INFLUENCE OF STRATEGIC CHOICES ON PERFORMANCE OF PUBLIC ORGANIZATIONS: A CASE STUDY OF KENYA PIPELINE COMPANY, WESTERN REGION

BY

ALBERT NYAACHI OMARE

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS AND ECONOMICS

MASENO UNIVERSITY

ABSTRACT

Strategic choice is defined as the way an organization seeks to align itself with the environment. It concerns the decisions about the organizations future and the way in which it needs to respond to pressures and influences. Despite studies indicating that strategic choices have a bearing on organizational performance, many public organizations in Kenya including Kenya Pipeline Company continue to register downward growth. KPC has faced a fair share of challenges such as aging of the pipeline in its quest to ensure efficient distribution of oil products in Kenya. In the annual report of 2007 and 2008, the revenues declined by 7% to Kshs.8.2 billion and pretax profit of 54% down to Kenya shillings 2.6 billion in 2008. Many studies on strategic choices have focused on other sectors with no attention to the public sector. A leading study in Kenya focused on strategy and organizational behavior; however little is known about the strategic choices on the performance of public organization in the energy sector. The purpose of the study was to investigate the effect of strategic choices on the performance of public organizations. Specifically, the study sought to identify the strategic choices adopted by KPC, identify the relationship between strategic choices and performance of Kenya Pipeline Company limited and to establish challenges faced by the organizations in the implementation of strategic choices. The study adapted the Ansoff's conceptual framework in which the study population comprised of 235 top level employees of KPC in western Kenya region, who represented Nakuru, Kisumu and Eldoret, from which a sample of 47 (20%) respondents was selected using simple random sampling technique. The study adapted a case study research design in which data was collected from a variety of respondents from top management for the purpose of determining the uniformity of information. Primary data was collected by pretested self-administered questionnaires while secondary data was obtained from financial reports of the company and government reports. Quantitative data produced was analyzed using descriptive statistics such as mean and percentages, as well as by use of correlation and regression analysis to establish the degree of association between the variables. The study found out that the firm had adopted market penetration strategy to a greater extent (mean =3.91; standard deviation =.079) in a scale of 1-5; that there is a significant positive association between various components of strategic choices and firm performance. Overall, market penetration, market diversification, new product development and market development strategic performance had an R^2=.556;($p<.05$)meaning that these variables accounted for 55.6% of firm performance leading to conclusion that firm performance can greatly be enhanced by focusing on these strategies. The study also revealed that lack of effective conflict management resolution was the greatest barrier to strategy implementation (mean= 3.75; standard deviation=.135). Therefore, the study recommends that, firms should focus on strategic choices and institute effective conflict resolution management in order to boost their performance. The study is significant because its findings have elucidated key strategic choices that can be manipulated to predict performance of firms. This study may further contribute to the literature on the relationship between strategic choice and performance in the public sector.

CHAPTER ONE

INTRODUCTION

1.1Background to the Study

The theory on Strategic Choice was developed when industrial relations in the United States were changing rapidly. According to Kochan *et al.,* (1984), Strategic Choice Theory starts with consideration of relevant forces in the external environment that affects employment relationships. Changing external environment induce employers to make adjustment in their competitive business strategies. In making these adjustments, the range of options considered are filtered and constrained so as to be consistent with the values, beliefs, and philosophies engrained in the mind of key decision-makers. Because most of the popular theories at that time were generated during periods of relative stability in U.S., industrial relations practice are overly static, they have difficulty explaining behavior when the basic parameters of the system appear to be changing. Therefore, they added a more dynamic component to industrial relations theory by developing the concept of strategy, or strategic choice. Then they tried to demonstrate that industrial relations practices and outcomes are shaped by the interactions of environmental forces, union leaders, workers, and public policy decision makers Kochan *et al.,* (1984).

According to Child(1997),Strategic choice theory describes the role leaders or leading groups play in influencing on organization through making choices in a dynamic political processes previous to this theory, a common view was that organizations were thought to be designed a long operational requirements based on the external organization. Strategic choice theory provided an alternative that emphasized the agency of individuals and groups within organization to make choices. These strategic choices formed part of an organizational learning process that adapted to the external environment as well as the internal political situation.

Every company has a certain amount of resources available to it, among them financial resources, human resources, productive capacity and distribution channels. Strategic choices are the specific steps a company intends to take to deploy these resources. Strategic choices could include, determining what products and services to sell, where to sell them, how to sell them and what target markets to sell them to. A strategic choice could be acquiring a competitor if the objective is to gain market share. Another strategic choice might be to focus on selling at trade shows rather than using advertising to reach potential customers. Basically, strategy is about two things: deciding where you want your business to go, and deciding how to get there. A more complete definition is based on competitive advantage, the object of most corporate strategy: Competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: cost leadership and differentiation. (Porter, 1985)

New approaches to management in the public sector are imperative as Governments enter the new millennium. Market dynamics have created challenges for public organizations, with the emergence of the global economy, advances in technology, increased societal demands, and the need to provide more social services with fewer resources. Response mechanisms have emerged within the private market to meet these recent challenges but Government organizations have been slower to respond. This is understandable, given fiscal constraints and the bureaucratic process in Governments. (Changing Strategic Direction)

Several studies have been conducted linking strategic choices and performance in different sectors across the globe. Daniels, (1988) carried out a study on Strategic choice and organizational performance of state mental health agencies in community-based services for the long-term mentally ill. Similar study has not been replicated in developing countries including Kenya. Therefore, little is known as to the relationship between strategic choices and firm performance.

The closest study strategic choices in Kenya was conducted by Kariuki *et al.,* (2011). This study hypothesizes that organization is environmental dependent and environment serving. The objective of this study was to establish the effect of firm level factors, firm strategy and business environment on organizational performance. Although the study reveals the difference in strategy reflects on the the organization performance, there is little evidence on such association in publics enterprises like

Kenya Pipeline Company Limited. In absence of relevant studies, little is known regarding these phenomena.

There is further, evidence from Non-governmental organization from the study of Ongoje (2013). This study however focused on the peripheral relationship between strategic planning and organizational performance in Non-Governmental organizations in Kenya; case of Action Aid Kenya (AAK). The study also concludes that there is a difference between the results and approaches to measuring strategic planning effectiveness and organizational performance. The context of this study was on the nongovernmental organization. A similar study has not been replicated in public organization in order to build up the literature across different ownership structures of organizations.

1.1.1 Strategic Choice practices by Kenya Pipeline Company

The Kenya Pipeline Company (KPC) Limited is a State Corporation established on 6th September, 1973 under the Companies Act (CAP 486) of the Laws of Kenya and started commercial operations in 1978. The Company is 100% owned by the Government and complies with the provisions of the State Corporations Act (Cap 446) of 1986. The Company operations are also governed by relevant legislations and regulations such as the Finance Act, the Public Procurement Regulations, and Performance Contracting. The main objective of setting up the Company was to provide efficient, reliable, safe and cost effective means of transporting petroleum products from Mombasa to the hinterland. In pursuit of this objective, the Company constructed pipeline network, storage and loading facilities for transportation, storage and distribution of petroleum products. The Company's other mandate includes: To build a pipeline for the conveyance of petroleum or petroleum products from Mombasa to Nairobi; To own, manage or operate such pipelines and any other pipelines associated ancillary facilities and to market, process, treat, deal in petroleum products and other products and goods and provide transport and other distributive facilities, outlets and services in connection therewith.

Kenya Pipeline Company has faced a fair share of challenges in its quest to ensure efficient distribution of oil products in Kenya. The challenges facing the Corporation were both internal and external. They included: Capacity constraints with the Sinedet line to Kisumu being smaller, long processes of clearing the products by other stakeholders at the deports leading to delays in oil marketers collecting their products; change in technology which made some equipment at the Corporation obsolete; long and bureaucratic Government procurement procedures which caused delay in maintenance. KPC devised several strategies to counter the challenges emanating from the changes in its operating environment including: reviewing the petroleum supply chain infrastructure, systems and investment in the sector to guarantee reliable, efficient and cost effective supply chain; commissioning the construction of more storage facilities. Despite these challenges, no study has been carried out to establish how strategic choices could influence performance of the company.

1.2 Statement of the Research Problem

Kenya Pipeline Company has faced a fair share of challenges in its quest to ensure efficient distribution of oil products in Kenya. The challenges facing the Corporation were both internal and external. They included: Capacity constraints with the Sinedet line to Kisumu being smaller, long processes of clearing the products by other stakeholders at the depots leading to delays in oil marketers collecting their products; change in technology which made some equipment at the Corporation obsolete; long and bureaucratic Government procurement procedures which caused delay in maintenance. In the annual report of 2007 and 2008, the revenues declined by 7% to Kshs.8.2 billion and pre tax profit of 54% down to Kenya shillings 2.6 billion in 2008. KPC devised several strategies to counter the challenges emanating from the changes in its operating environment including: reviewing the petroleum supply chain infrastructure, by installing the SAP systems and investment in the sector to guarantee reliable, efficient and cost effective supply chain; commissioning the construction of more storage facilities in kisumu and Eldoret. Many studies on strategic choices have focused on other sectors with no attention to the public sector. A leading study in Kenya focused on strategy and organizational behavior; however little is known about the strategic choices on the public organization in the energy sector .The aim of this study is therefore to investigate the impact of strategies choices to the performance of Kenya Pipeline Company since the company adopted the new strategies.

1.3 Research Objectives

The research aim was to examine the influence of strategic choices on performance of Kenya Pipeline Company limited. In meeting this, the following were the specific study objectives:

i. To establish the strategic choice practices adopted by Kenya Pipeline Company limited.

ii. To examine the association between strategic choice practices and performance of Kenya Pipeline Company limited.

iii. To establish challenges faced by organizations in the implementation of strategic choices.

1.2 Research Questions

i. What are the strategic choice practices adopted by the Kenya pipeline company limited?

ii. What is the association between strategic choices and performance of Kenya Pipeline Company limited?

iii. What are the challenges faced by the organization in the implementation of strategic choices?

1.4 Scope of the Study

The study was conducted during the month of may-august 2014. The Study focused on the strategic choices on performance of public organizations: a case study of Kenya Pipeline Company. The Kenya Pipeline Company (KPC) is a state corporation established in 1978 by the Government of Kenya under the Companies Act and answerable to the Ministry of Energy for the purpose of transporting petroleum products from Mombasa to the hinterland using a pipeline system. A key corporate strategic planning issue arising from its situational analysis was dependent on a single revenue generating stream. Any interruption to this stream may destabilize the company's activities hence the need to expand its business opportunities by embracing on strategic choices which could gain them competitive advantages over and above their rivals. KPC has operationalized key functional areas such as Coast, Nairobi and Western Kenya regions. Being a case study, the Study was to be conducted within KPC Western Kenya regions; Nakuru, Eldoret and Kisumu

1.5 Justification of the Study

Basically, strategy is about two things: deciding where you want your business to go, and deciding how to get there. A more complete definition is based on competitive advantage, the object of most corporate strategy; competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and offering lower prices than competitors for equivalent benefits or providing unique benefits that are more than of the competitor. There are two basic types of competitive advantage: cost leadership and differentiation (Porter, 1985).

The study is expected to be significant to the Management and Staff of Kenya Pipeline in identifying the relevant strategic choices to implement, the academia in filling the knowledge gaps on effect of strategic choices on performance of public organizations and identifying the specific contribution of each variable in predicting the level of performance, Civil Society and Business Community, involved in the promotion of strategic choices for the growth and continuity of both public and private sector organizations. The study contributes to enriching the literature on the relationship between strategic choice practices framework and performance (Benkhoff, 1997).

1.6 Conceptual Framework

This study adapts the Ansoffs- Growth Strategies conceptual framework in which the organizational performance is predicted by different strategies which are adopted as independent variables in this study. This includes, market penetration, new product development, market development and diversification. The organization performance was measured by diverse parameters including profitability indicators, cost effectiveness and market growth. The overall score of organization performance shall encompass these parameters. The conventional measurement of organizational performance tends to focus on financial indicators including profitability and return on investments. However, the focus of the study was on a public corporation with monopolistic characteristics which calls for diverse measures of performance. Figure 1.1 below summarizes the conceptual framework adapted for the study. In this conceptual framework the dependent variable is organizational performance which depends on strategic choices. The various components of strategic choices which form the independent variables are; market penetration, new market development, new product development and market diversification.

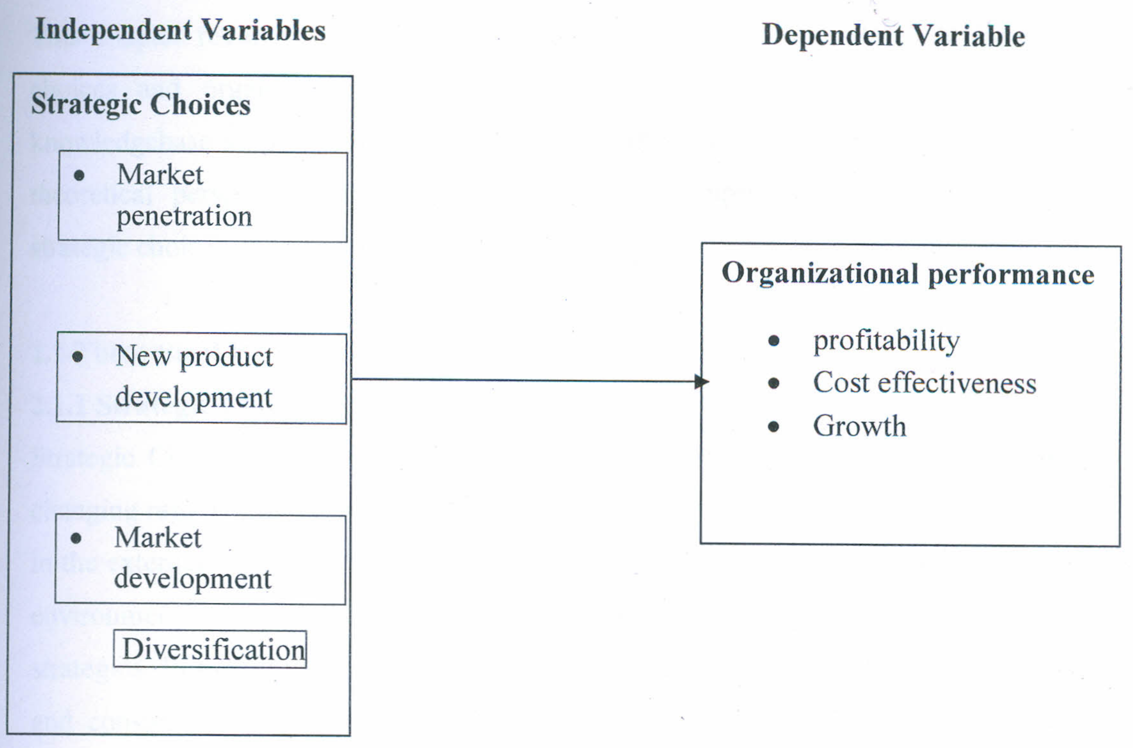

Figure 1.1. Ansoff's- Growth strategies conceptual framework

Source: ***Ansoffs, (1965), adapted***

CHAPTER TWO
LITERATURE REVIEW

2.0. Introduction

This chapter reviews both theoretical and empirical literature related to Strategic choices and organizational performance with view of establishing the extant knowledgebase so as to build a case for the current study. The review begins with theoretical perspectives then proceeds to review empirical literature concerning strategic choices and organizational performance.

2.1 Theoretical Perspectives

2.1.1 Strategic Choice Theory

Strategic Choice Theory was developed when industrial relations in the U.S. were changing rapidly. Strategic Choice Theory starts with consideration of relevant forces in the external environment that affects employment relationships. Changing external environment induce employers to make adjustment in their competitive business strategies. In making these adjustments, the range of options considered are filtered and constrained so as to be consistent with the values, beliefs, and philosophies engrained in the mind of key decision-makers .Because most of the popular theories at that time were generated during periods of relative stability in U.S., industrial relations practice are overly static, they have difficulty explaining behaviour when the basic parameters of the system appear to be changing. Therefore, they added a more dynamic component to industrial relations theory by developing the concept of strategy, or strategic choice. Then they tried to demonstrate that industrial relations practices and outcomes are shaped by the interactions of environmental forces, union leaders, workers, and public policy decision makers (Kochan, *et al.,* 1984).

According to Child (1997),Strategic choice theory describes the role leaders or leading groups play in influencing on organization through making choices in a dynamic political processes previous to this theory, a common view was that organizations were thought to be designed a long operational requirements based on the external organization. Strategic choice theory provided an alternative that emphasized the agency of individuals and groups within organization to make

choices. These strategic choices formed part of an organizational learning process that adapted to the external environment as well as the internal political situation.
The integrative approach of strategic choice theory is of importance to research and beneficial for strategic management e.g. by stressing cross-functional cooperation in organizations (Jemison, 1981). In general, theories enhance research and practice as they help make sense of complex and dynamic environments (Chicksand, et al., 2012). It is hard to overstate the importance of theories for science and research (Colquitt, et al., 2007) as theories form the basis for scientific research (Flynn, *et al.,* 1990).

Thereby, strategic choice theory states contrary to the views of e.g. contingency or resource dependence theories that management can have a significant impact on performance (Whittington, 1989). Despite the problems of organizations being numerous and complex, in relation to strategic choice theory they were categorized as three interrelated problem sets: the entrepreneurial problem, the engineering problem and the administrative problem (Miles et al., 1978).

2.1.2 Industrial Relations Theory and Practice

Industrial relations in the private sector of the American economy has been changing in a number of important ways in recent years, most visibly in collective bargaining where we have seen important wage, benefit, work practice, and employment security concessions and tradeoffs negotiated in a number of major industries (Cappelli and McKersie, 1983). However, other important changes have been occurring more quietly and more incrementally over a longer period of time at the workplace level, where new forms of employee participation and alternative forms of work organization have evolved, and at the highest levels of managerial decision-making where corporate business decisions are made and basic policies regarding human resources, technology and the status of unions are formulated (Kochan and Cappelli, 1983).

Their broader conception of the institutional framework of industrial relations is as follows. It divides the activities of management, labor, and Government organizations into three tiers: a top tier of strategic decision making, a middle or functional tier of collective bargaining or personnel policy making, and a bottom or workplace-level tier where policies are played out and affect individual workers, supervisors, and union representatives on a day-to-day basis. In this framework, the middle tier encompasses the most traditional terrain of industrial relations, since it focuses on the practice of collective bargaining and personnel policy formulation and on the development and administration of the key public policies governing labor-management relations.

Researchers have conducted several studies on Strategic Choice Theory. First, some empirical studies were conducted to make sure the transformation of industrial relations systems as suggested in Strategic Choice Theory. Katz (1993) studied the bargaining structure of six countries (Sweden, Australia, Germany, Italy, UK and US) and confirmed the substantial increase in the intensity of local bargaining, downward shift in the formal structure of bargaining, the effect of employer initiatives, and declining unionization.

Second, some field studies or case studies have been conducted to examine the Strategic Choice Theory. Kochan, McKersie, & Cappelli (1984) studied a single industry, Rubber Tiers. They described that industry relations in Rubber Tiers were affected not only by changes in the environment but also by the diverse decisions made at the corporate level to adjust those changes. Birecree (1993) analyzed the International Paper Company (IP) during the 1980s and revealed that important structural changes in product markets, product mix, and technology of production contributed to IP's perceived need for significant changes in work practices and compensation by 1985. Arthur (1992) analyzed U.S. steel minimills and suggested that variation in workplace industrial relations policies is related to differences in business strategy.

Third, some hypotheses testing researches using statistical analysis have also been conducted. They make up for the limitation of generalizability in each case study and provide the validity of Strategic Choice Theory. For example, Cooke and Meyer (1990) developed a model predicting which of three broad labor-relations strategies -- union avoidance, union-management collaboration, or mixed strategy combining elements of union avoidance and collaboration -- a company will adopt. This study is significant because they apply and test the Strategic Choice Theory using empirical data. Their result that market pressure and structural characteristic of the company are important predictors of strategy choice supports the validity of the Strategic Choice Theory.

However, there is also a research that raise question on the validity of the theory. Godard (1997) focused on managerial IR ideologies that seem to be central in Strategic Choice Theory. He suggests based on the result that context variables play a more important role in managerial strategies toward unions, and even in workplace-level innovations, although managerial ideologies have statistically significant effects to other variables. He concludes that *Strategic Choice Theory* need to be improved by marrying with structural theories of variation.

Strategic management allows the organization to be more proactive than reactive in shaping its own future; it allows an organization to initiate and influence activities and thus to exert control over its own destiny. Small business owners, chief executive officers, presidents and managers of many for-profit and non-profit organizations have recognized and realized the benefits of strategic management. Historically, the principle benefit of strategic management has been to help organizations formulate better strategies through the use of the more systematic, logical and rational approach to strategic choice.

2.2. Attributes that Characterize Strategic Choices within Organizations

The popular view of strategic decisions is that they typically involve a high degree of uncertainty, high stakes, major resource implications, and long-term consequences (Karner, 2007). This view is associated with the traditional conceptualization of strategic decisions as the product of intentional attempts at rational choice, and context-setters for subsequent strategic action (Elsenhardit, 1992). One of the strengths of this traditional view is that it conceptualizes the strategic decision making process in a way that is consistent with the reality faced by practising managers. The fundamental point underlying this critique is that organisational decisions are not always decisive

2.3. Empirical studies on Strategic Choices to Organization

One of the most important aspects in businesses today is the alignment of strategies on all strategic levels: corporate, business, and functional level. Despite its strategic importance being neglected for a long time more recent studies proof strategic choices to be positively related to overall organizational performance (Carr & Smeltzer, 1999). Therefore, it is essential to align strategies with corporate and business strategies (Kraljic, 1983; Nollet et al., 2005). Especially in times of highly dynamic environments affected by globalization and recession strategic decisions are directly related to competitive forces (Song, et al., 2002).

Daniels, (1988) carried out a study on Strategic choice and organizational performance of state mental health agencies in community-based services for the long-term mentally ill. This study was conducted in the United States. This research investigated the relationship between strategic choice, environment, structure, and organizational performance in state mental health agencies. The study points that the state government agencies exist in all states and territories and have responsibility for policy, funding, and regulating agencies that receive public mental health dollars. The research focused on performance in community-based services for only one client group, adults with long-term mental illness. The measure of performance was per capita expenditures for community services for persons with long-term mental illness. This performance measure was operationalized as the total community dollars expended per long-term mentally ill client served in fiscal year 1985. This study utilized regression analysis to assess the relative contribution of strategic choice, environment, and structure to performance. Findings suggest that both strategic choice and environment have a significant impact on performance, with environment having the greater impact. Structure was not found to be significantly related to performance. The types of strategic choices used by state mental health agencies were also examined. In this analysis, agencies were divided into high-and-low performance groups by dichotomizing performance scores at the mean. Data on strategic choice tactics were factored and analyzed, resulting in the identification of three types of tactics; political, change, and cost-leadership. Findings indicate that high-performance agencies use political and change tactics more frequently than low-performance agencies, with the strongest link being found between political tactics and performance. There is however need to conduct a similar study in less developed countries and in a non health sector such as petroleum industry which has received little research attention over time.

A study conducted in Kenya on strategy and organizational behavior was carried out by Kariuki *et al.,* (2011). This study hypothesizes that organization is environmental dependent and environment serving. The objective of this study was to establish the effect of firm level factors, firm strategy and business environment on organizational performance. The study hypothesized that an organization has to develop competitive strategy to out compete the competitors. The study findings revealed that the choice of strategies to employ at a given time is informed by different factors within and without the organization. Different firm's strategies differ from organization to another which is influenced by the external and internal factors. Major factors include firm and industry factors. There have been conflicting views on which factors are more important than the other in influencing strategy. The firm characteristics view which is supported by resource based view of strategy has dominated in theoretical and empirical literature. The choice of strategy is an important step in the strategy development process. The difference in factors involved in various firms explains the difference in strategy chosen which eventually is reflected by the organization performance. In line with this study, there is need to conduct studies in specific sectors in order to unravel the role of strategic choices on their performance.

Ongoje (2013) studied the relationship between strategic planning and organizational performance in Non Governmental organizations in Kenya. The main objective of the study was to determine how strategic planning has assisted Action Aid Kenya (AAK) to improve in performance of its programmes. This study was conducted as a case study of Action Aid Kenya. Primary data sources were used in this study where data was obtained through interactive interviews with 12 management staff and 5 partner organizations. The nature of data collected was qualitative and was therefore analyzed using content analysis technique. Action Aid has adopted multiple strategy planning approaches and a number of tools to enhance organization performance. The empirical finding shows that strategic planning directly contributes to organizational performance. The study concludes that strategy planning and organizational performance in Action Aid Kenya involves drawing from national context and global plans and priorities to shape and ensure strategy alignment and relevance. The study also concludes that there is a difference between the results and approaches to measuring strategic planning effectiveness and organizational performance. The context of this study was on the nongovernmental organization. There remains a need to replicate this study in public organization in order to build up the literature across different ownership structures of organizations.

Gado (2013) conducted a study on the relationship between strategic choices and organizational performance in Nigeria. The objective of the study was to assess the role of strategy in organizational performance in the ailing petroleum industry. This study employed survey method, use of questionnaires and secondary data, was chosen because it was considered more effective in addition to being more affordable and faster. Primary and secondary data on resources, strategy and performance were collected for seven surviving companies and analysed using the Kendall's tau-b. This was administered to 28 managers of 7 textile companies. Four managers each in charge of production, marketing, finance and human resources were selected from each of the 7 companies. The results showed robust correlation between strategic choices and resource levels and an even stronger correlation between strategic choices and performance levels. The results of the analysis suggest that for this ailing industry in North West Nigeria, strategic choices contributed more in determining performance than resources. This extension of knowledge is more of a clinical approach. For practical purpose, we know that resources and strategy are usually interwoven and can hardly be separated. Amongst the recommendations were that companies should concentrate on innovative strategies supported by identified relevant resources. Identified pertinent resources included: power, raw materials, machine technology and current assets. Management capabilities needed to be beefed up to transform other resources into performance. The Nigerian Government was requested to intensify efforts at creating an enabling environment with particular reference to the provision of electricity and funding at single digit interest rate. The current study intends to build on this finding by adopting the Ansoff's strategic choices model which was not adopted in Gado's study.

2.2.2 Challenges facing the implementation of strategic choices

Strategy implementation is the process through which strategy is translated into action and results are achieved. It is acting on what has to be done internally to put the chosen strategy into place and actually achieve the targeted results. It is administrative, looking for workable approaches to executing strategy and getting people to accomplish their jobs in a strategy supportive manner. Thompson and Strickland (1989) lends voice to the fact that strategy implementation includes the full range of managerial activities associated with putting a chosen strategy into place, supervising its pursuit and achieving the targeted results.

Bolo et al., (2012) investigated Challenges facing the implementation of Differentiation strategy at the Mumias sugar company Limited in Kenya. To guide the study, two specific objectives were used: - To find out the differentiation strategies used by Mumias Sugar Company in Kenya, to establish the challenges faced by Mumias Sugar Company in Kenya, in implementing differentiation strategies. Two research questions were tested. A sample of Mumias Sugar Company limited was purposely selected and used, as the largest sugar manufacturing company in Kenya. The study findings indicated that there is a deficit for more avenues of differentiation, which if nurtured can bring competitiveness in the industry. The inability by majority of management staff to identify and define differentiation was a clear indication of inadequate knowledge on differentiation strategies. The results also revealed that besides the above listed challenges, others were, core competence, such as training, skills, leadership, Technology, Design, Branding, Pricing and Research. Others included resource-based which consisted of personnel and, finance. Moreover, environmental challenges such as culture, governmental, societal, compliance with international standards and stiff Competition from other low cost sugar producers. Whereas the study makes critical contribution on the challenges facing strategy implementation, the challenges faced by organizations may vary from industry to industry. With no study having been carried in the petroleum pipeline industry, the current study is a step towards building the body of literature in this subject.

Beer and Eisenstat (2000) studied the barriers to strategy and learning in the paper entitled 'silent killers of strategy and learning. The purpose of this study was to profile the key challenges that face implementation of strategies in organizations. The major finding of this work was that key challenges of strategy implementation were related to the management. This paper identified six important barriers to strategy and learning: leadership style that does not embrace the paradox of top-down-direction and upward influence, unclear strategies and priorities, Ineffective team whose members do not possess general management orientation, Lack of open vertical communication, ineffective coordination and Lack of down the line leadership mid-level managers with potential leadership skills are given clear accountability and authority. This study profiles challenges that revolve around management and leadership. The current study applies these variables as challenges to strategy implementation so as to paint a clear picture of how these challenges replicate across different sectors.

Summary

An important conclusion which can be drawn from the literature review is that besides the numerous studies on strategic management and organizational performance, there is very little specific studies on strategic choices and organizational performance. Furthermore, the petroleum supply industry has received very little attention in literature despite the enormous contribution of this sector in the world economies. It is against this background that a study on the organizational choice, challenges of strategy and organizational performance in this orphaned sector becomes imperative.

CHAPTER THREE
RESEARCH METHODOLOGY

3.0. Introduction

This chapter presents the methodology to be used by the researcher in obtaining data from the respondents. It covers research/study design, study population, sampling techniques, design, sample size, data collection instruments and procedures that the researcher could employ in meeting the study objectives. Finally, the analysis of data as obtained from the respondents'

3.1 Research Design

This study adopted a case study research design. According to Kerlinger (1986), Kumar (1993), Nachmias *et.al.*, (1991) and Jahuda (1995), a research design is an overall framework, a plan, structure and strategy for investigation and logical model that is conceived in order to provide means of obtaining responses to the research hypotheses and/or questions. This research design was preferred because it will enable the researcher to collect data from a wide variety of respondents for the purpose of determining the existence and extend of a phenomenon as well as establish the relationship between variables.

3.2 Study Area

The study was conducted within the three major upcountry KPC branches located in Kisumu in Kisumu County, Eldoret in Uasin Gishu County, and Nakuru in Nakuru County. The KPC branches are located far apart geographically thus these regions have been selected because of time and other resource constraints.

3.3 Study Population

The study population shall consist a work force of KPC covering Western regions, specifically; Nakuru, Eldoret and Kisumu. According to statistics available at Kenya Pipeline, the organization has 235 top management staff working in these regions. This study targets the top level management who are considered to be in the core of organizational strategies. Therefore the target population was 235 top level management staff of KPC staff in western region.

3.4 Sampling Techniques, Design, Size and Procedures

Sampling is a procedure of selecting a part of the population (universe) in which to conduct the research. Due to large numbers of workforce coupled with other internal constraints; it was not possible to cover all the targeted population. However, for the purpose of this study, stratified random sample of twenty per cent (20%) which represents 47 of respondents was used in the study. The choice of 20% is justified by separate pronouncement of research Scholars. Kerlinger (1986) contends that the percentage is a considerably representative sample and is viable in social sciences study. Therefore a sample of twenty percent (20%) was expected to produce sufficient data which meets this criterion. The population was first subdivided into four stratus based on geographical locations from which a sample of 20% of the employees was selected using simple random sampling technique.

3.5 Data Collection

Collection of data was through sets of structures questionnaires which were administered to 47 targeted respondents. Where need was, the researcher was to observe, or conduct some interviews for clarity purposes.

3.5.1 Sources of Data

In achieving the stated research objectives, the study aimed to use available information from both primary and secondary sources. Primary data was collected by use of sets of structured questionnaire which were personally distributed by the researcher to the targeted respondents. The secondary data was collected from various publications in the subject under review. The facts, figures and statistics on strategic choices on performance of public organizations was explored through books, magazines, journals periodicals and internet.

3.5.2 Data Collection Procedure

Data was collected from sets of structured questionnaire which was personally administered by the researcher to 47 respondents who are employees of Kenya Pipeline Company covering Western regions such as; Nakuru, Eldoret and Kisumu.

3.5.3 Instrument for Data Collection

Questionnaire as a research instrument was used in data collection. Questionnaire was preferred due to its reliability, less time consuming and easier to analyse. However, personal observations in the work environment was to add value to the study findings. Where respondents were unable to understand clearly what was in the instrument, the researcher was to conduct personal interviews.

3.5.4 Reliability and Validity of the Research Instrument

The need to test the content and construct validity of the research instruments is inevitable. This serves to ascertain they produce the relevant responses for the study. Cohen et al, (1999), stresses that experts of research should identify the validity and reliability of the research instruments. Questionnaire was tested for content validity by at least three personalities in firms under the energy sector who are not a part of the study sample but had experienced strategic related issues as those in the sample survey. The aim was to establish the relevance of the instruments for collecting data, identify any anomalies likely to occur at the actual data collection process and check whether instructions were clear and understood by the targeted respondents.

3.6 Data Analysis and Presentation

Data was analysed by use of both descriptive statistics and qualitative techniques. Qualitative data was analyzed by inferential statistics, specifically mean standard deviation and percentages. The first objective of the study was analyzed by use of descriptive statistics, while the second objective which sought to establish the relationship between strategic choices and firm performance was analyzed by use of correlation and regression analysis. Correlation analysis was used to establish the relationship between the dependent and independent variables and regression analysis to establish the strength and significance of independent variables in predicting the dependent variable (organizational performance). The third objective which sought to explore the challenges faced by the firm in implementing strategic choices was analyzed by use of descriptive statistics.

3.7. Model Specification

The following models was adopted for data analysis.

$P1 = \alpha_o + \alpha_i x_i + \varepsilon$ .... [Equation 3.1]

$P2 = \alpha_o + \alpha_i x_i + \varepsilon$ .... [Equation 3.2]

$P3 = \alpha_o + \alpha_i x_i + \varepsilon$ .... [Equation 3.3]

where;

P1 = Profitability

P2 = Cost effectiveness

P3 = Growth

α_o = constant

α_i = coefficients for independent variables X_i

X_i = independent variables; Market penetration, new product development, market development; diversification

□ = Error term (assumed to have a normal distribution and constant variance).

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.0 Introduction

This chapter presents the results of the study followed by the discussion of findings in light of the research objectives. The body of results is divided into two main sections. The first section deals with the background characteristics of the sample while the second section presents the findings and discussions according to the study objectives. The first objective of the study was to identify the strategic choices adopted by Kenya Pipeline Company in the study area. This objective was analyzed by means of descriptive statistics. The second objective of the study sought to determine the association between strategic choices and the performance of KPC using a bi-variate regression analysis. The last objective was to establish the challenges faced by KPC in the implementation of strategic choices. The findings systematically present the findings of each of the specific objectives.

4.1 Characteristics of the Sample

Primary data was collected by means of self administered questionnaires. The questionnaires were distributed in the month of May/June 2014. Responses were received from 40 respondents out of the target population of 47 respondents. This represented 85.1% of the targeted population. Only seven respondents (14.9%) of the sampled population did not respond. Therefore the response rate achieved was ideal and sufficient to represent the target population. Figure 4.1 presents the number of respondents received from the target population.

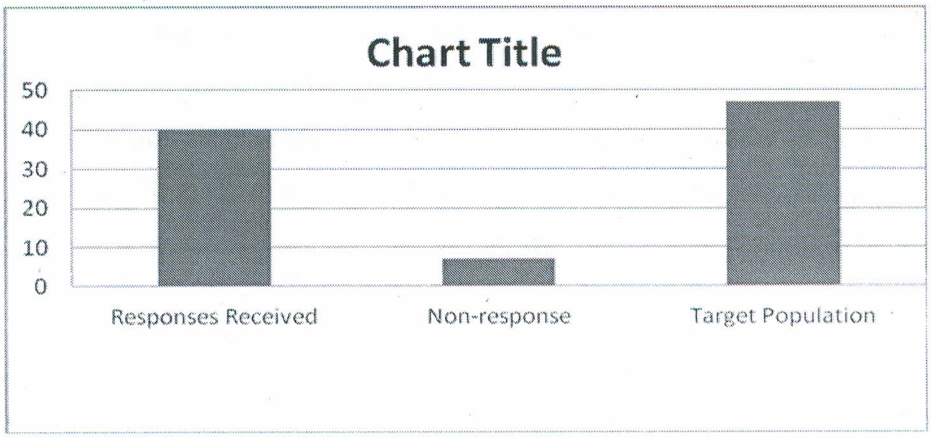

Fig. 4.1. Response rate

Source: Research data, 2014

The study also profiled the respondents by gender. Figure 4.2 summarizes the respondents by gender. Out of the total number of responses received, the majority (N=26; 65%) were male compared to (N=14; 35%) received from female participants.

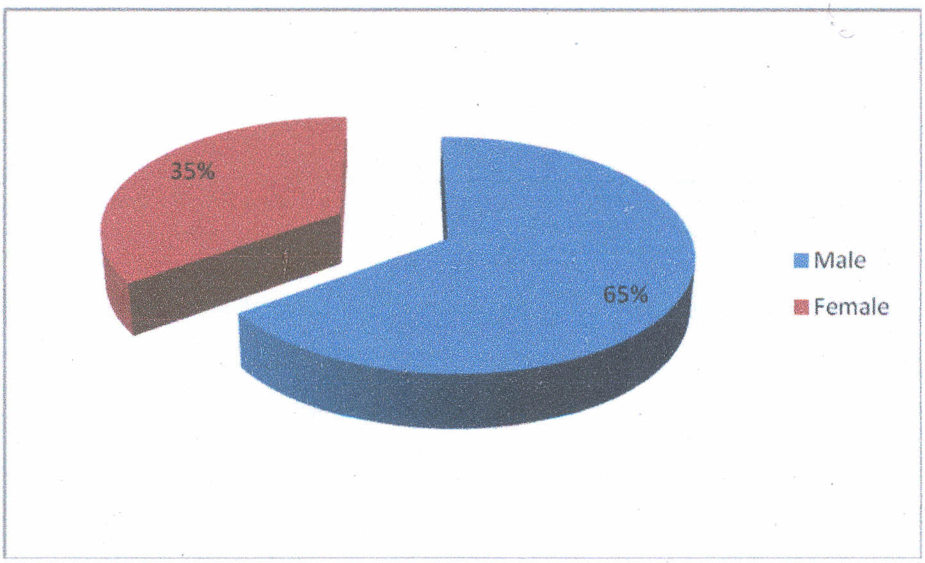

Fig. 4.2. Distribution of respondents by Gender

Source: Research data, 2014

It was also necessary to establish the profile of respondents in terms of their experience in the company. This is important because the length of service determines the respondent's understanding of the strategic orientation of the company thus affecting the validity of the responses. Table 4.1 shows the tenure of the respondents in the company. The study ascertained that the majority of the respondents (60%) have worked in the company for six (6) or more years while 22.5% had worked for 5-6 years. There were fewer and fewer respondents serving shorter periods with only 15% having served between 3 and 4 years and 2.5% who had worked for the company for a period of 2 years and below. This finding indicates that most responses were received from more experienced members of staff in the company and therefore casts little doubt on the quality of their responses.

Table 4.1: Distribution of respondents by Experience

	Frequency	Percent (%)
1-2years	1	2.5
3-4 years	6	15
5-6 years	9	22.5
Over 6 years	24	60
Total	**40**	**100**

Source: Research Data, 2014

Education level of the respondents is also an important bio-data attribute which was probed in this study. The study findings revealed that the majority of the respondents (55%) had attained undergraduate degree qualification, while 30% had master's degree (Table 4.2). This finding indicates that cumulatively 85% of the respondents had at least a University degree qualification. Only 15% of the respondents had diploma qualifications.

Table 4.2: Distribution of respondents by Education

	Frequency	Percent (%)
Diploma	6	15
Degree	22	55
Master	12	30
PhD	0	0
Total	**40**	**100**

Source: Research Data, 2014

After looking at the characteristics of the sample, the next section focuses on the findings of the study regarding to each of the specific objectives, its interpretations and discussions in light of other relevant studies.

4.2. Strategic choices adopted by KPC

The first objective of the study was to identify the strategic choices adopted by KPC. The conceptual framework adopted for this study specifies 4 main strategic choices that can be adopted by a firm: market penetration, new product development, market development and diversification (Ansoff, 1957).

Table 4.3 summarizes the findings regarding the extent of application of the four possible strategic choices that can be adopted by KPC. The findings indicate that the firm in focus (KPC) had adopted market development strategies to a greater extent with a mean of 3.91 in a scale of 1 to 5 (standard deviation 0.079). Market penetration strategies and new product development were also found to be applied to a substantially moderate extent with mean of 3.455 (Standard Deviation 0.122) and mean of 3.4776 (standard deviation 0.120) respectively. Conversely, diversification was practiced to a very little extent if at all with mean 2.613 (standard deviation 0.069) in a scale of 1 to 5.

Table 4.3: Extent of Application of Strategic choices by KPC

	N	Min	Max	Mean		Std. Deviation
				Statistic	Std. Error	Statistic
Market Penetration Strategies	40	1.73	4.17	3.4555	.122	.177
New Product Development	40	1.26	5.00	3.4776	.120	.176
Market Development strategies	40	1.20	4.56	3.9134	.0790	.201
Diversification	40	2.20	3.40	2.6137	.069	.043

Note: Scale used 1 = Least extent 5= greatest extent

Source: Research Data, 2014

The findings of this study indicate that there is an effort towards adoption of various strategic choices by KPC. One of the most important aspects in businesses today is the alignment of strategies on all strategic levels: corporate, business, and functional level. Despite its strategic importance being neglected for a long time more recent studies proof strategic choices to be positively related to overall organizational performance (Carr & Smeltzer, 1999). The findings of the study are thus consistent with global management trends in which, it has become essential to align strategies with corporate and business strategies especially in times of highly dynamic environments affected by globalization and recession strategic decisions are directly related to competitive forces (Nollet *et al.,* 2005). However, the finding that diversification strategy is practiced to very little extent is a departure from the practice signaled by previous studies such as Bolo *et al*., (2012) who studied strategic choices in Mumias Sugar, a Kenyan company. The later had adopted diversification strategies to a greater extent. This leads to the recommendation that KPC needs to focus on diversification strategies.

4.3. Association between strategic choices and performance of Kenya Pipeline Company limited

The second objective of the study sought to establish the association between strategic choices and performance of Kenya pipeline limited. To actualize this objective, three correlation analyses were run. Each correlation sought to capture the association between various strategic choices and the three measures of performance of the firm. Table 4.4 presents the correlation results for the association between strategic choices and profitability. There is a significant positive association between all the variables of strategic choices and profitability (Market penetration, $r=0.198$; $p<0.05$, New product development, $r=0.361$; $p<0.05$ Market development, $r = 0.280$; $p<0.05$ and diversification, $r=0.280$; $p<0.05$).

Table 4.4: Association between strategic choices and profitability

	Profitability	Market Penetration Strategies	New Product Development	Market Development strategies	Diversification
Profitability	1.000 (.000)				
Market Penetration Strategies	.198 (.010)	1.000 (.000)			
New Product Development	.361 (.011)	.215 (.091)	1.000 (.000)		
Market Development strategies	.280 (.040)	.020 (.452)	.299 (.030)	1.000 (000)	
Diversification	.496 (.001)	.321 (.022)	.270 (.046)	.095 (.279)	1.000 (.000)

Note: N=40; Significance levels shown in parenthesis

Dependent Variable: Profitability

Source: Research Data, 2014

Apart from profitability, other measures of firm performance including cost effectiveness and growth were also considered in this study. An overall measure of performance incorporating each of the preceding performance indicators was also computed and its association with strategic choices duly analyzed. The results of the correlation analysis are found in Table 4.5. Results indicate a significant positive relationship between market penetration and cost effectiveness $r=.515$; ($p<0.05$), market development and cost effectiveness, $r=.686$ ($p<0.05$), and between diversification and cost effectiveness $r=.265$($p<0.05$). However, there was no significant relationship between new product development and cost effectiveness as indicated by $r=.037$ ($p>.05$).

Similar results were adduced for growth as a measure of performance in which significant positive relationship was found between all the strategic choices variables and growth. Specific results reveal that growth is positively related to market penetration $r=.264$($p<0.05$), new product development $r=.366$ ($p<0.05$) market development $r=.288$ ($p<0.05$) and diversification strategies $r=.505$ ($p<0.01$). It can therefore be concluded that strategic choices have a significant positive influence on the growth of firms.

The relationship between the overall measure of performance and various components of strategic choices was found to have significant positive relationship with the association between market penetration and overall performance having $r=.112$ ($p<0.05$), new product development and overall performance $r=.385$ ($p<0.01$), Market development and overall performance $r=.440$ ($p<0.01$), diversification and overall performance $r=.442$ ($p<0.01$). These results provide further evidence that strategic choices have positive association with performance of a firm.

These findings were consistent with the findings of previous scholars including (Carr & Smeltzer, 1999) who found out that strategic choices to be positively related to overall organizational performance. The findings of the study are thus consistent with global management trends in which, it has become essential to align strategies with corporate and business strategies especially in times of highly dynamic environments affected by globalization and recession strategic decisions are directly related to competitive forces (Nollet *et al.*, 2005).

Table 4.5: Association between strategic choices and firm performance

	Performance							
	Profitability	Cost effectiveness	Growth	Overall Performance	Market Penetration Strategies	New Product Dev't	Market Dev't strategies	Diversi-fication
Overall Performance				1 (.000)				
Market Penetration Strategies	.198 (.010)	.515 (.000)	.264 (.050)	.112 (.050)	1 (.000)			
New Product Development	.361 (.011)	.037 (.411)	.366 (.010)	.385 (.007)	.215 (.091)	1 (.000)		
Market Development strategies	.280 (.040)	.686 (.000)	.288 (.036)	.44 (.002)	.02 (.452)	.299 (.030)	1 (.000)	
Diversification	.496 (.001)	.265 (.049)	.505 .000	.442 (.002)	.321 (.022)	.27 (.046)	.095 (.279)	1 (.000)

Note: N=40; Significance levels shown in parenthesis

Source: Research Data, 2013

However, there is need to exercise caution when interpreting correlation results because of its inherent limitations. For instance, correlation coefficients (r) say nothing about which variable causes the other to change. Therefore to surmount such setbacks, a regression analysis was run on the predictors and the dependent variable. The coefficient of determination, R^2 is a superior measure compared to correlation coefficient *(r)* because it indicates the amount of variability in one variable that is explained by the other and since the dependent and independent variables are specified in the regression model, the problem of difficulty in determination of casualty is thwarted.

The results of the regression analysis are found in Table 4.6. As depicted in the table, the overall model accounts for 55.6% of variability in the performance of the firm as shown by R square = .556 ($p<0.01$). The model also indicates that the adjusted R square is .506 which is close to R Square, in fact, the shrinkage between the R square and adjusted R square is only 0.01 meaning that even if the data was derived from the entire population, the results would more or less be similar. It can therefore be concluded that this model generalizes the population adequately.

Table 4.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	0.746	0.556	0.506	0.102	0.556	10.967	4.	35	0.000	1.87

a. Predictors: (Constant), Diversification, Market development Strategies, Market Penetration Strategies, New Product Development

b. Dependent Variable: Overall Performance

Source: Research data, 2014

4.4. Challenges faced by organizations in implementation of strategic choices

The third objective of the study sought to establish the challenges faced by the organization in implementation of strategic choices. To actualize this objective, a set of possible barriers were presented to respondents who were expected to indicate their level of agreement in each of the measures in a scale of 1 to 5. The findings of this analysis are in Table 4.7. As indicated in the table, lack of effective conflict management resolution was cited to be the greatest barrier to the implementation of strategic choices (mean =3.75; standard deviation =135) followed by lack of utilization of feedback from those down the line (mean =3.625; standard deviation= 0.602). Lack of communication of strategies to junior staff is also a barrier to implementation of strategies (mean =3.525; standard deviation=0.132). Lack of dialogue between mid-level management and top management on strategies was also shown to be a barrier of implementation of strategies (mean= 3.25; standard deviation= 0.160). However, ineffective team work was not found to be a barrier of implementation o strategic choices with most respondents either strongly agreeing or disagreeing (mean in agreement scale mean=2.25; standard deviation =0.166). This finding points to the fact that coordination of strategic choices implementation idea from top to bottom of the management in a consultative manner is the key to success of implementation of strategies.

Table 4.7: Barriers to implementation of strategic choices

Barriers		Score									
		1	2	3	4	5	Total	Min	Max	Mean	Std Dev
Lack of utilization of feedback from	N	3	2	12	13	10	40	1	5	3.625	0.602
those down the line	%	*7.5%*	*5.0%*	*30.0%*	*32.5%*	*25.0%*	*100%*				
Lack of communication of strategies	N	1	5	15	10	9	40	1	5	3.525	0.132
to junior staff	%	*2.5%*	*12.5%*	*37.5%*	*25.0%*	*22.5%*	*100%*				
Lack of effective conflict	N	0	5	11	13	11	40	2	5	3.750	0.135
Management	%	*0.0%*	*12.5%*	*27.5%*	*32.5%*	*27.5%*	*100%*				
Lack of dialogue between top management and lower level	N	0	9	15	13	3	40	2	5	3.250	0.160
management about organizational effectiveness	%	*0.0%*	*22.5%*	*37.5%*	*32.5%*	*7.5%*	*100%*				
Ineffective team work	N	6	15	14	3	0	38	1	4	2.250	0.166
	%	*15.0%*	*37.5%*	*35.0%*	*7.5%*	*0.0%*	*95%*				
Lack of training of mid-level managers on leadership skills and	N	2	6	11	10	11	40	1	5	3.550	0.122
general management clear accountability and authority	%	*5.0%*	*15.0%*	*27.5%*	*25.0%*	*27.5%*	*100%*				

Source: Research Data, 2014

The results in table 4.7 indicate that middle level management is an important tenet in strategy formulation and implementation. Effective strategy formulation and implementation can be inhibited to a large extent by lack of proper co-ordination of strategic ideas between the top management and the middle level management as can be seen by the mean of above 3.0 in a scale of 5.0 for items relating to the relationship between top management and lower cadres in terms of communication, feedback and conflict resolution.

These findings are invariant with previous related studies. Previous studies also indicated the importance of communication in implementation of strategies (Gado, 2013). On the other hand other studies such as Bolo, (2013) established that the inability of the top management to identify and define strategies is one of the most prevalent barrier to strategy implementation.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENATIONS

5.0. Introduction

This chapter presents summary, conclusions and recommendations of the study. The problem of this study emanated from the challenges the company has been facing in executing its mandate and the deteriorating performance. The purpose of this study was to establish the association between strategic choices and performance. The specific objectives of the study were to; identify the strategic choices adopted by Kenya Pipeline Company limited, identify the association between strategic choices and performance of Kenya Pipeline Company limited and to establish challenges faced by the organization in the implementation of strategic choices.

The study sampled 47 employees of KPC in western region, Kenya. A structured questionnaire was used to collect data. The comprehensive analysis undertaken during this study resulted in various findings: some arise from the literature surveyed, some emerge from the study methodologies adopted whereas the bulk of results emanate from data analysis. The purpose of this chapter is to elucidate the summary, conclusions and recommendations of this study, as well as implications for theory, policy and practice. A discussion on the limitations of the study and suggestions for future research concludes the chapter.

5.1. Summary of Findings

As regards the extent to which sought to establish the extent to which strategic choices were practiced at KPC the study found out that the firm had adopted market development strategies to a greater extent. Market penetration strategies and new product development were also found to be applied to a substantially moderate extent. Conversely, diversification was practiced to a very little extent if at all.

The second objective of the study sought to establish the association between strategic choices and performance of Kenya pipeline limited. The study found that there was a significant positive association between all the variables of strategic choices and profitability, This makes an important contribution as it provides evidence on the role of strategic choices in the prediction of level of performance of firms.

The third objective of the study tried to establish the challenges faced by the organization in the implementation of strategic choices. The findings indicated that lack of effective conflict management resolution was cited to be the greatest barrier to the implementation of strategic choices. Lack of communication of strategies to junior staff is also a barrier to implementation of strategies. Lack of dialogue between mid-level management and top management on strategies was also shown to be a barrier of implementation of strategies. This finding points to the fact that coordination of strategic choices implementation idea from top to bottom of the management in a consultative manner is the key to success of implementation of strategies.

The summary of the findings for each of the objectives leads to various conclusions. The conclusions drawn from the summary of the findings of the study are elucidated in the following section.

5.2. Conclusions

Following the findings of this study, the following conclusions were made. Conclusions drawn from the findings of the study for each research objective are considered separately.

5.2.1. Research Objective 1

The first research objective was to establish the extent to which strategic choices were practiced at KPC western region, Kenya. The finding that the firm had adopted market development strategies, Market penetration strategies and new product development strategies to a greater extent leads to the conclusion that market development strategies, market penetration strategies and new product development strategies are the main strategic choices adopted by KPC and the firm has not adopted diversification strategy.

5.2.2. Research Objective 2

The second research objective was to establish the association between strategic choices and performance of Kenya pipeline limited. The findings revealed a significant positive relationship between various components of strategic choices and performance of firms. Specifically, there was a significant positive association between overall performance and market penetration strategies, $r=.366 (p<0.005)$, market development and overall performance, r=.366 (p<.007), diversification and overall performance, r=.422(p<0.05). Overall, strategic choices accounts for 55.6% of the variability in overall performance of the firm under study. These findings leads to the conclusion that, strategic choices are critical parameters in the determination of overall performance of an organization.

5.2.3. Research Objective 3

The research objective three sought to establishes challenges faced by the organization in the implementation of strategic choices.

The finding that lack of effective conflict management resolution was cited to be the greatest barrier to the implementation of strategic choices followed by lack of utilization of feedback from those down the line and that other barriers include lack of communication of strategies to junior staff is also a barrier to implementation of strategies, lack of dialogue between mid-level management and top management on strategies was also shown to be a barrier of implementation of strategies leads to the conclusion that coordination of strategic choices implementation idea from top to bottom of the management in a consultative manner is the key to success of implementation of strategies.

5.3. Recommendations

In view of the findings and conclusions of the study, the following recommendations were made.

Regarding the first objective of the study which sought to establish the extent to which strategic choices were practiced at KPC western region, Kenya, the study arrived at the conclusion that the that market development strategies, market penetration strategies and new product development strategies are the main strategic choices adopted by KPC and the firm has not adopted diversification strategy. This conclusion leads to recommendation there is need for the firm to focus on diversification strategies.

Regarding the second objective of the study, it was concluded that strategic choices are critical in the predicting of performance of an organization. This conclusion leads to the recommendation that management of firms, especially public firms, should pay attention to strategic choices. Further recommendation can be made to academia regarding the significant variables in the strategic choices-performance model which includes market penetration, new product development, market development strategies and diversification.

Regarding the third objective which sought to establish the barriers of implementation of strategic choices, in which the study concluded that the major barriers include lack of effective conflict management, lack of utilization of feedback from those down the line and that other barriers, lack of communication of strategies to junior staff is also a barrier to implementation of strategies, lack of dialogue between mid-level management and top management on strategies, the study recommends that there is need for the top management to involve the middle level management in the strategies. This can be achieved through consultations, dialogue and effective vertical and horizontal communication.

5.4. Contributions of the Study

This study makes several important contributions to both theory and accounting practice in Kenya and other developing nations as well as developed economies

5.4.1. Contribution of the Study to Theory

The findings of this study brings out several important contributions to the management practice. First and foremost, the study exposes the level of adoption of strategic choices in organization especially public organizations. Since most management practices of public organizations are mainly regulated by the various legislations rather than the industry practice, litle knowlege exists in the literature as to the strategic choices and strategy implementation in general,. therefore this study provides a much needed feedbck to fill this gap.

Secondly, the performance of organizations has over years been a focus of many studies. This is because of the declining trends in the performance of many organizations including public organizations. In Kenya, the decline in the performance of public parastatals led to privitatizaton. It is therefore of particular interest for scholars and management practice to identify the key determinants of performnce. This study makes critical contribution towards this end as it indicates how the performance of a firm can be enhanced through implementation of various strategic choices.

Finally, by identifying various barriers to the implementation of strategic choices, this study contributes to management by identifying focal points that should be addressed for any successful implementation of starategy.

5.5. Limitations of the Study

Notwithstanding the findings of this study and despite the important contributions this research makes to the body of knowledge in the subject area, it is necessary to evaluate the results in the context of some caveats. It is generally acknowledged that methodological choice has profound effect on most social research studies, Nachmias and Nachmias, (2008.

First, scholars have expressed concerns regarding survey designs and associated measurement problems. Surveys and their cross-sectional nature of data as opposed to longitudinal data mean that conclusions could be limited to those of association as opposed to having conclusions that illuminate causal associations between the variables of interest. However, given the research objectives and the importance of shadding light on the association between audit effort, business risks and audit fees, it was necessary to collect data from individuals within firms thus jsutifying the use of crossectional survey design.

Another limitation relates to the relatively small sample size and the resulting concern that the data may not fully capture the range of factors that interplay in the association between business risks and audit effort. A larger sample size would have supported a more robust statistical technique such as structural equation modeling (SEM), which is better predisposed to expose insignificant associations otherwise masked in selective correlation regression analysis and multiple regression analysis, (Tucker *et al.,* 2008). Measures were taken to enhance response rate and improve the number of cases that were used in the final analysis. Further, the study focus was on small firms, therefore, the study objectives were not jeopardized by the selection of the study area and sample.

5.6. Suggestions for Further Research

Directions for future research are consequent to the study findings as well as from missed opportunities in using the selected rather than alternative research methodologies and techniques.

Firstly, there is need for future studies to employ longitudinal research design so as to bring out how the causal association of variables changes over time. In this way, the effects of political and social economic changes on the study variables would be ascertained.

Secondly, the focus of this study was public organization in petroleum sector. There is need for future scholars to replicate this study in private firms and focusing on different sectors of the economy in order to enhance the generalizability of the current study.

REFERENCES

Ansoff, I. (1965). *Corporate Strategy*. New York, McGraw Hill

Aosa .E, (1992). An Empirical Investigation of Aspect of Strategy Formulation and Implementation within Large private Manufacturing Companies in Kenya **Unpublished PhD Thesis**, University of Strathclyde UK

Arthur J. B. (1992). The Link between Business Strategy and Industrial Relations Systems in American Minimills, *Industrial and Labor Relations Review*, 45(3) 488-506.

Balogun, J. et al., (2004). Organizational Restructuring and Middle Manager Sensemaking*Academy of Management Journal*, 47(4): 523-549.

Beer, M and Eisenstat (2000). Silent Killers of strategy and Learning. *Sheen Management Review*, summer 2000

Bell, (1988). Decision Making: Descriptive, Normative, and Prescriptive Interactions. Cambridge: Cambridge University Press.

Benkhoff, B. (1997), ignoring commitment is costly: New approaches establish the missing link between commitment and performance. *Human Relations*, 50(6): 701-726.

Birecree, A. M. (1994), "Corporate Development, Structural Changes, and Strategic Choice: Bargaining at International Paper Company in the 1980's," *Industrial.*

Bolo, Z.A., Wandera, W.M., Imaita,I. and K' Obonyo, P. (2012) Challenges facing the implementation of Differentiation strategy at the Mumias sugar company, *African International Journal of Business Management, Nairobi*- Kenya *Relations*, 32(3), 343-366.

Bourgeois, L. (1984). "Strategic Management and Determinism." *Academy of Management Review 9: 586-596.*

Boyne,(2004). Strategy content and public service organizations. *Journal of Public Administration Research and Theory*

Chandler, Alfred D. (1962). Strategy and structure: Chapters in the history of the industrial enterprise. Cambridge, MA: MIT Press.

Child, J. (1997). Strategic choice in the Analysis of Action, structure, Organizations and environmental: retrospect and prospect `organization studies' *Studies* **18** (1): 43–76. doi:10.1177/017084069701800104. Retrieved 16 September 2013.

Cooke W. and Meyer D. (1990). "Structural and Market Predictors of Corporate Labor Relations Strategies, "*Industrial and Labor Relations Review*, 43(2),280-293.

Daniels, (1988). Strategic choice and organizational performance of state mental health agencies in community-based services for the long-term mentally ill *ETD collection for University of Nebraska - Lincoln.* Paper AAI8911106. http://digitalcommons.unl.edu/dissertations/AAI8911106.

Donaldson, L. (1995). American anti-management theories of organization. Cambridge: Cambridge Univ. Press

Einhorn. H. and Hogarth. R (1981). "Behavioral Decision Theory: *Processes Of Judgment And Choice." Annual Review of Psychology 32: 53-88.*

Eisenhardt K.M. and Zbaracki M.J. (1992). Strategic decision making. *Strategic Management Journal*,13:17–37,

Gado, N.D. (2013). Strategic Choices and Performance: Evidence from an Ailing Industry in Nigeria, *Global Advanced Research Journal of Management and Business Studies 2*(10) 502-510.

Goddard, J (1992). Whither Strategic Choice: Do Management Ideologies Matter? *Industrial Relations*, 36(2), 206-228.

Jarzabkowski, P. & Fenton, E. (2006). Strategizing and Organizing in Pluralistic Contexts. *Long Range Planning*, 39(6): 631-648.

Jarzabkowski, P. & Fenton, E. (2006). Strategizing and Organizing in Pluralistic Contexts. *Long Range Planning*, 39(6): 631-648.

Jarzabkowski, P. (2005). *Strategy as Practice: An Activity-Based Approach.* Gateshead: Sage.

Jarzabkowski, P., Balogun, J., &Seidl, D. (2007).Strategizing: The challenges of a practice perspective. *Human Relations*, 60(1): 5-27.

Johnson G. et al (2005). *Exploring Corporate Strategy: Text and Cases*. Prentice Hall, London, 7th edition,

Johnson, G. & Huff, A. S. (1998).Everyday Innovation/Everyday Strategy. In G. Hamel & Prahalad C.K. & Thomas H. & O'Neal D. (Eds.), *Strategic Flexibility: Managing in a Turbulent Environment*.Chichester: John Wiley & Sons.

Johnson, G. & Huff, A. S. (1998).Everyday Innovation/Everyday Strategy. In G. Hamel & Prahalad C. K. & Thomas H. & O'Neal D.(Eds.), ***Strategic***

Flexibility: Managing in a Turbulent Environment. Chichester: John Wiley & Sons.

Johnson, G., Melin, L., & Whittington, R. (2005). Micro Strategy and Strategizing: Implications for Strategy Process Research. In Floyd S. W. & Roos J. & Jacobs C.D&Kellermanns F. W. (Eds.), *Innovating Strategy Process*: 176-185. Cornwall: Blackwell Publishing

Johnson, G. (2005). Micro Strategy and Strategizing: Implications for Strategy Process Research. In S. W. Floyd & J. Roos& C. D. Jacobs & F. W. Kellermanns (Eds.), *Innovating Strategy Process*: 176-185. Cornwall: Blackwell Publishing

Kahneman, D., and Tversky. A,(1979). "Prospect Theory: An Analysis Of Decision Under Risk." *Econometric* 47: 263-291.

Kariuki, (2011). Strategy and organizational behavior.

Katz, H. C. (1993). The Decentralization of Collective Bargaining: A Literature Review and Comparative Analysis, *Industrial and Labor Relations Review*, 47(1), 3-22. Kenya.

Kernaghan .K& Siegel.D,(1999)..Public Administration in Canada. ITP Nelson: Canada,

Kochan, T. A., et al. (1984). Strategic Choice and Industrial Relations Theory, *Industrial Relations*, 23(1), 16-39.

Miles ,(1978). Organizational strategy, structure, and process. New York: McGraw-Hill.

Ongoje, J. (2013). *Relationship between strategic planning and organizational performance in non governmental organizations, case of ActionAid Kenya*. Unpublished Masters Dissertation, University of Nairobi.

Paroutis, S. & Pettigrew, A. (2007).Strategizing in the multi-business firm: Strategy teams at multiple levels and over time.*Human Relations*, 60(1): 99-135.

Porter, (1985), *Competitive Advantage*, the Free Press, NY,

Pye, A. & Pettigrew, A. (2006). Strategizing and Organizing: Change as a Political Learning Process, Enabled by Leadership. *Long Range Planning*, 39(6): 583-590.

Regnér, P. (2003). Strategy Creation in the Periphery: Inductive Versus Deductive Strategy Making. *Journal of Management Studies*, 40(1): 57-82.

Schwenk.C.R (1995) Strategic decision making. *Journal of Management Studies*, 21(3):471–493,

Simon, H. (1955). "A Behavioral Model of Rational Choice." *Quarterly Journal of Economics 69: 99-118.*

Stoner, J.A.F., et al (2001), *Management,* Prentice Hall 6th Edition strategy and learning'.

Thompson (1996), "*Strategic Management: Concepts and Cases*" Irwin, New York.

Thompson A..A.Jr and Strickland.A..J.III (2003), *Strategic Management: Concepts and cases*, 13th edition Tata Mcgraw-Hill

Thompson A..A.Jr and Strickland.A..J.III., (1989), *Strategy Formulation Implementation: Tasks of the General Manager* 4th Edition, BPI IRWIN in NGO in Kenya.

Thompson, J..L. (1990),*Strategic Management :Awareness and Change*. Chapmanand Hall.

Tregoe,B.andTobia,P. ,Strategy versus Planning: Bridging The Gap." *The journal of Business Strategy, 12(6)*, November- December 1991, pp.14-19.

Whittington, R. (1989). *Corporate strategies in recession and recovery: Social structure and strategic choice*: Unwin Hyman London