change based on the firm's cooperative orientation. The key firm characteristics noted by this study include firm size, type of business venture, size of enterprise, form of legal status, age of firms, the mean number of products and capitalization level. These studies show that firm attributes cannot be overlooked while assessing the performance of SMEs involved in strategic alliance. The framework postulates that firm attributes play a crucial role in modifying the influence of per- and post-alliance formation factors.

Financial performance

Scholars differ on the subject matter of how to measure the financial performance of business entities. While scholars in the field of strategic management emphasizes the use of market-based performance and accounting measures, critics note that such measures reflect market perception of future earnings, while accounting-based measures provide historical financial data. However, "decisions regarding diversification are made using profitability data derived from financial statements and, hence, it would be more appropriate to use accounting-based measures of performance to assess the efficacy of diversification efforts" (Ramanujam & Varadarajan, 1989, p. 540). Among the first studies to apply the accounting-based measures to gauge the performance of firms in strategic alliances was Anderson and Weitz (1979). The study explained firm performance in terms of asset value and net worth and found significant associations between asset value and explanatory variables such as trust, firm age, firm reputation, firm stability, number of alliance partners and frequency of communication between such partners.

Other studies that have applied accounting-based indicators of performance include Bettis & Hall (1985), Grant (1988) and Lei (1994). These studies used accounting-based indicators, including asset value, liability portfolio and net worth to measure the performance of firms in strategic alliances. According to Bettis & Hall (1985), change in net worth of a firm is an important measure of performance and is often employed by managers and external analysts to assess firm effectiveness and efficiency. In addition, net worth was applied as a measure of financial performance of 48 United Kingdom companies in relation to their growth and diversification (Grinyer & Al-Bazzaz, 1980).

Furthermore, Sandoval (2001) applied asset value and liability portfolio to indicate the level of performance among Chilean firms involved in strategic alliances. The study

found positive relationship between asset value and liability portfolio and background factors such as alliance life span, alliance type, alliance stability, number of alliance partners and type of business activities. Asset value and net worth have also been applied by Law, Tse and Zhou (2003). In this context, the two indicators were used to show firm performance in their study of how to improve Chinese firm performance during transitional economies.

Even though the literature review suggests lack of universal indicators of firm performance, the use of accounting-based measures has been more widespread than the application of indicators such as stock price. The choice of asset value, liability portfolio and net worth are based on the cognizance that firm performance is more directly reflected in such accounting indicators rather than stock price, which is limited to firms listed in stock markets; yet, not all firms in alliances are listed in stock markets (Grant, 1988). Furthermore, the use of stock price can be affected by factors outside of management's control; therefore, it is not be an efficient measure of performance (Sandoval, 2001).

The Issues

Due to resource constraints, SMEs are increasingly engaging in strategic alliances with other firms to enhance their survival, performance and growth in globalised economies. However, not all strategic alliances formed by SMEs have resulted to better financial performance of partners involved. While some SMEs have succeeded in establishing beneficial alliances; others are associated with a long list of failed alliances (Varadarajan, 1995). For the past two decades, research on SME alliances reveals two main areas of focus; with one stream focusing on factors underlying the formation of alliances (e.g. Harrigan, 1985; Lorange, 1988; Kogut, 1988). The other stream dwells on determinants of alliance success or failure; which, as noted by Kogut (1988) and Varadarajan (1995), may not necessarily be indicated by financial performance.

Nonetheless, the extent to which a strategic alliance has achieved its goals may not be adequately reflected by financial performance. Despite poor financial results, an alliance may have met or exceeded partners' objectives; hence, considered successful (Kogut, 1988). Similarly, an alliance may be viewed as unsuccessful despite good financial results (Lorange, 1988). According to Saxton (2001), empirical investigations into factors influencing financial performance of individual firms involved in strategic alliances remains scanty and anecdotal.

In addition, Nielsen (2002) notes that although a lot has been written about strategic alliances, the literature is rather skewed towards characteristics of such entities and their survival, with little documentation on the financial performance of individual alliance partners, particularly in developing economies. On the same note, Hoffmann and Schlosser (2001) emphasize the need for more research in various political and economic contexts to document factors influencing the performance of firms involved in strategic alliances. In view of the highlighted gaps in literature, this study was initiated to determine factors underlying the financial performance

among alliance SMEs in Kisumu District, Kenya.

Objectives of the study

The broad objective of this study was to determine the effect of pre- and post-alliance formation factors on the financial performance of alliance SMEs. Specifically, the study determined the effect of *pre-alliance formation* factors such as prior experience with a partner, partner's reputation and learning potential; as well as *post-alliance formation* factors, including trust and protectiveness of information on the financial performance of alliance SMEs.

Hypotheses

From the conceptual framework in figure 1, the study derived and tested the statistical significance of the following null hypotheses:

H_o1: Prior experience with a partner negatively influences the financial performance of SMEs in strategic alliances;

H_o2: Partners' reputation negatively affects the financial performance of SMEs in strategic alliances;

H_o3: Perceived learning potential of partners has a negative effect on the financial performance of SMEs in strategic alliances;

H_o4: Perceived level of trust for partners negatively affects the financial performance of SMEs in strategic alliances;

H_o5: Protectiveness level of information negatively influences the performance of *SMEs* in strategic alliances.

Justification of the study

Business strategic alliances enable SMEs to benefit from resources, knowledge, skills and technological capability of partners, empirical studies (e.g. Kogut, 1988; Lorange, 1988; & Varadarajan, 1995) point out that the success of strategic alliances in realizing common objectives does not necessarily translate to better financial performance of partnering firms. While a number of studies have focused on the value added by the synergy to the success of strategic alliances, there has been little focus on the financial performance of alliance partners, particularly in Kenya.

DATA AND METHODOLOGY

The study applied the cross-sectional survey design; implying that data was sourced from target respondents at a single point in time (Babbie, 1973). The design is the most commonly used form of survey designs in social research, particularly because it is cheaper compared to longitudinal designs. Data on pre- and post-alliance formation factors were collected at one point in time. Information on the pre-alliance formation was largely based on what SME owners/managers could recall from the necessary plans and considerations before alliances were formed.

The design had two key approaches - quantitative and qualitative. The quantitative approach consisted of structured questions, which elicited numerical and quantifiable information to be used for descriptive and inferential purposes. On the other hand, the qualitative approach, with unstructured questions obtained in-depth information based on the experiences and opinions of SME owners.

The choice of cross-sectional survey design was based on the fact that it is cheaper than longitudinal designs in terms of finances and time (Rindfleisch, Malter, Ganesan & Moorman, 2008). Besides, the design used is not vulnerable to confounding factors, which may arise due to social, political and cultural changes. In applying the design, efforts were made to overcome its inherent weaknesses, including the risk of high non-response rate because of voluntary participation; as well as the risk of interviewer bias, prompting respondents to provide socially-desirable responses, rather than ones reflecting their true life and opinions (American Statistical Association, 1999). Details of the design and the approaches used in this study are fully discussed in the following publications (Nachmias & Nachmias, 1996; Bryman & Cramer 1997; Owens, 2002).

Data was collected in March 2002 from SMEs involved in strategic alliances and aged at least 3 years. The overall goal of the study was to achieve academic credit in MBA. Although the data is about 10 years old, it provides a basis upon which future studies will be conceived and justified. According to the Organization for Economic Cooperation and Development (OECD), SMEs are business firms having a staffing level ranging from 4 to 250 employees (OECD, 2001). Inclusion in the sampling frame was also based on whether a firm had complete accounting records, particularly balance sheets summarizing assets and liabilities at the end of the immediate trading period. At the time of this study, Kisumu District had about 24,000 registered and functional SMEs. However, no data was available regarding the proportion of SMEs involved in strategic alliances. Using functional SMEs as the sampling frame (N), a sample size of 289 SMEs (n) meeting the specified criteria was drawn. Of the stated sample size, only 120 (41.5%) SMEs were involved in strategic alliances.

Data collection process entailed identification of SMEs, meeting the criteria for inclusion, which included availability of comprehensive accounting records and willingness to avail such records, as well as willingness to be interviewed. Those who consented were interviewed and information in accounting records extracted. Both quantitative and qualitative approaches were applied to process, analyze and interpret the data. At the bivariate level, quantitative analysis generated cross-tabulations with Chi square (χ^2) for significance test; while at the multivariate level, binary logistic regression was applied to obtain *odds ratios* demoted as *Exp(β)* and significance tests.

Binary logistic regression predicts the proportion of variation in dichotomous variable from a set of independent variables (Aldrich & Nelson, 1984). The predicted variable takes the value 1 with a probability of success θ, or the value 0 with probability of failure 1-θ. In this study, the dependent variable was net *worth*, with only two possible values – *above the OECD threshold* or *below the OECD threshold*. The model is often expressed in the form: -

$$\text{Logit } [\theta(Y)] = \log \left(\frac{\theta(Y)}{1-\theta(Y)} \right) = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots + \beta_i X_i + \varepsilon$$

Source: Aldrich & Nelson (1984)

Where: Y = the predicted variable *(net worth);* $\theta(Y)$ = the probability of an alliance SME has a net worth 'above threshold' the OECD; $1-\theta(Y)$ = the probability of an alliance SME has a net worth below the OECD threshold; α = the constant term of the equation; $\beta_1, \beta_2 \ldots \beta_i$ = regression co-efficients associated with independent variables; $X_1, X_2 \ldots X_i$ = independent variables and ε = the error term.

The Statistical Package for Social Sciences (SPSS) and Microsoft Excel packages were used to facilitate quantitative analyses. Qualitative data were processed and analyzed following three steps. In the first step, data was organized and summarized in line with key thematic areas. The second step involved description of the summary sheets to produce a preliminary report. The third step involved systematic analysis and interpretation of the preliminary report.

Results

This section presents results of the study, which have been organized under two broad thematic areas, including background profile of SMEs in strategic alliances and its implication on their financial performance; as well as factors influencing the performance of alliance SMEs.

Background profile of SMEs in strategic alliances

Data used in this study was collected from a total of 120 SMEs involved in strategic alliances, with complete accounting records and whose chief managers accepted to participate in the interviews voluntarily. The analysis revealed that SMEs had engaged in strategic alliances for varying periods of time. In this regard, up to 74 (61.7%) had *been involved in strategic alliances for between* 4 and 9 years, 28 (23.3%) had been in alliances for utmost 3 years, 10 (3.8%) had been in alliances for 10 to 19 years, while 8 (6.7%) had engaged in such alliances for 20 years or more.

In relation to financial performance, the analysis obtained a calculated χ^2 of 13.545 with 3 degrees of freedom and a p-value of 0.035. The result was significant at 0.05 error margin, implying up to 95 percent chance that the duration of being in strategic alliances was significantly associated with financial performance. Furthermore, SMEs formed alliances with various types of partners. As indicated in figure 1 below, most SMEs formed alliances with their suppliers (64%); while up to 20 percent worked with their competitors, and 16 percent partnered with their customers/clients.

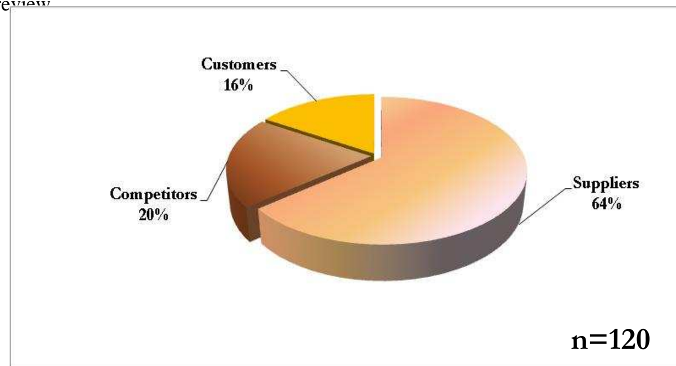

Figure 2: Types of strategic alliance partners

In terms of the number of alliance partners, 97 (80.8%) SMEs had involved with only one partner, 22 (18.3%) had collaborated with utmost two partners, while one SME had formed strategic alliances with at least three partners.

The findings suggest that the main reason driving most SMEs to seek and form strategic alliances was inadequacy of resources, including finances, information, skills and technology, which would enable them to effectively compete in the market. In this regard, alliances were formed to facilitate sharing of necessary technical skills and knowledge; to access new markets, overcome economic turbulences, arising from changing political landscape in the country at that time; as well as access to external resources.

The study captured information on various background attributes of SMEs, including age, type of business activities, legal status, location of premises, average monthly income, number of paid workers and access to Information Communication and Technology (ICT) infrastructure within their premises. The idea was to determine the relationship of these background attributes with financial performance of alliance SMEs. This was important for helping the researcher to identify attributes likely to confound the influence of pre- and post-alliance formation factors on the financial performance of SMEs in strategic alliances.

Age of the firm, type of business activities and legal status

Age is one of the factors likely to influence the extent to which a firm is established in the market; which in turn, is likely to influence overall financial performance. Table 1 below shows cross-tabulation results between age of SMEs and net worth. The net worth of SMEs was measured based on the OECD criteria for sustainable SMEs (OECD, 2001). In this regard, sustainable SMEs in developing economies should operate at a minimum net worth portfolio of US$ 62,500 (KES 5,000,000) at any given time. The results presented in table 1 show that up to 42.1 percent of the SMEs whose net worth was ‘below the threshold’ and 35.4 percent of those whose net worth was ‘above threshold’ were aged between 10 and 19 years.

Table 1: Age, business types & legal status of SMEs

Age of SMEs	Below threshold		Above threshold	
	Freq.	*Pct*	*Freq.*	*Pct*
<3 years	6	15.8	8	9.8
4 to 9 years	10	26.3	28	34.1
10 to 19 years	16	42.1	29	35.4
20 to 29 years	6	15.8	15	18.3
30 years +	0	0.0	2	2.4
Total	38	100.0	82	100.0
Type of business activities				
Hairdressing	3	7.9	2	4.2
Beauty products	9	23.7	18	22.5
Clothing boutique	3	7.9	11	11.7
Food and beverage	7	18.4	14	17.5
Chemist	0	0.0	7	5.8
Electronics	1	2.6	3	3.3
Fish processing	1	2.6	3	3.3
Construction materials	2	5.3	3	4.2
Motor vehicle parts	2	5.3	5	5.8
Groceries	5	13.2	12	14.2
Photo studio	5	13.2	4	7.5
Total	38	100.0	82	100.0
Legal status of SMEs				
Sole proprietorship	8	21.1	25	30.5
Partnership	20	52.6	40	48.8
Limited company	10	26.3	17	20.7
Total	38	100.0	82	100.0

Furthermore, cross-tabulation analysis between age and net worth of SMEs obtained a calculated χ^2 of 2.647 with 4 degrees of freedom and a p-value of 0.618, which was not statistically significant at any point within 0.1 error margin. This finding suggests that age was not significantly associated with the financial performance of alliance SMEs, as the performance of both young and older SMEs was not significantly different.

In addition, table 1 shows the distribution of SMEs in relation to their business line activities. In this regard, up to 23.7 percent of the SMEs 'below threshold' and 22.5 percent of those 'above threshold' specialized in beauty products; 18.4 percent of those 'below threshold' and 17.5 percent of those 'above threshold' were involved in food and beverage; while 13.2 percent of the SMEs 'below threshold' and 14.2 percent of those 'above threshold' traded in groceries.

Cross-tabulation analysis between type of business and net worth yielded a calculated χ^2 of =12.608, with 10 degrees of freedom and a p-value of 0.047; which was statistically significant at 0.05 error margin. The results suggest up to 95 percent chance that type of business activities were significantly associated with the financial performance of SMEs in strategic alliances.

Table 1 also shows that up to 52.6 percent of the SMEs 'below threshold' and 48.8 percent of those 'above threshold' were registered as partnerships; while 26.3 percent of those 'below threshold' and 20.7 percent of those 'above threshold' were operating as limited liability companies. Bivariate analysis between the legal status of SMEs' and their net worth obtained a calculated χ^2 of 17.277, with 2 degrees of freedom and a p-value of 0.055, which was significant at 0.1 error margin; thus, suggesting up to 90 percent chance that legal status of SMEs in strategic alliances was significantly associated with their financial of performance.

Location of the firm, average income, size & access to ICT

The study revealed that rural and urban areas have varying opportunities for growth and development of SMEs. While rural-based SMEs are closer to agricultural raw materials, urban SMEs have an easier access to the market. Both scenarios have the potential to influence the overall financial performance of SMEs. In this regard, table 2 shows that up to 86.8 percent of the SMEs 'below threshold' and 72.0 percent of those 'above threshold' were located in urban areas.

Table 2: Location, income level, firm size & access to ICT

Place of location	Below threshold		Above threshold	
	Freq.	Pct	Freq.	Pct
Rural	5	13.2	23	28.0
Urban	33	86.8	59	72.0
Total	38	100.0	82	100.0
Average income				
<KES 100,000	4	10.5	15	18.3
KES 100,000-199,999	16	42.1	27	32.9
KES 200,000-299,999	8	21.1	16	19.5
KES 300,000-399,999	6	15.8	18	22.0
KES 400,000-499,999	0	0.0	3	3.7
KES 500,000-599,999	4	10.5	3	3.7
KES 600,000 +	0	0.0	0	0.0
Total	38	100.0	82	100.0
Firm size				
No paid workers	0	0.0	7	8.5
1 to 9 workers	20	52.6	45	54.9
10 to 19 workers	12	31.6	16	19.5
20 workers +	6	15.8	14	17.1
Total	38	100.0	82	100.0
Access to ICT in premises				
Has internet connection	7	18.4	12	14.6
Has no internet connection	31	81.6	70	85.4
Total	38	100.0	82	100.0

The analysis further obtained a calculated χ^2 of 6.440, with 1 degree of freedom and a p-value of 0.018, which was significant at 0.05 error margin; suggesting up to 95 percent chance that the location of SMEs was significantly associated with their financial performance.

The level of net income determines the ability of a firm to build internal capital, which can be ploughed back into production. This information was obtained from the accounting records for the preceding one-year trading period. Table 2 indicates that up to 42.1 percent of the SMEs ‘below threshold’ and 32.9 percent of those ‘above threshold’ were in the income bracket of KES 100,000-199,000; another 21.1 percent of the SMEs ‘below threshold’ and 19.5 percent of those ‘above threshold’ were earning between KES 200,000-299,000; while up to 15.8 percent of those ‘below threshold’ and 22.0 percent of those ‘above threshold’ had incomes in the range of KES 300,000-399,999.

Cross-tabulation analysis between average income and net worth obtained a calculated χ^2 of 16.613, with 5 degrees of freedom and a p-value of 0.034, which was significant at 0.05 error margin. The result suggests up to 95 percent chance that average income was significantly associated with the financial performance of SMEs in strategic alliances.

Firm size was measured in terms of the number of paid workers, as recommended by OECD and World Bank guidelines (OECD, 2001). The number of paid workers may influence as well as indicate the level of financial performance. The bigger the positive change in the number paid workforce over time the higher the likelihood that an SME is experiencing increasing performance. In this study, table 2 shows that up to 52.6 percent of the SMEs ‘below threshold’ and 54.9 percent of those ‘above threshold’ had between 1 and 9 paid workers; 31.6 percent of those ‘below threshold’ and 19.2 percent of those ‘above threshold’ had between 10 and 19 workers; while 15.8 percent of SMEs ‘below threshold’ and 17.1 percent of those ‘above threshold’ SMEs had at least 20 paid workers.

Furthermore, cross-tabulation results between firm size and net worth obtained a calculated χ^2 of 4.914, with 3 degrees of freedom and a p-value of 0.017; which was significant at 0.05 error margin. The finding suggests up to 95 percent chance that the number of paid workers was one of the factors likely to influence financial performance of SMEs in strategic alliances.

More still, access to ICT was gauged in terms of availability of computers with internet connection in business premises. This was

considered an indicator of financial performance as well as an opportunity for SME growth in terms of communication and marketing. In this regard, table 2 above shows that up to 81.6 percent of SMEs 'below threshold' and 85.4 percent of those 'above threshold' did not have computers with internet connection in their premises. Besides, cross-tabulation analysis between access to ICT and net worth yielded a calculated χ^2 of 1.068, with 1 degree of freedom and a p-value of 0.112, but which was not statistically significant at any point within the 0.1 error margin.

Bivariate analysis shows that financial performance of SMEs in strategic alliances was significantly associated with various background factors, including the *age of SMEs, type of business activities, legal status, place of location, average income* and *firm size*. These variables were identified as potential confounders of the relationship between pre- and post alliance formation factors such as prior experience with a partner, partner's reputation, learning potential, trust and protectiveness level and financial performance of alliance SMEs.

Nevertheless, most bivariate analysis techniques, including cross-tabulation with chi square tests have no ability to bring out the effect of a set of independent variables on a dependent variable. The techniques can only determine the presence or lack of significant association. This necessitated the application of multivariate analysis techniques, particularly binary logistic regression, which is commonly used to predict variation in a dependent variable from a set of independent variables. The technique was applied to determine how pre- and post-alliance formation factors influence financial performance of SMEs in strategic alliances, while taking into account background attributes.

The influence of pre- & post-alliance formation factors on the performance of SMEs

The literature review brought out five key factors discovered by various studies to have a bearing on the financial performance of SMEs in strategic alliances. This study assessed how the same factors influenced the financial performance of alliance SMEs in Kisumu District, while considering background attributes of the SMEs in question. In this regard, two models were generated using binary logistic regression: the first model included pre- and post-alliance formation factors and partialled out background attributes of SMEs. However, the second model included both pre- and post-alliance formation factors and background attributes of SMEs in the equation. Table 3 presents the results of regression analysis.

Prior experience with partner

Table 3: Summary results of logistic regression

Covariates	Model 1				Model 2			
	β	S.E.	p	Exp(β)	β	S.E.	p	Exp(β)
PREXPEpartner								
Yes	2.1863	1.4676	.006*	8.9022	1.8653	1.0251	.011**	6.4578
No (RC)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
PARTreputation								
High	2.0739	.8072	.010**	7.9558	1.0361	.0365	.028**	2.8182
Moderate	1.0091	.6573	.005*	2.7431	.1288	.2742	.001*	1.1375
Low (RC)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
LEARNpotential								
High	.4513	.1897	.000*	1.5703	.4173	.1561	.010**	1.5178
Moderate	.2713	.1307	.000*	1.3117	.2251	.0233	.000*	1.2524
Low (RC)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
TRUSTpartner								
High	.5978	.1437	.000*	1.8181	.4408	.1232	.013**	1.5539
Moderate	.4301	.1897	.000*	1.5374	.4173	.1561	.010**	1.5178
Low (RC)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
INFORprotection								
Yes	-1.4761	3.7782	.022**	0.2285	-1.9125	2.1425	.007*	0.1477
No (RC)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
BUStype								
Hairdressing	-	-	-	-	-.0633	1.3301	.121	0.9387
Beauty products	-	-	-	-	.6990	1.2637	.042**	2.0117
Clothing boutique	-	-	-	-	.5801	2.9640	.165	1.6621
Food and beverage	-	-	-	-	.2694	3.6632	.111	1.3092
Chemist	-	-	-	-	.3452	.1600	.321	1.4123
Electronics	-	-	-	-	.3115	.6494	.110	1.3655
Fish processing	-	-	-	-	.3209	.4722	.014**	1.3784
Construction materials	-	-	-	-	.6441	.9783	.035**	1.9043
Motor vehicle parts	-	-	-	-	-.1288	.2742	.001*	.8792
Groceries	-	-	-	-	-.4173	.1561	.010**	0.6588
Photo studio (RC)	-	-	-	-	xxx	xxx	xxx	xxx
LEGstatus								
Sole proprietorship	-	-	-	-	-.6612	.0046	.002*	1.9371
Partnership	-	-	-	-	.5652	.1212	.013**	1.7598
Limited company (RC)	-	-	-	-	xxx	xxx	xxx	xxx
LOCpremises								
Rural	-	-	-	-	-.0141	1.1447	.045**	0.9860
Urban (RC)	-	-	-	-	xxx	xxx	xxx	xxx
AVERincome								
<KES 100,000	-	-	-	-	-.1108	1.0449	.055***	0.8951
KES 100,000-199,999	-	-	-	-	-.1329	1.1794	.004*	0.8756
KES 200,000-299,999	-	-	-	-	-.1789	1.9211	.112	0.8362
KES 300,000-399,999	-	-	-	-	-.2469	1.4543	.073***	0.7812
KES 400,000-499,999	-	-	-	-	-.8599	.1065	.194	0.4232
KES 500,000-599,999	-	-	-	-	-.9780	.1188	.160	0.3761
KES 600,000 + (RC)	-	-	-	-	xxx	xxx	xxx	xxx
FIRMsize								
No paid workers	-	-	-	-	-.6339	.3998	.005*	0.5305
1 to 9 workers	-	-	-	-	-1.2353	.4400	.001*	0.2907
10 to 19 workers	-	-	-	-	-2.1660	.8259	.000*	0.1146
20 workers + (RC)	-	-	-	-	xxx	xxx	xxx	xxx

RC= Reference category; * significant at p=0.01; ** significant at p=0.05; *** significant at p=0.1

The results in model 1 show that SMEs having prior experience with alliance partners were 8.9 times more likely to have a net worth well above the OECD threshold than SMEs with no such experience. Variation between the two groups was significant at 0.01 error margin, which implies up to 99 percent chance that having some prior experience with a partner was likely to improve the financial performance of alliance SMEs.

However, when background attributes are incorporated in the equation, the results in model two shows that SMEs having some prior experience with alliance partners became 6.5 times more likely to have better financial performance than their counterparts having no such experience. Again, variation in performance between the two groups was significant at 0.05 error margin. This suggests up to 95 percent chance that having prior experience with alliance partners is likely to enhance the financial performance of SMEs in strategic alliances. Consequently the null hypothesis (H_o1) stating that *prior experience with a partner reduces financial performance of alliance SMEs* was rejected for not being consistent with empirical findings.

Partner reputation

Model one shows that firms whose alliance partners had high reputation were about 7.9 times more likely to have a net worth well above the threshold than firms whose alliance partners had a low reputation. However, when background attributes are included in the equation, firms whose alliance partners had high reputation became 2.8 times more likely to be above the threshold than those who believed their partners had a low reputation.

Besides, the variation in financial performance between firms in the two groups was significant at 0.05 error margin. This implies up to 95 percent chance that firms whose partners had a high reputation were likely to be performing better that those whose partners had a low reputation. Based

on this finding, the null hypothesis (H_o2), stating that *SMEs whose partners have a high reputation are likely to experience better financial performance* was not rejected for lack of sufficient evidence to warrant its rejection.

Learning potential

Furthermore, model one shows that firms indicating that their partners had a high learning potential were 1.6 times more likely to have their net worth well above the threshold than those who thought that their partners had a low learning potential. However, when the equation is expanded to include background attributes, firms whose partners had a high learning potential became 1.5 times more likely to be above the threshold than those who considered their partners to be of a low learning potential.

The variation in the financial performance of firms in the two groups was significant at 0.05 error margin. This implies up to 95 percent chance that firms whose alliance partners had a high learning potential were likely to be performing better than those who believed that their partners had a low learning potential. In other words, SMEs partnering with resourceful firms were likely to have better financial performance that those whose partners were considered less resourceful. This finding led to the rejection of the null hypothesis (H_o3), stating that *having partners of higher learning potential negatively affects financial performance of alliance SMEs.* The hypothesis was rejected for being inconsistent with empirical findings.

Trust

In relation to trust, the results presented in model one indicate that firms who believed that their alliance partners were highly trustworthy were about 1.8 times more likely to be above the threshold in terms of net worth than firms having a low trust for their alliance partners. However, when the model was adjusted for background attributes, firms with a high level of trust for their alliance partners became 1.6 times more likely to have a net worth well above the threshold than their counterparts having a low trust for their partners.

The variation in financial performance, between firms believing that their partners were highly trustworthy and those expressing a low level of trust for their partners, was significant at 0.05 error margin. This gives up to 95 percent chance that SMEs having a high level of trust for their alliance partners were likely to be performing better than firms having a low level of trust for their partners. This finding was not consistent with the null hypothesis (H_04) stating that *perceived level of trust for partners negatively affects the financial performance of alliance SMEs;* thus, the null hypothesis was rejected.

Protectiveness level

As regards protectiveness of organizational information, model one results show that firms that were protective of their information and not sharing with their alliance partners were 0.2 times less likely to have their net worth above the threshold than firms that were freely sharing their information with alliance partners. When the equation is expanded to include background attributes, the results presented in model two show that firms not sharing their information with

partners became 0.1 times less likely to have net worth above the threshold than those sharing such information.

Furthermore, the results show that variation in financial performance, between firms sharing their information and those not sharing such information, was significant at 0.05 error margin. This suggests up to 95 percent chance failing to share information with alliance partners negatively affects financial performance. This confirms the null hypothesis ($H_0 5$), stating that *protectiveness level of information negatively influences the performance of alliance SMEs.*

Goodness-of-fit of the model

In binary logistic regression, the predictive power of a model is indicated by the unit change in -2 Log Likelihood (-2LL) statistic each time an independent or confounding variable (covariate) is added into the equation. Each model starts with an initial -2LL also referred to as the chance model. In this study, the initial -2LL statistic for model one was 220.833, while the second model started at 209.024. This statistic measures how poorly the model predicts variance in the dependent variable, which in this case, is the financial performance of alliance SMEs. The inclusion of each covariate in a binary logistic regression equation can have a negative of positive change in the -2LL statistics; nevertheless, the smaller the statistic, the better the model in predicting variance in the values of a dependent variable (Wuensch, 2006). The magnitude of change in the value of -2LL depends on the importance of a covariate in influencing the dependent variable.

Figure 3.2 below provides a summary of each covariate's effect on the financial performance of SMEs in strategic alliances, converted into percentages to show the proportion of variance in the dependent variable accounted for. In the first model, partners' reputation accounted for the highest variation in the financial performance of alliance SMEs (13.3%); followed by prior experience with partner (10.2%) and the trust for a partner (9.2%).

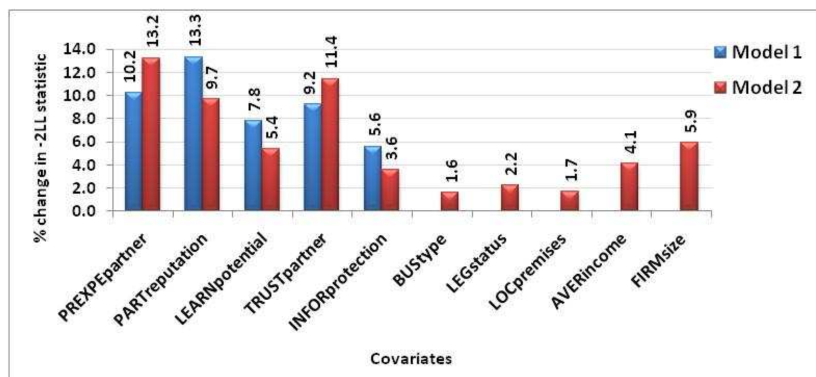

Figure 3: Effect of covariates on the financial performance of SMEs

The sum of proportions contributed by each covariate is 46.1 percent. However, when potential confounders are included in the equation, prior experience with partners accounted for the highest variation in financial performance of alliance SMEs (13.2%). This was followed by the trust for partners (11.4%) and partner's reputation (9.7%).
Again, the sum of proportions accounted for the covariates gives 58.8 percent. This shows that the second model explained up to 58.8 percent of variation in the financial performance among alliance SMEs. This implies that incorporating background factors in the equation increased the predictive power of the model from 46.1 percent to 58.8 percent; further implying that about 41.2 percent of variation may be explained by other variables not included in the model. The omnibus tests of the final model coefficients yielded a calculated χ^2 value of 64.84, with 15 degrees of freedom; which was significant at 0.01 error margin.

DISCUSSIONS AND CONCLUSION

The overarching objective of this study was to determine the effect of pre-alliance and post-alliance formation factors on the financial performance of SMEs involved in strategic alliances in Kisumu District. The study was inspired by the researcher's long-standing interest in SMEs financing and coping strategies, particularly given that most SMEs have a limited access to formal credit facilities provided by commercial banks. Besides, the study was necessitated by scanty documentation of pre- and post-alliance formation factors and the financial performance of firms involved in strategic alliances, particularly in developing economies.

The ultimate goal of business enterprises is to overcome various challenges related to financing and market dynamics in order to maximize their profit and survival. Strategic alliances have become necessary for SMEs to pool resources, as well as share knowledge, skills and technology to improve performance and survival in globalized market economies. However, initiating strategic alliances does not necessarily guarantee the success of partnering firms. Without appropriate knowledge and experience in making essential decisions, most alliances are likely to fail; thus, bear far-reaching consequences in the economic status and survival of constituent firms.

This study generated information on pre- and post-alliance formation factors that can either facilitate or impede the financial performance of SMEs involved in strategic alliances. The information is particularly useful to firms interested in forming such alliances and government bodies involved in business and entrepreneurship development.

Pre-alliance formation factors influencing financial performance

The study found that SMEs form strategic alliances with various firms, including suppliers (64%), customers (16%) and competitors (20%). In addition, firms having some prior experience with alliance partners were about 6.5 times more likely to have their net worth above the OECD minimum threshold for sustainable SMEs than their

counterparts having no prior experience with partners. The variation in performance between the two groups was significant at 0.05 error margin, prompting the rejection of the null hypothesis (H_o1) stating that *prior experience with a partner reduces financial performance of alliance SMEs*.

This suggests that having some prior experience working with other business firms enables potential alliance partners to know and understand each others' values and philosophies, capabilities, resources and limitations. Having prior work knowledge puts SMEs in a better position to detect potential vices such as opportunism; they are also able to address dissimilarities; thus, minimize conflicts when alliances are formed. Without conflicts, alliance partners have ample time to focus on their financial performance. In view of this, SMEs intending to enter into strategic alliances should ensure they have thorough knowledge of potential partners before alliances are formed. This knowledge can best be acquired through engaging in business activities with potential partners ahead of time.

The study also found that firms whose alliance partners had a high reputation were about 2.8 times more likely to have their net worth above the minimum threshold than firms believing that their partners had a low reputation. This variation in financial performance was significant at 0.05 error margin; thus, the null hypothesis (H_o2), stating that *SMEs whose partners have a high reputation are likely to experience better financial performance* was not rejected.
As business firms operate in a community, they interact with various organizations, including their competitors, clients, suppliers, financiers and regulatory authorities, as well as community members. Through such interaction, reputation germinates based on the nature of behaviour, business ethics, integrity, culture and social responsibility. The way a firm conducts its business determines how it is perceived by the immediate community and business entities. For instance, a low or poor reputation can ruin a firm's credibility and influences its potential for strategic alliances in future.

On the contrary, a firm that acquires a negative reputation for not being trustworthy may not have good chances for strategic alliances. In this regard, forming strategic alliances with firms of high positive reputation is critical for SMEs to improve their performance. In this regard, SMEs interested in forming strategic alliances with other firms should consider the kind of reputation commanded by their potential partners because it can have significant negative effects on the ultimate financial performance.

The study revealed that firms whose partners had a high learning potential were about 1.5 times more likely to be above the minimum threshold in terms of net worth than those who considered their partners to be of low learning potential. The variation in the financial performance of firms in the two groups was significant at 0.05 error margin, leading to the rejection of the null hypothesis (H_o3), stating that *having partners of higher learning potential negatively affects financial performance of alliance SMEs.*

Strategic alliances create unique environments and opportunities for learning among alliance partners. New knowledge provides the basis for organizational renewal and sustainable competitive advantage. Partner firms recognizing and using strategic alliances as opportunities for learning are likely to acquire knowledge that can be useful in enhancing financial performance. However, the formation of strategic alliances does not necessary imply that its learning potential will be realized. In this regard, it is important for firms to choose partners with complementary skills and resources to improve knowledge development and better financial performance.

Post-alliance formation factors influencing financial performance

Trust is a critical ingredient for the success of strategic alliances and individual alliance partners. This study found that firms with a high level of trust for their alliance partners were about 1.6 times more likely to have a net worth well above the threshold than SMEs having a low level of trust for their partners. Since the variation in financial performance between the two groups was significant at 0.05 error margin, the null hypothesis ($H_0 4$) stating that *perceived level of trust for partners negatively affects the financial performance of alliance SMEs* was rejected.

Trust is important for enhancing sharing of resources, skills and information to improve their competitiveness. Trust also reduces the likelihood of opportunistic behaviour, improves efficiency and financial performance. However, the level of trust correlates with prior experience working with alliance partners and reputation. Based on this, alliance partners should work harder to build and sustain trust, without which, strategic alliances cannot achieve anything. Nonetheless, trust may also be enhanced by having clear operational guidelines and regular review meetings to assess performance and address issues arising.

As regards protectiveness of organizational information, the study found that firms not sharing their information with partners were about 0.1 times less likely to have a net worth above the threshold than those sharing such information. Variation in financial performance, between firms sharing their information and those not sharing such information, was significant at 0.05 error margin; thus the null hypothesis ($H_0 5$), stating that *protectiveness level of information negatively influences the performance of alliance SMEs* was not rejected.

Information sharing among alliance partners is as real as the extent to which firms are open and willing to share their information. Protectiveness of information may have serious negative consequences for the survival and success of strategic alliances; by reducing information and knowledge exchange. Protectiveness also nurtures distrust, which may have negative repercussions on financial performance. In a situation of distrust, alliance partners may spend more time outdoing each other rather than focus on improving financial performance. Consequently, protectiveness is likely breed conflicts among partners, suppress teamwork and affect financial performance.

Strategic alliances remain necessary for the growth and survival of SMEs. However,

involvement in strategic alliances does not necessarily guarantee the success of alliance partners. The success of firms involved in strategic alliances requires knowledge and awareness to enable SMEs choose the right organizations for partners. Success also requires a thorough understanding of organizational behaviour and culture as well as potential risks and how best to manage such risks. Hence, from the programmatic point of view, it is necessary for relevant ministries and key stakeholders to provide information about strategic alliances to enable them understand the pre- and post-alliance formation factors likely to influence their performance. Encouraging SMEs to engage in strategic alliances is a critical step in supporting the growth and development of small businesses; which in turn, will improve their role in the national economic development.

Implication on policy and practice

Improve awareness about business strategic alliances, as a key strategy through which SMEs can secure their survival and growth in today's globalized economies. This is a multi-sectoral intervention that requires action from the Government through relevant ministries, Kenya National Chamber of Commerce, business associations, trade unions, commercial banks, investment companies and the media. Appropriate information should be designed and disseminated through various forums, including trade fairs and exhibitions, mass media adverts, conferences, seminars and the internet, whichever is most efficient and effective in reaching out various segments of the business fraternity.

Develop a comprehensive communication strategy aimed at promoting the development of SMEs and encouraging entrepreneurs to initiate strategic alliances. An initiative of national magnitude should be guided and coordinated through appropriate national strategy, prioritizing actions, defining stakeholders, regulatory authority, decentralized institutional structure, as well as monitoring and evaluation.

Develop appropriate curriculum on business strategic alliances and encourage all tertiary educational institutions, particularly those accredited to provide Technical, Industrial, Vocational and Entrepreneurship Training (TIVET) programs to incorporate and implement the curriculum. Among other topics, the curriculum should cover the selection of alliance partners, contracting process, risks and risk assessment, internal control measures, conflict resolution and exit strategies.

Establish SME assistance centres at the district level, with key functions such as promoting the development of SMEs, linking SMEs with appropriate stakeholders, including Government institutions, NGOs, and larger companies; conducting research on SMEs and strategic alliances; as well as generating and disseminating information to enrich national initiatives.

Create appropriate financing mechanisms, such as affordable formal credit facilities. This will also require the attention of both government and sectoral players, including non-governmental organizations. The government should also initiate focused public-private partnerships with financial

institutions to create suitable credit products targeting SMEs. In addition, government incentives such as tax relief on SME loans should also be considered.

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EMPIRICAL ANALYSIS OF BALANCED SCORE CARD AND CHALLENGES OF STRATEGY IMPLEMENTATION AT THE ERNST & YOUNG – KENYA

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The paper focused on the challenges of the balanced score card in strategy implementation and was a case study on Ernst & Young-Kenya, an auditing and consultancy firm. The paper aimed at finding out how Ernst & Young-Kenya, has applied the balanced score card in strategy implementation across the business and the challenges faced in the application of the balanced score card. The paper is presented in five chapters and sections through which the researcher tries to discuss the above issues. Data collection instrument was an interview guide and observation. 40 respondents were drawn from all levels and functions of the organization. Out of the 40 only 25 were interviewed and responses analysed by using content analysis. The paper established that Ernst & Young-Kenya has used the balanced score card to implement its strategies. From the study, a number of challenges were established. The findings should be understood and evaluated in light of the limitations. This study is especially helpful to Ernst & Young-Kenya, Ernst & Young Global and other similar organizations. Institutional policy and practice implications to overcome the challenges of strategy implementation using the balanced score card are highlighted. Suggestions for further research are also given.

Key words: Balanced Score Card, Strategy Implementation, Ernst & Young Kenya

INTRODUCTION

Implementation is 'where the action is'. It is the strategic phase in which staying close to the customer, achieving competitive advantage and pursuing excellence become realities. Short-term objectives and action plans guide implementation by converting long-term objectives into short-term actions and targets. Functional tactics whether done internally or outsourced to other partners translate the business strategy into activities that build advantage. Policies empower operating personnel by defining guidelines for making decisions. Reward systems encourage effective results.

Today's competitive environment requires careful analysis in designing the organizational structure most suitable to build and sustain competitive advantage. It is of paramount importance to create ambidextrous, virtual, boundaryless organizations designed to adapt in a highly interconnected, lightening speed, global

business environment. There can be no doubt that effective organizational leadership and the consistency of a strong organizational culture reinforcing norms and behaviours best suited to the organization's mission are two central ingredients in enabling successful execution of a firm's strategies and objectives. Thus organizations need to nurture effective operating managers in order to become outstanding future organizational leaders.

Because the firm's strategy is implemented in a changing environment, successful implementation requires strategic control an ability to 'steer' the firm through an extended future time period when premises, sudden events, internal implementation efforts, and general economic and societal developments will be sources of change not anticipated or predicted when the strategy was conceived and initiated. It is important to set up strategic controls to deal with the important steering function during the implementation process. The balanced score card approach is essential in integrating strategic and operational control.

The balanced score card is an approach linking operational and strategic control, developed by Harvard Business School professors Robert Kaplan and David Norton (2001). Recognizing some of the weaknesses and vagueness of previous implementation and control approaches, the balanced score card approach was intended to provide a clear prescription as to what companies should measure in order to 'balance' the financial perspective in implementation and control of strategic plans.

The balanced scorecard is a strategic planning and management system used to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organizational performance against strategic goals. The balanced score card is a management system (not only a measurement system) that enables companies to clarify their strategies, translate them into action, and provide meaningful feedback. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced score card is intended to transform strategic planning from a separate top management exercise into the nerve centre of an enterprise.

Kaplan and Norton (2001) describe the innovation of the balanced scorecard as follows: "The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."

According to Pearce & Robinson (2005), the balanced score card methodology adapts

the total quality management (TQM) ideas of customer-defined quality, continuous improvement, employee empowerment and measurement-based management/feedback into an expanded methodology that includes traditional financial data and results. The balanced score card incorporates feedback around internal business process outputs, as in TQM, but also adds a feedback loop around the outcomes of business strategies. This creates a 'double-loop feedback' process in the balanced score card. In doing so, it links together two areas of concern in strategy execution-quality operations and financial outcomes that are typically addressed separately yet are obviously critically intertwined as any company executes its strategy.

The balanced score card can be used to :- increase focus on strategy and results, improve organizational performance by measuring what matters, align organization strategy with the work people do on a day-to-day basis, focus on the drivers of future performance, improve communication of the organization's vision and strategy and prioritize projects / initiatives.

The scorecard provides an enterprise view of an organization's overall performance by integrating financial measures with other key performance indicators around customer perspectives, internal business processes, and organizational growth, learning and innovation. The Learning and Growth Perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organization, people -- the only repository of knowledge -- are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Metrics can be put into place to guide managers in focusing training funds where they can help the most. In any case, learning and growth constitute the essential foundation for success of any knowledge-worker organization. Kaplan and Norton (2001) emphasize that 'learning' is more than 'training'; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed. It also includes technological tools; also known as "high performance work systems."

The Business Process Perspective refers to internal business processes. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements (the mission). These metrics have to be carefully designed by those who know these processes most intimately. According to the Customer Perspective, recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any business. These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good. In developing metrics for satisfaction, customers should be analyzed in terms of kinds of customers and the kinds

of processes for which we are providing a product or service to those customer groups.

In the Financial Perspective, Kaplan and Norton (2001) do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it. In fact, often there is more than enough handling and processing of financial data. With the implementation of a corporate database, it is hoped that more of the processing can be centralized and automated. But the point is that the current emphasis on financials leads to the "unbalanced" situation with regard to other perspectives. There is perhaps a need to include additional financial-related data, such as risk assessment and cost-benefit data, in this category.

This section looks at what the organization does and how Ernst & Young - Kenya fits into the global firm and into Eastern Africa. Ernst & Young is a leading professional services firm dedicated to helping companies identify and capitalise on business opportunities throughout the world, from emerging growth to global powerhouses that deal with a broad range of business issues. Worldwide, the firm has nearly 103,000 people in 691 offices in over 140 countries, who implement a broad array of solutions in audit, tax, transaction advisory services, technology services and other critical business-performance issues. The firm's professional expertise is engaged by a broad range of organizations, including multi-national corporations, governments, non-profit institutions in both developed economies, and emerging and growth markets worldwide.

Ernst & Young, has a reputation for technical excellence in key services to clients. Its services include the following:- Assurance & Advisory Business Services, Audit of Donor Funded Projects, Tax Compliance and Tax Consulting, Transaction Advisory Services, Public Sector Consulting, Human Capital Consulting, Technology and Security Risk Services (TSRS), Project Management and Corporate Recovery.

Over 140 associated firms came together in five geographic Areas, namely EMEIA (Europe, Middle East, India and Africa), Americas, Far East, Japan and Oceania. Each area is led by an Area Managing Partner, who is a member of the Global Executive. This integrated business model allows the firm to meet the global demands of our clients, as well as the legal and regulatory requirements that impact the organization. These Areas are a powerful driver of the deepening connections between its people and its practices and – through them – it becomes possible to build and strengthen the unique Ernst & Young culture. The focus on driving Area effectiveness has ensured that each country practices are aligned around each of the five strong Areas – creating an enduring foundation for the growth and future success of the global organization. Through the five Areas it becomes possible to bring together the power of the global organization, sharing knowledge and resources, and driving global consistency and quality.

Ernst & Young has been in East Africa for over 75 years and is one of the leading professional services firms in the region. Ernst & Young East Africa is part of the global network of Ernst & Young. Drawing on the knowledge and skills of its 16 partners and over 500 staff serving in various capacities in its network of seven offices throughout the region, the firm builds relationships by providing quality services. Its offices are distributed as follows:- Kenya:(Nairobi, Mombasa and Nakuru), Tanzania: Dar-es-Salaam, Uganda:Kampala, Ethiopia:Addis Ababa, and Rwanda:Kigali. The firm also serves a wider reach of clients in other countries in the region such as Southern Sudan, Burundi, Somalia, Eritrea, Democratic Republic of Congo and Djibouti. The firm has acquired a unique perspective and experience in the region's business practices. This experience, pooled with its global resources, ensures a wealthy pool of knowledge and expertise to deliver the optimum mix of advisory services and add value to its clients.

Kenya's network of Ernst & Young offices is controlled from Nairobi, which also forms the nucleus of the East African practice and ensures prompt and adequate delivery of services throughout the region. It is here that the highest skilled and most experienced professionals are concentrated. This has been done to facilitate the creation, at short notice, of multidisciplinary teams that can provide any professional services to any part of the region. The Kenya practice has three offices in Nairobi, Nakuru and Mombasa and is staffed with 268 professionals, of which over 120 are qualified Certified Public Accountants, and/or possess advanced degrees in their respective professional disciplines.

Ernst & Young aims to deliver innovative yet practical solutions from the concept of 'Quality in Everything We Do' through implementation and measurement. To them, "quality" means getting the right information, making the right decisions, taking the right actions and maintaining public trust. The balanced score card is used to translate long term goals into short term achievable and measurable goals. The balanced score card sets out the annual plans, strategies and measurable targets and is applicable to all members of staff.

LITERATURE REVIEW

There are several challenges facing effective strategy implementation which include organizational structure, leadership, organizational culture, communication, resources and strategic control. Organizational structure and culture: Perhaps the most important resource of an organization is its people and so how people are organized is crucial to the effectiveness of strategy (Johnson and Scholes, 1999). One can consequently argue that there is an important connection between strategy and the type of organizational structure that is needed to reach organizational goals effectively and efficiently. At the same time the type of organizational structure is influenced by certain major contingency factors. These include the type of technology used and the organizational size. Besides, the organizational needs to be able to innovate as part of the strategic process.

These innovations however should be commercially viable. Ansoff and Mcdonall (1990) have argued that any organizational structure should consider the following basic considerations:- The structure need to be simple enough for everyone in the organizational to understand. The cost should not be so high besides motivating those involved in the context of any proposed changes. The existing culture in the organizational needs to be considered as the way of doing things cannot change overnight. Despite what we do, the first organizational structure will always be short of some nuances and competitiveness found in business firms. Consequently restructuring will always be necessary in all firms irrespective of the Industry.

Leadership: Strategic management is both a skill and an art. Good strategic management requires both clear thought and sound judgment. Strategic management is the formal and structured process by which an organization establishes a position of strategic leadership. Strategic leadership is about the achievement of sustained comparative advantage over the competition. Strategic leadership is the outcome of the strategic management process. It is a state of being rather than a management mechanism. So strategic leadership does not replace strategic management; it results from it. Strategic leadership is crucial for achieving and maintaining strategic competitiveness. Strategic leaders have been repeatedly recognized for their critical role in recognizing opportunities and making decisions that affect innovation process. Strategic leaders, opportunity recognition and exploitation add considerable business value. Today's managers have to deal with the entire business systems – as opposed to dealing with its different parts independently - to impart real energy to the strategic process. They must practice balanced results-based leadership strategies and apply a balanced approach to business systems. The majority of this section outlines the key research studies that have significant contributions to make to the understanding of strategy implementation, or execution failure. Beer & Eisenstat (2000) reported that the six key “strategy killers” are: Firstly, Top-down or laissez-faire senior management style. Frequently cited characteristics of this style of management include a discomfort with conflict, absences, and the use of a top team for administrative functions rather than strategic discussions and dialogue (Beer & Eisenstat, 2000).

Secondly, Unclear strategies and conflicting priorities. “Conflicting strategies and priorities that battle each other for the same resources produce a rapid failure for both perspectives” (Beer & Eisenstat, 2000, p. 32). Thirdly, Ineffective senior management team. Team members who operate and prioritize within their own “silos” rather than coordinate with other team members and departments quickly kill the collaborative perspective that is required for successful strategy implementation (Beer & Eisenstat, 2000). Fourthly is Poor vertical communication. Employees often feared that senior level managers and executives did not want to hear their observations or interpretations of the problems they were facing. Fifthly is Poor coordination across

boundaries. This strategy killer is often a result of killer number two: unclear strategies and conflicting priorities, but can also occur independent of the strategies and priorities that are set. Sixthly is Inadequate down the line leadership skills. Lower-level managers were not developing skills through the new opportunities they were facing, “nor were they supported through leadership coaching or training” (Beer & Eisenstat, 2000, p. 32).

Rummler and Brache (1995) separated the strategy system into two components, (1) strategy formulation, and (2) strategy implementation. In considering this system, it seems clear that auditing practice has contributions to make. Torraco and Swanson (1995) stated: “An entity will only be perceived as having strategic value if it also demonstrates genuine strategic capability” (p. 18). Torraco and Swanson (1995) further stated that there are two ways for an entity to demonstrate its strategic capability. They are (1) through educating organizational leaders about strategic thinking and (2) through direct participation in organizational planning.

While some authors have advocated for a department’s participation in strategy formulation, (Provo, Lynham, Ruona & Miller, 1998; Swanson, 1999) Rummler and Brache (1995) have further suggested that departmental professionals have a role in strategy implementation. Therefore, two ways that departmental professionals might demonstrate strategic capabilities in this domain include (1) through educating organizational leaders about implementation processes and (2) direct participation in strategy implementation itself. We can also consider the fact that in today’s economy, individual knowledge and expertise are things that can provide an edge.

As an attempt at synthesizing the key reasons for strategy implementation failure cited in the research available, the elements shared in all of the models and supported by the general literature review are: External issues (market changes, effective competitor responses), Lack of focus (unclear goals that don’t translate to other organization levels), Misalignment among business processes, units and their goals, Failure to measure progress and hold people accountable and Problems with leadership and commitment to the strategy.

The balanced score card approach is essential in integrating strategic and operational control. The balanced score card is an approach linking operational and strategic control, developed by Harvard Business School professors Robert Kaplan and David Norton. It is a performance management tool that enables an organization to translate its vision and strategy into a tangible set of performance measures.

However, it is more than a measuring device. The scorecard provides an enterprise view of an organization’s overall performance by integrating financial measures with other key performance indicators around customer perspectives, internal business processes, and organizational growth, learning and innovation.

In an attempt to simplify quite a complex model, Kaplan and Norton (2001)

provided key areas that need to be addressed to support successful strategy execution.
Kaplan and Norton (2001) offered the following four processes for managing strategy: Translating the vision; Communicating and linking; Business planning; Feedback and learning and Leadership.

The use of balanced score card in implementation of strategy is not a simple task and there are various challenges that it poses. The balanced score card has been criticized for failing to include important perspectives such as the employee perspective and the environmental perspective (Kiragu, 2005). Kaplan and Norton (2003) however note that the four perspectives simply provide a framework rather than a constraining straight jacket. Companies can therefore omit or include additional perspectives to meet their own requirements but they must however avoid the temptation of including too many perspectives and performance measures as this may result into distortion.

A study by Odadi (2002) found that before embarking on the implementation program, an organization needs to carry out an evaluation of its leadership readiness and organization readiness. An organization must be comfortable with the way in which the balanced score card proceeds, through risk taking, learning and ambiguity. The members of the balanced score card teams must feel empowered to 'break the rules' and to challenge the long standing assumption. The balanced score card should be directed at key business processes and motivated to ensure that the processes are successfully implemented.

According to Kaplan and Norton (2001), one of the challenges facing strategy implementation using a balanced score card is Lack of a well-defined strategy. The balanced score card relies on a well-defined strategy and an understanding of the linkages between strategic objectives and the metrics. Without this foundation, the implementation of the Balanced Score card is unlikely to be successful.
Research documented in "http://en.wikipedia.org/wiki/Balanced_scorecard" finds that one of the challenges of the balanced score card is that the scores are not based on any proven economic or financial theory, and therefore have no basis in the decision sciences. The process is entirely subjective and makes no provision to assess quantities (for example, risk and economic value) in a way that is actuarially or economically well-founded. The balanced scorecard does not provide a bottom line score or a unified view with clear recommendations: it is simply a list of metrics (Jensen Michael, 2001). Use of generic metrics: It usually is not sufficient simply to adopt the metrics used by other successful firms. Each firm should put forth the effort to identify the measures that are appropriate for its own strategy and competitive positions. However, this challenge only applies to the earlier, KPI-based version of the balanced scorecard rather than later versions that use a strategy map to derive the metrics. Some people also claim that positive feedback from users of Balanced Score cards may be due to a

placebo effect, as there are no empirical studies linking the use of Balanced Score cards to better decision making or improved financial performance of companies. ("http://en.wikipedia.org/wiki/Balanced_scorecard"). The external environment poses challenges such as more rigorous regulation processes, increasingly diverse client need and stiff competition. The internal environment poses challenges such as conflicts between management and client's interests, lack of performance measurement method and inefficient information systems. According to (http://www.ap-institute.com), one of the challenges is Lack of Senior Management support for the Balanced Score Card. Not having the buy-in and support of key manager and executives can jeopardise the success of any Balanced Score card implementation. It is important that key individuals in an organisation are committed to the strategic objectives and performance indicators identified in the Balanced Score card. The best way to achieve this is to closely engage them in the process of designing the Balanced Score card. The same applies to Not Involving Staff and External Stakeholders in the Balanced Score card design. The Balanced Score card is often seen as a top management initiative in which they define what needs to be done and what needs to be measured. However, creating a Balanced Score card is a fantastic opportunity to engage with a wider group of internal staff and key external stakeholders. Involving them will yield a better Balanced Score card and most importantly help to create buy-in and support.

Another challenge is Lack of Balanced Scorecard Understanding. Many organisations assume that once senior management have agreed on their Balanced Scorecard, strategic map and their indicators everyone will happily implement it and collect and report the data. The need for training and communication about the Balanced Scorecard initiative and its aims and objectives, should not be underestimated. Again, this is especially important since there are so many different interpretations of what a Balanced Scorecard is and what it is for. Experience has shown that the support of lower and middle tier managers is essential for the success. One of the main problems with Balanced Scorecards arises when senior managers use the performance indicators identified to apply a command-and-control approach in which they use the indicators to punish or reward people. This creates fear, resistance and cheating. Instead, managers should use their Balanced Scorecards to foster a learning culture where everybody is encouraged to collect performance information to improve future performance.

Using only lagging measures is another challenge. Many managers believe that they will reap the benefits of the Balanced Score Card by using a wide range of non-financial measures. However, care should be taken to identify not only lagging measures that describe past performance, but also leading measures that can be used to plan for future performance. As much as the balanced score card is well designed, its successful implementation can be impeded by the leadership and management style in place, organizational structure and culture, personal bias and communication challenges.

METHODS

The study was a case study of Ernst & Young-Kenya. The firm has adopted the balanced score card in the implementation of its strategy across its businesses/departments. A case study was deemed to be the most suitable as this will would have the benefit of providing an in depth and thorough investigation on the phenomenon of strategy implementation using the balanced score card as well as the challenges. The case study was chosen as it would provide qualitative evidence which would be of interest to this study. Previous studies of similar nature have successfully used this method (Koske, 2003; Muthuiya, 2004; Machuki, 2005).

The pertinent primary and secondary data was used to meet the objectives of this study. Primary data was collected by way of personal in depth interviews with members of staff at different levels of the organization. The interview guide consisted of open ended questions designed in line with the objectives of the study. Primary data was also obtained through observation within the organization. The interviews took place within respondent's place of work. These were conducted during less busy times of the day especially after work or early in the morning.

Secondary data was obtained from the firm's strategic plans, magazines and in-house journals. Secondary data was also critical in the formation of the study's literature. Forty respondents were used in this study, eight from senior management, twelve from middle management and twenty from the support staff. The respondents were drawn from all levels and functions of the organization.

DATA ANALYSIS AND RESULTS

The data collected was analysed by way of content analysis. This involved analysis of meanings and implications emanating from the respondents. Nachmias & Nachmias (1996) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to relate trends. Content analysis has been successfully used to conduct similar studies in the past (Koske 2003; Kamau 2006). Mbogo (2003), Nyamweya (2005) and Ochanda (2005) who employed this kind of approach argued that it was useful in gaining fresh materials in even what was thought to be unknown. According to Mugenda and Mugenda (1999), content analysis involves observations and detailed descriptions of objects, items or things that comprise the study. Secondary data analysis gave an overview of the focus of the study.

Ernst & Young uses the balanced score card as a strategic implementation and performance management tool. The strategy implementation aspects include communicating the vision and mission of the organization to all staff and linking the departmental and individual objectives to the firm's strategic objectives. Prior to the implementation of the balanced score card, many employees did not know what the vision, mission and objectives of the organization were. Further, they thought

strategy concepts were very complex and hence did not relate to them.
The performance management aspects include the cascading of organization's objectives to the various departments and thereafter to the individual objectives. This is formalized through 'performance annual plans' which are based on the balanced score card. The departmental heads are evaluated on their department score cards, whereas the individual members are evaluated based on their individual score cards. Previously, each departmental manager used to appraise their respective departmental staff during scheduled round table meetings and the system was felt to be too subjective and did not have sufficient focus. In addition, this system did not link the staff performance system to the strategy of the organization.

To obtain a clear understanding of strategy throughout the organization, it has to be communicated. Departmental heads are not involved in the formulation of the Ernst & Young strategy and that is handled by the Africa Sub-Area (ASA) Chief Executive Officer. However, departmental heads are still responsible for the implementation of the resulting strategy. Ernst & Young is in the process of embracing regional integration which began three years ago. Due to the ongoing regional integration, strategy is developed by Ernst & Young Global and cascaded down to Ernst & Young Sub-Saharan Africa area head office which is situated in South Africa. Strategy and priorities for each financial year are communicated by the ASA Chief Executive Officer to the respective regional leaders, in the East African region, this comprises of Kenya, Uganda, Tanzania, Rwanda and Ethiopia.
This is done through trainings held in South Africa. The ASA Chief Executive Officer is deeply involved in the formulation and implementation of the balanced score card. This includes refining of the firm's strategy as well as developing suitable goals, measures and targets that would help the firm achieve its strategic objectives. The ASA CEO defines the most critical things that must be achieved during the year (priorities) to aim towards achieving the firm's goals.

Subsequent to this training, another session is held where the Africa Region leader communicates the strategy at the beginning of each financial year to all regional partners and managers. Communication is done during structured training sessions, popularly known as 'the Executive Event'. The training is also facilitated by regional Chief Executive Officer, regional departmental leaders and strategy staff from South Africa. The training emphasises on strategy and key priorities for a particular year. At the end of the training session, pamphlets that highlight the key strategy issues and key priorities are circulated as a regular reminder to each executive.

Subsequent to the 'executive event', the partners and managers communicate the strategy to the relevant departmental staff through briefing sessions. Communication to departmental staff is also done through emails, pamphlets and performance annual plan. Each staff is required to understand the

strategy in order to modify their performance annual plans and balanced score card in line with the strategy and priorities for the particular financial year.
The overall firm's strategy is implemented by linking overall firm's objectives with individual objectives through performance annual plans. The performance annual plans are tied to the balanced score card.

Application of the Balanced Score Card at Ernst & Young

The balanced score card is developed in line with the overall organizational objectives. The perspectives of the score card are agreed and confirmed at the beginning of the year in line with the organization's mission and vision by the ASA CEO. Each department applies the balanced score card to ensure that all objectives are aligned to one's set of core business deliverables.
Ernst & Young adopted and applied the balanced score card in order to obtain an effective strategic planning system and also the need for an improved control system/performance measurement system. The balanced score card was also adopted for employee motivation and due to increased demand by clients/customers for high quality services. The balanced score card approach provides a solution to the need for a comprehensive framework for translating an organization's strategic goals into a coherent set of performance measures by developing major goals which are then translated into specific measures. Ernst & Young has thus integrated the balanced score card into performance annual plans for each individual within the organization. These performance annual plans consist of goals, measures and targets structured around the balanced score card.

The balanced score card perspectives (market leadership, people, quality and operational excellence) constitute the major themes/priorities within the objectives and are designed to be relevant to the particular role (partner, manager, senior, assistant and support staff) that individual is taking. The objectives for each individual are SMART (Specific, Measurable, Achievable, Realistic and Timely).

Ernst & Young endeavours to accurately define the objectives for each individual category (partner, manager, senior, assistant and support staff). Thus each individual depending on grade, has a different and unique balanced score card with distinct objectives. Measures are set for each objective some are quantitative while others are qualitative.
Communication of the balanced score card to managers and partners is done by the ASA CEO. Communication to the seniors and assistants is carried out by departmental managers. Human resource team is responsible for educating and communicating to lower level (support staff) on the balanced score card's purpose, perspectives and benefits. Human resource team is also vested with full coordination of the balanced score card.

The application of the balanced score card is supported by already existing structures and functions and this has simplified the process. For instance for people, there is a Human Resources team, for operational excellence,

there is a finance department, for quality, there is Quality & Risk Management team and Audit Quality Programs (AQR) and market leadership is challenged by a weak Business Development Department served by only one staff.

As part of the monitoring process over the application and implementation of the balanced score card, mid-year performance reviews based on individual score cards are conducted. Individuals (counselees) evaluate themselves six months into the financial year and responses are given by the managers/partners (counsellors).

At year end, the counselees carry out a self assessment in a 'Year-End Annual Performance Review', where they document their key engagements/projects and roles, performance against score card goals, performance standards (actual results against compliance expectations at the beginning of the year, counselee's additional contributions which may include (recruiting, leading or participating in internal initiatives, involvement in community organizations, participation in business development efforts and so on), and development needs/plan. The counsellor comments on all the aspects of the balanced score card and updates it in line with the comments issued during the mid-year review. Counsellor also comments on how the counselee has performed in line with the firm's overall goals/strategy.

For each perspective a rating is given, and the ratings range from one to five. The managers converge in a managers' roundtable meeting that assesses each and every staff, in the presence of the human resource leader. Ratings are moderated and results submitted to the partners' roundtable meetings where further ratings moderation is done. The results are sent to Africa Sub-Area Region for final comments and final ratings. Counsellors then make final comments on overall final rating and priorities for future development. Counsellor and counselee sign the final hard copies. However, effective 2010, the results are uploaded in electronic human resource software (EY Leads) and signed by both parties electronically.

Measurable data at individual, departmental and firm's level is obtained from the Finance Department on a regular basis and is used in giving an indication on how the firm is performing, in making critical decisions and in assessing whether the individual/department/firm is performing in line with the organisation's strategy and goals.

Challenges in the Application of the Balanced Score Card

The balanced score card has served as a powerful tool that enables strategic control and performance management system. However, there are certain challenges that the firm has faced in its application of the balanced score card.

Lack of inclusion and consultation in the development of the balanced score card present a challenge in strategy implementation using the balanced score card. Empowering employees to participate effectively in the development and

implementation of the balanced score card presents a challenge to the organization. The balanced score card is developed and agreed at the most senior level which is Africa Sub Area level. No consultation is made with staff in the different countries and balanced score card is simply communicated to the regional Chief Executive Officer then to each country's senior partner and departmental managers to implement. The ASA CEO might not be well versed with the Eastern Africa markets and thus the South African scenarios are forced down into the Eastern Africa markets which may not be appropriate. There is the challenge of ensuring that each department/individual has its own strategic measures in the balanced score card, that matter most to them.
With the integration, though no resistance to its use amongst the countries/regions has been noted, the overall feel is that it would be more accepted were they to be involved in its development and implementation.

Ensuring the balanced score card measures are reviewed whenever the organization experiences fundamental changes presents a challenge to the organization. Auditing firms operate in a turbulent environment and therefore their balanced score card should be dynamic and continually reviewed, assessed and updated to reflect new competitive, market and technological conditions. Otherwise, this may lead to it being outdated and not help the organization achieve its objectives in order to survive in the business environment.

The Ernst & Young balanced score card has four different perspectives (market leadership, people, quality and operational excellence). However, there is a challenge in ensuring that the balanced score card measures reflect customer and stakeholder's expectations. In addition, more emphasis is given to certain perspectives such as quality and operational excellence resulting in less emphasis on key perspectives such as market leadership. Market leadership perspective has greatly been overlooked. The business development department is served by one staff whose overall responsibility is co-ordination of market growth activities. Although the market leadership perspective is included in the balanced score card and goals and measures given, the intended activities to be carried out to meet the goal are not defined or emphasised thus leaving a grey area.
A challenge faced in the use of the balanced score card in strategy implementation is subjectivity in evaluating some of the perspectives. Some aspects of the balanced score card such as operational excellence and growth are quantitative. However, aspects such as people and quality are qualitative thus prone to subjectivity. This also creates a challenge is establishing a link between the financial measures and non-financial measures.

Another challenge is directly linking the balanced score card performance indicators to the expected outcomes. Here, employees at all levels would not know what and how their contributions lead to the achievement of the overall strategy. This will cause them not to focus on the local activities that have the most direct effect on the strategic measures and objectives.

The use of the balanced score card to assist in decision making process is another challenge. Balanced score card should encourage the use of metrics in assessment and planning efforts and also influence the annual business planning and budgeting process. If the balanced score is not able to assist, the organization may not be able to define the resources needed to accomplish the strategic goals.
Another challenge is in using the balanced score card measures to highlight the training needs of the employees. The balanced score card should also highlight the training needs of the employees. If it does not, then employees would have it difficult to establish areas of work that need to improve and areas that need to continue in the same way in order to achieve the objectives of the organization.

Choosing the right strategic measures that each department or individual can use can challenge the application of the balanced score card. The challenge being, measuring the wrong things especially those that are easy to measure like the financial ones without identifying those that need to be measured and are absolutely vital to the department/individual.

Another challenge faced has been internet connectivity. Most of the measures are input, processed and measured in software that is only operational in the presence of internet. The internet connectivity has been cited to be either slow or on outage most of the time impeding the operationality of the key processes. Time sheets cannot be done on time. Fee notes take long before processing. GAMX (CAATS) is slowed down by internet connectivity, thus posing a challenge to team work and client work delivery. The internet connectivity has also affected EY Leads thus electronic learning and training cannot be carried out effectively. The process of preparing and completing the balanced score cards, performance annual plans, mid-year reviews and Year end performance assessment review coupled with the feedback and reward is all processed in EY Leads, which has been greatly challenged by internet connectivity. There is need to solve all the internet connectivity challenges in order to streamline the organization’s operations.

During the feedback process, another observed challenge is that of overlooking the balanced score card in the reward system. The individual performance ratings are said to have been compared with the peers in the region, yet regional comparisons may not be feasible. Some staff are promoted yet the balanced score card targets are not achieved, this de-motivates staff across the business. Some staff meet all the balanced score card targets yet are not rewarded for their efforts. These disparities in the feedback and reward system tend to thwart the whole essence and implementation of the balanced score card and as such make the staff to focus on leaving the organization and not to focus towards achieving organizational goals/strategy.

The balanced score card system has threatened to degrade the culture of the organization. The organizational staff and

human resources team are very engrossed in meeting the balanced score card targets until the human aspects of the work have lost value. For instance, staff are issued with warning letters for failing to complete their balanced score cards on time (by a day) and this could have been caused by internet connectivity or circumstances beyond reasonable control. Failure to complete timesheets affects the operational excellence perspective and staff's rating is reduced downwards by one. For staff whose ratings are two and one, a rehabilitation plan is organised for six months after which staff are terminated. In the previous system, the weak staff used to be subjected to rigorous counselling subsequent to which the top management would help them secure employment in other organizations, the word 'termination' was unheard of.

The other challenges facing the use of the balanced score card in strategy implementation can be stated as follows; Aligning individual financial targets to departmental financial through the balanced score card, using the balanced score card to see the correlation among the four perspectives of performance, using the balanced score card to identify the needs and improvements to the organization's systems in order to improve the performance of the other perspectives, balanced score card being complex and cumbersome because it has too many measures and using balanced score card to translate goals to lower levels of the organization.

Other challenges include using the balanced score card to monitor performance and take appropriate action, linking the balanced score card measures to the reward system, ensuring that there is equity in the reward system such that outstanding performers are appropriately rewarded, ensuring that the objectives/targets set for each and every department are SMART and challenging, inculculating the culture of ownership of the system to the entire staff as some still feel that the previous system was better than the balanced score card(dealing with change management), balanced score card being subjected to the bell's curve that human resource department has put in place for appraisers to use hence being unfair to the appraises (employees), balanced score card not capturing all performance because they cannot be measured hence providing a grey area which can be interpreted anyhow, and also the challenge of how to properly measure the behavioural part of the balanced score card.

CONCLUSION

Strategy implementation is no doubt the most difficult part of strategic planning process and many strategic planning processes and many strategies fail at the implementation stage. For an organization to successfully implement its strategy, it must ensure the existence and alignment of all strategy supportive aspects of the organization. There must be a fit between strategy and organizational structure, organizational culture, resources, systems and leadership. It is important to set up strategic controls to deal with the important steering function during the implementation process. The balanced score card approach

is essential in integrating strategic and operational control.

The balanced score card when formulated and implemented can assist an organization to increase focus on strategy and results, improve organizational performance by measuring what matters, align organization strategy with the work people do on a day-to-day basis , focus on the drivers of future performance, improve communication of the organization's Vision and Strategy and Prioritize Projects / Initiatives.

However, an organization should remain cognizant of the challenges facing use of balanced score card in strategy implementation. These include lack of employee involvement is strategy and balanced score card formulation and development, balanced score card measures not reviewed whenever the organization experiences fundamental changes, non-inclusion of customer and stakeholder's expectations in the score card, subjectivity in evaluation perspectives such as people and quality, failure to link the score card performance indicators to the expected outcomes, inability of the score card to influence annual business planning and budget process, non-inclusion of the training needs of the employees and internet connectivity.

Implication on Policy and Practice specific to Ernst & Young

From this study, it is clear that Ernst & Young has implemented its strategies using the balanced score card. For Ernst & Young to implement its strategies using the balanced score card effectively, it is recommended that all staff should be involved in strategy development (formulation) and balanced score card development stage. Non-involvement of all staff may be the reason why documented strategies and the balanced score card are not fully implemented.

It is important therefore to note that separation of strategy development and implementation may lead to a situation where critical issues may be left out of consideration during formulation stage. In order to correct the situation, the organization should involve its staff in the formulation of its strategies and the balanced score card. The organization should also ensure that the staff discuss the strategies already formulated and the balanced score card developed, for them to own the process.

Ernst & Young should come up with an effective documented reward policy with reward structure linked explicitly and tightly to actual strategic performance and communicated to all staff. Decisions on salary increases, promotions and on who gets which key assignments and on the ways and means of awarding praise and recognition should be the organization's foremost attention getting, commitment generation devices. Also, staff should see how their careers can be advanced by involvement in implementation efforts.

A comprehensive Ernst & Young research policy needs to be put in place to further quality and relevant research for the fulfillment of the organization's strategies. The organization should establish a research

department that carries out more research work on strategy and implementation aspects such as between strategy and balanced score card, strategy and culture among others. This is because, all the strategy supportive aspects of an organization are critical and must be aligned with the strategy of an organization to experience successful strategy implementation hence consequential sustainability and prosperity of the organization. The organization should also link strategy to budgets and the budget should be used as a tool for control and resource allocation.

It is evident that the organization has been experiencing internet connectivity problems. It is recommended that the organization should source for adequate reliable resources. A reliable Internet Service Provider (ISP) should be sourced. The organization should thus formulate financial plans and policies that will enable the organization sufficient funding to support better Information Technology systems geared towards efficient implementation of strategies using the balanced score card.

The study reviewed that employee training undertaken does not effectively enhance strategy implementation. For Ernst & Young to successfully implement its strategies, it is recommended that all its trainings should be geared towards strategy implementation. There is therefore need to set out training objective to ensure that the training is appropriate. Where possible, training should be tied to specific targets. Finally, the organization needs to review periodically whether strategy milestones are being achieved.

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FACTORS THAT INFLUENCE CONSUMER PREFERENCE OF TELEVISION STATIONS BY PUBLIC PRIMARY SCHOOL TEACHERS IN LANGATA DIVISION, NAIROBI

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The purpose of the study was to determine the preferred television stations, and factors that influence consumer preference of television stations. The study was a cross sectional survey undertaken among the public primary school teachers in Langata Division. A sample of 56 public primary school teachers was surveyed. A questionnaires was used to collect the data. The data were annalyzed using descriptive statistics.The study results reviewed that the Citizen TV was preferred by majority of the teachers. The study further found that news coverage, the type of programs aired, TV station presenters, and quality of reception of the TV station signal were the major factors that influence preference of Television stations by public primary school teachers in Langata Division. The study recommends that the government should encourage and reinforce production and airing of local programs by television stations and also reinforce and encourage media houses in news coverage. It further recommends that more vetting should be done for programs before airing them to determine the appropriate target audience and to ensure their relevance in meeting the viewers' needs.

Key words: television stations, Public primary school, teacher preference

INTRODUCTION

The liberalization of airwaves in Kenya in the 1990s by the Communication Commission of Kenya (CCK) has led to the emergency of many television stations that are competing for viewership. Consequently, the viewers in Nairobi are exposed to different stations ranging from free-to-air stations such as state owned Kenya Broadcasting Corporation (KBC) to Pay TV stations (e.g. DSTV)

The existence of alternatives demands preference and choice of television stations based on the viewers unique and diverse needs. The viewer decision making process is influenced by both internal and external factors that can be measured by the viewer's

choice of channels, programs and the number of repeat visits or the level of awareness. By measuring the factors that influence viewer's preferences, television stations can develop marketing strategies that are responsive to customer's needs and wants thus gaining a competitive advantage.

Companies are interested in knowing about consumer preference toward their products because attitudes influence consumers' purchase and consumption intentions. Although a consumer may have a favorable attitude toward a product, it does not necessarily translate into purchase behavior. This is because liking one product does not preclude the possibility that another product is liked even more. For this reason attitudes are sometimes measured in form of preferences. Preferences represent attitude toward one object in relation to another

The growth of Television industry has led to emergence of several private and public television stations, growing from a mere 2 Television Stations in 1990 to the current 54.

Past research has not been able to clearly determine those factors. For instance, Mwaba, (2008) sought to establish media consumer market segmentation practices used by television stations in Kenya but the study did not establish the factors that influence viewers' decision making in preference of a Television station. On the other hand, Mwabu (2009) surveyed viewers' perceived quality of Television stations in Kenya but apart from perceived quality there are other factors that influence preference of one television station to another. Surveys of factors that determine preference of products and services in other areas have been done; for example Muriuki, (2003) surveyed the factors that determine architects preference for roofing material in Nairobi but the current researcher is not aware of any study that has been carried out to establish the factors that influence preference of television stations by public primary school teachers in Nairobi. This study therefore sought to determine the factors that influence consumer preference of television stations . The objectives of the study were:

i. To determine the television stations preferred by public primary school teachers in Langata Division, Nairobi, and
ii. To determine the factors that influence consumer preference of television stations

THEORETICAL FRAMEWORK

Marketing theory suggests that understanding consumer behaviour is the first step in identifying those stimuli that affect the decision-making process. Solomon et al (2010), defines consumer behaviour as the study of the processes involved when individuals or groups select, purchase, use or dispose of products services ideas or experiences to satisfy needs and desires. It is concerned with how individuals make their decisions to spend their available resources like time, money and effort on consumption related items. It includes of what they want to buy why they want to buy it, when they buy it, where they buy it and how often they buy. Consumer behavior provides a conceptual framework for carrying out consumer segmentation (Schiffman and Kanuk, 2009). By analyzing

consumers' characteristics and decision processes, marketers develop strategies to influence the choices consumers make and thus gaining a competitive advantage in the market place.

The decision involved in the development of preference for and choice of an object will vary depending on the complexity of the needs and the alternative means of satisfying them. When the decision process is especially detailed and rigorous, extended problem solving then occurs. For instance when the consumer is faced with the problem of whether to buy a new colour television set or to send the old black and white set out for repair - regardless of the particular situation - the conflict may be considerable. Consumers are open to information from various sources and are motivated to undertake the effort required in making "the right choice". The process of analysis and reflection however does not cease after purchase and use (Blackwell, 2009).

In most situations consumers have neither the time, the resources, nor the motivation to engage in extensive problem solving. For example, the decision to watch either Citizen Television or Nation-TV is a limited conflict situation. This is because the viewer is not under any obligation to watch any particular channel or any particular programme. He is on his own and, therefore, decides whether to watch channel 'A' or Channel "B" depending on his perceived instrumentality. This implies that any TV station that offers—quality pictures and interesting programmes, other things being equal, is more likely to have more viewers. The above mentioned problem solving modes involve some degree of information search and deliberation. On the other hand habitual decision making choices are made with little or no conscious effort. (Solomon et al 2010). At this level consumers have experience with the product category and a well established set of criteria with which to evaluate brands they are considering. In some situation they may search for a small amount of additional information; in others they simply review what they already know (Schiffman and Kanuk 2009).

Human choice behavior is a complex and dynamic process. A consumer buying behavior is influenced by many factors. These may include cultural, social, personal and psychological ones (Kotler ,2003). Cultural factors include culture, subculture, and social class. Culture is the most important determinant factor of a person's wants and behavior. Preferences, values, perceptions and behavior are acquired through a person's family and other key institutions. Each culture consists of smaller subcultures that provide more specific identification and socialization for their members. Subcultures include nationalities, religions racial groups and geographic regions. Social classes are divisions within the society that are composed of individuals sharing similar values, interests and behavior. Social economic status differences may lead to different forms of consumer behavior.

In addition to cultural factors a consumer's behavior is influenced by such social factors as reference groups, family and social roles and statuses. A person's reference group consists of all groups that have a direct or indirect influence on the person's attitudes

or behavior (Kotler, 2003). Consumer behavior is often affected by those with whom he or she closely associates. This is referred to as personal influence. Consumers often respond to perceived pressure to conform to the norms and the expectations provided by others – seeking and taking their counsel on buying choices, observing what others are doing, as information about consumption choices and comparing their decisions to those of others (Blackwell 2006). Another important social factor is the family. Its members constitute the most influential primary reference group. It is the primary decision making unit with a complex and varying pattern of roles and functions (Kotler 2003). A third social factor relates to an individual's position in each group, defined in terms of roles and statuses. This shows that people choose products that communicate roles and statuses in society.

A buyer's decisions are also influenced by personal characteristics. They include the buyer's age and stage in life cycle. Consumption is shaped by family life cycle. Different lifecycles have different financial situations and different product and services interests. Occupation and economic circumstances is another category of personal factors that influences a person's consumption (Kotler, 2003). Product choice is greatly affected by economic circumstances: spendable income (level, stability and time pattern) savings and assets debts, borrowing power and attitude towards borrowing and saving. Lifestyle is also another personal characteristic that influences a buyer's decision. People from the same subculture, social class and occupation may lead quite different lifestyle. A lifestyle is a person's pattern of living in the world as expressed in activities interests and opinions. Lifestyles portray the "whole person" interacting with his or her environment.

People's choices are also influenced by four major psychological factors - motivation perception, learning and beliefs and attitudes. Kanuk (2009) defines motivation as the driving force within individuals that that impels them to action. This driving force is produced by state of tension which exists as a result of unfulfilled need. Some are innate and others are acquired. The satisfiers of these needs will make a major difference as to which brands or services a consumer chooses or prefers. A motivated person is ready to act. How the motivated person actually acts is influenced by his or her perception of the situation. People have different perceptions of the same object and which also influences the choices and preferences that they make for products and services. The third psychological factor is learning. When people act they learn. Learning involves changes in an individual behavior arising from experience. Most human behavior including choice and preferences of products and services is learned. Through doing and learning, people acquire beliefs and attitudes. These are the fourth psychological factors that influence buying behavior. These beliefs make up product and brand images and people act on their images. Attitudes lead people to behave in a fairly consistent way toward similar objects. Depending on the attitudes towards each of the brand, the

consumer forms preferences. Consumer decision making is also influenced by situational influences such as social and physical surroundings, temporal effect such as time of the day and the amount of time available and antecedent states which includes consumer's mood when a decision is being made. Marketing communication programs such as advertising, promotion, public relations publicity and direct marketing are used by marketers to reinforce choice and preference decisions of a consumer.

Gutman's (1978) mode of media exposure, presumes that persons select specific types of programmes to meet different specific needs. Entertainment may be associated with emotional and diversionary needs while public affairs programmes may be identified with information and activism needs however most programs overlap. A programme classified as information may at the same time be both educational and entertaining. Researchers in the past had dichotomized TV programmes into information and entertainment (Barwise, et al 1981). The information provided by television is obtained first and foremost through news programmes. All of the viewer categories in almost all of the member states watch the television news. Indeed for some individuals, who do not read the press and do not listen to radio news, television is the only source of regular information on current affairs. In a study by Barwise et al (1981), information programmes had smaller audience but higher appreciation scores than entertainment programmes. They interpreted this to mean that the more demanding a programme is the more interesting and/or enjoyable it has to be before people will watch it.

Research into program choice falls into two schools of thought: program choice is related to content, or program choice is related to program scheduling (Webster and Wakshlag, 1983). 'Models of choice' hold implicit assumption that program choice is a function of individual preferences as TV is a 'free-good' and is an 'active' decision by viewers. Other views suggest that, Channel choice is influenced by audience duplication: if two programs are of the same general type, people who like to watch a program genre are likely to watch both programs. Audience duplication is the theory that people who watch Program A will watch Program B regardless of channel or time (Webster, 1985). This presupposes that viewers who like a programme of a particular type must like all other programmes of the same type. However, Webster (1985) established that programme choice is affected by programme scheduling characteristics in terms of timing and duration.

Inheritance effects are important variables in programme scheduling. These describe the tendency of people who watch one program on a given network to stay tuned to the next." If the lead-in program has a big rating, it confers an advantage on the following program. Conversely, if the first show has a small audience, it handicaps its successor (Eastman & Ferguson, 2006; Webster 1985). Webster (1985) further argued that the general phenomenon of adjacent program audience duplication was,

in the first instance, the result of audience availability. That is, programs scheduled back-to-back were likely to enjoy high levels of duplication simply because the same people tended to be available (i.e., watching TV) in adjacent time periods. Thus programming and scheduling are important variables for predicting choice and behaviour.

Preference for programs is also based on the language of programming. Media environments in non-English speaking societies mix both local and foreign productions and channels. Foreign programs require local viewers to negotiate the cultural differences between the texts produced abroad and their own lives. Local programs are also more likely to cater to local taste and touch on issues and themes more relevant to viewers' lives (Liebes and Katz, 1990). Thus, there is reason to believe that in a multicultural society like Kenya, language may play a pivotal role in the choices of television programs. Mwanzia (2009), notes that a lot of foreign content on Television (which is primarily English) is slowly losing relevance with the audiences in East Africa. He further notes that local productions are having a positive impact on their audience level and stations that air local programs before and after prime time news have high viewership.

Channel loyalty is another factor that influences television station's choice. Goodhardt et al., (1987) defines channel loyalty as the extent to which viewers tend to view programs from one channel rather than distributing their viewing time equally among different channels. Investigations of overall television viewing patterns have found that viewers tend to be loyal to specific channels and programs (Webster & Washklag, 1983; Zubayr, 1999), and have come up with mixed results on the importance of content to viewers' choices. It has generally been assumed that viewers' loyalty to any single channel decreases with the availability of more channels and the availability of remote control devices (RCDs), which make channel switching easier. However, despite the large number of channels, viewers tend to limit their choices to a rather small number of channels ((Neuendorf, Jefferes, & Atkin, 1999). If channels succeed in appealing to the tastes of specific groups, this implies that a viewer watching a show on a given channel is more likely to view other programs on the same channel.

Weaver (1991) notes that there is a considerable correspondence between personality characteristics and media preferences in a study carried out on personality and individual differences. For example, respondents scoring high on neuroticism expressed a strong preference for information/news television programs and “downbeat” music while tending to avoid more lighthearted comedy and action/adventure fare. Those scoring high on psychoticism, on the other hand, evidenced significantly less interest in comedy offerings but displayed a strong preference for graphically violent horror movies. Cohen (2002) in his study established that the viewer's mood towards the programme affects his attitude towards the commercials.

He identified, happiness, presenter, timing, educational and spiritual – in order of importance as reason for programme preferences.

METHODOLOGY AND RESULTS

This study adopted a descriptive survey research design. The population for this study comprised all public primary school teachers in Langata Division. Four teachers including the head teacher or the deputy were selected from each school. Thus the total number of teachers surveyed was 56, out of the total 329 primary school teachers in Langata Division. A semi structured questionnaire was used to collect data. Data was analyzed using descriptive statistics such as the frequencies, mean and the standard deviations. Forty two questionnaires were returned duly filled-in by the respondents, giving a response rate of 75%.

The study findings revealed that close to 62% of the respondents watched TV for between 30 minutes and two, while 9% watched TV for less than 30 minutes.

The study sought to establish the factors that influence the respondents' preference of television stations. The pertinent results are presented in the Table 1.

Table 1: Factors that influence Respondents' Preference of TV Station

	No extent	Small extent	Moderate extent	Large extent	Very large extent	Mean	Std Dev
TV station overall image	0	1*	9	28	4	3.8**	.62
Clear reception of the TV station signals	0	3	11	16	12	3.9	.92
TV station History/Heritage	2	7	14	18	1	3.2	.92
News coverage	0	2	0	18	21	4.4	.74
Types of programmes aired	0	2	7	17	16	4.1	.86
TV station programme schedule	1	3	12	19	7	3.7	.93
TV station presenters	0	1	8	23	10	4.0	.73
Viewers' role and status in the society	1		10	21	3	3.4	.94
Family/friends/colleagues influence	2	12	10	18	0	3.0	.96
Need to get entertained	0	2	7	26	7	3.9	.73
Need to be informed	0	2	1	18	21	4.4	.76
TV stations marketing programmes e.g. advertisement, promotions public relations	3	4	8	16	11	3.7	1.18

*Cell figures represent actual number of respondents
**Mean is based on a 5-point scale

As indicated in Table 1, all the factors studies had above average scores, the highest being that of news coverage and need to be informed, both with a mean of 4.4. This suggests that viewers are highly influenced by how well a station covers News, the type of program it airs as well as its presenters. How well viewers receive a stations' signal i.e. clear pictures and the need to get entertained also emerged as major factors that influence preference of Television stations.

The respondents had further been asked to indicate the perceived importance of the TV programs. Their responses are summarized in table 2.

Table 2: Level of importance of TV Programs

	Least important	**Less important**	**Important**	**More important**	**Most important**	**Mean**	Std dev
Entertainment programmes, Comedies, music and drama	0	4	4	15	19	4.2	0.96
Current affairs programmes, e.g News	3	2	4	11	22	4.1	1.21
Educational programmes e.g. documentaries	3	6	13	12	8	3.4	1.17
Sports programmes	9	4	10	12	7	3.1	1.39
Inspirational/ Spiritual programs	6	2	13	9	12	3.5	1.35

From the findings, entertainment programmes, had a mean of 4.2 with a standard deviation of 0.96 and Current affairs programmes, e.g. News had a mean of 4.1 with a standard deviation of 1.21. This can be interpreted to mean that viewers have a high appreciation for entertainment and information programs such as News. They may therefore prefer television stations that offer programs that meet their need of being informed and entertained.

The study sought to determine the TV station which aired the most important category of programs according to the respondents. The study results are presented in Table 3.

Table 3: TV Station with most important Programs

TV Station	Frequency	Percent
Citizen	24	57.1
NTV	11	26.2
KTN	6	14.3
No response	1	2.4
Total (N)	**42**	**100.0**

As depicted in table 3 more than half (57.1%) of the respondents stated that Citizen TV aired their most important programs,This depicts that Citizen TV airs entertainment and current affairs programs which were identified as the most important types of programs to the viewers.

The study also sought to determine the factors that influence respondents' preferences of programs aired on TV Stations. Respondents had been asked to state the extent to which selected factors influenced their preference, based on a 5 point likert-type scale, with 1 indicating Not at all, and 5 very great extent, The relevant results are presented in Table 4.

Table 4: Factors that influence Choice of Aired Programs

	Not at all	Small Extent	Moderate Extent	Great extent	Very Great Extent	Means	Std dev
Awareness of the programs	0	3	13	17	9	3.8	0.88
Language of the programs	0	1	5	26	10	4.1	0.68
Viewers interactivity with the channel during the program	3	4	13	15	7	3.5	1.11
Timing of the program	2	0	18	15	7	3.6	0.94
Duration of the program	0	7	10	21	4	3.5	0.89
Number of the commercial breaks in the program	8	13	7	10	4	3.9	0.91
presenter of the program	1	2	4	22	12	4.0	0.91
Content of the program	1	1	4	16	20	4.3	0.91
Quality of the program	1	0	5	17	19	4.3	0.86
Preference of the family/groups	2	5	8	22	5	3.5	1.02

According to the figures in Table 4, content of the program and quality of the program both had a mean of 4.3 with standard deviations of 0.91 and 0.86 respectively, language of the programs had a mean of 4.1 with a standard deviation of 0.68, and presenter of the program had a mean of 4.0 with a standard deviation of 0.91. This may be interpreted to mean that viewers' preference and choice of programs is highly influenced by the content, quality, language and the presenter of the program in that order

The respondents were further required rate the TV Stations based on various factors. The results are given in Table 5.

Table 5: Rating of the TV Stations by the respondents

	Citizen	KTN	KBC	NTV
TV station overall image	2.9 (1)	2.7 (3)	1.4 (4)	2.9 (1)
Clear picture (reception of the TV station signals)	2.8 (2)	3.0 (1)	1.9 (4)	2.8 (2)
TV station presenters	3.1 (1)	3.0 (2)	1.7 (4)	3.0 (2)
News coverage and presentation	3.1 (1)	2.9 (3)	1.7 (4)	3.0 (2)
Viewers interactivity with the channel during the program	3.0 (1)	2.6 (3)	1.7 (4)	2.9 (2)
Program Schedule e.g. timing of the programs, programs line up	3.2 (1)	2.5 (3)	2.0 (4)	2.9 (2)
Variety of the programs	3.1 (1)	2.4 (3)	1.9 (4)	3.1 (1)
Local programs	3.4 (1)	2.1 (4)	2.4 (2)	2.2 (3)
Current affairs programs	3.0 (1)	2.5 (3)	2.1 (4)	3.0 (1)
Entertainment programs	3.2 (1)	2.1 (3)	1.9 (4)	2.7 (2)
Educational programs	3.1 (1)	2.3 (3)	2.2 (4)	2.6 (2)
Sports programs	2.6 (3)	2.7 (2)	2.3 (4)	2.8 (1)
Quality of the program	4.0 (1)	2.5 (3)	2.1 (4)	2.8 (2)
Corporate social responsibility (how the station gives back to the community)	2.9 (1)	2.5 (3)	2.1 (4)	2.9 (1)
Overall mean	3.1(1)	2.6 (3)	2.0 (4)	2.8 (2)

From the results in Table 5, Citizen TV was ranked as the overall preferred television station with a mean of 3.1 . It was also rated the best in such factors as, it's presenters, it's News coverage, program schedule and in airing quality and local Programs. NTV was ranked second overall preferred station with a mean of 2.8 but was rated first in sports programs which had a mean of 2.8. KTN was ranked third overall preferred station and had a mean of 2.6 but was rated first in clear pictures with a mean of 3.0

The respondents were finally required to state why they preferred the channel that they had chosen as favorite. They gave clear reception, clear and competent newscaster, bringing up to date news and having

comprehensive news coverage, many local programs and having programs that are suitable for the whole family watching as reasons why these station are favorite to them. In addition, good color background, encouraging public views on some matters in their news, and educative and entertaining programs were also cited as their catching bait.

DISCUSSION

This study has been able to establish very important aspects about TV viewing. This study shows that majority of the teachers preferred Citizen TV to other stations. The study has illustrated that their preferred stations had remained favorite to them for more than 3 years, indicating that the respondent were well conversant with their favorite stations and the factors that influenced their preferences had remained constant for a period of at least three years.

Some of the factors that the study has identified as being important in influencing teachers' preference of television stations include; News coverage, the types of programs that the station airs, the television station presenters as well as the needs of the viewers. The depth, width and presentation of news highly influence viewers' preference of television stations. In addition, the viewers identified current affairs programs which include news as their most important type of program .The Citizen TV which was ranked first in news coverage also emerged as the most preferred station. This leads to a conclusion that news coverage by a station drive preference and choice of viewers.

The research also established that the programs that a station airs highly influence the choice and preference of television stations by public primary school teachers. This study established that program choice is related to content as opposed to programs scheduling. Majority of viewers watched programs of the same general type regardless of the station that they aired. The respondents preferred local Programs to foreign programs based on the language of programs, tastes and issues that are relevant to the viewers' lives. Quality and variety of programs were also found to be as important factors in choice of programs and stations to watch. Citizen TV was rated highly on the above mentioned factors in programming and it also emerged as the most preferred television station and thus a conclusion can be drawn that the type, content, quality and language of the programs aired on a television station are important factors that influence choice and preference of television stations.

Further, the study found that TV stations presenters also influence preference of viewers. Presenters' maturity, image, and competence also carry the image of a television station. This emerged as an important factor to public primary teachers , majority of who are in the age category of between 40 – 50 years. The station that had presenters who were rated highly was also ranked as the most preferred station. Other factors that emerged as important in influencing preference television stations include; clear reception of TV station signal, television stations overall image, corporate social responsibilities of television stations as well as the viewers need to get entertained and informed.

CONCLUSION

The study sought to establish the preferred television station by the public primary school teachers in Langata division, Nairobi. To this objective the study found out that Citizen TV was preferred by majority of the teachers. The research also aimed at determining factors that influence consumer preference of TV stations. The study revealed that news coverage, types of programs aired, TV station presenters, and clear reception of the TV station signals influence preference of TV station. In addition the viewer's need to get entertained, TV station overall image, TV station programs schedule, and TV stations marketing programs are other factors that influence the same. The research found out that role and status of the respondent in the society, TV station History/Heritage and family/friends/colleagues influences the choice of TV stations as well.

IMPLICATIONS ON POLICY AND PRACTICE

From the finding of this study, it is recommended that; the government should encourage and reinforce production and airing of local programs by television stations in Kenya. In this regard policies need to be formulated on the ratio of local and foreign programs that should aired by television stations in a given period of time. The study further recommends that more vetting should be done for programs before airing them to determine the audience and to ensure their relevance in meeting the viewers' needs. The study also recommends that the Government reinforces and encourage media houses in news coverage as this has been identified as one of the most important need of the viewers. Television stations are also recommended to improve in their news coverage as this contributes to stations gaining competitive advantage. They are further recommended to have TV presenters who communicate the TV station's image since choice and preference of Television stations is highly driven by TV stations presenters.

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FACTORS AFFECTING CAREER ADVANCEMENT

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Career advancement prospects rank high in the order of importance to every enthusiastic person when they enter a profession. This is so because the new entrant may be looking for upward mobility in his/her chosen profession or career. Opportunities for career advancement must be sought for and be known, or explained to, such new staff. To some personnel, the future prospects available for job mobility must be seriously examined at the beginning. Career advancement is affected by the following factors: Job performance; Contextual performance; Gender; Characteristics of human capital; Mentors, networking and commitment to development; Commitment to career development and career orientations; Satisfaction with the psychological contract; Selection criteria and methods; Organizational technology; Human resource planning; Organizational restructuring. Career plateau which involves employees stagnating temporarily or permanently in their careers is a serious career management problem that many employees are facing. This not only affects individual employees in terms of reduced morale, but organizations as well due to decline in productivity. Does the severity of this problem depend on gender or age of the employees? Future researchers can consider establishing if there is a relationship between biographical variables and severity of career plateau problem.

Key words: Career, Career advancement, Career mobility

INTRODUCTION

Callanan and Greenhaus (1999) noted that a career is normally defined as a pattern of work experiences spanning the course of a person's life and is usually perceived in terms of a series of stages reflecting the "passage" from one life phase to another. As Hall (1996) notes, a career is a series of upward movements with increasing income, power, status and security, but it has become a relic of the past. As a result, new types of career contracts have emerged, such as career resilience (Waterman, Waterman and Collard., 1994), the boundary less career (Kotter, 1995; Arthur and Rousseau, 1996), the post-corporate career (Peiper and Baruch, 1997) and the protean career (Hall and Moss, 1998). These new perspectives on career issues are interrelated. They all seek to bridge the gap between traditional career concepts, which emphasize stability, hierarchy and clearly defined job positions for career progression, and contemporary

concepts, which emphasize the continuous adaptation of the organization and careers to a competitive environment.

A career can be seen as having two components: an employee's objective participation in work and his or her subjective commitment (Pulkkinen, Ohranen and Tolvanen, 1999). Career advancement is a key goal for many employees and is a contributory factor that helps enhance the level of satisfaction with one's subjective work life. Conversely, lack of promotion can have various negative effects on both employees and the organization; for example, work satisfaction or organizational commitment will decrease if the promotion path is blocked (Leung, 2004). However, moving towards the top is usually very difficult within the corporate hierarchy because promotion itself is ambiguous and subjective in nature. In particular, trends in the changing workplace have created new employment practices that have implications for career advancement. Company restructuring, early retirement, buyouts and the growing use of short-term contracts have led employees to fear that career opportunities will no longer be available (Leung and Chang, 2002).

Career advancement prospects rank high in the order of importance to every enthusiastic person when they enter a profession. This is so because the new entrant may be looking for upward mobility in his/her chosen profession or career. Opportunities for career advancement must be sought for and be known, or explained to, such new staff. To some personnel, the future prospects available for job mobility must be seriously examined at the beginning.

Edem (1999) posits that career development means the knowledge and understanding of choices and decisions made at the employee's entry into a profession. Career information is significant and contributes to the understanding of individual differences among employees, their motivations and the influence of numerous variables on job satisfaction and productivity. Furthermore, career information enhances career advancement prospects in that it furnishes human resources personnel with knowledge about employee's skills, aptitudes and abilities, which are essential components of job selection and training decisions. Edem (1999) further argues that career advancement prospects, if made known to new employees, assist them in meeting their developmental needs and aspirations, as well as realizing their optimal potential. The literature on personnel psychology and management science indicates that lack of career advancement prospects is frequently indicated as a strong reason for some personnel to dislike their job. Furthermore, it has been stressed that if career advancements are mentioned and the criteria stressed to newly employed staff, this could act as a major contributor to job satisfaction. In some developed countries such as the UK and the USA, college and university graduates are quickly exposed to the promotional opportunities available in some careers. Consequently, many young bright and ambitious graduates select their jobs largely because they think that they will

have a good opportunity for career advancement.

Drucker (1991: pp 236) noted that "happy workers are efficient and productive workers". One can then assume that if employees are happy and satisfied with issues involving their career advancement prospects, they will become productive in terms of discharging their duties. Studies have been carried out on the career advancement prospects of workers especially in developed countries, but few have been conducted in Africa, and Kenya in particular.

Career advancement can be taken to mean one or more of the following: an increase in the scope or level of responsibility, greater authority, a raise in salary and/or an increase in benefits, and a move to a higher level within a hierarchical structure (Whitely, Dougherty, and Dreher, 1991). There are many factors that may facilitate or impede one's career prospects, which can be broadly divided into two main groups: situational attributes and personal
attributes (Tharenou, Latimer and Conroy, 1994). Situational attributes refer to organizational and job features. Career advancement is influenced by the type of job, the importance of the job to the organization and the amount of power attached to the job (Melamed, 1995). Futher, personal attributes (e.g. education, ability and work experience) refer to job-relevant human capital, which fosters the pace and thoroughness of job-related knowledge and enhances innovation and the quality of priority setting when dealing with novel situations.

Leung (2004) contends that various rationales have been put forward to explain differences in career advancement. One set of explanations focuses on human-capital attributes such as education, seniority, training and work experience. For example, educational attainment is a key determinant of access to high-paying and high-status jobs. Human-capital explanations suggest that differences in career advancement can be remedied by enlarging individuals' developmental opportunities. In fact, much research has shown that developmental experiences in employees' earlier career lives are vital contributors to their subsequent success as employees are provided with an environment in which they can learn by doing (Nabi, 2000; Van Velsor et al., 1998). Assignments contribute to skills and knowledge enhancement, including international responsibilities, negotiation roles, managing multiple functions and key business units (Ohlott, 1998). Such job experiences not only lead individuals to be more dynamic and adaptive, but also develop their capacity and confidence to deal with more senior responsibilities (Northcraft, Griffith and Shalley, 1992). The means for obtaining a better job within organizations are limited. Scarcity of positions at higher levels and resources for development generate keen competition among members of an organization (Leung, 2004). Callanan and Greenhaus (1999) defined organizational career advancement as an objective assessment of an employee's career movement, either via hierarchical advancement or horizontal mobility. They further argued that an employee is

considered to have a consistent and fair opportunity either to move higher in the organizational hierarchy or to move to other functional areas within the firm to gain broad-based experience for developmental purposes).

Career mobility is defined as “the movement employees experience among organizational roles” (Vardi, 1980: pp 347). This movement is comprised of several dimensions such as amount, rate, direction, and initiator of mobility (Vardi, 1980), as well as change in monetary rewards (Judge and Bretz, 1994). The amount of organizational career mobility refers to the overall number of inter-job mobility cases. The direction of organizational career mobility refers to both the horizontal and vertical patterns. Horizontal mobility is defined as job changes that occur at any given level and that do not require considerable change in organizational or occupational responsibilities, while vertical mobility refers to those movements up the managerial or occupational ladder (job changes) that are accompanied by considerable changes in the individual's organizational or occupational responsibilities (Vardi, 1980).

Lazear (1999) noted that career advancement implies a dynamic process. Perception of career success is determined by not only the absolute level of current career attainments, but also the scale and pace of recent career advancements. Career success is constantly evaluated based on recent events of upward mobility, turnover propensity also evolves over time. A significant salary increase indicates the recognition of an employee's job performance; similarly, an employee's status advancement based on promotion implies his/her supervisor's favorable selection. A large salary increment and a timely promotion also signal that an employee may be better suited to the current organization with organization-specific skills and training than to other employers. In contrast, slow upward mobility, such as a small salary increase or a halt in promotion, suggests that an employee may have reached the peak of career development. Such a gloomy picture can drive an employee to pursue more favorable external job alternatives. Stagnant career advancement may also present a negative shock and precipitate an individual's withdrawal decision.

Stagnant career advancement in salary and status often has strong negative implications in the organizational context. On many occasions, career success is not self-referent according to individual inspiration, but defined by comparison with one's peers or colleagues (Heslin, 2005). Given a shared perception of the career timetable among employees within an organization (Lawrence, 1990), lagging behind the expected timetable in career advancement may trigger an employee's feeling of “relative deprivation” (Crosby, 1984). Moreover, in the eyes of an employee, career advancement below expectations can discredit organizational justice (Greenberg, 1990). This likely exacerbates an employee's dissatisfaction with his/her supervisor, which exerts a strong influence on withdrawal cognition (Aquino, Griffeth and Allen, 1997).

FACTORS AFFECTING CAREER ADVANCEMENT

Based on review of empirical studies and theoretical literature, career advancement is affected by the following factors: Job performance; contextual performance; gender; characteristics of human capital; mentors, networking and commitment to development; commitment to career development and career orientations; satisfaction with the psychological contract; selection criteria and methods; organizational technology; human resource planning; organizational restructuring.

Job performance

Organizations approach promotion decisions as a mechanism to grant positive feedback and remuneration for high job performance. Promotion is a key driver for employees to achieve better performance (Campion, Cheraskin and Stevens, 1994). To a large extent, the work outcomes of an employee determine her/his promotion path within the organization. Human resource management policies often emphasize attainments in organizations.

For employees who have already accumulated some experience within their organization, it is less difficult to identify the signals according to which an organization may make a promotion decision. One of the key signals is how well an employee has been performing her/his job. Performance rating plays a major role in the promotion decision process (Greenhaus and Parasuraman, 1993). Evidence shows that employees, who are appreciated for their achievements at work, enjoy relatively high organizational career advancement. Schaubroeck and Lam (2002) found a moderate correlation between job performance and promotion decision in two different countries: Hong Kong (r=0.48) and the USA (r=0.44). Igbaria and Baroudi (1995) found that information system employees who received higher performance ratings have better chances for advancement within their organization.

Job performance should indeed be a basis for promotion decisions, because this form of reward reinforces good performance, where the employee is motivated to maintain the good performance or even improve. This also sends a message to the non-performers, who clearly see the link between performance and promotion, hence this serves as a wake-up call for them. However, Greenhaus and Parasuraman (1993) have not taken note of the bias and errors that are associated with performance appraisal exercise. There can be a high degree of subjectivity if promotion decisions are based on job performance due to the subjective nature of performance appraisal. Ivancevich (2007) argues that subjective bias and favouritism are real problems that create opposition to most performance appraisal systems. Even if the system is well designed, problems can arise if the raters (usually supervisors) are not cooperative and well trained. Inadequate training of raters can lead to a series of problems in performance evaluations, which include: problems with standards of evaluation, central-tendency error, contrast effects, recency error, leniency and strictness errors, hallo error and many others. Personal bias can also make the exercise erroneous. In

order for job performance to serve as a basis for promotion decisions, performance should be measured with a high degree of objectivity. The raters should be properly trained, especially on the various types of errors, the performance appraisal instruments should be properly designed and the assessment criteria should be clear among all the raters. Ivancevich (2007) further contends that, for the evaluation system to work well, the employees must understand it and feel that it is a fair way to evaluate performance. They must believe that the system is used correctly for making decisions concerning pay increases and promotions. The system should also be implemented in a way that fully informs employees about how it is going to be used. It is also important that all the factors that can interfere with an employee's performance be considered, and if possible controlled in order to ensure that some employees do not have advantage over others.

Contextual performance

Despite the importance of job performance in promotion decisions, contextual performance may also play a significant role. Contextual performance is a broad term used to define discretionary activities and behaviors that go beyond the formal requirements of a job task (Motowidlo, Borman and Schmit, 1997**;** Motowidlo and Van Scotter, 1994). One major form of contextual performance is organizational citizenship behavior (Chen, Hui and Sego, 1998), which is defined as an informal practice or an extra-role behavior that goes beyond formal role requirements (Smith,, Organ and Near, 1983**;** Organ, 1988). Organizational citizenship behavior has received considerable research attention over the past decade (see for example, Podsakoff, MacKenzie, Paine and Bachrach, 2000).

A study conducted by Carmeli, Shalom and Weisberg (2007) examined the relationship between two forms of organizational citizenship behavior (altruism and compliance) and career advancement. In addition, they examined the implications of working overtime for organizational career advancement. The study found that employees who were promoted in their organization exhibited low absenteeism and lateness, had a greater tendency to work overtime, and performed their jobs better than those who had not earned a promotion. This clearly signals that although managers tend to show that they rely on job performance as a key assessment tool, they also consider behaviors such as absenteeism, lateness and overtime.

Scholars have argued that organizational citizenship behavior has a role in the enhancement of organizational effectiveness (e.g. George and Bettenhausen, 1990**;** Karambayya, 1990**;** MacKenzie *et al.*, 1991**,** 1993**;** Organ, 1998**;** Podsakoff *et al.*, 1997**;** Podsakoff and MacKenzie, 1994**,** 1997). This relationship between organizational citizenship behavior and organizational performance can take various forms: enhancing co-worker and managerial productivity, freeing the management from work-related problems so that it may focus on more productive tasks; directing scarce resources to purely maintenance functions,

serving as an effective tool in coordinating activities between team members and among work groups; providing a more pleasant work environment that improves the organization's ability to attract and retain the best people; enhancing the sustainability of the organization's performance, and improving the organization's adaptability to its environment (Podsakoff and MacKenzie,1997).

Scholars such as Motowidlo *et al.* (1997) and Motowidlo and Van Scotter (1994) have argued that contextual performance, which refers to discretionary activities and behaviors that go beyond the formal requirements of a job task, should guide promotion decisions. In as much as these behaviors enhance organizational effectiveness, the organization itself is a major determinant of these behaviors. The organization has to play its part by ensuring that employees are comfortable and their welfare taken care of.

The question is, if most of the employees strived to do “things that are right and proper,” would there be enough promotional opportunities for all these employees?

Since different employees would do different things that are perceived as right and proper, which behaviors would be considered, and which ones would be left out?

For contextual performance to be considered in making promotion decisions, the behaviors that are perceived as right and proper should be well documented and communicated to all employees, so as to give all employees an equal chance of promotion, as long as they exhibit the desired behaviors. There should also be different forms of reward other than promotion because upward mobility is not possible for most employees. There are limited positions as one goes up the corporate ladder.

Gender stereotypes

According to Straub (2007) women's participation in the paid workforce is one of the most significant social changes of the last century. Women have made noteworthy advances in management, which used to be a largely male preserve (Powell, 1999). Even so, women have not made inroads into the higher levels of corporate power (Davidson and Burke, 2000**;** McGregor, 2002**;** Vinnicombe, 2000). Studies in various countries such as Norway (Hoel, 2002), the USA (Catalyst, 2000, 2003, 2004), Canada, Australia and New Zealand (Burke and Mattis, 2000) and the UK (Singh and Vinnicombe, 2003) monitor the presence of women in executive positions and reveal that the lack of women at the top of large companies is a global phenomenon. Surveys indicate that gender is still a common barrier to women's career advancement in many international contexts. It seems that their progression to the senior executive level is blocked by an invisible barrier – the so-called “glass ceiling” (Powell and Butterfield, 1994).

For decades, researchers have sought to understand why so few women occupy senior management positions, and why many fail to reconcile ambitious career aspirations with family. Most basically, career and family can either hinder or facilitate each other. Given that work-family research has its conceptual roots in role

conflict theory (Katz and Kahn, 1978), much of it has focused on the conflict linkage whereby participation in one role is made more difficult by virtue of participation in another (Byron, 2005; Ezzedeen and Swiercz, 2007; Dierdorff and Ellington, 2008; Greenhaus and Beutell, 1985; Netemeyer et al., 1996). Nevertheless, there is growing awareness that facilitation can coexist with conflict in work/family relationships (Greenhaus and Powell, 2006; Kirchmeyer, 1992).

Garavan and Coolahan (1996) observed that despite increasing participation rates in the labour force worldwide, very few women have risen to positions of leadership and authority. Martin, Harrison and Dinnitto(1983) in Garavan and Coolahan (1996) analysed the main barriers to career mobility faced by women in hierarchical bureaucratic organizations as: Societal stereotypes which see women as "properly in the home" rather than the workplace depict women as less committed than men to jobs and careers. Such claims are used as justification to deny women access to job ladders leading to the top; The tendency to locate low-skilled assembly type operations, mainly staffed by women, in periphery functions removed from the core firm, limits career opportunity for women; The educational system prepares women for female-dominated jobs usually involving short career ladders; Women lose out because of the political nature of the internal promotion system in hierarchical organizations; Primary responsibility for home and children affects the ability of women to relocate. The lack of child-care facilities provided by work organizations is also a problem.

Kirchmeyer (2002) observed that current workforce trends indicate that organizations face at least three potential dilemmas associated with women's career aspirations. First, some young, highly educated women are opting to stay at home, primarily because they believe that they cannot have it all, and do not necessarily feel compelled to try. Second, women who do want to work, even those who manage to make it to the top, are opting into less challenging jobs with more flexibility because they are not as willing as men to put their careers ahead of personal commitments. Finally, it is difficult for women who have interrupted their careers to reenter the workforce and be seriously considered for promotion.

Litzky and Greenhaus (2007) argued that organizations have to contend with these factors if they want to be able to retain and develop women for top jobs. Although research suggests that overt workplace discrimination is less of an issue for women in their early careers than it once was, women in the establishment and advancement stages of their careers are still facing challenging social and institutional biases. A study done by Cooper and Davidson (1993) revealed that one of the serious problems women in management face is blocked promotion. For the vast majority of women who are struggling for individual recognition and achievement, the road up the executive ladder is not so easy. They face blockages at all levels as well as difficulties in the interface between their job and home. Currently, many promotional

advances in industry are based on the availability of managers to be mobile, to move from one site to another, from one area of a country to another, or from one country to another. This is a major stumbling block for any married female manager, and one that most organizations have failed to address. In addition to job transfers, managers are also expected to be available for short term assignments abroad or in other parts of the country. Once again, female managers with families are unable to offer their services and this tends to count against them in terms of their prospects for advancement.

There are also social and familial factors that make it harder for married women to put forth the kind of effort and dedication that gets individuals anointed for advancement. Despite record rates of female labor participation and progress in gender attitudes, modern Western family norms still hold women accountable for hearth and home, which makes it harder for them to advance (Beatty, 1996; Rowney and Cahoon, 1990; Tichenor, 2005). And although having children does not change their professional orientation (Korabik and Rosin, 1995), women are more likely than men to amend their careers in response to parenting (Blair-Loy, 2001; Stroh, Brett and Reilly, 1992). Consequent workforce absences and fewer years of experience undercut their advancement and earnings across occupations (Waldfogel, 1998).

Wood (2008) contends that in an attempt to account for this low representation of women in senior management, previous research has considered the possibility that career obstacles are experienced by women throughout their management careers. Career obstacles have been considered through the various theoretical perspectives of gender differences, organisational structure or gender stereotypes. These theoretical perspectives variously considered that women were “different” and lacked the appropriate skills to fill management positions (Morrison and Von Glinow, 1990), or that situational differences within organisations accounted for inequalities for women in the workplace, rather than any deficiency in the individual manager (Kanter, 1977). The gender stereotype perspective examined the assumptions that were made about female managers and the role such assumptions may play in career advancement. In essence, women were not seen as an appropriate fit in a managerial role (Heilman, 2001; Lyness and Heilman, 2006; Schein, 2001) because of a perception that females are more suited to a supportive, nurturing role such as motherhood than the decision-making role of management.

Characteristics of human capital

The human capital characteristics of employees are important in explaining career advancement. Human capital theory postulates that employees who invest in education, off-the-job training, acquire planned work experience and enhance managerial competencies will have increased levels of career advancement. Although Becker (1993) considered level of education and training the most important investments in human capital, he defined human capital broadly as all factors that increase the knowledge and skills of an individual, such as type of occupation.

Moreover, in the context of new careers theory (Defillippi and Arthur, 1994; Hall, 1996; Sullivan, 1999), human capital should encompass factors that increase and facilitate the individual's learning other than formal education and training.

The human capital theory proposes that employees make rational choices regarding investment in their own human capital (Marimuthu, Arokiasamy and Ismail, 2009),). Individuals make rational choices regarding whether or not to invest more time, effort and money in education, training and experiences. Human capital represents the investments that people make in their skills. Human capital theory suggests that investing in one's skills and education should lead to greater value in the marketplace. This is because salary and promotions are proximal indicators of how much an individual is valued within a free market economy; hence, the human capital factor is expected to be a strong predictor of career advancement (Arokiasamy, Ismail, Ahmad and Othman, 2011).

Education is moderately associated with career advancement. Tharenou et al. (1994) and Johnsrud and Heck (1994) provide evidence of direct and indirect effects. Directly it influences advancement and indirectly it influences participation in training and development. The relationship is moderated by gender. There is some evidence that the type of qualification and the educational institution are relevant. Baum (1995) and Ruddy (1998) found little support for the proposition that completion of a Diploma or Degree enhances promotion prospects within the Irish hospitality industry. The career patterns of managers with or without a degree were substantially similar. In contrast, Baruch and Peiperl (2000) and Baruch and Leeming (2001) report a positive relationship between education and career development. Baruch and Peiperl (2000) found that participation on an MBA programme added value to the graduate and improved the graduate's employability, career advancement and remuneration prospects.

The relationship between participation in training and development and career advancement is stronger (Tharenou and Conroy, 1994). Investment in management development has a more potent effect (Roberts and Biddle, 1994). Being prevented from participating in training and development is related to a lack of promotion. The relationship is however complicated. Over time, the unavailability of training, or the refusal by the individual to undertake training and development, can impede an employee's progress up or across job ladders. The selection for and participation in training and development activities carries powerful symbolic messages within an organization (Garavan and Coolahan, 1996). Guntz (1990) argues that an excess of training or over-specialization in one area may make it difficult for an individual to change job ladders.

Pininnington (2011) in his study on 'competence development and career advancement of lawyers'noted that theoretically, any professionals' expertise and work experience is potential human and relational capital (Hitt *et al.*, 2006) that can be appropriated for the benefit of clients,

peers and also for themselves. The lawyers' expertise and experience are part of what constitutes a professional's competence at work (Sandberg and Targama, 2007) and in so far as these capitals are appropriable resources (Kay, 1993) they may be transformed into a capability for clients, contribute to the collective knowledge and business benefit of the organisation, and advance professionals' careers (Adler *et al.*, 2008).

Indeed an employee's investment in training and education should not be in vain, that is why promotion decisions based on human capital characteristics are an excellent means of appreciating additional skills and knowledge acquired. Authors tend to put a lot of emphasis on formal education and training. In my opinion, on the job training programs are also very effective in imparting job-specific skills, as well as multiple skills. This gives an employee a chance of either moving up the corporate ladder or across other functional areas. Some on-the-job training methods such as coaching, mentoring, delegation, and special assignments can equip employees with skills that enhance employee's movement across other functional areas. Besides, gaining exposure on the operations of all functional areas in the organization gives employees better chances of occupying managerial positions, since managers are supposed to have a good understanding of all functional areas. Work experience should also not be considered in isolation, unless it corresponds with one's performance. Some employees may have worked for a very short time but may end up performing much better than those who may have worked for a couple of years. There may be a tendency of employees who have worked for a long time feeling like "they know it all", and getting comfortable with the skills they have acquired so far. Such employees may not be keen on getting conversant with the emerging trends, rendering their wealth of experience outdated.

Mentors and networking

The influence of mentors and the acquisition of social capital are significant. Mentor presence and mentor career support is positively related to managers' promotion in early career (Whitely et al., 1991). Mentoring processes are more significant in the early career however there is little research highlighting their value in the later career (Raabe and Beehr, 2003**;** Scandura, 1992**).** Scandura (1998) found that some mentoring relationships could be dysfunctional from a career advancement perspective. Managers who advance are likely to have personal contacts in diverse groups within and beyond the organisation (Gould and Penley, 1984**;** Ruddy, 1998). Meyerson (1994) found that managers who have strong external ties had better advancement. Ruddy (1998) found that successful hotel managers were interpersonal networkers. Gender effects exist. Ragins and Sundstrom (1989) found that male managers had more favourable social networks and personal contacts than females. They provided more information, support and access to jobs.

Seeking career guidance both internal and external to one's organization can provide a person with significant advantages resulting in the possibility of rapid career

advancement. According to Gould and Penley (1984), seeking career guidance is one of seven key strategies for career achievement. They found that women reported engaging in significantly more guidance seeking than did men. Mentorship and supportive work relationships also have been found to have an effect on career advancement as well as perceived career success (Kram, 1988**;** Turban and Dougherty, 1994)**.**

Availability of formal or informal mentorship programs, social contact with superiors, and networking potential seem to be associated with greater career success and upward mobility. Having a mentor, for example, has been shown to be critical to women's job advancement in organizations (Burke and McKeen, 1990; Lunding, *et al.*, 1979; Roche, 1979; Stumpf and London, 1981). Although mentoring may be important to the advancement of both male and female employees, it may be even more critical for women. Morrison *et al.* (1987) found that 100 percent of the women in their study who had reached the highest levels of their occupation had mentoring support, as opposed to only 55 percent of men. Similarly, Henning and Jardim (1977) also found that every woman in their study had a mentor who contributed to their success. More recently, Burke and McKeen (1997) have cautioned that the potential benefits of mentoring might be smaller than originally thought. Nonetheless, they still note its importance for favorable work outcomes.

Networks of relationships are essential because they are social resources as well as contexts in which careers take shape (Arokiasamy, Ismail, Ahmad and Othman, 2011). A large body of empirical research provides evidence of the central role networks play in the career development process (Higgins and Kram, 2001; Tymon and Stumpf, 2003; Van Emmerik *et al.*, 2006; Ismail and Mohd Rasdi, 2007). Networks directly shape career outcomes by regulating access to jobs, providing mentoring and sponsorship, channeling the flow of information and referrals and the sharing of information for opportunities of collaboration and resource sharing. Social networks are also settings in which processes such as socialization and identity development materialize (Barley and Tolbert, 1997).

In addition to structured mentorship relationships, other forms of social contact may also be critical to job advancement. A study of female faculty revealed that they rated fellow colleagues as the most helpful factor in their academic environment (DeNitto *et al.*, 1995). Social contact may also come in the form of company support for attending seminars, workshops, and conferences. Any opportunity to engage in work-related social contact may aid in subsequent job advancement.

There seem to be a contradiction between researchers on mentoring and gender, where some researchers such as Ragins and Sundstrom (1989) found that male managers had more favourable social networks and personal contacts than females. Other researchers contend that having a mentor has been shown to be critical to women's job advancement in organizations. This is in line with Raabe and Beehr (2003) and Scandura

(1992) who observed that mentoring processes are more significant in the early career however, there is little research highlighting their value in the later career.

Internal social networks may have a greater impact on career advancement than the external networks. This is because internal mentors seem to understand the organization better and can therefore offer guidance and support that reflects the situation in the current organization. The kind of skills that employers value vary from organization to organization, thus internal mentors may be well versed with the skills that are most valued by the protégé's organization.

Commitment to career development and career orientations

Career commitment and commitment to development are relevant individual-level variables. Jones and Whitmore (1995) found that career commitment predicted advancement to division-level management. Howard and Bray (1990) and Ruddy (1998) found support for the proposition that commitment to career predicts advancement. A related career concept is the career orientation of the employees. Schein (1996) postulated that employees who possess career anchors that match their occupational role are more likely to experience progression. Whitely et al. (1991) found that the career orientation will be manifest in attitudes to short and medium-term career prospects. It appears that managerial and interpersonal orientations are more predictive of advancement (Sharf, 2002).

The commitment of the employee to development is related to the level of career advancement (Noe and Steffy, 1987; Facteau et al., 1995). Specific elements of commitment to development include continually taking courses to improve skills, availing of organisational training opportunities, moving jobs to gain knowledge and skill, utilising a mentor and emulating a role model (Noe, 1996; Mathieu et al., 1992). Several studies highlight a positive relationship between commitment to development, task performance, and advancement (Chew et al., 2002; Quinones, 1995). Noe (1996) highlights the importance of career development strategies. He postulated that the use of a career strategy by managers is likely to encourage developmental behaviour.

Schein argues that employees who possess career anchors that match their occupational role are more likely to experience progression. This contradicts the career anchor on technical competence, because he argues that those employees who are motivated by technical competence can forego promotion since they are more focused on building technical skills and becoming specialists in their respective fields. As employees pursue their careers, they are driven by various motives. Those that are motivated by managerial competence will work towards developing skills that will give them an edge as they strive towards moving up the corporate ladder.

Satisfaction with the psychological contract

The psychological contract is considered a relevant variable in explaining career advancement (Turnley and Feldman, 1999;

Coyle-Shapiro and Kessler, 2000**;** Rousseau, 1996). There is limited empirical investigation concerning the influence of the psychological contract on career advancement. Sullivan (1999) provides a strong argument that the content of the psychological contract is important in explaining attitudes and commitment to career management. There is however, no universal agreement amongst researchers on how the psychological contract should be measured. Some commentators (Rousseau, 1996**;** Schalk and Freese, 1993) contend that it can be measured by focusing on the employee's perceptions of both the obligations of the employee to the organisation and the employer to employees. Blumenfeld et al. (1987) studied the expectations of potential hospitality managers and found that work and advancement opportunities were key elements of their psychological contract. In the career context, both Kram (1996) and Allred et al. (1996) highlight a number of elements that characterise the modern psychological contract from the employee's perspective. Kram (1996) argues for a relational approach to careers. This consists of managers proactively diagnosing career issues and engaging in coaching activities in collaborative learning environments. Allred et al. (1996) focused on the increased emphasis on self-managed careers, ownership of career development, continuous learning and change.

Anakwe et al. (2000) found that manager's expectations concerning development, career management, self-knowledge and utilization of skills are associated with personal learning, goal setting, the selection of career strategies and career decision making.

Selection criteria and methods

An employee’s mobility within an organization may be restricted if there is a mismatch between the abilities and attributes of the individual and the requirements of the job. Over-reliance on typically unreliable selection devices like interviews and some personality tests can facilitate this mismatch (Garavan and Coolahan, 1996). Arnold *et al*. (1995) point out that the high expectation of advancement of new recruits can lead to disillusionment, loss of motivation and intention to leave the organization. He advocates realistic job previews to overcome this problem.

Selection criteria and methods if properly used can eliminate mismatch between ones abilities and attributes, and the requirements of the job. Garavan and Coolahan (1996) argue that interviews and some personality tests are unreliable selection devices. If interviews are well implemented, they can yield tremendous results. Questions that will elicit all the required information from the candidate need to be well thought-out and structured, and the interviewers need to be competent and experienced in conducting interviews. If this is put in place, then interviews can be a reliable selection device.

Mismatch between individual abilities and attributes and those required by the job could be as a result of other factors, and not necessarily the selection methods. The authors did not discuss other factors that can promote this mismatch. Armstrong (2010) pointed out some factors that affect the

recruitment efforts of an organization, such as nepotism, where managers bring in friends and relatives who may not be suitable; political interference, where politicians and other prominent government officials may push the organizational management into absorbing people who are unqualified, among others.

Organizational technology

The type of organizational technology and the technological environment can significantly influence an individual's career opportunities. Fast-moving high-technology organizations may have no option but to "buy in" expertise. Such industries are typified by short career ladders with limited opportunity for hierarchical advancement. Kanter (1984) found that high-technology companies provided "dual ladders"; technical employees advanced along a track supposedly in parallel with a managerial track.

Another problem is the obsolescence of technical professions. Employees who have failed to make it into general management may become surplus to requirement in the event of technological change. Guntz (1990) makes the point that the lateral moves are possible when the technology is simple but difficult when the technology is complex. In this case vertical moves predominate.

Obsolescence of technical professions should not be a hindrance to career advancement. Fast moving high technology organizations should provide a continuous learning environment for its employees, so that they can continually refresh their skills in order to embrace technology as it unfolds. In this case the only expertise the firm may bring in is for training its employees on the new technology. This does not limit the opportunity for hierarchical advancement. As a matter of fact, employees in high technology firms will be keen on self-improvement, where they initiate their own learning and implement personal development plans. This supplemented with formal training programs organized by the firm, would equip them with skills to embrace new technology.

Human resource planning

Garavan and Coolahan (1996) observe that inaccurate human resource forecasting can result in overstaffing. In this situation the normal pyramid restrictions on upward mobility are exacerbated. External business conditions resulting in slow organizational growth can limit the number of opportunities for increased responsibilities, and mobility prospects for staff are further limited if the organization has to downsize in order to survive. Opportunities for career advancement are also directly related to and reflect a firm's size and organization's life cycle position, i.e. growth, maintenance, decline and turnaround.

Like Garavan and Coolahan (1996) have argued, one of the measures an organization can take in order to survive when faced with adverse business conditions is downsizing. However, it should be noted that downsizing is the only action that can be taken to curb the problem. Other measures of dealing with surplus can also be considered eg restricted hiring, reducing working hours (especially for part time workers) and early retirement.

Even when organizations downsize, there are still career advancement prospects for the remaining employees through lateral moves. Employees who survive downsizing end up performing tasks that used to be performed by those that have left the organization. This may call for cross-functional movement, which indeed is career advancement, since employees acquire broader experience for developmental purposes.

Organizational restructuring

Walston and Chou (2011) in their study on 'CEO perceptions of organizational consensus and its impact on hospital restructuring outcomes' observed that pressures continue unabated for health care organizations to improve quality, lower costs, and meet the increasing needs of patients. In particular, increased competition, technological advances, and resource scarcity have caused hospitals to seek internal efficiencies by exploiting firm resources and capabilities, while concurrently learning and acquiring new competencies (Arndt and Bigelow, 1995; Smith and Toft, 2005). Many hospitals have undergone restructuring to meet these demands and gain competitive advantage. Restructuring has involved changes such as product differentiation and cost reductions via the incorporation of new structures, technologies, and relationships (Dalton, 1996; Walston *et al.*, 2004). These change efforts have led organizations to learn new skills, routines, and processes, but at the same time maintain concurrent reliability.

Recent trends, such as restructuring or rationalization of companies, have constrained job mobility and career opportunities. The decentralization of production, and the migration of work towards periphery firms where inferior labour markets exist, have segmented the labour forces. This segmentation has precipitated a situation where "worker mobility between tiers is increasingly constrained by a widening skill gap and geographic separation" (Garavan and Coolahan, 1996: pp 30-40). Cassell (1990) comments that the outcome of this type of restructuring and the breaking up of organizational job ladders will be fewer jobs at the higher end of the ladder and a decline in opportunities for future generations of workers.

Li and Yeo (2011) observed that traditional career development discussions are much more linear and hierarchy-based as compared to contemporary career development models. In traditional career systems, employees compete for limited promotional opportunities and expect to climb the corporate ladder. Organizations set up career systems that reward employees' loyalty and longevity. Accordingly, it creates a stable environment but might result in redundancies and stall the career paths of high potential employees. In contrast, the contemporary career development models suggest that the organization's role in people's career has become less relevant if not totally obsolete as a result of changes in the society and organizational restructuring (Leana, 2002). Careers have become much more transitional, flexible, multi-directional, and dynamic (Baruch, 2004).

The concept of boundary less career, protean career, and post-corporate career came about as a result of more turbulent and less predictable business environments. A stable career with one organization could possibly be shattered by the infiltration of organizational downsizing and restructuring (DeFillippi and Arthur, 1994). This situation changes the career expectations of both the individual and organization subsequently resulting in a new kind of psychological contact (Rousseau, 1996). From an organizational perspective, in this increasingly competitive environment, it is important to attract and retain only employees with the necessary skills who will help to secure the competitiveness of the organization (Barnett and Bradley, 2007). From an individual perspective, with the realization that no single organization can offer a reliable source of career advancement, many choose to manage their own careers (Arthur *et al.*, 2005).

CONCLUSION

A review of empirical studies on the factors that affect career advancement have revealed the following factors: job performance; contextual performance; human capital characteristics; mentors, networking and commitment to development; commitment to career, development and career orientations; satisfaction with the psychological contract; selection criteria and methods; organizational technology; poor human resource planning; and organizational restructuring. Of all the factors, job performance, gender and human capital characteristics seem to have a significant impact on career advancement. Organizations have roles to play in assisting employees to reflect on their existing expertise, assess current work practices, and develop and pursue strategies for competency development and career advancement.

.Mentoring should be capitalized on as one of the strategies in advancing the career of employees. Organizations should try more innovative mentoring strategies such as e-mentoring or virtual mentoring (Simmonds and Zammit Lupi, 2010) to complement the traditional face-to-face meetings of a mentor and the protégé in line with the sophistication in communication technologies. These types of mentoring technique allow for more freedom in terms of content and mobility because they facilitate the mentoring process by going beyond physical constraints.

Organizations should strengthen their policies in collaborative works with other organizations not only locally but also internationally. Such networks can be started individually but to flourish further and to make networking between employees at the international level sustainable, organizational support in terms of financial resources is needed. Organizational support in the forms of flexibility in work, transparent promotional structure, career planning and rewards would go a long way in helping employees advance in their careers.

With the large number of women entering management, it is prudent for organizations to develop corporate human resource

policies that will minimize the current stresses and strains, which are particularly being experienced by working women with families.

The significant advancements including increased education, empowerment of women in social and economic activities have aided women in coping with their new roles as working women. However, they need support on several fronts. Success today requires companies to best utilize the talent available to them. To do this, barriers to upward mobility for women have to be removed. Organizations can best utilize the talent available to them by removing barriers to the recruitment of and upward mobility for women. They need to introduce policies that guarantee to help women to advance their careers by evaluating and promoting women based on their own merits and performance rather than stereotypical views bound by culture and traditions. This involves concerted efforts to support women managers through developing their careers and retaining them and assisting them in their career advancement through the implementation of training programs that may help alter the attitudes towards women in management. Other ways in which organizations can help provide career opportunities for women is through career planning and counseling, providing senior management sponsorship, helping male managers to come to terms with women managers, and creation of informal support networks for all women.

A lot of research has been done on women and career advancement. Most of this research focuses on women as a minority group not excelling like their male counterparts in career advancement.. Now that the main barriers for women's career advancement are stereotypes and preconceptions of women's roles and abilities, do other minority groups face the same problems in career advancement? Future researchers should try to establish the challenges that other minority groups such as the physically challenged face in career advancement. Career plateau which involves employees stagnating temporarily or permanently in their careers is a serious career management problem that many employees are facing. This not only affects individual employees in terms of reduced morale, but organizations as well due to decline in productivity. Does the severity of this problem depend on gender or age of the employees? Future researchers can consider establishing if there is a relationship between biographical variables and severity of career plateau problem.

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THE PERCEPTION OF KENYAN CITIZENS ON IMPROVEMENT OF PUBLIC SERVICE DELIVERY SINCE THE IMPLEMENTATION OF PERFORMANCE CONTRACTS IN KENYA

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The main objective of the study was to establish the perception of Kenyan citizen's on improvement of public service delivery since the implementation of performance contracts in Kenya. The accessible target population comprised of Kenyan citizens residing in Nairobi County. The researcher targeted respondents from the state corporations, government ministries and local government. Results confirm that there is a significant improvement of service delivery interns of: Accountability and transparency in service delivery and the utilization of resources and deliver quality and timely services to the citizens since the implementation of performance contract in Kenya. On the other hand other measures of service delivery were rated poorly, that is, there is no significant improvement of service delivery in terms of Productivity in order to maximize shareholders, Reduce or Eliminate reliance on the Exchequer and Autonomy to Government Agencies since the implementation of performance contract in public sector.

Key Words: Perception, Kenyan citizen, Public service delivery, implementation, performance contracts, Kenya

INTRODUCTION

In Kenya Performance contracting was hailed as cure of broader public sector reforms aimed at improving efficiency and effectiveness in the management of the public services (OCED, 1999). African association for public administration and management (AAPAM, (2005) observed that the primary development goal for any country is to achieve broad-based, sustainable improvements in standards of the quality of life for its citizen. The public sector has been subjected to criticism at one point in time or other for, among others, red tape, lack of flexibility, ineffective accountability and poor performance. Many contributors in knowledge in public management observe that critics have paved the way for administrative reforms and reorganizations seeking to address various administrative ailments and enhance the efficiency and performance of public bureaucracies (Hood, 1991:Jones,1991;PollittAndHarrison,1992; Osborne And Gaebler, 1993).With changes in time , reforms have always been seen and applied as a means to bring about desired changes in administration and improve its capacity as well as performance. The government's commitment to improve

performance, corporate governance and the management of the public service through performance contracting is outlined in the economic recovery strategy for wealth and employment creation (2003-2007, (GOK) (2005). Further Kenya's vision 2030 recognized performance contracting among the key strategies to strengthen public administration and improve on service delivery. The strategies will focus on deepening the use of service charters as accountability tools entrenching - performance as a culture in the public service governments of Kenya (GOK, (2007).

Among key developments which are indicative of a paradigm shift towards world class excellence, the government has fully embraced the performance management technique and considered the major drivers of change including but not limited to: ISO certification of public corporations including ministries, launching of the Strategic Plan, signing Performance Contracts with all ministries to monitor performance. These, among other developments continue to play a central role in propelling the government towards realizing its vision 2030 of transforming Kenya into a, "middle-income country providing a high quality life to all its citizens by the year 2030".

Since its introduction performance contracting in 2004, when only a few State Corporations were participating, Performance Contracting is now being implemented in a majority of Ministries, Departments and Agencies (MDAs). The decision to extend its coverage to all MDAs was as a result of the benefits that were beginning to be manifest in participating institutions through improved administrative and financial performance as well as improved service delivery. Ministries were for the first time being required to work towards set targets, draw out service charters with their clients and benchmark their performance with the best in the world. The results of these efforts were so significant that they won international recognition with various African countries wishing to learn from Kenya's experience (GOK, 2010).

Although Performance Contracting has had these successes, it has also experienced some challenges. A major activity of the Performance Contracting exercise, at least from the view-point of the public, is the public announcement of the performance results of MDAs by H.E. the President and the Rt. Hon. Prime Minister.
Over the last three periods of performance contracting, the public has raised dissatisfaction on the results as they do not relate to performance (service delivery) on the ground as perceived and received by the public. The dissatisfaction with the performance results was not only limited to members of the public. Ministries, Departments and Agencies have also challenged the announced results. Indeed, the public outcry over the results became so strong that the results for 2007was never released (GOK, 2010).

The Government recognizes the usefulness of Performance Contracting as a tool for improved service delivery. However, in view of the apparent mismatch between the results generated by the Performance Contracting tool and the reality on the ground, the Rt. Hon. Prime Minister of the

Republic of Kenya appointed and commissioned a Panel of Experts on 6th May 2010 to review Performance Contracting and Evaluation in the Public Service with a view to making appropriate recommendations to Government for improving the system.

The specific Terms of Reference (TOR) for the Panel were to review the design of the performance contracting system applied since 2004, review the design of performance contracting process , review the performance contracting evaluation system (ibid , 2010).

Public Sector Reforms in Kenya

After independence in 1963 the Kenyan governments' participation in commercial activities, like in any other countries, grew rapidly with proliferation of several state owned enterprises in various sectors. This was deliberate policy initiative stated in sessional paper no.10 of 1965 on "African socialism and its application to planning in Kenya" which set agenda for greatly expanded government intervention. The growth in the number of state corporations in such sectors as commerce, industry, tourism, construction, insurance and banking was a means to achieve strategies for development and regional balance and attaining greater public control of the economy the number of commercially-oriented state –owned enterprises raised by the mid (PSCGT, 2002).

Comprehensive reviews of the performance of state corporations subsector were carried out in 1979 (the report on the review of statutory board) and 1982 (the report of the working party on the government expenditure).These report pointed out that the growth in the public enterprise sector had not been accompanied by development of efficient systems to enable the sector play its role efficiently. Prolonged inefficiency, financial mismanagement, waste and malpractices were evident in many state owned enterprises.

The 1982 Report of the working party on government expenditures concluded that productivity of the state owned corporations was very low while they continued to absorb an excessive portion of the budget, becoming a principal cause of long-term fiscal problem. There has been general perception that performance of the public sector in general and government agencies in particular has consistently fallen below the expectation of the public. The poor performance of the public sector has hindered realization of sustainable economic growth. According to GOK (2005a,b) the problems that have inhibited performance in the public service in Kenya includes excessive regulations and controls, frequent political interference, multiplicity of principals with multiplicity of objectives which are sometimes in conflict, and outright management.

To improve performance, the government has applied a number of different approaches overtime. Some of the approaches undertaken in the 1990s addressed privatization of public enterprises, staff rationalization including Right sizing in public agencies, restructuring of the public sector, performance improvement programs such as service delivery survey, procurement reforms, integrated financial management

regulations and computerization. Nyamache (2003) reviewed some of these reforms and in his opinion, limited success was achieved. GOK (2005a,b) attribute this limited success to lack of the critical ingredients of performance improvements systems namely, performance information systems, comprehensive performance and performance incentive system.

The reforms undertaken above are largely input or compliance based and though they exhibited limited success, they established a firm foundation for result- based management system. Performance contracting has now been hailed as part of the wider public sector reforms aimed at improving performance, corporate governance and management of the public sector in Kenya (GOK, 2003).

Performance Contracting in the State Corporations in Kenya

Performance contracting was first introduced in Kenya in 1989 when a memorandum of understanding(MOU) was signed between the ministry of communication and the Kenya railways corporations to satisfy one of the conditions for the second world bank railway project (UN, 1995). In the 1990 the government formally approved introduction of performance contracts in the management of the public agencies vide cabinet memorandum No.CAB (90) 35 OF 3rd may, 1990 (GOK, 2005b).

The second Parastatal to sign a performance contract was the national cereals and produce board (NCPB) in November, 1990 (UN,1995a). The UN observes that both the Kenya Railways and the National Cereals and produce boards performance contract eventually failed for following reason:-

Lack of political good will to drive this process as it was perceived to be donor driven, The performance contracts did not conform to the three sub-systems of Perfomance contracting as they lacked the performance incentive system; and their was no provision for the impact of the external factors such as changes in GOK policy, inflation and exchange rate fluctuations that would have the evaluation fair to the management and nation.

In view of the continued poor performance of the public sector, the government decided to introduce performance contracting in 2003 (GOK, 2005 a, b). This policy commitment was contained in the Economic Recovery Strategy (ERS) Paper For Wealth and Employment Creation (2003-2007). The change of political regime in 2002 and the subsequent launch of the Economic Recovery strategy for Wealth and Employment Creation (ERS) in 2004 marked a watershed for ushering in the second generation reforms. A new government, elected on a platform of change, pledged to pursue a national development strategy that sought to instill rapid and sustained economic growth and reduce the high incidence of poverty through wealth and employment creation. This strategy was to be implemented by:

(a) Creating a competitive market conditions for private sector led growth; (b) directing resources towards wealth and employment creation;

(c) Supporting both effective and efficient public sector performance and service delivery. (GOK-ERS 2004).

The institutional frame work for performance was put in place in August 2003 when the government appointed the performance contracts steering committee (PCSC) under the office the President to spearhead the introduction and implementation of performance contracts. This was followed by the issuing of Legal notice No. 93, the state corporations (performance contracting) regulations, 2004, in August 2004. A performance contract was introduced on Pilot basis in sixteen state corporations in 1984. The concept of performance contracting was extended to cover all other state corporations, in 2005 including five major local authorities namely, the City Council of Nairobi, And Municipal Councils of Mombasa. Kisumu, Nakuru and Eldoret and Kenyatta National Hospital. Most of the remaining local authorities signed performance contracts in 2006.

Public Sector Management Reform

Performance contracting is one of the many public sector management reforms that have emerged over the time. Many management practitioners and academics are in agreement that the period since the 1970's has witnessed substantial changes in public management in both developed and developing economies (hood,1991;Osborne and Gaebler,1993;Flynn, 1997,Larbi, 1999;Pollitt and Bouchaert,2000;Gaspler,2002;Owusu, 2005; Sarker, 2006).In the period prior to the 1970s the public management was characterized by well defined bureaucratic administrative structures which took root during the indoctrination period. The interventionist character of government was quite evident in production, provision and regulatory activities. The features of this interventionist state were clearly set out by max weber with strong support by other scholars (Osborne and Gaebler, 1993;Sarker,2006).According to Osborne and Gaebler, the Weberian model was suitable during the industrialization period which was characterized by relative stability in macro-economic environment. Over time governments started feeling rising expectations and demand for services, inflexibility of the old bureaucratic administrative systems and the rapidly changing information-rich, knowledge-intensive society (Flynn, 1997).

From the 1970s the public sector has been the subject of widespread criticism. The criticism has been focused on fiscal crises in governments, Inefficiency, red tape, impervious bureaucracy, ineffective accountability and general poor performance in different arenas. In addressing these shortcoming, the global arena has witnessed a wave of public sector management reforms that have swept through developed, transitional and developing countries .most of these reforms are ideas that have been developed by famous management consultants are in the form of consultants (Osborne andGaebler,1993).The reforms espoused by those management consultants are in the form of deliberate changes to the structures and processes of public sector organizations with the objective of getting

these organizations to run better. These reforms resulted from the need to focus on outcomes rather than inputs and processes which were akin to the public administration models (Hood, 1991).

The public management reforms then started emerging which were intended to improve the quality of public services through enhanced efficiency and effectiveness. The emerging management practices and techniques were conventionally labeled as the new public management (NPM)(Hood,1991;ECA,2003).These have become a global phenomenon introduced either through internal self organization in the developed countries as a result of the crisis in the Keynesian welfare state , or through strong arm tactics imposed on less developed countries by the Bretton woods Institutions(international monetary fund and the world bank)through prescriptions for international financial assistance(world Bank, 1995).

NPM as a management culture shifts emphasis from traditional public administration to public management, pushing the state towards managerialism (Hood,1991;Larbi,1999;pollitt and Bouchaert, 2000;ECA, 2003).The management culture has provided for a future of leaner, faster-moving service delivery organization that are user responsive and outcome-orientated. NPM appears to lay claim to infinite reprogram ability (Hood, 1991).This doctrine is not prescriptive but rather a normative one that accommodates all ideas that contribute positively to improvements in public service delivery. The term NPM would otherwise be a misnomer, having been adopted since the 1980's.The term NPM therefore encompasses the public management reforms that are targeted at improving the quality, efficiency and effectiveness of service delivery at the backdrop of cost savings (economies) in public expenditure.NPM captures the structural, organizational, and managerial changes taking place in the public sector. Management scholars and practitioners have proposed several NPM concepts including performance management, decentralization, contracting out, pay reforms and performance contracting (ECA, 2003).

Expected Outcome of Performance Contracting

The expectations of the performance contracting included: improved performance, decline in reliance on exchequer funding, increased transparency in operations and resource utilization, increased accountability of results, linking reward on measurable performance, reduced confusion resulting from multiplicity of objectives, clear apportionment of responsibility for action, improvement in the correlation between planning and implementation, creating a fair and accurate impression on the performance, greater autonomy and creation of enabling legal and regulatory environment (AAPAM,2006 pp 13). Other expected outcome include institutionalized performance-oriented culture in the public service, measure and evaluate performance and enhance performance of loss making government agencies (GOK,2005).

Performance based contracting encourages and promotes contractors to be innovative and find cost effective ways in delivering services, result in better services and performance, maximizes competition and

innovation, achieve cost savings, gives the contractors more flexibility in general to achieve the desired results, shifts risk in contractors so they are responsible for achieving the objectives, provides incentives to improve contractors performance and ties contractors to achievement, provides financial incentives for efficient use of resources, increases the likelihood of meeting missions needs, shows results more quickly, promise better outcomes, rewards good performance, encourages contractors to have buy in and shared interests, promotes the achievement of departmental outcomes, identify priorities areas and invest resources to maximize client outcomes and set ground work to evaluate programs and services(GOK,2005).

Performance contracting has induced the public service to become more oriented towards customers, markets and performance, without putting the provision of essential public services into jeopardy. The introduction of contracts and management by results to increase the performance as it emphasizes better the human resource management. Performance management strategies pursue three objectives namely; saving, internal management improvement and better accountability (OECD, 1997).

The expectation of introducing performance contracts in the Kenya include; Improved service delivery to the public by ensuring that top- level managers are accountable for results, reversing the decline in efficiency and ensuring that resources are focused on attainment of key national policy priorities of the government, institutionalized performance oriented culture in the public service through introduction of an objective performance appraisal system, measure and evaluate performance, linking reward to measurable performance, facilitate the attainment of desired results, instill accountability for the results of the highest level in the government, ensure that the culture of accountability pervades all levels of the government and its employees in order to achieve agree target (kobia and mohammed, 2006).

In implementing performance contracts, the common issues that were being addressed include:

1. Improve performance to deliver quality and timely services to the Citizen.
2. Improve productivity in order to maximize shareholders wealth
3. Reduce or Eliminate reliance on the Exchequer.
4. Instill a sense of accountability and transparency in service delivery and the Utilization of Resources.
5. Give autonomy to Government Agencies without being subjected to the bureaucracies and Unnecessary Procedures.

Studies have been done on Performance Contracting both outside and within Kenya. Performance is now a common phenomenon around the world in both the developed and the developing countries, aimed at improving the performance of the public service. Implementation of performance contracting has been successfully in the OECD countries as attested by case studies done in Australia, Belgium, Canada,

Denmark, Finland, France, New Zealand Norway (OECD,1999) The OECD further states that successful implementation of the performance contract concept in Public enterprise has been achieved in the United kingdom, Germany, Spain New Zealand , Italy and the U.SA. Korea and India too have successes in implementation of the PC concept (Trivendi, 1990).

Many studies have been done on contracting. The external studies and local studies did not address the Kenyans perception on improvement of service delivery since the implementation of performance contracts in public sector in Kenya. This therefore, creates a gap in knowledge since Over the last three periods of performance contracting, the public has raised dissatisfaction on the results as they do not relate to performance (service delivery) on the ground as perceived and received by the public. The dissatisfaction with the performance results was not only limited to members of the public. Ministries, Departments and Agencies have also challenged the announced results. Indeed, the public outcry over the results became so strong that the results for 2007 were never released. This study will therefore seek to bridge this knowledge gap by answering the following question. What are the Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector?

Hypotheses

HO 1:
Delivery of quality and timely services to the Citizen influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

HO 2:
Elimination of reliance on the Exchequer influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

HO 3:
Autonomy to Government Agencies influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

HO 4:
Productivity in order to maximize shareholders, Reduce influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

HO 5:
Accountability and transparency in service delivery and the Utilization of Resources influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

METHODOLOGY

This was a descriptive research design that sought to gain an in-depth understanding on the Kenyan citizen's perception on improvement of service delivery since the implementation of performance contracting in public sector. Descriptive research attempts to provide a description of variables from members of the population. The researcher opted to use this kind of research considering the desire to acquire

first hand data from the respondents so as to formulate rational and sound conclusions and recommendations for the study. This research method is advantageous due to its flexibility; ease of use either qualitative or quantitative data or both and possibility of a greater options in selecting the instrument for data-gathering.

In this study, the accessible target population comprised of Kenyan citizens residing in Nairobi County. The researcher targeted respondents from the state corporations, government ministries and local government.

Table 1: Target Population

Category	Population	% of Population
State corporation	40	50
Government ministries	20	25
Local government	20	25
TOTAL	80	100

Primary data was collected. The main instrument for data collection was a questionnaire which was administered to the respondents. The questionnaire included matrix questions where the subjects used a Likert scale. The questionnaire was designed to address the research objectives. Correlation analysis (Pearson's coefficient of correlation) was used to establish relationships between variables. Dependent variable was rated Zero (0) for no improvement of service delivery since the implementation of performance contract in public sector and one (1) for improvement of service delivery since the implementation of performance contract in public sector. On the other hand predictor variables were rated on likert scale of 1 to 5, a mean value of the statements relating to each predictor variable was computed. A multiple linear regression model was developed to describe the relationship between the dependent and independent variable. The regression equation assumed the following form:

$$Y=\beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon_0$$

Where Y= Perception on improvement of service delivery since the implementation of performance contract in public sector,

X_1= Deliver quality and timely services to the Citizen

X_2= Productivity in order to maximize shareholders

X_3= Reduce or Eliminate reliance on the Exchequer

X_4= Autonomy to Government Agencies

X_5= Accountability and transparency service delivery and the Utilization of Resources

ε_0= Extraneous variables not estimated by the equation.

β_i = Regression co-efficient where B_0 is the intercept

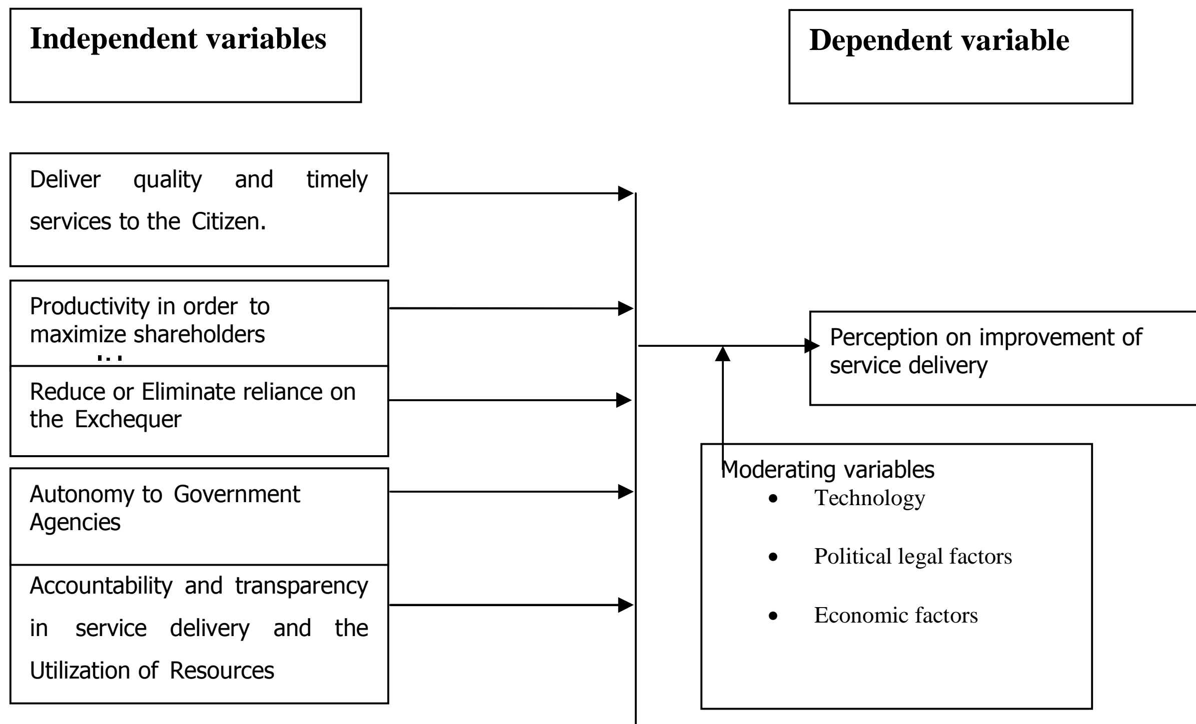

Figure 1: Conceptual Framework

Analysis and Interpretation

Rating of the measures of Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

The respondents were asked to rate the measures of Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector. The results are as shown in table 2 below.

Table 2: Rating of Kenyan citizens' perceptions on improvement of service delivery

Measures	There is significant improvement of service delivery since the implementation of performance contract in public sector in terms of	There is no significant improvement of service delivery since the implementation of performance contract in public sector in terms of
Deliver quality and timely services to the Citizen	60.00%	40.00%
Productivity in order to maximize shareholders	20.25%	79.75%

Reduce or Eliminate reliance on the Exchequer	30.40%	69.60%
Autonomy to Government Agencies	35.45%	64.55%
Accountability and transparency in service delivery and the Utilization of Resources	74.60%	25.40%

The finding above indicates variation on Kenyan citizens' perceptions on improvement of service delivery since the implementation. More specific, the respondents were of the opinion that there has been significant improvement of service delivery in terms of; Accountability and transparency in service delivery and the Utilization of Resources (74.60%) and deliver quality and timely services to the Citizen (60%) since the implementation of performance contract in public sector. On the other hand other measures of service delivery were rated poorly, that is, there is no significant improvement of service delivery in terms of Productivity in order to maximize shareholders, Reduce or Eliminate reliance on the Exchequer and Autonomy to Government Agencies since the implementation of performance contract in public sector.

High rating of both Accountability and transparency in service delivery and the Utilization of Resources (74.60%) and deliver quality and timely services to the Citizen (60%) were as a result of government sensitization of performance contracting by office of the prime minister and public announcement of ranking of the ministries.

The rating of Deliver quality and timely services to the Citizen had a mean of 3.57 with a standard deviation of 0.325, Accountability and transparency in service delivery and the Utilization of Resources had a mean of 3.25 with a standard deviation of 0.415, Productivity in order to maximize shareholders had mean of 2.245 with standard deviation of 0.645, Reduce or Eliminate reliance on the Exchequer had a mean of 1.125 with a standard deviation of 0.015 and Autonomy to Government Agencies had a mean of 1.115 with a standard deviation of 0.225. There is low variability in respondents' opinion as shown by the values of standard deviations.

Table 3: Descriptive Statistics

Description	Mean	Std. Dev
Deliver quality and timely services to the Citizen	3.570	.325
Accountability and transparency in service delivery and the Utilization of Resources	3.250	.415
Productivity in order to maximize shareholders	2.245	.645
Reduce or Eliminate reliance on the Exchequer	1.125	.015
Autonomy to Government Agencies	1.115	0.225

As shown in table 4, none of the predictor variables had coefficient of correlation between themselves more than 0.5 hence all of them were included in the model (no problem of multicollinearity).

Table 4: Pearson Correlation coefficients

Description	Deliver quality and timely services to the Citizen	Accountability and transparency in service delivery and the Utilization of Resources	Productivity in order to maximize shareholders	Reduce or Eliminate reliance on the Exchequer	Autonomy to Government
Deliver quality and timely services to the Citizen	1.00				
Accountability and transparency in service delivery and the Utilization of Resources	.27	1.00			
Productivity in order to maximize shareholders	.48	.27	1.00		
Reduce or Eliminate reliance on the Exchequer	.37	.19	.15	1.00	

Autonomy to Government Agencies	.25	.21	.18	.37	1.00

Goodness of fit Model

Analysis in table 5 shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R^2 equals 0.268, that is, Deliver quality and timely services to the Citizen, Accountability and transparency in service delivery and the Utilization of Resources, Productivity in order to maximize shareholders, Reduce or Eliminate reliance on the Exchequer and Autonomy to Government Agencies explain 26.8 percent of Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector leaving 73.2 percent unexplained. The P- value of $0.000<0.05$ implies that the model is significant at the 5 percent level of significance.

Table 5: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
.517	.268	.256	.65	.268	62.92	5	95	.000

Predictors: (Constant), Deliver quality and timely services to the Citizen, Accountability and transparency in service delivery and the Utilization of Resources, Productivity in order to maximize shareholders, Reduce or Eliminate reliance on the Exchequer and Autonomy to Government Agencies

Regression Equation

Using unstandardized coefficients (B values), the established multiple linear regression equation becomes:

$Y = 0.21 + 0.058X_1 + 0.007X_2 + 0.015X_3 + 0.048X_4 + 0.057X_5$

Where

Constant = 0.21, shows that if Deliver quality and timely services to the Citizen, Accountability and transparency in service delivery and the Utilization of Resources, Productivity in order to maximize shareholders, Reduce or Eliminate reliance on the Exchequer and Autonomy to Government Agencies were all rated as zero, Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector rating would be 0.21.

X_1= 0.058, shows that one unit change in Deliver quality and timely services to the

Citizen results in 0.058 units increase in Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector
X_2= 0.007, shows that one unit change in Eliminate reliance on the Exchequer results in 0.007 units increase in Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector
X_3= 0.015, shows that one unit change in Autonomy to Government Agencies results in 0.015 units increase in Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector
X_4= 0.048, shows that one unit change in Productivity in order to maximize shareholders, Reduce results in 0.048 units increase in Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

X_5= 0.057, shows that one unit change in Accountability and transparency in service delivery and the Utilization of Resources results in 0.057 units increase in Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

Table 6: Coefficients of Regression Equation

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
(Constant)		.21	.05		4.20	.00
Deliver quality and timely services to the Citizen	X_1	.058	.008	.62	7.25	.00
Eliminate reliance on the Exchequer	X_2	.007	.002	.051	3.51	.02
Autonomy to Government Agencies	X_3	.015	.007	.14	2.14	.02
Productivity in order to maximize shareholders, Reduce	X_4	.048	.013	.44	3.69	.00
Accountability and transparency in service delivery and the Utilization of Resources	X_5	.057	.010	.52	5.70	.00

Dependent Variable: Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

Individual Statistical Significance

HO 1:

Deliver quality and timely services to the Citizen influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

HO 2:

Elimination of reliance on the Exchequer influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

HO 3:

Autonomy to Government Agencies influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

HO 4:

Productivity in order to maximize shareholders, Reduce influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

HO 5:

Accountability and transparency in service delivery and the Utilization of Resources influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

Table 7: Hypothesis Testing

Hypothesis	α=0.05	P -Value	Conclusion
H_1: Deliver quality and timely services to the Citizen does not influence Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector H_{1a}: Deliver quality and timely services to the Citizen influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector	.05	.00	Reject H_1
H_1: Elimination of reliance on the Exchequer does not influence Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector H_{1a}: Elimination of reliance on the Exchequer influences Kenyan citizens' perceptions on improvement of service	.05	.02	Reject H_1,

delivery since the implementation of performance contract in public sector			
H_1: Autonomy to Government Agencies does not influence Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector H_{1a}: Autonomy to Government Agencies influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector	.05	.02	Reject H_1,
H_1: Productivity in order to maximize shareholders, Reduce does not influence Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector H_{1a}: Productivity in order to maximize shareholders, Reduce influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector	.05	.00	Reject H_1,
H_1:Accountability and transparency in service delivery and the Utilization of Resources does not influence Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector H_{1a}:Accountability and transparency in service delivery and the Utilization of Resources influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector	.05	.00	Reject H_1

the P-Values for the individual predictor variables are less than 0.05, there is enough evidence to support $\mathbf{H_{1a}}$ thus Deliver quality and timely services to the Citizen, Accountability and transparency in service delivery and the Utilization of Resources, Productivity in order to maximize shareholders, Reduce or Eliminate reliance on the Exchequer and Autonomy to influences Kenyan citizens' perceptions on improvement of service delivery since the implementation of performance contract in public sector

CONCLUSIONS

The research was able to establish if Kenyans citizens perceive service delivery since the implementation of performance contract in Kenya. Results confirm that there is a significant improvement of service delivery interns of: Accountability and transparency in service delivery and the utilization of resources and deliver quality and timely services to the citizens since the implementation of performance contract in Kenya. On the other hand other measures of service delivery were rated poorly, that is, there is no significant improvement of service delivery in terms of Productivity in order to maximize shareholders, Reduce or Eliminate reliance on the Exchequer and Autonomy to Government Agencies since the implementation of performance contract in public sector. This confirm that only two objectives of the performance contracting have been rated well. This indicates that the Kenyans citizen should fully be involved in implementation of performance contracting in Kenya. Continuous training on performance contract, allocation of adequate resources, develop reward system for the performer contract increase salaries, enhance teamwork , providing resources on time and more sensitization of the Kenyans citizen on the same should be done by the office of the prime minister in order to improve the Kenyans perception on performance contract in Kenya. Future research study need to be done of public servants perceptions on the role of performance contract in improving service delivery in Kenya.

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