

INFLUENCES OF FUNCTIONAL EXPERIENCE ON CHOICE
OF COMPETITIVE STRATEGIES: A SURVEY OF TOP
EXECUTIVES OF COMPANIES LISTED ON THE NAIROBI
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By

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A Management Research Project submitted in partial
fulfillment of the requirements for the degree of Master of
Business Administration, Faculty of Commerce

University of Nairobi

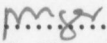
November 2003

DECLARATION

DEDICATION

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

which I have learned so much and owe my gratitude

Signed:.......... Date: 03 Nov 2003
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This project has been submitted for examination with my approval as the university supervisor

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To my family Maureen, Caleb and Edgar, and friends and teachers from whom I have learned so much and owe my gratitude

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List of Abbreviations

Acc. _____	Accounting
CEO _____	Chief Executive Officer
Cum. _____	Cumulative
CSQ _____	Commitment to strategic Status Quo
Engineer. _____	Engineering
Fin. _____	Finance
Gen. Bus. _____	General Business
Mkt _____	Marketing
Max _____	Maximum
Min _____	Minimum
N _____	Number
NSE _____	Nairobi Stock Exchange
Std. Dev. _____	Standard Deviation
SBU _____	Strategic Business Unit
TQM _____	Total Quality Management

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ABSTRACT

I wish to thank many people without whose help this project would not have been successful. Special thanks go to my Supervisor Dr. Martin Ogutu for expert guidance, patience and inspiration during the conduct of the project and Mr. Chris Gekonge for many hours he spent critiquing the project proposal and findings.

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Thank all of you and may God bless you.

ABSTRACT

The objective of this study was to consider the influences of experiential background on the choice of competitive strategies made by the top executives of the companies listed on the Nairobi Stock Exchange. The study had a number of hypotheses relating choice of innovation, marketing, quality, service differentiation strategies; and low-cost leadership strategies to the duration chief executives have served in various functional areas. A structured questionnaire was used to collect primary data, through a drop-and-pick arrangement. No secondary data was used in this study. The SPSS was used to develop a database to facilitate analysis of the collected data.

Frequency tables, descriptive statistics and correlations analysis conducted on the survey responses of 31 top executives, representing 62% of the companies in the study census reveal that, to some extent, experience in particular functional areas are related to the choices of the competitive strategies adopted by the chief executives. The study further revealed that top executives in Kenyan companies are emphasizing a mixture of the dimensions of the above strategies; with no clear-cut single strategic orientation.

The most significant finding is that there is very low emphasis placed on research and development and hence very low inclination to innovation, which might explain the low level of competitiveness of Kenyan products in the global market. Limitations of the study, implications of the findings of the study for the top executives are discussed and recommendations are made for further research in this vital area of management

INTRODUCTION

1.1 Background

The main concern of many boards of directors in today's organizations is the choice of the right people for the top management positions. In 1980s and 1990s, the people who were likely to rise to the top of many organizations mostly had finance/accounting background, as seen in various advertisements for CEO positions. Then followed the difficulties faced by these organizations immediately the market was liberalized. The liberalization was accompanied by widespread restructurings, mergers and the need to keep pace with major changes in industry and broader environmental contexts (Kenya Economic Survey, 1999). The complexities of the environment, after the removal of barriers that had been erected by the government to protect the young Kenyan industry, required a new way of thinking. This then leads to question whether the experiential backgrounds of top managers contributed to the choice of competitive strategies pursued then; and whether these strategies led to the problems faced by these organizations.

1.2 Strategic Choice

Given the rapid rate with which the environmental factors shape the competitive forces in the market, it is necessary for Kenyan organizations to make the right choice in as far as competitive strategies are concerned. According to Johnson and Scholes (1990), strategic choice is the activity in the organization that involves understanding of the underlying basis guiding future strategy. Andrews (1987: 89) asserts that:

The determination of strategy also requires considerations of what alternatives are preferred by the chief executives and perhaps by his or her immediate associates as well, quite apart from economic considerations. Personal values, aspirations and ideals do, and in our judgment quite properly should, influence the final choice of purposes and strategic actions

to achieve the purposes Thus what the executives of a company want to do must be brought into the strategic decision equation.

Strategic choice is at the heart of strategy formulation process and is made in the light of the organization's vision, mission, and goals and aims at taking into consideration the internal conditions and external environment. The manner in which strategic choice process is managed vary from organizations to organizations, with some using highly organized and rational approach while others use intuitive approach and yet others just swim with the current and hope for the best (Cole, 1994).

There have been various theoretical models of strategic choice proposed by academics and consultants but the widely quoted ones are; the BCG portfolio framework, Ansoff's Product-Market Strategies and Porter's Generic Strategies. In this study, the researcher focused on Porter's generic strategies model and examined the role of functional experiences in the choice of a particular generic competitive strategy. In Porter's (1985: 12) view, "The notion underlying the concept of generic strategies is that competitive advantage is at heart of any strategy, and achieving competitive advantage requires a firm to make a choice...". But what are the determinants of the approaches adopted by different executives in the making of strategic choice? The answer probably lies in the accumulated experiences of the executives gained from the functional areas they have traversed on their way up the corporate ladder.

As proposed by March and Simon (1958), top managers operate in a situation of ambiguity, complexity and often experience information overload (Hoskisson, 1999). In such circumstances, the decision-maker's personal frame of reference, experiences, education, functional background and other personal attributes play significant roles in the actions they take and the decisions they make. A number of studies have been done in the area of functional experiences with emphasis on small sector manufacturing firms in the US (Beal, 1995; Beal, 2000) and on business level strategies (Finkelstein & Hambrick, 1990; Govindarajan, 1989; Gupta & Govindarajan, 1994). The finding of these studies supports the idea that to certain extent the choice of competitive strategies is related to the functional background of the CEOs. Studies

examining the relationship between top executives' characteristics and international diversification strategies found that certain characteristics such as age, educational background and functional experience at international level were associated with the level of international diversification (Tihanyi, 2000). Increasing researches focusing on the role of top management team in the performance of organizations have been published. These studies include Hambrick and Mason's (1984) upper echelons perspectives, top management team size, composition and tenure (Haleblian & Finkelstein, 1993, Murray, 1989, Smith et al, 1994). Their findings support the link between functional background and the organizational strategic orientation.

1.3 Generic Competitive Strategies

Today's dynamic markets and technologies have called into question the sustainability of competitive advantage. Under pressure to improve productivity, quality, and speed, managers have embraced tools such as TQM, benchmarking, and re-engineering. Dramatic operational improvements have resulted, but rarely have these gains translated into sustainable profitability. And gradually, the tools have taken the place of strategy. As managers push to improve on all fronts, they move further away from viable competitive positions. Michael Porter (1996) argues that operational effectiveness, although necessary for superior performance, is not sufficient, because its techniques are easy to imitate. In contrast, the essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match. To achieve this, a firm must choose to pursue one of the generic competitive strategies: differentiation, cost leadership or focus strategy or hybrid strategies (Wright et al, 1991; Miller and Dess, 1993).

1.3.1 Cost Leadership

A cost leadership strategy is one in which the firm is able to achieve a lower cost of production than its relevant competitors. The advantage of successfully employing this strategy is that a firm can achieve profit at a selling price below its' competitors break-even point. This implies a number of things and it is important to see the difference

between low cost leadership and low prices as they are two fundamentally different issues. Low cost leadership means efficient large-scale facilities, vigorous pursuit of cost reductions in all areas, tight cost and overhead control, avoidance of marginal customer accounts, high market share and favourable access to supplies and, perhaps, distribution. Some of the approaches to low cost leadership are the use of advanced technology and incentive and benefits program. "Flat" organizational structure and highly decentralized approach are also key elements in their low cost leadership strategy (Iverson, 1998).

1.3.2 Differentiation

Differentiation is the strategy of offering features, options, policies, products and services that are unique, premium priced and attractive to buyers. Differentiators earn above average profits because of their ability to engage in premium pricing. Differentiation tends to insulate a firm against competitive rivalry because of brand loyalty. Differentiation means; a very clear understanding of buyer needs wants and desires, the ability to respond to customer needs, relative collaboration between design engineering and marketing, a cadre of creative problem solvers able to "push the envelope.", a willingness to accept a smaller market share in some instances and generally, a real focus on product/service quality

1.3.3 Focus

Low cost leadership and differentiation focus on achieving a competitive advantage on an industry wide basis. A focus strategy, on the other hand, is also called, "niche marketing". A focus strategy entails a firm selecting a small, well-defined market segment and serving that specific segment well through either low cost leadership or differentiation within their niche.

1.4 Statement of the Problem

In the turbulent environment in which organizations do business these days; a firm without a well-defined and executed competitive strategy may not achieve its

objectives. Porter (1985) stresses that the basis for above-average performance in the long run is sustainable competitive advantage, which accrues from generic competitive strategies pursued by the firm. According to Porter, (1985: 1), competitive strategy is **“the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs”**. This search calls for a sophisticated understanding of the rules of competition in the industry (Porter, 1985), which will involve a choice from a set of generic strategies.

As stated above, Porter’s view is that, the notion underlying the concept of generic strategies is that, competitive advantage is central to any competitive strategy, and that achieving competitive advantage, over competition, requires a choice from a set of generic strategies, namely, cost leadership, product differentiation and focus. Porter further asserts that the choice of particular competitive strategy requires a sophisticated understanding of the rules of competition in an industry. According to Porter (1985: 4), “the ultimate aim of competitive strategy is to cope with and, ideally, to change those rules in the firms favour” to be able to manage or overcome the five forces namely; the bargaining power of suppliers, the bargaining power of buyers, the threat of new entrant, the threat of substitute products or services and the rivalry among existing firms.

Aosa, (1992), in his study of strategic management in private manufacturing firms indicates that the investigation of strategic management practices in various sectors would increase the understanding of the strategy process in Kenyan organizations. Other studies (Gekonge, 1999; Shumbusho, 1983; Karemu, 1993 and Okumu, 2001) in strategic management and change management in Kenya have concentrated on the whole process of strategic management but none has delved into functional characteristics of the drivers of the process, as determinants of strategic choice. However, it should be noted that Shumbusho (1983) found that the role played by CEO in strategic planning process was critical to the success or otherwise of the process though he did not go further, to establish the underlying functional characteristics that facilitate or hinder the involvement of the top managers in strategic planning process.

Although studies done in North America have shown that there is a link between functional experiences and strategic orientation, Schwenk (1995) and others (Eisenhardt & Zbaracki, 1992; Schneider, 1989) suggest that because of cultural differences, North American theories of strategic decision-making may have to be modified to be applicable in other countries. Further, with respect to generalizability issue, Schwenk (1995: 484) states: "it may be that many of the conclusions about strategic decision-making developed in the US context will have to be modified in order to be applicable across cultures. Scholars like Newman and Nollen (1996: 753) and Schneider (1989) have suggested that "managerial attitudes, values, behaviours, and efficacy differ across national cultures" and there may be a need to adopt managerial decisions to reflect the differing cultural norms. Schneider (1989) further suggests that national cultural differences mean that firms from different countries will gather and interpret information differently, which will manifest themselves in differing strategic orientation.

From the foregoing literature it is evident that there is need to explore the relationship between functional experiences and choice of strategies in Kenyan environment, a task that has been undertaken by the researcher. The current study therefore investigated the choice of competitive strategies by Top Executives of Kenyan companies listed on the Nairobi Stock Exchange with intention of providing the answer to the following question:

- Do functional experiences have any association with choice of competitive strategies by chief executives of companies listed on the Nairobi Stock Exchange?

The researcher attempted to determine if the findings of the past strategic choice that is functional experiences are generalizable and applicable in the Kenyan setting, specifically Top Executives of firms listed on the Nairobi stock exchange

1.5 Objectives of the Study

This study had the following objective

- Establish whether functional experiences have any influence on the choice of

particular competitive strategies by Top Executives of companies listed on the NSE.

1.6 Hypotheses

For the purpose of this study the researcher adopted a multi-dimensional view of competitive strategies (Beal, 2000) leading to operationalization of competitive strategy along five dimensions; four differentiation-based strategies and low-cost leadership strategy and development of hypotheses based on innovation, marketing, quality and service differentiation strategies; and low-cost leadership strategy. Moreover, Wright et al (1991), Miller and Dess (1993) suggest that hybrid strategies may lead to superior performance than singular generic competitive strategies hence challenging “stuck in the middle” belief advanced by Porter (1980). For example, the simultaneous pursuit of low-cost leadership and quality differentiation strategies lead to superior performance over rivals with a singular focus on either low-cost leadership or quality differentiation strategy. The researcher therefore developed and tested hypotheses on association between managerial functional experiences and hybrid competitive strategies

1.6.1 Innovation Differentiation Strategy

Innovation strategy entails creation and marketing of products that users recognize as distinctive, novel or superior in design, features or performance (Beal, 2000). The development of such new or enhanced products require creativity, foresight and willingness to take risks on the part of the managers. The characteristics or behavior are associated with individuals who have been involved in R&D and new products development. Thus, we hypothesized that:

H1: CEOs with experience in R&D will tend to emphasize innovation differentiation strategy

H4: CEOs with experience in sales are likely to pursue service differentiation strategy

1.6.2 Marketing Differentiation Strategy

Firms that use marketing differentiation strategy have expertise in creating an image in the minds of the current and prospective customers that their company and product are superior to the competitors offering even though differences may not exist at all. The creative ability and skills required to convince customers to purchase products based on perceived difference is associated with individual who have considerable experience in the use of marketing and promotional techniques. Thus,

H2: CEOs with marketing experience are likely to emphasize marketing differentiation as strategy of choice

1.6.3 Quality Differentiation Strategy

Kotler (1999) suggest that a product can be positioned using any of the following dimensions, perceived quality, aesthetics, durability, performance, serviceability, conformance, reliability and features. Most of the dimensions are centered on products design which the primary function of the design engineers. Further requirement to confirm to the strictest quality standards in the development of the products is the love of the engineers. Thus,

H3: CEOs with engineering background are predisposed to choose quality differentiation strategy

1.6.4 Service Differentiation Strategy

Service differentiation requires attention and empathy with customers' need and desires (Beal, 2000). In firms, sale people are selected and trained on the bias of their ability to detect customers' need and desires. Based on this professional and functional exposure, sales people are known for developing highly effective customer service. Thus,

H4: CEOs with experience in sales are likely to pursue service differentiation strategy.

Because on their intimate knowledge of products capabilities and performance which are usually based on customers' needs, people who have worked in engineering and posses the requisite knowledge and expertise to serve the customers. Thus

H5: CEOs with experience in engineering are likely to emphasize service differentiation strategy in their organizations

1.6.5 Low-cost Leadership

Low-cost leadership strategy when pursued leads to superior performance by having significantly lower cost structures that the competitors. This strategy requires stringent cost controls, financial controls through budgets and setting of quantitative goals (Grant, 1991; Porter, 1980). These characteristics are normally found in people who are trained or educated in accounting. Thus

H6: CEOs with experience in finance/accounting are likely to emphasize low-cost leadership strategy

1.6.6 Hybrid Strategies

According to Beal (2000), successful implementation of hybrid strategies rests on the functional experiences required to implement each competitive strategy that makes up the hybrid strategy. For example, successful implementation of hybrid strategy that combines the generic strategies of low-cot leadership and service differentiation will require experiences that span both professional and functional areas of accounting/finance and sales/engineering. The researcher therefore proposes that;

H7: CEOs with combined experience in accounting and R&D will tend to emphasize a hybrid strategy of low-cost leadership and innovation differentiations strategies

H8: CEOs with combined experience in accounting and marketing will tend to emphasize a hybrid strategy of low-cost leadership and marketing differentiation

strategies

H9: CEOs with combined experience in accounting and engineering/operations/production will tend to emphasize a hybrid strategy of low-cost leadership and quality differentiation strategies

H10: CEOs with combined experience in accounting and sale will tend to emphasize a hybrid strategy of low-cost leadership and service differentiation strategies

1.7 Importance of the Proposed Study

The research will be useful;

- a) To the scholars in the field of management as well as researchers in understanding the role played by various functional and managerial characteristics in the strategic management process and specifically in the selection of competitive strategy
- b) To the boards of directors in the selection of the top managers based on the understanding of the managers' professional and functional background
- c) To the top executives in shaping the career path of their promising employees to achieve the right functional experiences for future senior appointments
- d) In increasing the available information on strategic management in Kenya and specifically on functional experiences as a determinant of choice of competitive strategy.

1.8 Scope of the Study

The scope of this study was limited to the public companies listed on the Nairobi Stock Exchange (NSE) and the competitive strategies pursued by the top executives of these firms, as they relate to the functional background of the executives. For the purpose of this study a top executive is defined as a person who hold the positions

such as managing director, general manager and executive chairman and the word is are used interchangeably with chief executive The scope was constrained by time and money and therefore could not be extended to include organizations outside the NSE. However, surveying the companies listed on the NSE was considered adequate in this case because of the participation of major companies in different sectors of the Kenyan economy.

1.9 Overview of Project Report

The project report is divided into five chapters. Chapter one contains an introduction section in which a brief discussion on issues of strategic choice is presented. This chapter also contains the statement of the research problem, the objectives and the importance of the study, the hypotheses and the explanation of some key concepts of the study. Chapter two contains the review of literature as well as the discussion of various competitive strategies. Chapter 3 presents the research design and chapter 4 the analysis of the collected data. Chapter five has the discussion on the findings and recommendations for future research. Finally, a list of selected references is provided

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REVIEW OF THE LITERATURE

2.1 Introduction

CEOs shoulder a number of roles in an organization (Mintzberg 1978) but none is as important as the role of being the principal strategist and decision-maker (Finkelstein and Hambrick, 1996). According to Geletkanycz et al (2001), it is the responsibility of the top executives to ensure that a firm is aligned to its environment. To achieve this alignment CEOs need to understand the forces at play in their environment to be able to come up with appropriate strategies for their firms to remain competitive. According to Porter (1980), successful implementation of different strategies (cost leadership and differentiation) requires different sets of skills. Porter suggests that implementation of differentiation strategies for example, will require functional experiences in marketing and low-cost strategy will require experience in process engineering

2.2 Functional experience

Experience gained in a particular functional area yields many outcomes. It accords the managers the opportunity to develop the skills, expertise competencies specific to that discipline (Geletkanycz and Black, 2001), helps shape their perspectives (Hambrick and Mason, 1984), align the executives' orientations and time frames to those advanced by that discipline (Lawrence and Lorsch, 1967) and ultimately influence their actions and thoughts (DiMaggio and Powell, 1983; Powell and DiMaggio, 1991). Studies by Schoonhoven (1981) and Venkatraman (1984) have posited that the effect of a CEO's functional experience on performance depends on the strategy pursued by the firm. According to Gupta (1984), and Hambrick and Mason (1984), the managers' background characteristics shape their strategic perspectives, behaviors, knowledge and skills. Furthermore, it is suggested that success of various competitive strategies requires different perspectives, behaviors, knowledge and skills that are entrenched in the managers' functional knowledge base (Finkelstein & Hambrick, 1996;

Govindarajan, 1989; Gupta and Govindarajan, 1984). Thus, the choice of strategy may be a product of managers' specific functional experience.

Chattopadhyay (1999: 767) and colleagues had this to say

"Executives functional background (i.e. the length of exposure to various functional areas in their previous work history and the current functional position (i.e. the functional area of the current job) are likely to influence executive belief and actions"

The effects of functional background and current functional position are likely to operate through functional conditioning as modeled by Chattopadhyay et al in Fig. 2

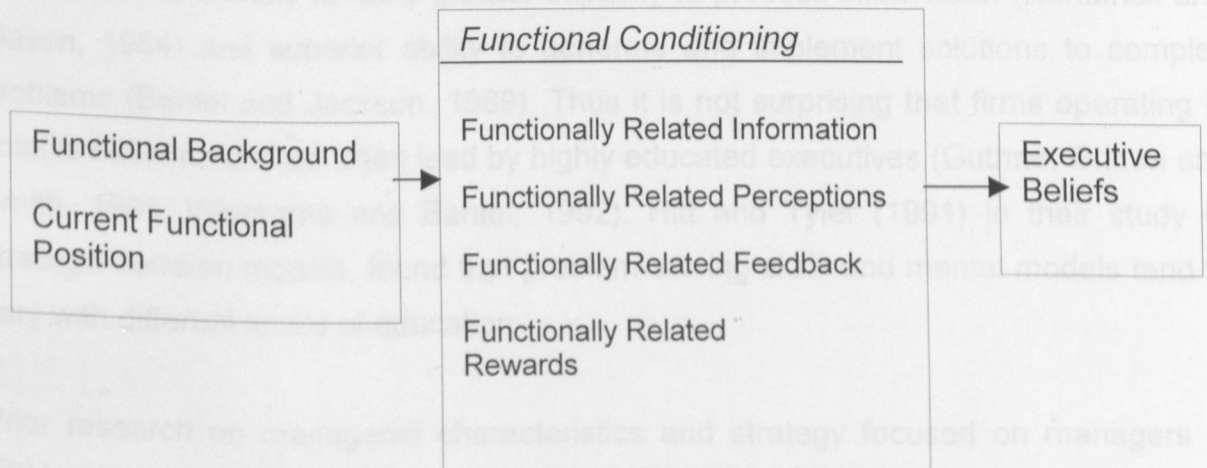


Figure 2. Theoretical model of effects of functional conditioning on belief of upper-echelon executives

(Source: Chattopadhyay et al, (1999). *Determinants of Executive Beliefs: Comparing Functional Conditioning and Social Influence*. Strategic Management Journal, 20, P. 763-789)

In their study of the role of functional experience on commitment to strategic status quo (CSQ), Geletkanycz and Black (2001) found that functional background in finance, marketing, law and general management was positively related to CSQ while executives with broader functional experience base tended to demonstrate greater strategic breadth thus supporting hypothesis that these functional areas increase executives' conviction in the appropriateness of the existing policies (Katz, 1982; March and Simon, 1958). Thus, according to Geletkanycz and Black (2001: 14), "the historically dominant pathways to power and control (Fligstein, 1987) appear to have darker side; these career paths tend to foster narrowed strategic mindsets". Another study by Beal (2000) of the implications of aligning functional background and

competitive strategies on organizational performance found that there is a positive association between performance and the manager's experience when certain strategies are pursued.

A number of writings on the managerial characteristics of the CEOs propose that educational background is another important factor that has a bearing on the behavior and beliefs of CEOs. Early research in managerial characteristics established a link between strategy and education (Kimberly and Evanisko, 1981; Rogers and Shoemaker, 1971). Further findings have suggested that executive with higher levels of education are likely to have greater capacity to process information (Hambrick and Mason, 1984) and superior ability to generate and implement solutions to complex problems (Bantel and Jackson, 1989). Thus it is not surprising that firms operating in volatile environment are often lead by highly educated executives (Guthrie, Grimm and Smith, 1991; Wiersama and Bantel, 1992). Hitt and Tyler (1991) in their study of strategic decision models, found that problem-solving skills and mental models tend to vary with different levels of education.

Prior research on managerial characteristics and strategy focused on managers of SBU of large diversified firms (see Govindarajan, 1984 and 1989) and Thomas et al.'s (1991), which focused executive of large firms. Study by Beal (2000) in this area drew samples from small manufacturing firms operating in a single Midwestern state in the US. Thus this study had limitations that the data used by the researcher was likely to be un-audited and therefore may have suffered from inaccuracies.

Recent studies in strategic management in Kenya (Adieri, 2000; Gekonge, 1999; and Kioi, 2001) have extended our understanding of the factors that influence strategy implementation and the success of the chosen strategy. There is agreement by these researchers that structure has dominant roles in strategic management process in Kenya, confirming the link between strategy and structure as postulated by Chandler (1962). This then implies that there is a need for the right people in the right places at

METHODOLOGY

3.1 Research Design

The researcher used exploratory survey in this study. According to Tull and Albaum (1973), a survey research is a systematic gathering of information from a sample of respondents for the purpose of understanding and/or predicting some aspects of the behavior of the populations of interest. Survey study design allowed the researcher to obtain information from a cross section of the firms listed on the NSE

3.2 The Population

The population of this research comprised of all fifty companies listed on the Nairobi Stock Exchange (NSE). The researcher studied this population because it is composed of most of the blue-chip companies in Kenya and as such are expected to be headed by the highest caliber of the top executives of varied backgrounds. Thus respondents were expected to provide a representative view of the population of Kenyan top executives as far as the influences of functional experiences on choice of competitive strategies are concerned. The researcher obtained a directory of companies listed on the NSE, which was used as a census.

3.2 Data Collection Method

The study used primary data gathered from the respondents using structured questionnaire. The researcher used drop-and-pick later method to administer the questionnaires. The questionnaire was pre-tested with three companies and where appropriate, adjusted, with a view to enhance its effectiveness.

The five dimensions of competitive strategies were measured by asking the respondent to indicate on 5-point Likert scale, the degree to which components of the strategies are emphasized. Top executive's experience in a particular functional area

was measured as continuous variables reflecting the number of years in that area. The respondents were asked to indicate the length of their exposure in nine functional areas: Legal, Accounting, Finance, Marketing, Sales, Research and Development, Operations/production, Engineering and General Business. Combined functional experience in different areas was measured as the average of the years of experience in the respective areas in which the respondent had been exposed to. The educational level of the top executive was captured on a five-point scale ranging from (1) undergraduate degree to (5) other qualifications

A personalized letter accompanied the questionnaires to each CEO of the organizations being studied. They were later followed with a telephone call to confirm the receipt of the same. On picking the completed questionnaires, they were checked for accuracy, consistency and completeness and then coded.

3.3 Data Analysis

The responses were coded to facilitate statistical analysis by use of descriptive statistics. Measures of tendency such as the arithmetic mean and standard deviation were also be used to assist the researcher to make a conclusion whether a particular functional area experience was strong or weak in influencing choice of a particular competitive strategy. Further analysis was done using Pearson's rank correlation to determine the correlation between numbers of years spent in particular functional areas and various dimensions applied in making competitive strategic choice. Data analysis was done by use of Statistical Package for Social Sciences (SPSS).

DATA ANALYSIS AND FINDINGS

4.0 Introduction

The research was a cross sectional survey, which is a suitable method of obtaining answers to the same questions from several firms or individuals in the same industry, or in different industries at once. Coopers and Emory, (1995) recommend this type of research design for studies carried out at once and representing one point in time and this study fell in this category. The census population was made up of all 50 companies listed in Nairobi Stock Exchange, as at March, 2003.50 questionnaires were sent out and 31 questionnaires were received back representing 62% response rate

The respondents were mainly top executives of the listed companies. The SPSS package was used to capture the data, build a database and analyze the data and produce frequency tables and descriptive statistics. Frequency tables, means, standard deviations and percentage have been used, extensively, to draw conclusions on the findings .The correlation analysis was used to draw conclusions on the relationship between the chief executives' functional experience and the strategic choices he / she makes to compete in the marketplace. The data in this chapter has been presented in eleven sections, each section describing specific findings using tables, texts

4.1 Basic data of Top Executives

The respondents were asked to state their ages and as indicated in Table 4.1.1 below, a majority of the respondents (38.8%) are below 46 years old, 35.5% are between 46 and 50 years old, and 22.6% are above 50 years old. This finding indicates that relatively young executives run a majority of Kenyan companies.

Table 4.1.1 Ages of Kenyan chief executives

Age Bracket	Frequency	Percentage	Cum. Percentage
31 – 35	3	9.7	9.7
36 – 40	2	6.5	16.2
41 – 45	7	22.6	38.8
46 – 50	11	35.5	74.3
Above 50 yrs	7	22.6	96.9
Missing	1	3.2	100

Source: Research data

4.2 Gender of top executives of Kenyan companies.

The respondents were also asked to indicate their gender .As shown in Table 4.2.1 below, 96.8% of the top executives are male, while one person did not indicate his/her gender. This finding indicates that the chief executives' positions in Kenyan companies are male dominated. This finding further indicates that the female Kenyans have not yet grown professionally to occupy top positions in executive management of Kenyan companies.

Table 4.2.1 Gender of Kenyan Top Executives

Ownership	Frequency	Percentage	Cum. Percentage
Male	30	96.8	96.8
Female	0	0	96.8
Missing	1	3.2	100.0

Source: Research data

4.3 Highest level of education of chief executives

The respondents were asked to state their highest level of education. As indicated in Table 4.3.1 below, a majority (51.6%) of Kenyan top executives have postgraduate degrees, 19.4% undergraduate degrees, while 50% hold professional certificates. This finding confirms that Kenyan companies are run by highly educated executives and is also in agreement with the assertion by Tihanyi (2000) to the effect that many global companies and multinationals are led by highly-educated people.

Table 4.3.1 Highest level of education

	Frequency	Percentage	Cum. Percentage
Undergraduate degree	6	19.4	19.4
Post graduate degree	16	51.6	71.0
Professional certificate	5	16.1	87.1
Missing	4	12.9	100.0

Source: Research data

4.4. Categorization of companies listed

The respondents were further asked to state the sector categorization of their companies in the Nairobi Stock Exchange. As indicated in Table 4.4.1 below the majority of the companies (25.8%) were in finance and investments and a similar number 25.8% were also in commercial and services sector, followed by industrial and allied 22.6%, and lastly agricultural 19.4%. From this finding Nairobi Stock Exchange is dominated by companies in the finance and investment and commercial and services sectors.

Table 4.4.1 Categorization of companies

Sector	Frequency	Percentage	Cum. Percentage
Agriculture	6	19.4	19.4
Finance and investment	8	25.8	45.2
Commercial and service	8	25.8	71.0
Industry and allied	7	22.6	93.6
Others	1	3.2	96.8
Missing	1	3.2	100.0

Source: Research data

4.5 Area worked and period worked in the area

The respondents were asked to state which specific functional area they had worked and for how long. As indicated in Table 4.5.1 below of all the functional areas, where the top executives had worked longest is between 0 and 5 years and least worked is above 16 years. However, a majority of the top executives had not worked in any of the specified areas as indicated by a large number, of missing responses in each case. From these findings it is not possible to associate most of the respondents with any functional experience and hence the choice of a competitive strategy. This finding could

confirm why Kenyan firms have difficulties to compete both in the domestic and global markets because the leaders of these companies have no specific competitive strategy orientation. This finding is in agreement with (Cole 1994) assertion that those companies that have no specific strategic orientation just swim with the current and hope for the best and hence have very low ability to compete in the market place leading to low value creation for stakeholders.

Table 4.5.1 Area worked and period worked in the area

Function	Marketing		Sales		Production		Accounting		Finance		R&D		Legal		Engineering		General Business	
	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%
0-5	9	29.1	5	16.2	12	38.7	4	13	4	13	4	13	1	3.2	2	6.5	10	32.3
6-10	3	9.7	1	3.2	8	25.8	2	6.4	3	9.6	3	9.6	--	-	-	-	3	9.6
11-15	3	9.7	2	6.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16-20	0	0	-	-	-	-	-	-	-	-	1	3.2	-	-	-	6.5	-	-
Above 20	1	3.2	-	-	1	3.2	-	-	1	3.4	-	-	-	-	-	-	2	6.5
Missing	15	48.4	23	74.2	10	32.3	25	80.6	22	71.0	24	77.4	30	96.8	27	87	16	51.6

Source: Research data

4.6. Emphasis placed on product attributes

The respondents were further asked to rate on a scale of 1 to 5 the emphasis they place on the particular attributes of their products /services (dimensions of innovative differentiation strategy). As indicated in Table 4.6.1 below, the majority of the respondents with a mean of 4.035 and standard deviation of 1.2672 place more emphasis on innovative marketing techniques, followed by marketing new products with a mean of 3.4074 and standard deviation of 1.3939, followed by research and development with a mean of 2.7857 a standard deviation of 1.31339 and lastly patent copyright on new products with a mean of 2.0417 and a standard deviation of 1.1602. This finding indicates that a majority of Kenyan chief executives place more emphasis on innovative marketing techniques rather than research and development of new products, which is placed third, that should enable them to be more competitive in the market place. This finding could imply that Kenyan economy is a distributive economy mainly concerned with distributing finished foreign products since there is no focus on research and development that should enable them to spawn new products necessary to meet competitive rigors in the market.

4.6.1 Place of emphasis on product attributes

Area of emphasis	N	Min	Max	Mean	Std. Dev.
Marketing of new products	27	1	5	3.4074	1.3929
R&D of new products	26	1	5	3.3462	1.3249
Selling of high-priced products	28	1	5	2.7857	1.1339
Obtaining patents & copyrights on new products	24	1	5	2.0417	1.1602
Innovative marketing techniques	29	1	5	4.0345	1.272

Source: Research data

4.7 Competitive strategic choices

The respondents were further asked to rate on a scale of 1 to 5 a number of strategic choice variables they choose from, for competitive purposes. As indicated in Table 4.7.1 below, the majority of the respondents with a mean of 4.8307 and a standard deviation of 0.33739 rated developing mechanism, as the most important strategy factor, followed by clarity in understanding customer needs with a mean of 4.4774 and a standard deviation of 0.7244, followed by a re- alignment system with a mean of 4.3871 and standard deviation of 0.7606, and lastly introduction of new technology with a mean of 3.7742 and a standard deviation of 1.1760. This finding indicates that the majority of Kenyans chief executives rated developing a delivery mechanism which ensures both consistency in service /product offer and high quality /customer service /satisfaction as their competitive style. These are traditional approaches to competition. Although customer is important in a competitive environment, itself alone is not enough or sufficient to enable a company have a sustainable competitive advantage. A company needs more novel strategic ideas like a stream of new unique products and clever cost management approaches to manage the business successfully and have a sustainable competitive advantage both locally and globally.

4.7.1 Competitive strategic choice by Top Executives of Kenyan companies

	N	Min	Max	Mean	Std. Dev.
Clarity in understanding specific customer needs	31	3	5	4.6774	0.5993
Realignment of all system and procedures to meet customer requirement.	31	3	5	4.3871	0.7606
Orientation of all customer contacts staff to understanding, serving and satisfying customer demands	31	3	5	4.4839	0.7244
Developing delivery mechanism which ensures both consistency in the service /product offer and high quality customer service /satisfaction.	31	4	5	4.8387	0.3739
Introduction of new technology to enhance customer service	31	1	5	3.7742	1.1750

Source: Research data

4.8. Emphasis the organizations put on the various product strategies

The respondents were then asked to rate on a scale of 1 to 5, what emphasis their organizations put on the various product strategies. As indicated in Table 4.8.1 below, the majority of the respondents with a mean of 4.5333 and a standard deviation of 0.8604 rated improving of existing products/services as a measure that the organizations put most emphasis, followed by building brand and company identification /loyalty with a mean of 4.466 and a standard deviation of 0.9371, followed by advertising and promotional programs with a mean of 3.4000 and a standard deviation of 1.1919, followed by selling goods /services at a premium to a segment of the market with a mean of 3.3571 and a standard deviation of 1.2237 and lastly offering a broad range of products/services with a mean of 1.6486 and a standard deviation of 3.4444. This finding indicates that a majority of Kenyan top executives place more emphasis on improving of existing products /services. This is also a traditional approach to business management unlike focusing on strategies like building brands that would make their products more recognizable, unique and distinctive in the market and hence enable them to have a competitive advantage in the market. The finding further ties up with the findings on area worked and period, which indicates that most top executives have no

functional experience in marketing, selling and research and development that are necessary in developing novel strategic choices for sustainable competitive advantage

Table 4.8.1 Emphasis the organizations put on the various product strategies

	N	Min	Max	Mean	Std. Dev.
Building brand or company identification/loyalty	30		5	4.466	0.9371
Improving of existing services and products	30	2	5	4.5333	0.8604
Selling goods /services at premium to a segment of the market	28	1	5	3.3571	1.2237
Offering abroad range of products/ survives	27	1	5	3.4444	1.6486
Advertising and promotional programs	30	1	5	3.4000	1.1919

Source: Research data

4.9 Emphasis organizations put on operational effectiveness measures

The respondents were asked to rate on a scale of 1 to 5 what emphasis and importance their organizations attach to operational effectiveness measures. As indicated in Table 4.9.1 below, the majority of the respondents with a mean of 4.7419 and a standard deviation of 0.5143 rated operational efficiency as the most important measures, followed by bench marking of cost with a mean of 3.4138 and a standard deviation of 0.8667, followed by reducing cost with a mean of 4.2667 and a standard deviation of 0.9072, followed by budgetary controls with a mean of 3.7667 and a standard deviation of 1.2134 and lastly mass production with a mean of 2.6207 and a standard deviation of 1.4495. This finding indicates that many executives use operational effectiveness as a strategy, which is an indication that a majority are either of engineering, finance, or production background. Operational effectiveness does not provide a sustainable competitive advantage because the competitor can easily imitate it.

According to Porter (1996), operation effectiveness, although necessary for the superior performance, does not give sufficient ability to have a competitive advantage over the competition because its techniques are easy to initiate. In contrast, the essence of

strategy is choosing a unique and valuable position rooted in a system of activities that are much more difficult to match or initiate.

Table 4.9.1 Emphasis on operational effectiveness measures

	N	Min	Max	Mean	Std. Dev.
Reducing cost through the firm	30	2	5	4.2667	0.9072
Budgetary controls	30	3	5	3.7667	1.1351
Operational efficiencies	31	1	5	4.7419	0.5143
Mass production	29	1	5	2.6207	1.4495
Distribution channel efficiency	30	1	5	4.1006	1.2134
Bench mark of costs	29	1	5	3.4138	0.8667

Source: Research data.

4.10 The extent to which the chief executive considers certain dimensions of product/service critical to the attainment of organization objectives

The respondents were asked to rate on a scale of 1 to 5 the extent to which they consider various dimensions of their products/ services to be critical to the attainment of their organizational objectives. As indicated in Table 4.10.1 below, the majority of the respondents with a mean of 4.6000 and a standard deviation of 0.6215 rated perceived quality of the product/service as the most critical dimension to the attainment of the organizational objectives, followed by product/service reliability with a mean of 4.5333 and a standard deviation of 0.8996, followed by benchmarking best practices in the industry with a mean of 4.2500 and a standard deviation of 0.970, followed by product performance with a mean of 4.1429 and a standard deviation of 1.0079, followed by speed of delivery of services with a mean of 4.5333 and a standard deviation of 1.1059, followed by products /service performance with a mean of 3.9200 and a standard deviation of 1.1150, followed by serviceability of the product with a mean of 4.0385 and a standard deviation of 1.1482, followed by aesthetics with a mean of 3.0800 and a standard deviation of 1.1518 and lastly product durability with a mean of 4.3462 and a standard deviation of 0.8152.

This finding is in conformity with the traditional competitiveness approaches of using product characteristics. This finding also ties up with the findings on the areas worked as per Table 4.5.1 production being most worked in. Therefore, the majority of the top executives may have a operation/production/engineering background. This finding is in

agreement with Kotler (1999), who asserts that a product can be positioned using any of the following dimensions: perceived quality, aesthetics, durability, performance, serviceability, conformance and reliability features, Most of the dimensions are centered on product designs which is the primary function of production and design engineers. Further, the requirement to conform to the strictest quality standards to the development of the product is the love of the engineers. Thus top executives officers with production and engineering background are pre- disposed to choose a quality differentiation strategy as a competitive factor. As indicated in Table 4.3.1 documented earlier, the highest number, (64.5%), of top executives worked in production for between 0 – 10 years and hence their choice of product quality strategy as a competitive factor

Table 4.10.1 The extent to which the chief executive considers certain product/service dimensions as being critical to the attainment of organizational objectives

	N	Min	Max	Mean	Std. Dev
Perceived quality of the products /service	30	3	5	4.600	.6215
Reliability	30	1	5	4.5333	.8996
Service	25	1	5	3.9200	1.1150
Durability	26	1	5	4.3462	3.8152
Performance	28	2	5	4.1429	1.0079
Serviceability	26	1	5	4.0385	1.1482
Aesthetics	25	1	5	3.0800	1.1518
Speed	30	1	5	4.5333	1.1059
Benchmarking	28	2	5	4.2500	.9670

Source: Research data.

4.11 Percentage of total budget allocated to the various functional areas.

The respondents were then asked to state the approximate percentage of their total budget (including personnel cost) allocated to the various functional areas in the current financial years. As indicated in Table 4.11.1 below, operation/production had the most budget allocation with a mean of 4.9259 and a standard deviation of 1.4392, followed by sales with a mean of 3.8519 and a standard deviation of 1.5368, followed by marketing with a mean of 3.8571 and a standard deviation of 1.5567, followed by Research and Development with a mean of 3.3462 and a standard deviation of 1.6478, followed by finance with a mean of 3.4815 and a standard deviation of 1.7488 and lastly customer

service with a mean of 3.5556 and standard deviation of 1.8257. This finding indicates that a majority of Top Executives had operations/production background, since they allocated budgetary resources mostly to production and operations, which are mostly engineering/production activities. This is also in agreement with the findings as per Tables 4.3.1 and 4.9.1 earlier discussed that a majority of top executives worked longest in operations/production.

Table 4.11.1 Percentage of total budget allocated to the listed functional areas

	N	Min	Max	Mean	Std. Dev
Marketing	28	1	6	3.8571	1.5567
Sales	27	1	6	3.8519	1.5368
Operation/Production	27	1	6	4.9259	1.4392
Accounting /finance	27	2	6	3.4815	1.7408
Research and development	26	1	6	3.3462	1.6478
Customer service	27	1	6	3.5556	1.8257

Source: Research data.

4.12 Level of seniority of management functions

The respondents were further asked to rank in a scale of 1 to 5 the level of seniority of the managers heading the various functional areas in their organizations. As indicated in Table 4.12.1 below, the nearest manager to the chief executive is the one handling customer service with a mean of 1.2963 and standard deviation of 0.4653, followed by Research and Development with a mean of 1.7037 and a standard deviation of 0.8234, followed by sales with a mean of 1.8214 and a standard deviation of 0.8189, followed by marketing with a mean of 1.9630 and standard deviation of 0.9398, followed by finance and accounting with a mean of 2.00 and a standard deviation of 0.8165 and lastly operation /production with a mean of 2.4643 and a standard deviation of 1.0357.

This finding indicates that top executives are putting more emphasis on customer service followed by research and development, which is a traditional way of managing organizations and products without a clear discernible strategy. This finding is realistic and it is related to the findings whereby people with operations/production and engineering background are the majority top executives in Kenyan companies, where focus is on producing/enhancing quality product/service and therefore the need to have

a customer manager near the chief executive to be able to sell the products/services to customers. Hence the finding that customer service manager should be nearest to the chief executive in the organizational hierarchy.

Table 4.12.1 Level of seniority of management functions

	N	Min	Max	Mean	Std. Dev.
Engineering	26	1.00	4.00	2.000	0.9798
Research and development	27	1.00	4.00	1.7037	0.8234
Marketing	27	1.00	4.00	1.9630	0.9398
Sales	27	1.00	3.00	1.8214	0.8189
Operation /production	28	1.00	4.00	2.4643	1.0357
Customer service	27	1.00	2.00	1.2963	0.4653
Finance and accounting	13	1.00	3.00	2.0000	0.8165

Source: Research data.

4.13 Correlation Analysis

The data on experiential background and strategic choices was subjected to further analysis by doing a correlation analysis between the experiential background and the period the chief executive had worked in a functional area on one hand and the strategic choices made by the chief executive on the other hand. The results of this analysis are reported on Tables: 4.13.1, 4.13.2, 4.13.3, 4.13.4 and 4.13.5 below. The purpose of the correlation analysis is to determine whether there is a positive relationship and its magnitude between a strategic perspective behavior, knowledge and skills of Top Executives of Kenyan companies and their experiential background. In other word is there positive relationship between a strategic choice by Top Executives of Kenyan companies and their functional experience. Data in Table 4.13.1 relates innovative differentiation strategy with the experiential background of the Chief Executive, those in Table 4.13.2 relate service differentiation, those in Table 4.13.3 relates to market differentiation, Table 4.13.4 relates to cost leadership and 4.13.5 relates to quality differentiation.

As indicated in the Table 4.13.1 below operation and production and research and development experiential background of Top Executives of Kenya companies are

positively related with marketing of new products, with a correlation coefficient of .652 and .435 respectively. Research and development experiential background is also positively related with the development of research and development of new products strategy, with correlation coefficient of .471 and also with selling high prices product with a correlation coefficient of .822 strategy of selling high priced products is also positively related to marketing and sales experiential background, with a correlation coefficient of .742 and .405 respectively. However, one would expect the strategy of innovative marketing techniques to be positively related to marketing and sales experience. But, the relationship in this case is too low, with the correlation coefficient of .005 for marketing and, .002 for sales to be meaningful.

Table 4.13.1 Innovative differentiation and work experience of Top Executives of Kenyan companies.

Strategy	Marketing	Sales	Operation/ Production	Accounting	Finance	Research & Development	Legal
Marketing of new products	.180	.213	.652	.597	.516	.435	-
Research & development of new products	.072	.144	.777	1.000	.121	.471	-
Selling high prices products	.742	.405	.865	.199	.082	.822	-
Obtaining patents copyrights of new products	.337	.560	.827	.976	.028	.255	-
Innovative marketing techniques	.005	.002	.540	.412	.288	.367	

Source: Research data.

As indicated in Table 4.13.2 below, all the elements of customer service differentiation strategy are positively related with marketing and sale experience of chief executive of Kenyan companies with highest relationship being realignment of all systems and

procedures to meet customer requirement with a correlation coefficient of .746 for marketing experiential background and .681 for sales experiential background. Further, the introduction of new technology to enhance customer service is highly related with research and development of this strategy experiential background with a correlation coefficient of element .944 and the clarity in understanding specific customer needs is highly correlated with operations and production with a correlation coefficient of .770.

Table 4.13.2 Relating service differentiation with Top Executives' functional experience

	Mkt	Sales	Production	Acc	Fin.	R&D	Legal	Engineer	Gen. Bus.	Others
Clarity in understanding specific customer needs	.265	.516	.770		.842	.360	-		.622	.179
Realignment of all systems and procedures to meet customers requirements	.746	.681	.083	.354	.842	.565	-	.454	.176	
Orientation of all customer contact staff to understanding, serving & satisfying customer	.162		.018	.717	.609	.204	-	.454	.336	.846
Developing a delivery mechanism which ensures both consistency in the service product offer and high quality customer service/satisfaction	.165	.385	.335		.484	.673	-	.392	.326	
Introduction of new technology to enhance customer service	.629	.153	.273	.351	.559	.944	-	.112	.131	.846

Source: Research data.

As indicated in Table 4.13.3 (next page), marketing differentiation strategy are positively related with marketing, sales, operation, production and research and development experiential backgrounds. Marketing is highly related with selling goods, services at a premium to a segment of the market with a correlation coefficient of .745 and offering a broad range of products / services with a correlation coefficient of .718. Sales experiential background is highly related with improving of existing products/services element of this strategy with a correlation of .912 and building brand, or company identification/loyalty with a correlation coefficient of .562. Operations/production experiential background is highly positively related with building brand or company identification/loyalty element of this strategy with a correlation coefficient of .897 and selling goods/services at a premium to a segment of the market with a correlation coefficient of .762. Research and development experiential background is highly positively related with building brand/company identification/loyalty, improving of existing products/services and advertising and promotional programs elements of the marketing differentiation strategy, with a correlation coefficient of .673 each.

Advertising and promotional program	.305	.025	.250	.294	.602	.873	.352	.603	.179
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Source: Research data

As indicated in Table 4.13.4 below, the strategy of cost leadership is highly positively related to all functional experiences of Top Executives of Kenyan companies with almost equal correlation coefficients. However, marketing experiential background is highly correlated with the mass production strategy with a correlation coefficient of .917, so is sales with mass production with a correlation coefficient of .561, operations/production is highly correlated with distribution channels with a correlation coefficient of .970 and reducing costs throughout the firm with a correlation coefficient of .742 and also bench marketing with a correlation coefficient of .812. Accounting experiential background is highly correlated with benchmarking of costs, operational efficiencies and mass production with correlation coefficients of .871 and .970 respectively. Finance experiential background is highly correlated with reducing costs throughout the firm with a correlation coefficient of .841. Research and development is highly correlated with

Table 4.13.3 Relating marketing differentiation with Top Executives' work experience

	Mkt	Sales	Production	Acc	Fin.	R&D	Legal	Engineer	Gen. Bus.	Others
Building brand / or company identification / loyalty	.241	.562	.897	-	.842	.673	-	-	.483	-
Improving of existing products / services	.388	.912	.483	.717	.829	.673	-	-	.453	-
Selling goods / services at a premium to a segment of the market	.745	.018	.762	.115	.112	.416	-	.001	.128	.154
Offering a brand range of products / services	.718	.043	.104	.735	.570	.435	-	.392	.025	.846
Advertising and promotional program	.205	.025	.250	.264	.802	.673	-	.392	.003	.179

Source: Research data

As indicated in Table 4.13.4 below, the strategy of cost leadership is highly positively related to all functional experiences of Top Executives of Kenyan companies with almost equal correlation coefficients. However, marketing experiential background is highly correlated with the mass production strategy with a correlation coefficient of .917, so is sales with mass production with a correlation coefficient of .561, operations/production is highly correlated with distribution channels with a correlation coefficient of .970 and reducing costs throughout the firm with a correlation coefficient of .742 and also bench marketing cost with a correlation coefficient of .812. Accounting experiential background is highly correlated with benchmarking of costs operational efficiencies and mass production with correlation coefficients of .871 and .978 respectively. Finance experiential background is highly correlated with reducing costs throughout the firm with a correlation coefficient of .843. Research and development is highly correlated with

budgetary control, operational efficiencies and distribution channels with correlation coefficients of .979, .911, .673 and .858 respectively.

Table 4.13.4 Relating cost leadership with the experiential of Chief Executive

Strategy	Marketing	Sales	Operation/ Production	Accounting	Finance	Research & Development	Legal
Reducing costs throughout the firm	.125	.205	.742	.399	.843	.131	-
Budgeting control	.005	.284	.504	.444	.218	.911	-
Operational efficiencies	.504	.502	.383	.871	.596	.673	-
Mass production	.917	.561	.132	.978	.489	.377	-
Distribution channel	.190	.000	.970	.097	.295	.858	-
Benchmarking costs	.320	.466	.812	.591	.310	.979	-

Source: Research data.

As indicated in Table 4.13.5 in the next page, the strategy of quality differentiation has one or other of its strategic elements positively correlated with the experiential background of Top Executives of Kenyan companies. Marketing experiential background is highly and positively correlated with product aesthetics, benchmarking best practices in the industry, and product durability with correlation coefficients of .704, .699 and .520 respectively. Sales are highly correlated with reliability of product/service and product durability with a correlation coefficient of .855 and .526 respectively. Operations/production experiential background is highly related with reliability of service/product, product durability and serviceability of the product with correlation coefficient of .602, .615 and .659 respectively. Research and development experiential background is highly related with perceived quality of the product with a correlation coefficient of .673, and product /service conformance with a correlation coefficient of

.847. Engineering experiential background is highly related with product durability element of the strategy with a correlation coefficient of .962.

Table 4.13.5 Relating quality differentiation with Top Executives' experience

	Mkt	Sales	Operations/ Production	Acc	Fin.	R&D	Legal	Engine- ering	Gen. Bus.	Others
Perceived quality of the product / service	.241	.299	.421	.561	.197	.673	-	.392	.503	.488
Reliability of service / product	.419	.855	.602	.717	.956	.195	-	-	.377	-
Product / service conformance	.460	.097	.503	.546	.266	.847	-	.112	.050	-
Product durability	.520	.526	.615	.678	.858	.097	-	.962	.676	.488
Service ability of product	.068	.002	.659	.175	.513	.365	-	.080	.001	.179
Product aesthetics	.704	.080	.523	.859	.995	.201	-	.001	.095	.512
Speed of delivery of service	.111	.002	.483	.231	.312	.315	-	.028	.000	-
Benchmarking best practices in the industry	.699	.239	.129	.354	.681	.847	-	.454	.102	.179

Source: Research data.

As indicated by all the tables legal experiential background is not related to any of the strategic choices. This finding may explain the fact that many legal managers never rise to the position of chief executive officers in Kenya and possibly the world over, where they have to make strategic choices to compete and hence give their companies a competitive advantage in the market.

majority (74.3%) of Kenyan companies are ran by relatively young people of 50 years and below.

Gender of Top Executives

Kenyan companies are primarily (96.8%) ran by male executives which indicates that the female Kenyans have not grown professionally to occupy top positions in executive management of Kenyan companies.

Education of Top Executives

A majority (71%) of Kenyan companies are run by highly qualified chief executives with a minimum of first degree, which means that formulation and implementation strategy should be common-place in Kenyan companies because these executives are expected to be familiar with strategy thinking in business

Area worked and period worked in the area

A majority of the chief executives did not indicate whether they had worked in any of the functional areas as indicated by a large number of missing responses in each functional area as follows marketing 48.4%, sales 74.2%, operation/production 32.3%, accounting 80.6%, Finance 71.0% and Research and Development 74.4%, legal 96.8, Engineering 87.0 and general business 51.0%. From this finding it is not possible to associate any of the chief executives of Kenyan companies with any functional experience and hence the choice of a competitive strategy by them. From anecdotal data and popular press, a majority of Kenyan chief executives perform poorly. This finding is in agreement with (Cole 1994) assertion that those companies that have not specific strategic orientation and just swim with the current and hope for the best and hence have very low ability to compete in the market place leading to low value creation for stakeholders.

Innovative differentiation

A majority of Kenyan chief executives place more emphasis on innovative marketing techniques with a mean of 4.035 and standard deviation of 1.2672 rather than on research and development, which is placed, third with a mean of 2.7857 and a standard deviation of 1.3139. This makes them less competitive in the market because they are

not able to produce new products necessary to meet competitive rigors in the market. This finding is in agreement with Cole (1994) who asserts that firms that innovate through research and development are more competitive than those that only apply innovative marketing techniques of existing products in their business model. From the correlation analysis (Table 4.13.1) it was found that executives with background in research and development had high and positive correlation coefficients with respect to various dimensions of innovation differentiation strategy and hence confirming our hypothesis which stated that chief executives with experience in research and development will tend to emphasize innovation differentiation strategy in the organizations they head.

Service Differentiation

A majority of Kenyan Top Executives with a mean of 4.8307 and a standard deviation of .33739 rated developing mechanism which ensures both consistency in service/product offer and high quality/customer service/satisfaction as their competitive style. From correlation analysis, it was observed that chief executives with sales and marketing background emphasized the dimensions of service differentiation strategy thus confirming hypothesis H4 that chief executives with experience in sales are likely to pursue service differentiation strategy. Further, correlation analysis revealed that chief executives with engineering background had positive and significant correlation with the dimensions of service differentiation strategy, thus confirming hypothesis H5 that chief executives with experience in engineering are likely to emphasize service differentiation strategy in their organizations. However, these are traditional approaches to competition because, although customer focus is important in a competitive environment, itself alone is not enough or sufficient to enable a company have a sustainable competitive advantage. This assertion is in agreement with Porter (1996) who asserts that competitive strategy based only on customer services is not enough. It needs to be accompanied by innovative strategies of developing new and unique products/services through a network of activities that cannot be initiated.

Marketing differentiation

The majority of Kenya Top Executives place more emphasize on improving of existing products/services with a mean of 4.5333 and a standard deviation of 0.8604. Further, correlation analysis revealed that chief executives with marketing, finance and accounting experiences had positive and significant correlation with most of the dimensions of marketing differentiation strategy. This confirms our hypothesis H2 that chief executives with marketing experience are likely to pursue marketing differentiation strategy. However, over-emphasis on improving of existing products/services is not sufficient for sustainable competitive advantage. There is need for the development of novel products/service that meet changing needs of customers. Kotler (1999) asserts that not all product improvements are valued because not many customers are ready to pay much more for enhanced products. Moreover, "some products reach the limit of their improvement possibilities and the lat improvement doesn't matter very much" (Kotler, 1999)

Low-cost leadership

Many executives with a mean of 4.7419 and a standard deviation of 0.5143 use operational effectiveness as a strategy. Further correlation analysis revealed that chief executives with experience in most of the functional are strong and positive correlation with dimensions. Apart from confirming our hypothesis H6 that chief executives with finance/accounting experience are likely to emphasis cost-leadership strategy, the findings also confirmed that majority of chief executives regard low-cost leadership as a very important competitive strategy which is telling given that that dimensions of this strategy do not provide a sustainable competitive advantage because the competitors can easily imitate them. According to Porter (1996), operation effectiveness, although necessary for the superior performance does not give sufficient ability to have a competitive advantage over the competition because its technique are easy to imitate.

Quality differentiation

A majority of Kenyan Top Executives with a mean of 4.6000 and a standard deviation of .6215 rated perceived quality of the product/service as the most critical dimension to the attainment of the organizational objectives. From correlation analysis, it was found that

dimensions of quality differentiation were correlated to most of the managerial functions expect functional experience in engineering thus our hypothesis H3 that chief executives with engineering background are pre-disposed to pursuing quality differentiation was not proven. This is probably explained by the fact that only four of the chief executives indicated that they had engineering experience This finding is also in conformity with the traditional competitiveness approaches of product characteristics and in agreement with Kotler (1999), who asserts that a product can be positioned using any of the following dimensions, perceived quality, aesthetics, durability performance, serviceability, conformance and reliability features.

Hybrid Strategies

From the Analysis of areas worked and period and the correlation analysis, it appears that many Kenyan executives worked in various functional areas, despite a majority not indicating where they worked. Correlation analysis revealed that there was positive and strong correlation between functional experiences of most of the chief executives with most of the dimensions of innovative, quality, service, marketing and low-cost leadership strategies proving our hypothesis H7, H8, H9 and H10 on hybrid strategies especially for cases whether chief executives indicated that they had experiences in accounting functional area in addition to other functional areas in the study.

5.2 Discussions

The study findings have confirmed most of the hypotheses in this study but the significant finding is that there is no clear delineation of the functional experiences with particular strategy. It would appear that the chief executives are applying little of every strategy, which according to Porter (1995) may lead to being in a "stuck in the middle " situation. According to anecdotal data and popular press this is the situation that pertains within Kenyan companies that many of them, particularly those in the agricultural sector, have no competitive advantage in marketing their products. They are always pressing for government intervention in the competitive climate, in the business environment, in their favour, instead adopting clear strategies that differentiate them from their competitors and thus lead to sustainable competitive advantage

The findings also revealed that there is an attempt to adopt hybrid strategies, which is in agreement with Beal (2000), who asserts that executives who have no discernible or mixed experiential background use a hybrid strategy to compete. He further asserts that hybrid competitive strategy rests on the assumption that the functional experience required for the successful implementation of strategy are those that are requisites for successful implementation for each competitive strategy that makes up the hybrid strategy, such as cost leadership and quality differentiation, market differentiation and operational efficiency effectiveness. He further asserts that, because of lack of focus in strategic orientation, when pursuing a hybrid strategic choice, chief executives who use a hybrid strategy to compete are usually not very effective in their business performance since they have no definitive sustainable competitive advantage in their business model

(Hamel, et al 2003).

5.3 Limitations of the study

The extent of this study was limited by time to collect all the questionnaires from the respondents, which may have led to different and improved conclusions. Further, time limited the degree of analysis of the data that could have improved the conclusions reached in the study. The study also cut across sectors whereas prior studies (Beal 1995, 2000) were limited to particular sectors, for example, manufacturing sector, to control for sectorial dissimilarities Money is also a limiting factor in that, with enough funds, a more sophisticated analysis would have been done to improve the conclusions. Further, nineteen questionnaires were not received back; their inclusion in the analysis of the data could change the conclusions reached on the findings.

5.4 Suggestions for further research

Strategic choice and strategic orientation are important for the success of the Kenyan companies. It is therefore suggested that further research be carried out focusing on a whether there is a relationship between the strategic orientation of a chief executive with his functional background and financial performance of the firm, using multi-regression to analyze the data. The study should be limited to particular sectors to control for the differences in various sectors.

5.5 Implications for policy and practice

Effective strategic choice is critical for the success of any company in these days of turbulent change and global competition. It is, therefore, recommended that top executives of companies in Kenya choose appropriate strategies for managing competition and that companies develop strategic resilience in their organization, which will enable them to change their strategic orientation with changes in the business environment. Beal (2000), asserts that successful implementation of different strategic perspectives, behaviors, knowledge and skills embedded in the manager's functional expertise is necessary for competitive success. Thus, superior performance may only result when managers of organizations align their strategic orientation with their business environment and superior performance will be achieved when this is done with resilience (Hamel, et al 2003).

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INFLUENCES OF FUNCTIONAL EXPERIENCES ON CHOICE OF COMPETITIVE STRATEGIES: A SURVEY OF TOP EXECUTIVES OF COMPANIES LISTED ON THE NAIROBI STOCK EXCHANGE

1. Name of the Organization (optional) _____

2. Please tick the box that indicates your age bracket

- Less than 30 years
- 31 - 35
- 36 - 40
- 41 - 45
- 46 - 50
- Above 50 years

3. Please indicate your sex

- Female ()
- Male ()

4. Please indicate your highest level of education (tick only one)

- Undergraduate degree (e.g. BA, BSc, ...)
- Postgraduate degree (e.g. MA, MSc, MBA, ...)
- Doctoral degree (PhD, ...)
- Professional Certificate (for example CPA, CPS)
- Other (Please specify) _____

5. Please tick the bracket that best matches the sector in which your organization is categorized in the Nairobi Stock Exchange

- Agricultural ()
- Finance and Investment ()
- Commercial and Service ()
- Industrial and Allied ()
- Other (Please specify) () _____

QUESTIONNAIRE

INFLUENCES OF FUNCTIONAL EXPERIENCES ON CHOICE OF COMPETITIVE STRATEGIES: A SURVEY OF TOP EXECUTIVES OF COMPANIES LISTED ON THE NAIROBI STOCK EXCHANGE

1. Name of the Organization (optional) _____

2. Please tick the box that indicates your age bracket

- Less 30 years
- 31 – 35
- 36 – 40
- 41 – 45
- 46 – 50
- Above 50 years

3. Please indicate your sex

- Female ()
- Male ()

4. Please indicate your highest level of education (tick only one)

- () Undergraduate degree (e.g. BA, BSc, ..)
- () Postgraduate degree (e.g. MA, MSc, MBA, ..)
- () Doctoral degree (PhD,..)
- () Professional Certificate (for example CPA, CPS)
- () Other (Please specify) _____

5. Please tick the bracket that best matches the sector in which your organization is categorized in the Nairobi Stock Exchange

- Agricultural ()
- Finance and Investment ()
- Commercial and Service ()
- Industrial and Allied ()
- Other (Please specify) () _____

6. Have you worked in any of the functional areas named below? If so, for how long?

Marketing Yes/No _____ years
 Sales Yes/No _____ years
 Operations/production Yes/No _____ years
 Accounting Yes/No _____ years
 Finance Yes/No _____ years
 Research & Development Yes/No _____ years
 Legal Yes/No _____ years
 Engineering Yes/No _____ years
 General Business Yes/No _____ years
 Other (specify) _____ Yes/No _____ years

7. Please rate on a scale of 1 to 5 the emphasis placed on the following attributes of your products/services

1=Least emphasis 5=Great emphasis

	1	2	3	4	5
Marketing of new products	()	()	()	()	()
Research and development of new products	()	()	()	()	()
Selling high-prices products	()	()	()	()	()
Obtaining patents/copyrights on new products	()	()	()	()	()
Innovative marketing techniques	()	()	()	()	()

8. Please rate the following issues of competitive strategy choice on a scale of 1 to 5 in terms of overall importance to your organization

1=Not at all 5= Very Important

	1	2	3	4	5
Clarity in understanding specific customers' needs	()	()	()	()	()
Realignment of all systems and procedures to meet customers' requirements	()	()	()	()	()
Orientation of all customer contact staff to understanding, serving and satisfying customers' demands	()	()	()	()	()
Developing a delivery mechanism which ensures both consistency in the service/product offer and high quality customer service/satisfaction	()	()	()	()	()
Introduction of new technology to enhance customer service	()	()	()	()	()

9. Please indicate on a scale of 1 to 5 what emphasis your organization puts on the following measures

1=No Emphasis 5= Great Emphasis

	1	2	3	4	5
Building brand/or company identification/loyalty	()	()	()	()	()
Improving of existing products/services	()	()	()	()	()
Selling goods/services at a premium to a segment of the market	()	()	()	()	()
Offering a broad range of products/services	()	()	()	()	()
Advertising and promotional programs	()	()	()	()	()

10. Please indicate on a scale of 1 to 5 what importance your organization attaches to the following measures

1=Not important 5= Very important
1 2 3 4 5

- Reducing costs throughout the firm () () () () ()
- Budgetary controls () () () () ()
- Operational efficiencies () () () () ()
- Mass production () () () () ()
- Distribution channel efficiency () () () () ()
- Benchmarking of costs () () () () ()

11. Please rate on a scale of 1 to 5 the level of seniority of the managers heading the dimensions of your product/service to be critical to the attainment of your organization's objectives

1=Not critical at all 5= Very critical

- Perceived quality of the product/service 1 2 3 4 5
() () () () ()
- Reliability of service/product () () () () ()
- Product/Service conformance () () () () ()
- Product durability () () () () ()
- Product performance () () () () ()
- Serviceability of product () () () () ()
- Product aesthetics () () () () ()
- Speed of delivery of service () () () () ()
- Benchmarking best practices in the industry () () () () ()

12. Please indicate the approximate percentage of your total budget (including personnel costs) allocated to the listed functional areas in the current financial year

	Less than 1 %	1-3 %	3-5 %	5-7 %	7-9 %	More than 9%
Marketing	()	()	()	()	()	()
Sales	()	()	()	()	()	()
Operations/production	()	()	()	()	()	()
Accounting/Finance	()	()	()	()	()	()
Research & Development	()	()	()	()	()	()
Customer Service	()	()	()	()	()	()

13. Please rank on a scale of 1 to 5 the level of seniority of the managers heading the listed functional areas in you organization

	Immediately below CEO 5=Five ranks below CEO				
	1	2	3	4	5
Research and development	()	()	()	()	()
Marketing	()	()	()	()	()
Sales	()	()	()	()	()
Operations/production	()	()	()	()	()
Customer service	()	()	()	()	()
Finance/accounting	()	()	()	()	()
Engineering	()	()	()	()	()

Thank You

APPENDIX 2

COMPANIES LISTED ON THE NAIROBI STOCK EXCHANGE

AGRICULTURAL SECTOR

1. Brooke Bond Kenya Ltd.
2. Eaagads Ltd.
3. George Williamson Kenya Ltd.
4. Kakuzi Ltd.
5. Kapchorua Tea Company. Ltd.
6. Limuru Tea Co. Ltd.
7. Rea Vipingo Co. Ltd.
8. Sasini Tea Coffee Ltd.

COMMERCIAL AND SERVICES SECTOR

9. Baumann & Company Ltd.
10. African Lakes Corporation PLC.
11. Car & General (K) Ltd.
12. CMC Holdings Ltd.
13. Express Kenya Ltd.
14. Hutchings Biemer
15. Kenya Airways Ltd.
16. Marshalls (E.A) Ltd.
17. Nation Media Group
18. T.P.S (Serena)
19. The Standard Newspapers Group Ltd.
20. Uchumi Supermarkets Ltd.

FINANCE AND INVESTMENT SECTOR

21. Barclays Bank of Kenya Ltd
22. CFC Bank Ltd.
23. City Trust Ltd.
24. Diamond Trust of Kenya Ltd.
25. Housing Finance Co. Ltd.
26. I.C.D.C Investments Co. Ltd.
27. Jubilee Insurance Co. Ltd.
28. Kenya Commercial Bank
29. National Bank of Kenya Ltd.
30. National Industrial Credit Ltd.
31. Pan African Insurance Co. Ltd.
32. Standard Chartered Bank (K) Ltd.

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INDUSTRIAL AND ALLIED SECTOR

33. Athi River Mining Ltd.
34. BOC Kenya Ltd
35. Bamburi Cement Ltd.
36. British American Tobacco (K) Ltd.
37. Crown-Berger (K) Ltd.
38. Dunlop (K) Ltd.
39. E.A. Cables Ltd.
40. E.A. Packaging Industries Ltd.
41. E.A. Portland Cement Ltd.
42. Firestone (East Africa) Ltd.
43. E.A. Breweries Ltd.
44. Kenya National Mills Ltd.
45. Kenya Oil Ltd.
46. Mumias Sugar Co. Ltd.
47. Kenya Orchards
48. Kenya Power & Lighting Co. Ltd.
49. Total (K) Ltd.
50. Unga Group Ltd.