STRATEGIC ALIGNMENT AND COMPETITIVE ADVANTAGE OF MAJOR BEVERAGE SOFT DRINK FIRMS IN KENYA

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DECLARATION

This research project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

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This research project has been submitted for examination with my approval as University supervisor.

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DEDICATION

This project is dedicated to my family, project supervisor, friends and former employers. Their love, support, patience, encouragement and understanding gave me the will and determination to complete my postgraduate studies.

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ABSTRACT

The objective of this study was to determine strategic alignment and competitive advantage of major beverage soft drink firms in Kenya. Cross sectional research design was used in this study. The population of interest for this research was all the major beverage firms operating in Kenya as listed in the latest edition of the Kenya Association of Manufacturers (KAM) Directory (Kenya Association of Manufacturers, 2013) which were seventeen firms. The study used primary data which was collected through self-administered questionnaires. The data collected was analyzed using descriptive statistics (measures of central tendency and measures of variations) and inferential statistic tools in which multiple linear regression models were used. The findings of the study were that competitive advantage achieved through strategic alignment included provision of customized products and services, differentiation through price and product innovation. Others included shorter-time to market, customer service establishment of brand image, collection of customer data which includes demographic data, product comments and potential demands for certain products/services. The findings further established competitive advantage as the creation of new inter-relationships among businesses and expanding the scope, reduced costs of obtaining, processing and transmitting information, cost leadership promotion, firm expansion thus facilitating a firm's growth strategy, development of geographical and global market, reduced cost of marketing, advertising, business operations of the firm, and improved customer relationships and alliance improvement through provision of an efficient and cheaper communication channel. The study established that there exist relationships between IT-business strategic alignment, and leadership, structure and process, service quality, values and beliefs, and sustainable competitive advantage. It was recommended that executives in the information technology/systems realm should share responsibility with senior executives in other fields, because strategic alignment has been proven to improve organizational performance

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In the formulation of an organization's corporate strategy, researchers have emphasized the importance of fitting or aligning the organization's strategy with an appraisal of the firm's internal and external assessment of environmental opportunities and threats. They argue that alignment is important at the strategy formulation stage as well as in implementation since implementation is fostered by aligning and adjusting key systems, processes, and decisions within the firm (Kaplan, 2005). Firms have re-examined themselves in order to determine internal areas that give them an edge over competitors through a process of aligning their operations and resources in such a manner that synergy is achieved. According to Porter (1996), a firm's ability to seek and achieve higher performance as well as competitive advantage rests on its ability to acquire and deploy resources that are coherent with the organization's competitive needs and such alignment process requires a shared understanding of organizational goals and objectives by managers at various levels and within various units of the organizational hierarchy.

An organization's ability to generate a fit between its generic capabilities such as ability to compete on price and provide after sales service, responsiveness to changes in demand, the ability to promote the product or service and ability to offer a broad product range enhances the organization's performance (O'Regan and Ghobadian, 2004). This point was further reinforced by Papke-Shields and Malhotra (2001) who posited that the influence and involvement of manufacturing executives does affect alignment, which, in turn, affects business performance. Similarly, using a sample of 206 global firms Xu et al., (2006) found out that when there exist interrelationships among strategy, structure, and processes a firm's performance is further improved.

In 2012 three Coca Cola Franchise Bottlers consisting of Kisii Bottlers Limited, Rift Valley Bottlers Limited and Mount Kenya Bottlers Limited announced a merger as a means to develop and improve on their competitive advantage. Later the same year, the American soft drink beverage giant Pepsi Company announced its return to the Kenyan market by setting up a bottling plant at Ruaraka worth in excess of Kes. 1.4billion. Earlier, around 2011 South African Breweries (SABMILLER) had bought out Crown Foods producers of Keringet and Pura-Aqua water brands to form Crown beverages. The above strategic activities from major industry players among others no doubt portend a changing landscape within the soft drink industry. The intense level of competition in Kenya's soft drink industry has forced companies to evaluate their business operations and technology has become a main source of competitive advantage and a strategic weapon, owing to the crucial role information plays in the description, promotion, distribution, amalgamation, organization and delivery of firms' products. The process of aligning the organization's activities is considered strategic by the soft drink companies as it enables the companies to achieve competitive advantage by using technology for not only internal operational improvements in efficiency; but also by wider and larger improvements within the environment within which the organization operates. The use of technology has enabled the firm to develop innovative distribution channels and communication with consumers and partners and thus make the customers to place more value to the company's products than that of competitors.

1.1.1 Strategic Alignment

A strategy is a pattern or plan that integrates an organization's major goal, policies and action sequences into a cohesive whole (Porter, 1980). According to Tan and Litschert (1994) strategy refers to the competitive methods used by firms to establish their positions in a particular market. It reflects the firm's short-term and long-term responses to challenges and opportunities posed by the business environment. Johnson and Scholes (2000 pg. 12) define strategy as "the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations". The conclusion is that strategy can be seen as the matching of the resources and activities of an organization to the environment in which it operates.

Strategic alignment can be defined as the art and science of formulating, integrating, and implementing decisions between the business and IT, which enables an organization to achieve its objectives (Lederer and Mendelow, 2009). Strategic alignment has been, and remains, one of the top concerns for both business and IT management. The interaction and linkages between business and IT strategies remain one of the top objectives among the top management. According to Dutton and Ashford (2003) strategic alignment has been shown to improve organizational effectiveness, maximize return on investment, allows companies to better manage their overall business needs, technology, competition and provides balance within the organization.

Strategic Alignment is a technique for analyzing and derives the direction that needs to be followed by an organization (Dutton and Ashford, 2003). However, strategic alignment is not a single step to be completed but a continuous sequence of transformations which affects both business and IT sides. Strategic alignment is also defined using two concepts: strategic fit and functional integration applied to the organizational strategy, IT strategy, organizational infrastructure and IT infrastructure and processes. The strategic fit represents the vertical alignment between business strategy and organizational infrastructure and similarly between IT strategy and IT infrastructure (Barr, 2008). The organization has to be able to adjust its position into the external marketplace and for this, the internal structure has to be able to be reconfigured in such a way that will support or fit in the best way this strategy by locating the best place in the market. In completion to the strategic fit the functional integration extends the relationship across functional domains as business strategies are changing all the time the IT strategies and processes have to be kept aligned with the changes, also when IT strategy drives a change the business strategy has to react to be able to optimally use the new IT strategy.

Firms can create sustainable competitive advantages through external alignment with business environment and internal alignment with resources and infrastructure (Henderson and Venkatraman, 1993). Strategic alignment is not only critical for organizational effectiveness and efficient resource utilization, but alignment must be present before information systems can be chosen and diffused to achieve maximum IT effectiveness and to support business strategies. IT by itself does not explicitly offer a competitive advantage; however it indicates that if an organization uses IT strategically to improve crucial business processes, it can strengthen its competitive position and enable a competitive advantage to be sustained. A firm's ability to seek and maintain a competitive advantage rests on its ability to acquire and deploy resources that are coherent with the organization's competitive needs. However, some strategy researchers have argued that too much alignment may result in firms with components that are very tightly coupled and lead to problems in adapting to a dynamic external environment.

1.1.2 Competitive Advantage

Competitive advantage is the ability of the firm to occupy a superior position in an industry and outperform its rivals on the primary performance goal of profitability. A company's superior competitive position allows it to achieve higher profitability than the industry's average (Porter, 1985). Firms strive to survive and succeed in competition by pursuing strategies that enable them to perform better than their competitors. When two or more firms compete within the same market, one firm possesses a competitive advantage over its rivals when it earns or has the potential to earn a persistently higher rate of profit (Hill *et. al,* 2001).

Competitive advantage typically results in high profits, but these profits attract competition, and competition limits the duration of competitive advantage in most cases, therefore most competitive advantages are temporary (Barney, 2008). On the other hand, some competitive advantages are sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering (Barney, 2008). Therefore, competitive advantage must reside in a firm's value chain. Competitive advantage can arise from various sources.

1.1.3 Soft Drink Firms in Kenya

A soft drink is a nonalcoholic beverage, usually carbonated that contains water (soda water), flavoring and sweet syrup or artificial sweetener (Concise Encyclopedia, 2012). The soft drink industry in Kenya is both wide and varied comprising of several intra-industry categories. The significant and visible categories include: Malt-based versus

Non-malt, Carbonated versus Non-Carbonated, Stills versus Sparkling, Ready To Drink versus Concentrates or Post Mixes and Conventional versus Non-Conventional. The malt segment is characterized by players like East African Breweries with brands like Alvaro and Malta Guiness, Coca Cola in Novida and Pepsi Company with Mountain Dew. This class is less established though. The Non-Malt class on the other hand is well established and is broad with players ranging from Cola Cola with brands like Coke, Fanta and Sprite, Pepsi Company with Pepsi Cola and Mirinda, Delmonte, Highlands and Kevian to name just but a few. This is the largest category with the highest number of players in the Country operating as local manufacturers or distributors.

For the Carbonated category the players include all branded and bottled soda, cordial juices and water manufacturers including those mentioned above while the Non-Carbonated will comprise of players largely in the water and juice categories. The category of Stills versus Sparkling is dominated by manufacturers of both Ready To Drink and Post Mix beverages like water and juice manufacturers including Crown Beverages, Highlands, Delmonte, Coca Cola and Kevian among others. The category of Ready To Drink is characterized by players like Coca Cola, Delmonte, East African Breweries and Kevian among others with the Post Mixes comprising of players like Highlands, Trufoods and Premier Foods all manufacturing concentrate and cordial juices. The final category is that of Conventional versus Non-Conventional. All the above mentioned players manufacturing branded products fall within the Conventional sub group with small amorphous outfits that manufacture cheap drinks like fresh juice and polythene packed water from no known locations and often using non conventional machinery or equipment falling in this category. Under the non-conventional class the players have no systems and therefore this study will not apply.

According to Euromonitor International (2012) the beverages sector portends continued growth across all categories although the carbonates and concentrates within the soft drinks class will expect slower growth. This is attributed to the increased campaigns and consumer consciousness and interest in healthier products. The entry of major international players either through direct imports or by establishment of manufacturing hubs will complicate the beverage industry in Kenya and sustainability will be subject to credible competitive advantage domains resident in systems and processes of individual players.

1.2 Research Problem

An organization and its components are means to implementation of a strategy and the interaction between these components imply a mutual influence on each other, and the necessity exists to adapt them to achieve adequate results. The alignment theory (Semler. 1997) posit that congruence between conditions and structure in a firm is essential to achieve organizational effectiveness and competitive advantage. Further, Rivard et al. (2006) assert that a strategic fit among organizational activities is fundamental not only to create competitive advantage but also for sustainability. They posit that it is harder for a rival to match an array of interlocked activities than it is merely to imitate a particular sales-force approach, match a process technology, or replicate a set of product features. As a result, Jean et al. (2008) suggested that when formulating a corporate strategy, it is important for it to fit or be aligned with the internal appraisal of the firm and an external assessment of environmental opportunities and threats. They point out that in the process of realizing an organization's strategy, alignment is important in formulating strategies as well as in their implementation since implementation is fostered by aligning and adjusting key systems, processes, and decisions within the firm.

The beverage industry in Kenya has witnessed increased competition through the coming in of new players in the Kenyan market from within and without. According to the Kenya Association of Manufacturers, the beverage industry growth has been averaging 6 - 9% per annum over the last 5 years. This can be attributed to among others the ability of the industry players to develop and implement its strategies in a better way through effective alignment of resources in a way that has brought with it a source of competitive advantage. These internal resources that have been able to foster growth in the firms include; human resources, IT platforms and branch network. The need for effective alignment of these internal as well as external resources comes from the organizations management believing that it is not necessarily the resources that a firm has that bring competitive advantage but rather how the same are combined. Alignment of organizational resources will bring the necessary synergy to a beverage firm through effective alignment of its resources in such a way that the firm will be able to derive maximum benefits from the strategy adopted.

There are various studies that have been done on strategic alignment as a source of competitive advantage. Firstly, Manyasi (2012) researched on the effect of strategic alignment on organizational performance and established that KRA has developed strategies that are designed to enhance performance through the four perspectives of the balanced score card (BSC) which are the people, internal processes, customer and revenue perspectives. Alignment of both organizational and informational strategies resulted in achievement of organizational objectives as through transparency, efficiency and effectiveness in revenue collection. However, there exists a gap on the study in that the authority does not face any competition in their duties. On the other hand Jogiyato (2007) undertook a study on strategic alignment as a source of competitive advantage in Indonesian banking industry and found out that banks will attain a competitive advantage if top management is committed to the strategic use of information systems/technology, and recognizes it as a support for building distinctive advantage. Even then there is gap resulting from the study in that the achievement of competitive advantage by the bank is different due to the industry in which the study is being undertaken.

Similarly, Kearns and Lederer (2000) did a study on the effect of strategic alignment on the use of IT based resources for competitive advantage and found out that no single IT application can deliver a competitive advantage; rather, an advantage is obtained through capacity of an organization to exploit IT functionality on a continuous basis. Nonetheless, the gap emanating from the study is that the year in which the study was undertaken and the competitive advantage achieved is different with the current study due to the passage of time considering that business environment is continually changing. Finally, Saunders and Pearson (2004) pointed out that successful firms have an overriding business strategy that drives organizational strategies and to achieve a competitive advantage, the technology strategy must be aligned with organizational and operational strategies. Thawesaengskulthai (2007) stated that technological innovations must support operational and organizational strategies, as this alignment will lead organizations to improve the operational performance and gain a competitive advantage. This therefore lead to the following research question: how is strategic alignment a source of competitive advantage of the major beverage soft drink firms in Kenya?

1.3 Research Objectives

The objectives of the study was to

i) Establish the extent of strategic alignment in major soft drink firms in Kenya.

ii) Determine the factors influencing strategic alignment and competitive advantage in soft drinks companies.

1.4 Value of the Study

The study will aid various stakeholders including the soft drinks industry in the country which will obtain details on how they can be able to effectively implement their strategies in the face of numerous challenges facing the industry both from within and outside the country. Adaptability of firm's strategies in the face of unpredictable business environment and the details of responses to the challenges will help the firms in the industry in coming up with appropriate strategies.

The government and regulators in the soft drinks and beverage industry will also find invaluable information on how good strategies can be adopted and as a result put in place policies that will guide and encourage other firms within and outside the industry in implementing their strategies.

For academicians, this study will form the foundation upon which other related and replicated studies can be based on. Investors can also gain an insight on the business and its strategic position within the environment, which can assist them in determining the viability of their investments.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter is concerned with the review of literature related to the study. An overview of theories underpinning the study, strategic alignment, strategic alignment as a source of competitive advantage and strategic alignment challenges will be discussed.

2.2 Theoretical Foundation of the Study

Alignment theory is one of the most modern approaches used to explain organizational efficiency through the need of aligning organizational culture, structure, and strategic components of an organization. The seminal analytical framework for the study of congruence is Nadler and Tushman (1988) model who pointed that, in order to achieve effectiveness, each part or component must be directed and structured in the correct way, suited to each other. The organization and its components are means to implementing strategy and the interactions between components imply a mutual influence on each other. Alignment in an organization though, is hard to measure but severe misalignment is easier to see and consequently, the role of alignment in organizational performance is advocated by leading managers.

The study of the link and congruence between formal and informal elements of the organization continues to constitute one of the principal challenges to organizational design researchers (Kristof, 1996). New organizational alignment theory (Semler, 1997), derived from Nadler and Tushman's general model analyzes the importance of this relationship. Strong alignment requires agreement rather than conflict between the strategic, structural, and cultural variables in an organization. The literature distinguishes between two types of organizational alignment: vertical and horizontal or lateral (Kathuria et al., 2007). Vertical alignment refers to the configuration of strategies, objectives throughout the various levels of the organization and horizontal alignment can be defined in terms of cross-functional and intra-functional integration.

Child (1972) suggest that decision makers are not homogeneous and the relationship between context and structure is to be viewed as a problem of designer choice and the impact of the contextual variables on that choice is a function of the designer's preferences for structure (Wong and Birnbaum-More, 1994). In this respect, they are using culture only in an indirect way, through the decision making process. Organizational leadership and strategy serve as drivers to the process, and are affected by the culture. The structure of the organization performs the transformation of inputs into outputs and is also affected by the organizational culture.

The analysis of the culture/structure congruence (horizontal alignment) will only give rise to the fulfillment of the necessary but not sufficient condition for the achievement of organizational efficiency (Middleton and Harper, 2004). Therefore an analysis of alignment needs the study of the congruence between internal components of the organization (structure and culture) and the components which guide the above mentioned relation (vertical alignment). It will not be to the organization interest to design a real structure if it is not part of the achievement of the strategic aims. The goals will only be achieved if an internally coherent real structure has been designed and this is in consonance with the aims pursued by the strategy.

2.3 Competitive Advantage

Competitive advantage is the ability of the firm to occupy a superior position in an industry and outperform its rivals on the primary performance goal of profitability. A company's superior competitive position allows it to achieve higher profitability than the industry's average (Porter, 1985). Firms strive to survive and succeed in competition by pursuing strategies that enable them to perform better than their competitors. When two or more firms compete within the same market, one firm possesses a competitive advantage over its rivals when it earns or has the potential to earn a persistently higher rate of profit (Hill *et. al,* 2001). Barney (2008) defines competitive advantage as being sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering. Barney (2008) distinguishes between two types of competitive advantage: temporary and sustainable competitive advantage. Competitive advantage typically results in high profits, but these profits attract competition, and competition limits the duration of competitive advantage in most cases, therefore most competitive advantages are temporary (Barney, 2008). On the other hand, some competitive advantages are sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering (Barney, 2008). Therefore, competitive advantage must reside in a firm's value chain.

Competitive advantage can arise from various sources. According to Porter (1985), a firm can achieve a higher rate of profit (or potential profit) over a rival in one of two ways: either it supplies an identical product or service at a lower cost, in which case the firm possesses a cost advantage; or it can supply a product or service that is differentiated in such a way that the customer is being able to pay a price premium that exceeds the additional cost of the differentiation advantage. Differentiation by a firm from its competitors is achieved when it provides something unique that is valuable to buyers beyond simply offering a lower price. Emphasizing the importance of innovation, Grant (1997) points out that innovation not only creates competitive advantage, but it also provides a basis for overturning the competitive advantage of other firms. A firm with a distinctive competence can differentiate its products by providing something unique that is valuable to buyers, or achieve substantially lower cost than its rivals. Consequently, the firm creates more value than its rivals and earns a profit rate substantially above the industry average.

An organization's competitive advantage is built upon a well-planned and executed strategy that is sustainable. Competitive advantage belong to those organizations that can activate concurrent business processes and core competences that merge infrastructures, share risks and costs, leverage the shortness of today's product life-cycle, reduce time to market, and gain and anticipate new vistas for competitive leadership (Ross,2008.) In the competitive context, successful organizations either have a productivity advantage or value advantage, or ideally, a combination of these two. According to Porter (1985), competitive advantage is the ability to earn returns on investment consistently above the average for the industry. This therefore means that competitive advantage can be achieved if the firm implements a value-creating strategy that is not simultaneously being implemented by any current or potential competitors. This can be interpreted to mean that sustained competitive advantage results from strategic assets; which Barney (1991) regards as those that are internally controlled and permit the firm to formulate and implement strategies that expand its efficiency and effectiveness. Competitive advantage is thus dependent not, as traditionally assumed, on such bases as natural resources, technology or economies of scale, since these are increasingly easy to imitate. Rather, competitive advantage is, according to the resource base view, dependent on the valuable, rare, and hard-to-imitate resources that reside within an organization (Stiles and Kulvisaechana, 2004).

Once established, competitive advantage is subject to erosion by competition. This arises because a company with a competitive advantage earn higher than average profits. These profits send a signal to rivals that the company is in possession of some valuable distinctive competence that allows it to create superior value (Hill *et. al.,* 2001). Naturally, its competitors try to identify and imitate that competence. In so far as they are successful, they may ultimately undermine the company's competitive advantage and surpass the company's superior profits. As Grant (1997) and Hill *et al.,* (2001) observe, the speed of imitation has a bearing upon the durability of a company's competitive advantage.

2.4 Strategic alignment as a source of competitive advantage

Strategic alignment links information systems planning with business planning. Ideally, business plan and information systems plan of either product or corporate planning function should be linked through the direct mapping of information systems strategy to one or more business strategies (Calhoun and Lederer, 2000).Through the alignment of information systems plan and business plan, information resources will support the business goals, and reap the advantage of information systems strategic utilization. Therefore, an increase in performance can be achieved and competitive advantage will be attained, leading to the organization thriving despite many challenges. Chan*et al.,* (2007p. 142) states that "Companies that appear to perform best are companies in which there is alignment between realized business strategy and realized information systems strategy". Luftman and Brier (2009p. 121) similarly declares, "Companies that have achieved alignment can build a strategic competitive advantage that will provide them with increased visibility, efficiency, and profitability to compete in today's changing markets". Unfortunately, a positive correlation between strategic alignment and organizational performance tends to be diverse.

A firm has a different competitive advantage when it has different IT resources and capabilities. The level of functional integration is often somewhat firm-specific in nature, and in the long term creates sustainable competitive advantages and results in increased business performance. Meanwhile, business-IT alignment provides direction and organizational flexibility to allow business to respond to environmental threats and opportunities (Avison*et al.,* 2004). Firms can obtain the strategic direction from the strategic dimension of business-IT alignment and the flexibility from the social and technical dimension of business-IT alignment, which are the benefits firms can receive from the business-IT alignment process. Good IT management practice aligns the business and IT infrastructure domains. The social phenomenon of business and IT alignment includes the development of IT to produce the social and technical business values by aligning business and IT infrastructure: for example, aligning organizational infrastructure and Information Systems infrastructure. Business-IT alignment allows a company to leverage organizational knowledge and expertise inherent in the existing management infrastructure resulting in a competitive advantage that will positively affect business performance (Gandolfi, 2007).

Organizations which aim to achieve world-class performance must make decisions on what objectives will enable them to gain a competitive advantage or differentiate themselves (Hill, 2005). Key competitive business strategies include both achieving lower cost and adding value through differentiation. One important way in which competitive performance may be achieved is through quality improvement. This strategy can be used both to differentiate products and services and to obtain lower costs through enhanced productivity and the elimination of waste. However, one of the well-recognized pitfalls of the strategic planning process approach is related to existing dualism between formulation and implementation phases. This dualism is seen as the lack of strategic role of information systems application or to a misalignment among organizational, business and information systems strategies. Consequently, organization's that fail to align strategies are more likely to fail in the implementation of IT to deliver on strategic objectives.

The five key areas that an organization should seek to establish and monitor where congruence or fit is critical for organizational success are "the degree to which the strategy, work, people, structure, and culture are smoothly aligned will determine the organization's ability to compete and succeed (Nadler and Tushman, 2007, p. 34). With strategic alignment, it is possible to hopefully improve performance results and gain a competitive advantage. Aligning the organization to the external environment requires forethought and taking proactive actions. Aligning employees' performance to the strategic direction requires leadership and monitoring. Aligning different functions and resources across the organization requires integration and diplomatic handling of personalities.

Strategic alignment enables an organization to use IT more effectively to help realize its goals and objectives (Luftman*et al.,* 1999). However, since organizations are adaptive systems operating within dynamic and constantly changing environments, the IT strategy needs to constantly change to remain aligned with the strategic business objectives. This means that alignment remains a continuing concern, as there is no explicit or single way of achieving and maintaining strategic alignment. If organizations are to pursue the objective of achieving strategic alignment within a 'turbulent' environment, it is important that they not only identify the changes in their environment, but also analyze which changes require a response, and how quickly a change needs to be implemented. In essence, the organization needs to remain as flexible, agile and responsive as possible.

Firms are responding to the anticipated changes in their environment by deploying IT at an increasing rate (Burgeron*et al.,* 2004). To the senior executives of a firm, IT investment has been an important issue as evidenced by their annual budget allocation and upon realizing that IT can give an organization a competitive advantage in a way that it would be in "alignment" or a "fit" with the strategic, structural and environmental dynamics specific to each organization. They (Burgeron*et al.,* 2004) observe that IT has been known to translate IT investments into increased business performance; improvement in productivity as well as increase the market share it holds, and profitability or other indicators of organizational effectiveness.

The resource based view of gaining competitive advantage indicates that a firm' resources reside within it and therefore an advantageous competitive position of a firm is built on value-creating resources that are critical inputs into the production and distribution of its products and services (Hult *et al.,* 2011). However he notes that the heterogeneity of the resource bases of different firms suggests that firms are presented with different opportunities for sharing and adapting their portfolios of assets. Thus, the theory argues out that a firm's competitive advantage emanates from resources unique to a firm such as key competencies, assets, capabilities, resources, information, and knowledge (Burgeron*et al.,* 2004).

When the strategic alignment process can be characterized as initial or ad-hoc, interaction between the IT and business strategists of the organization is minimal and it is unlikely that strategic alignment will result. In a committed process, the business has recognized the need to contemporaneously define IT and business strategies and has agreed to do so moving forward, but this process is in the early stages and alignment is still unlikely. An established, focused process is in place when IT is becoming an established part of business strategic planning; alignment is a goal, but is likely not yet a reality. In an improved or managed strategic alignment process, IT is recognized as a value center, IT assets are used to develop and sustain competitive advantage, and IT capabilities may enable a business to take a new strategic direction. In an optimized process, IT is integral to the business' strategic plans and IT strategic planning is fully integrated with business strategic planning. The greatest benefit to an organization is found when strategic alignment is an optimized process (Luftman, 2003).

2.5 Factors Affecting Strategic Alignment and Competitive Advantage

The impact of IT on business performance has been on the increase (Hu and Huang, 2004). A large number of organizations invest in IT to improve their competitive advantage and ultimately their business performance; however, more often than not, the anticipated benefits of IT investments fail to materialize. This is due to misalignment or lack of alignment, between the business and IT strategies. According to Sledgianowski and Luftman, (2008, P. 13) "for an organization to successfully align its IT strategies with its business strategies, specific management practices and strategic IT choices should be considered that help facilitate integration." These factors should be considered and standardized throughout each level of the organization in order for mid-level managers to execute business objectives which are aligned with the overall business strategy. In order to implement a strategic alignment, an organization must have a need for a new technology. Before an organization can implement a new technology, the strengths and weaknesses must be delineated and understood. The implications of implementing the technology organization-wide must also be studied.

Misalignment between business and IT results from lack of common understanding of the concept of strategic alignment, dependence on classical assumptions for strategic planning process, and/or ad-hoc IT investments in organization Oana (2010). Oana (2010) further contends that this misalignment leads to missing competitive advantages and opportunities, increasing wasted time, increasing costs, and creating negative environment for IT investments. Arguably, sustainability of the competitive advantage is conditional on the current efficiency, cost, and the organizational environment. Benbya and McKelvey (2006) highlight that achieving alignment is not a single event that happens once, but a co-evolutionary and emergent process. They describe it as a task which requires continual adaptation and change between the different domains. They further portray the domains as being interdependent, because a change in one domain will require adjustments in adjacent domains for alignment to be maintained.

The ability to attain and sustain strategic alignment can be attributed to the complex and dynamic nature of business environments (Luftman, 2003). Structures and processes are the mechanisms through which organizational activity takes place. Structures and processes are concerned with how the organization organizes for IT, including IS/IT strategy development, delivery of IT benefits, structures for service delivery, mechanisms for business and IT organization to bring together (Peppard and Ward, 2004). Further, inadequate or inappropriate structures and processes can severely impinge on the success of IT in an organization. Traditionally structures in relation to IT have been devised around the concept of technology delivery with a reactive IT organization developing products (applications) in response to business requests or around what it thinks the business requires. To facilitate IT/business integration, appropriate structures and processes are necessary.

Information technology success generally reflects an effective relationship between business managers and IS managers, and is the main contributor to successful vendor relations and therefore competent IT colleagues are more likely to be trusted and consulted in the decision making process as they become more aware of both existing and new business opportunities, and have the practical knowledge not just in operating within existing markets, but also with a newly-emerging market (Keen, 1991). According to Peppard and Ward (2004), service quality recognizes that the provision of some IT services will be based around a customer–supplier relationship. This might entail meeting predefined or expected criteria and service levels, some of which may be enshrined in formal service level agreements. The development of IT outsourcing has also seen the development of legally enforceable agreements specifying the level of service, which the client can expect from the vendor.

The values and beliefs of organizational members have a tremendous impact on many dimensions of IT in organizations like if business managers do not believe that IT is strategic this may define the way they manage and deal with IT and associated issues (Peppard and Ward, 2004). This dimension is concerned with the values and beliefs of organizational incumbents. Values and beliefs can significantly shape how attitudes develop and hence behavior and practices. These beliefs are shaped throughout ones career based on the experiences which one has with IT. Major influences are likely to come from experiences with IT both from previous workplaces and from current industry or the organization. According to Peppard and Ward (2004), the concern of leadership is not just the leadership of the IT organization. The concern is also for the leadership which the chief executive officer (CEO) exhibits vis-a-vis IT, where CEO is supportive of IT initiatives.

The IT director's ability to add value is the single major factor in determining whether the organization views IT as an asset or a liability (Earl and Feeny, 1994). Successful IT directors are seen to contribute beyond their functional responsibility (Feeny et al., 1992), although there is often little agreement as to what actually their role and function is in an organization. The role of the IT director has shifted from managing a technical portfolio to managing a relationship portfolio. Furthermore, IT and business strategic planning must be highly supported by open and consistent communication between high-level IT and business managers to ensure the success of strategic planning initiatives. Moreover, alignment is thought to be easier to achieve if line executives have a good knowledge of IT, though this is obviously not always a practicable accomplishment. Alignment can also be enhanced if senior managers are generally committed to IT projects or if the IT function is given high visibility, such as when the IT manager reports directly to the CEO of the organization, or if an exchange is maintained between IT and the business via informal structures, close working relationships and mutual respect (Chan *et al.,* 2006).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was applied in carrying out the study. This chapter describes the proposed research design, data collection and the techniques for data analysis that was used.

3.2 Research Design

A descriptive cross sectional research design was used in this study. A cross sectional survey is a type of research design involving the collection of information from any given sample of population elements once (Malhotra and Birks, 2006). A descriptive research designed was adopted in the study because the study was concerned about a univariate question in which the researchers will ask questions about the size, form, distribution and existence of strategic alignment process in the organization and its effect as a source of competitive advantage among beverage soft drink firms in Kenya.

Mugenda and Mugenda (2003) noted that a survey attempts to collect data from members of a population and describes phenomena by asking individuals about their perception, attitudes, behavior or values. The design is deemed appropriate also because the main interest was to explore the viable relationship and describe how the factors support matters under investigation. A cross sectional study was used to determine the interrelationship between the variables under consideration among the different firms in the soft drinks industry in the study at the same time period.

3.3 Population of Study

The population of interest for this research was all the major beverage firms operating in Kenya as listed in the latest Kenya Association of Manufacturers (KAM) Directory (2013) (Appendix II). These firms formed the target population. Since the number of the respondents was limited, then the study was a census survey. The respondents comprised of senior managers in charge of or related with the management of IT resources.

3.4 Data Collection

The study used primary data. The primary data was collected through self-administered questionnaires (Appendix I). A questionnaire is a useful tool for collecting data from respondents because of the need to provide a means of expressing their views more openly and clearly. The structured questionnaire consisted of open and closed ended questions designed to elicit specific responses for qualitative analysis.

The questionnaire was divided into three sections; section one dealt with demographic section that contained the general information of the respondent, section two covered organization's strategic alignment while the last section covered the strategic alignment as a source of competitive advantage. The secondary data was obtained from organizational reports such as strategic planning documents, annual reports and performance reports.

3.5 Data Analysis and Presentation

The data collected analyzed using descriptive statistics (measures of central tendency and measures of variations) and inferential statistic tools. Further, to examine whether there is a difference in the strategic alignment among the different firms the test was conducted on the questionnaire responses between large and small companies. From the questionnaire results a multiple linear regression model of the following form was generated:

(COMadv) = *f* (Leadership, Structure & Processes, Service quality, Values & beliefs)………1

$(COMadv) = \beta o + \beta_1 Led + \beta_2 S\&P + \beta_3 SQ + \beta_4 V\ \&B + \alpha$

Where;

COMadv	- Competitive Advantage of the ith firm (i = 1, 2…….)
Led	- Leadership index
S & P	- Structure and Processes index
S Q	- Service quality index
V & B	- Values and beliefs
α	- Regression error term

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to establish strategic alignment and competitive advantage of major beverage soft drink firms in Kenya. This chapter presents the analysis and findings with regard to the objective and discussion of the same. The findings are presented in percentages and frequency distributions, mean and standard deviations. A total of 17 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Out of the 17 questionnaires issued out, only 14 were returned. This represented a response rate of 82%.

4.2 Demographic Profile

The individual bio data considered in this study were respondents' gender, age bracket, level of education, length of service with the beverage soft drink firm and the number of employees in the company. Of the 14 respondents, 79 percent were male while 21 percent were female. This therefore means that majority of the respondents were male.

The respondents were asked to indicate their age bracket and the results are presented in table 4.1.

Table 4.1: Age bracket

Years	Frequency	Percent	Cumulative Percent
Under 30	3	21.4	21.4
31 – 40	7	50.0	71.4
41 – 50	4	28.6	100.0
Total	**14**	**100.0**	

The results in table 4.1 indicate that 50% of the respondents were between 31 and 40 years, 28.6% of the respondents indicated that they were 41 to 50 years while 21.4% of the respondents indicated their age bracket to be less than 30 years. The results indicate that majority of the respondents were over 30 years and they could have worked for a longer period of time and thus they understand the importance of strategic alignment.

The respondents level of education was also sought, the results are presented in Table 4.2.

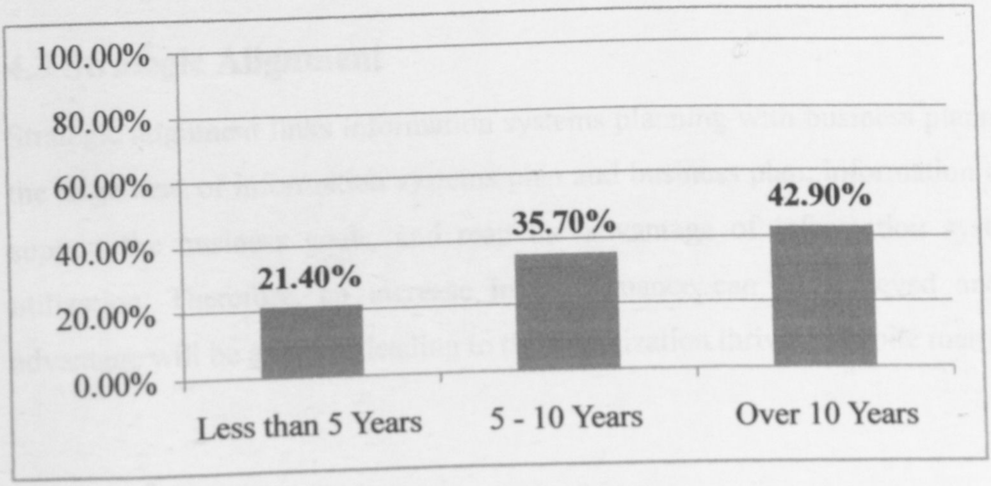
Table 4.2: Highest Level of education

Level of education	Frequency	Percent	Cumulative Percent
Tertiary College	3	21.4	21.4
University	8	57.2	78.6
Post Graduate Level	3	21.4	100.0
Total	**14**	**100.0**	

The results presented in table 4.2 indicate that 57.2% of the respondents had attained university level, 21.4% of the respondents were tertiary college level graduates while 21.4% of the respondents had attained post graduate level. The results indicate that majority of the respondents were university degree holders which indicates that beverage employees' are mostly graduates.

The respondents were asked to indicate the duration they have continuously worked in the company and the results are presented in Figure 4.1.

Figure 4.1: Length of service with the company



The results presented in Figure 4.2 indicate that 21.4% of the respondents had worked in the organization for a period of less than 5 years, 35.7% of the respondents indicated that they had worked in the soft drink firm for between 5 to 10 years while 42.9% of the respondents indicated that they had worked for a period of over 10 years. Majority of the respondents had worked in the organization for more than 5 years, thus there is high level of understanding of the company's strategic alignment.

The respondents were asked to indicate the number of employees in their company and the findings are presented in table 4.3.

Table 4.3: Number of Employees

Number of Employees	Frequency	Percent	Cumulative Percent
Less than 100	2	14.3	14.3
100 – 499	4	28.6	42.9
500 – 999	8	57.1	100.0
Total	**14**	**100.0**	

The results in table 4.3 on the number of employees indicate that 57.1% of the companies have between 500 and 999, 28.6% of the companies have 100 to 499 employees while 14.3% of the companies have less than 100 employees. The results indicate that the number of employees in the company depicts the company size and therefore majority of the companies are large in size.

4.3 Strategic Alignment

Strategic alignment links information systems planning with business planning. Through the alignment of information systems plan and business plan, information resources will support the business goals, and reap the advantage of information systems strategic utilization. Therefore, an increase in performance can be achieved and competitive advantage will be attained, leading to the organization thriving despite many challenges.

4.3.1 Ways of achieving competitive advantage

The respondents were requested to indicate the ways of achieving competitive advantage in a five point Likert scale. The range was 'not at all (1)' to 'very great extent' (5). The scores of not at all have been taken to represent a variable which had mean score of 0 to 2.5 on the continuous Likert scale; (0≤ S.E <2.4). The scores of 'moderate' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: (2.5≤ M.E. <3.4) and the score of both great extent and very great extent have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; (3.5≤ L.E. <5.0). A standard deviation of >0.7 implies a significant difference on the impact of the variable among respondents. The results are presented in Table 4.4.

Table 4.4: Ways of achieving competitive advantage

Ways of achieving competitive advantage	Mean	Std. Deviation
Information technology helps the company to differentiate not only through price but also through product innovation, shorter-time to market, and customer service	3.8943	1.0328
IT adoption has helped the firm provide customized products and services, thus enhancing its differentiation advantage	3.9018	.7888
Aided by the Internet‘s interactivity feature, the firm was able to collect customer data, which includes demographic data, product comments and potential demands for certain products/services	3.8357	.9165
IT adoption provided an opportunity for the firm to establish its brand image	3.8641	.7888
The firm uses Web sites to reinforce its identity the differentiation of which can help build up customer loyalty	3.3164	.6181
IT and the Internet have dramatically reduced the costs of obtaining, processing and transmitting information, thus changing the way the firm does business	3.6739	.8499
IT adoption has reduced the cost of marketing, advertising, and business operations of the firm	3.5411	1.0328

IT adoption has helped the firm promote cost leadership by providing valuable new services inexpensively	3.6147	.8432
IT adoption has helped the firm identify opportunity to experiment with new products, services, and processes	3.2143	.4216
IT adoption has enabled the firm to reduce product cycle time	3.1762	.9735
IT adoption has helped the firm expand its market and customer share, thus facilitating a firm‘s growth strategy	3.5837	.5270
The firm was able to quickly and effectively develop its geographical markets regionally and globally through the adoption of IT	3.5493	.6749
IT has helped the firm to improve relationships with customers by providing more effective marketing, new channels, shorter time to market, customized or personalized product, online 24-hr technical support and online interactive community.	3.5173	.8432
IT helps to create many new inter-relationships among businesses and expanding the scope of industries in which the firm must compete to achieve competitive advantage	3.7192	.6749
IT adoption helps the firm to improve its alliance advantage by providing an efficient and cheaper communication channel among alliance partners.	3.5149	.9660

The results in table 4.4 on the ways of achieving competitive advantage was that IT adoption has helped the firm provide customized products and services, thus enhancing its differentiation advantage (mean 3.9018), IT helps the company to differentiate not only through price but also through product innovation, shorter-time to market, and customer service (mean 3.8943), IT adoption provided an opportunity for the firm to establish its brand image (mean 3.8641), aided by the Internet‘s interactivity feature, the firm was able to collect customer data, which includes demographic data, product comments and potential demands for certain products/services (3.8357), IT helps to create many new inter-relationships among businesses and expanding the scope of industries in which the firm must compete to achieve competitive advantage (mean 3.7192), IT and the Internet has dramatically reduced the costs of obtaining, processing and transmitting information, thus changing the way the firm does business (mean 3.6739), IT adoption has helped the firm promote cost leadership by providing valuable new services inexpensively (3.6147) and IT adoption has helped the firm expand its market and customer share, thus facilitating a firm's growth strategy (mean 3.5837).

The results further indicates that the company was able to quickly and effectively develop its geographical markets regionally and globally through the adoption of IT (mean 3.5493), IT adoption has reduced the cost of marketing, advertising, and business operations of the firm (mean 3.5411), IT has helped the firm to improve relationships with customers by providing more effective marketing, new channels, shorter time to market, customized or personalized product, online 24-h technical support and online interactive community (mean 3.5173) and IT adoption helps the firm to improve its alliance advantage by providing an efficient and cheaper communication channel among alliance partners (mean 3.5149).

The respondents were moderate on the company use of web sites to reinforce its identity the differentiation of which can help build up customer loyalty (mean 3.3164), IT adoption helping the firm opportunity to experiment with new products, services, and processes (mean 3.2143) and IT adoption has enabled the firm to reduce product cycle time (mean 3.1762). The low variation of standard deviation indicates that the respondents were unanimous on the use of strategic alignment to achieve competitive advantage. The results indicate that the soft drink companies achieves competitive advantage as a result of using strategic alignment and this is due to the acquisition and deployment of resources that are coherent with the organization's competitive needs. The results are consistent with Henderson and Venkatraman (1993) findings which were that firms can create sustainable competitive advantages through external alignment with business environment and internal alignment with resources and infrastructure. IT by itself does not explicitly offer a competitive advantage; however it indicates that if an organization uses IT strategically to improve crucial business processes, it can strengthen its competitive position and enable a competitive advantage to be sustained.

4.3.2 Company's Strategic Alignment

The respondents were asked to indicate the extent of agreement with the statements regarding strategic alignment in the company.

Table 4.5: Company's Strategic Alignment

Company's Strategic Alignment	Mean	Std. Deviation
The company's IT and business planners interact closely in the formulation of the IT strategic plan	3.9273	.8756
The company's IT planners are aware of the firm's objectives, business strategies and long-term goal	4.1486	.7378
Alignment of IT plan and business plan, information resources supports the business goals, and reap the advantage of information systems strategic utilization	4.2458	.7888
Strategic alignment in the company build a strategically viable advantage that will provide organizations with increased visibility, efficiency, and profitability to operate	4.2975	.6324

The results in table 4.5 indicate that strategic alignment in the company build a strategically viable advantage that will provide organizations with increased visibility, efficiency, and profitability to operate (mean 4.2975), alignment of IT plan and business plan, information resources supports the business goals, and reap the advantage of information systems strategic utilization (mean 4.2458), company's IT planners are aware of the firm's objectives, business strategies and long-term goal (mean 4.1486) and that company's IT and business planners interact closely in the formulation of the IT strategic plan (mean 3.9273). The results indicate that strategic alignment provides direction and organizational flexibility to allow business to respond to environmental threats and opportunities. The results are in line with Chan *et al.*, (2007) findings which states that companies that appear to perform best are companies in which there is alignment between realized business strategy and realized information systems strategy.

4.3.3 Effect of leadership on strategic alignment and competitive advantage

The respondents were asked to indicate the effect of leadership on strategic alignment and competitive advantage.

Table 4.6: Effect of leadership on strategic alignment and competitive advantage

Effect of leadership on strategic alignment and competitive advantage	Mean	Std. Deviation
Business managers in the company seldom assist IS managers in formulating their plans	3.5364	.8516
There is two-way communication between business and IT executives in the firm in order for business and IT plans to be coordinated	3.7942	.6749
The IT directors in the company contribute beyond their functional responsibility by adding value to alignment by efficiently and effectively designing, implementing the required information infrastructure and processes, that support the chosen business strategy	3.5573	.8232
Line executives have a good knowledge of IT and thus easier alignment	2.5296	.9718
There is a nominated liaison position between the business and IT managers	3.3281	.8232
There is shared domain knowledge between business and IT managers which helps produce strategic alignment, improve the quality of project planning, reduce problems with IT projects, and improve organizational performance	3.6249	.4830

The results in table 4.6 indicate that the respondents were in agreement that there is two-way communication between business and IT executives in the firm in order for business and IT plans to be coordinated (mean 3.7942), there is shared domain knowledge between business and IT managers which helps produce strategic alignment, improve the quality of project planning, reduce problems with IT projects, and improve organizational performance (mean 3.6249), the IT directors in the company contribute beyond their functional responsibility by adding value to alignment by efficiently and effectively designing and implementing the required information infrastructure and processes, that support the chosen business strategy (mean 3.5573) and business managers in the company seldom assist IS managers in formulating their plans (mean 3.5364). The respondents were however moderate on existence of a nominated liaison position between the business and IT managers (mean 3.3281) and line executives having a good knowledge of IT and thus easier alignment (mean 2.5296). The results are consistent with Reich and Benbasat (2000) findings that higher levels of formal communication between business and IT executives had a positive influence on short-term alignment. Formal communication between business and IT executives had a positive influence on short-term alignment.

4.3.4 Effect of structure and processes on strategic alignment and competitive advantage

The respondents were requested to indicate the effect of structure and processes on strategic alignment and competitive advantage and the results are presented in table 4.7.

Table 4.7: Effect of structure and processes on strategic alignment and competitive advantage

Effect of structure and processes on strategic alignment and competitive advantage	Mean	Std. Deviation
There is adequate or appropriate structures and processes that severely impinge on the success of IT in an organization	2.3387	1.17379
There exist committees consisting of both business and IT people	3.8601	1.17851
IT executive sits on the company's board	2.1467	1.24722
There is association between business plan and the IT plan	3.5375	.81650
There is high commitment and active involvement of business in IT planning and decision-making in the organization	3.6492	.78881
There is joint coordination of investment and project planning, and decision-making in general in the organization	4.1186	1.08012

The results in table 4.7 on the effect of structure and processes was that in the soft drink firms there is joint coordination of investment and project planning, and decision-making in general in the organization (mean 4.1186), there exist committees consisting of both business and IT people (mean 3.8601), there is high commitment and active involvement of business in IT planning and decision-making in the organization (mean 3.6492) and that there is association between business plan and the IT plan (mean 3.5375). The respondents noted to small extent that there are adequate or appropriate structures and processes that severely impinge on the success of IT in an organization (mean 2.3387) and that IT executive sits on the company's board (mean 2.1467). The results indicate that the structure and processes in the firms affect the achievement of competitive advantage and this is consistent with Ward and Peppared (1999) findings that that it is necessary to involve IT strategy with business strategy.

4.3.5 Effect of service quality on strategic alignment and competitive advantage

The respondents were asked to indicate the effect of service quality on strategic alignment and competitive advantage.

Table 4.8: Effect of service quality on strategic alignment and competitive advantage

Effect of service quality on strategic alignment and competitive advantage	Mean	Std. Deviation
The company is in need of new technology in order to implement strategic alignment	3.1425	.2668
Provision of IT services are based around a customer – supplier relationship which might entail meeting predefined or expected criteria and service levels, some of which may be enshrined in formal service level agreements	3.5746	.9486
IS system offers a very competitive service	3.8853	.8432
Organizations have good relationships with local or international businesses	3.9438	.4830

The results in table 4.8 show that the soft drink firms have good relationships with local or international businesses (mean 3.9438), IS system offers a very competitive service (mean 3.8853) and that provision of IT services are based around a customer – supplier relationship which might entail meeting predefined or expected criteria and service levels, some of which may be enshrined in formal service level agreements (mean 3.5746). The respondents were however moderate on the need for the firms to have a new technology in order to implement strategic alignment (mean 3.1425). The results indicate that service quality is vital in determining the customer-supplier relationship which can be strengthened by the IT department by focusing on the development of IT outsourcing and the level of service that clients expect from the vendor. Luftman et al., (2006) suggested that internet service providers should prioritize technology acquisitions and build appropriate infrastructures.

4.3.6 Effect of values and beliefs on strategic alignment and competitive advantage

The respondents were asked to indicate the effect of values and beliefs on strategic alignment and competitive advantage and the results are presented in table 4.9.

Table 4.9: Effect of values and beliefs on strategic alignment and competitive advantage

	Mean	Std. Deviation
The IT specialists in the company work on their trust worthiness while at the same time build good relationships with clients	4.1263	.7888
IS for experts must be responsible for consolidating their organizations	2.9741	.7378
Managers comprehend IS terminology well at all levels	2.5921	.8498
The company's employees' believe that IT is strategic	3.8364	.8756
IS enhances their productivity among the managers	3.6158	.4835

The results in table 4.9 show that the IT specialists in the company work on their trust worthiness while at the same time build good relationships with clients (mean 4.1263), the company's employees' believe that IT is strategic (mean 3.8364) and that IS enhances their productivity among the managers (mean 3.6158). On the other hand the respondents were moderate on IS for experts being responsible for consolidating their organizations (mean 2.9741) and managers comprehend IS terminology well at all levels (mean 2.5921). The results are consistent with Bashein and Markus (1997) who contend that expertise alone does not inspire trust and credibility, concluding that the successful IT specialists work on their trust worthiness while at the same time builds good relationships with clients. To foster this credibility, IT specialists must, therefore, believe that trustworthiness and relationship building are necessary practices to engage in.

4.4 Correlation and Regression Analysis of the Variables

Correlation and regression analysis was done to show the relationship between various variables. The results of the correlation are shown in table 4.10 below.

Table 4.10: Pearson and Spearman's Correlation Coefficient

		ComAdv	Lead	S & P	SQ	V & B
ComAdv	Pearson Correlation	1	.239	.121	.526	.022
	Sig. (2-tailed)		.723	.268	.816	.845
Lead	Pearson Correlation	.239	1	-.498	.118	.172
	Sig. (2-tailed)	.723		.374	.282	.515
S & P	Pearson Correlation	.121	-.498	1	.241	.115
	Sig. (2-tailed)	.268	.374		.026	.296
SQ	Pearson Correlation	.526	.118	.241	1	.347
	Sig. (2-tailed)	.816	.282	.026		.001
V & B	Pearson Correlation	.022	.172	.115	.347	1
	Sig. (2-tailed)	.845	.515	.296	.001	

There is a positive relationship between organization competitive advantage and all the independent variable though there is a negative correlation between organization beliefs and service quality. The highest correlation is between the organization service quality and competitive advantage. This means that as a beverage company, the service quality and probably the level of product quality will determine the company's competitiveness and therefore, the firm should aim to enhance its level of service quality.

The determinants of a firm competitive advantage from the strategic alignment of the firm's operations were investigated from the results of the respondents.

Table 4.11: Results of General Least Square

Model	Un-standardized Coefficients B	Std. Error	Standardized Coefficients Beta	T
(Constant)	4.687	.218		1.236
X_1	2.023	.026	.849	1.049
X_2	1.039	.012	.585	0.266
X_3	3.241	. 5	1.017	.061
X_4	2.008	.006	.568	1.349

From Table 4.13 above, the established multiple linear regression equation becomes:

$$Y = 4.689 + 2.023X_1 + 1.039X_2 + 3.241X_3 + 2.008X_4$$

Where ; Y = Competitive Advantage of the i^{th} firm ; X_1 = Leadership index

X_2 = Structure and Processes index ; X_3 = Service quality index

X_4 = Values and beliefs

From table 4.13, it can be deduced that the service quality index above with a coefficient of 3.241 is the most sensitive variable that affects the level of a firm's competitive advantage.

4.5 Discussions

The findings of this study have established the importance of alignment of organizational activities and values in order to achieve competitiveness. The organization's leadership, values and beliefs, as well as structure were found to require proper alignment with the IT so that the functions of the firm work towards the achievement of a common goal in the organization. This finding reinforces the strategic alignment theory as well as the findings of Crotts et al., (2001) which points the importance of alignment in determining organization performance. It was however found that the benefits of the strategic alignment varied from one beverage firm to another depending on the level of adoption of the alignment. Though, the research was done on a single industry, Chan et al. (2006) in an empirical study concluded that the effect of alignment on performance varies across different industries and for different business strategies. Thus it means that alignment on some competitive priorities is influenced by industry membership.

The findings also support a holistic fit in the organizations operations whereby the strategy, culture and structure of an organization work in tandem in order to realize the necessary competitive advantage. Optimal level of alignment cannot therefore be achieved if one of the variables is not matched with the other and this will result in a sub-optimal efficiency. It is only when the three concepts are in alignment that the organization manages to be effective.

The study also shows that misalignment of organizational resources leads to missing competitive advantages and opportunities, increasing costs, increasing wasted time and creating negative environment for IT investments. In consideration of the position that the sustainability of the competitive advantage is conditional on the current efficiency, cost, and the organizational environment, it becomes imperative that for effective utilization of one's resources, the organization should strive to continually adapt its operations and resources to the changing business environment. Just as Benbya and McKelvey (2006) pointed out, achieving alignment is not a single event that happens once, but a co-evolutionary and emergent process. An organization should therefore change the three domains (structure/culture/strategy) concurrently, because a change in one domain will require adjustments in adjacent domains for alignment to be maintained.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter represents the summary of the findings, conclusion, limitations and recommendations of the study.

5.2 Summary of Findings

The study shows that majority of the respondents have worked in their organizations for a longer period of time and therefore they understand the organization's need to pursue strategic alignment in order to achieve competitive advantage. The number of employees working in the soft drink companies differed and this can be attributed to the size of the company. Firms can create sustainable competitive advantages through external alignment with business environment and internal alignment with resources and infrastructure. The study established that the competitive advantage achieved through strategic alignment was provision of customized products and services, differentiation through price, product innovation, shorter-time to market, and customer service establishment of brand image. Others included collection of customer data, which includes demographic data, product comments and potential demands for certain products/services, creation of new inter-relationships among businesses and expanding the scope, reduced costs of obtaining, processing and transmitting information. Further competitive advantages were cost leadership promotion, firm expansion thus facilitating a firm's growth strategy, development of geographical and global market, reduced cost of marketing, advertising, and business operations of the firm, improved customer relationships and alliance improvement through provision of an efficient and cheaper communication channel.

The study found out that strategic alignment in the company provide organizations with increased visibility, efficiency, and profitability to operate, supports the business goals, and reap the advantage of information systems strategic utilization, company's planners are aware of the firm's objectives, business strategies and long-term goal and that company's IT and business planners interact closely in the formulation of the IT strategic plan. Strategic alignment allows a company to leverage organizational knowledge and expertise inherent in the existing management infrastructure resulting in a competitive advantage that will positively affect business performance. The effect of leadership on strategic alignment was found to be two-way communication between business and IT executives in the firm in order for business and IT plans to be coordinated, shared domain knowledge between business and IT managers, efficiently and effectively designing and implementing the required information infrastructure and processes that support the chosen business strategy and business managers assisting in formulating their plans.

The study established that structure and process results in coordination of investment and project planning and decision-making in general in the organization committees existence of both business and IT people, high commitment and active involvement of business in IT planning and decision-making in the organization and association between business plan and the IT plan. The study found out that there is no IT executive who sits on the company's board. The study established that soft drink firms have good relationships with local or international businesses, IS system offers a very competitive service and that provision of IT services are based around a customer – supplier relationship. The study shows that the company specialists' work on their trust worthiness while at the same time building good relationships with clients, the company's employees' believe that IT is strategic and that IS enhances their productivity among the managers.

5.3 Conclusion

In the business world, where flexibility and adaptability are critical, failure to leverage IT may seriously hamper the firm's sustainable competitive advantage, especially in today's global, information intensive world. Therefore, the need to obtain strategic alignment between business and IT strategies is paramount. IT is getting more and more in the critical core of every important business. The need for aligning IT and business strategies and minimizing the risks and optimizing the use of IT is becoming the priority of most companies' boards. For organizations to stay competitive in a dynamic business environment, they have to determine and understand how to manage IT strategically as a key success factor for a successful business in a dynamic business environment that supports business strategies and processes.

Through the alignment of information systems plan and business plan, information resources will support the business goals, and reap the advantage of information systems strategic utilization. Therefore, an increase in performance can be achieved and competitive advantage will be attained, leading the soft drink firms to survive and thrive despite fierce competition. The motivation for this study was to propose a theoretical model that determines the impact of several contextual variables (leadership, structure and processes, service quality, and values and beliefs) on IT-business strategic alignment, and how such alignment impacts a firm's sustainable competitive advantage. The results of some hypotheses indicated an effect on strategic alignment. In addition, strategic alignment has a mediating effect on the relationship between leadership, structure and processes, service quality, values and beliefs and sustainable competitive advantage. Therefore, soft drink firms should have concern for strategic alignment to enhance their competitive position and sustain this advantage.

5.4 Limitations of the Study

This study is limited to the sample of major beverage firms in Kenya. The findings of this study could only be generalized to firms similar to those that were included in this research. In addition, sample size is small. The scope of further research may be extended to local firms as well as incorporation of more control variables.

5.5 Recommendations

This study makes several recommendations for policy implementation and also suggestions for further research.

5.5.1 Recommendation for Policy and Practice

The study established that the IT executives in the soft drink firms do not sit in the company's board, it is recommended that the firms should ensure that the experts sits in the board in order to share their knowledge with the board members and thus drive the company to achieve competitive advantage over its competitors. The most important, point is that executives in the information technology/systems realm should share responsibility with senior executives in other fields, because strategic alignment has been proven to improve organizational performance.

The study found out that the soft drink firms achieve competitive advantage as a result of pursuing strategic alignment and it is recommended that the executives must also be committed to information technology/systems. When the executives have the focus and the commitment, they are likely to acquire bigger payoffs throughout the existing value chain. As a consequence, strategic alignment will increase the business value of information technology/systems.

5.5.2 Area for further research

The study confined itself to major soft drink firms operating in Kenya and the findings may not be applicable in other sectors as a result of uniqueness of the soft drink industry. It is therefore recommended that the study is replicated in other sectors to establish strategic alignment and competitive advantage.

Small and large organizations perceive alignment in a similar way, however, there are significant differences in the way small and large organizations implement their planning integration strategies. This may have an impact on strategic alignment and therefore additional data and measures are required also to analyze these factors across different cultural and industry contexts.

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APPENDIX I: QUESTIONNAIRE

Please give answers in the spaces provided and tick (√) in the box that matches your response to the questions where applicable.

Part A: Respondents Demographic Profile

1) Name of the soft drink company……………………………………………………………

2. Gender: Male ( ) Female ( )

3. What is your age bracket? (Tick as applicable)

a) Under 30 years ( )

b) 31 – 40 years ( )

c) 41 – 50 years ( )

d) Over 50 years ( )

4. What is your highest level of education qualification?

a) Secondary ( )

b) Tertiary College ( )

c) University ( )

d) Post graduate level ( )

6. Length of continuous service with the company?

a) Less than five years ( )

b) 5-10 years ( )

c) Over 10 years ( )

7. How many employees are there in your company?

a) Less than 100 ( )

b) 100 – 499 ( )

c) 300 – 999 ( )

d) Above 1000 ( )

Part B: Strategic Alignment

8. To what extent does your company adopts the following statements in order to achieve competitive advantage? Use 1- Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.

Statement	1	2	3	4	5
Information technology helps the company to differentiate not only through price but also through product innovation, shorter-time to market, and customer service					
IT adoption has helped the firm provide customized products and services, thus enhancing its differentiation advantage					
Aided by the Internet‘s interactivity feature, the firm was able to collect customer data, which includes demographic data, product comments and potential demands for certain products/services					
IT adoption provided an opportunity for the firm to establish its brand image					
The firm uses Web sites to reinforce its identity the differentiation of which can help build up customer loyalty					
IT and the Internet have dramatically reduced the costs of obtaining, processing and transmitting information, thus changing the way the firm does business					
IT adoption has reduced the cost of marketing, advertising, and business operations of the firm					
IT adoption has helped the firm promote cost leadership by providing valuable new services inexpensively					
IT adoption has helped the firm identify opportunity to experiment with new products, services, and processes					
IT adoption has enabled the firm to reduce product cycle time					
IT adoption has helped the firm expand its market and customer share, thus facilitating a firm‘s growth strategy					
The firm was able to quickly and effectively develop its geographical markets regionally and globally through the adoption of IT					
IT has helped the firm to improve relationships with customers by providing more effective marketing, new channels, shorter time to					

market, customized or personalized product, online 24-h technical support and online interactive community.					
IT helps to create many new inter-relationships among businesses and expanding the scope of industries in which the firm must compete to achieve competitive advantage					
IT adoption helps the firm to improve its alliance advantage by providing an efficient and cheaper communication channel among alliance partners.					

9. To what extent do you agree with the following statements regarding strategic alignment in the company? Use 1- Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.

Statements	1	2	3	4	5
The company's IT and business planners interact closely in the formulation of the IT strategic plan					
The company's IT planners are aware of the firm's objectives, business strategies and long-term goal					
Alignment of IT plan and business plan, information resources supports the business goals, and reap the advantage of information systems strategic utilization					
Strategic alignment in the company build a strategically viable advantage that will provide organizations with increased visibility, efficiency, and profitability to operate					

10. To what extent do the following factors contribute to strategic alignment and competitive advantage? Use 1- Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.

a) Leadership

Statements	1	2	3	4	5
Business managers in the company seldom assist IS managers in formulating their plans					
There is two-way communication between business and IT executives in the firm in order for business and IT plans to be coordinated					
The IT directors in the company contribute beyond their functional responsibility by adding value to alignment by efficiently and effectively designing, implementing the required information infrastructure and processes, that support the chosen business strategy					
Line executives have a good knowledge of IT and thus easier alignment					
There is a nominated liaison position between the business and IT managers					
There is shared domain knowledge between business and IT managers which helps produce strategic alignment, improve the quality of project planning, reduce problems with IT projects, and improve organizational performance					

b) Structure and Processes

Statements	1	2	3	4	5
In the company there is adequate or appropriate structures and processes that severely impinge on the success of IT in an organization					
In the company there exist committees consisting of both business and IT people					
IT executive sits on the company's board					
There is association between business plan and the IT plan					
There is high commitment and active involvement of business in IT planning and decision-making in the organization					
There is joint coordination of investment and project planning, and decision-making in general in the organization					

c) Service Quality

Statements	1	2	3	4	5
The company is in need of new technology in order to implement strategic alignment					
Provision of IT services are based around a customer–supplier relationship which might entail meeting predefined or expected criteria and service levels, some of which may be enshrined in formal service level agreements					
IS system offers a very competitive service					
Organizations have good relationships with local or international businesses					

d) Values and Beliefs

Statements	1	2	3	4	5
The IT specialists in the company work on their trust worthiness while at the same time build good relationships with clients					
IS for experts must be responsible for consolidating their organizations.					
Managers comprehend IS terminology well at all levels					
The company's employees' believe that IT is strategic					
IS enhances their productivity among the managers					

APPENDIX II: KENYA ASSOCIATION OF MANUFACTURERS 2013 DIRECTORY SOFT DRINK BEVERAGE FIRMS EXTRACT Pg. 157

1. Aquamist Ltd, P.O. Box 66856 – 00800 Westlands Nairobi, Church Road Off Rhapta Road
2. Beverage Service (K) Ltd, P.O. Box 78511 – 00507 Nairobi, Viwandani Likoni Road
3. Coastal Bottlers Limited, P.O. Box 83154 – 80101, Mombasa, Bamburi Mikindani Road
4. Del Monte (K) Ltd, P.O. Box 147 – 01000 Thika, Oloi Tip Tip Road
5. East African Breweries Ltd, P.O. Box 30161 – 00100 Nairobi, Ruaraka Off Thika Road
6. Equator Bottlers Ltd, P.O. Box 780 – 40100 Kisumu, Ang'awa Avenue
7. Highlands Mineral Water Company Ltd, P.O. Box 1517 - 10100 Nyeri, Ihururu Road
8. Kevian Kenya Ltd, P.O. Box 25290 – 00603 Nairobi, Ngong Road
9. Kisii Bottlers Ltd, P.O. Box 3456 – 40200 Kisii, Kisii – Keroka Road
10. Kuguru Foods Complex, P.O. Box 45510 – 00100 Nairobi, Enterprise Road
11. Milly Fruit Processors, P.O. Box 90522 – 80100 Mombasa, Mombasa – Malindi Road
12. Mount Kenya Bottlers Ltd, P.O. Box 623 -96 Nyeri, Wang'ombe Waihura Road
13. Nairobi Bottlers Ltd, P.O. Box 18034 – 00500 Nairobi, Enterprise Road
14. Pearl Waters Ltd, P.O. Box 80948 – 80100 Mombasa, Gideon Rimba Road
15. Rift Valley Bottlers Ltd, P.O. Box 51 – 30100 Eldoret, Somali Road
16. Sameer Agriculture & Livestock (K) Ltd, P.O. Box 102 – 00500 Nairobi, Olesor Road, Off Lunga Lunga
17. SBC Kenya Ltd, P.O. Box 767448 – 00620 Nairobi, Baba Dogo Road

Source: Kenya Association of Manufacturers (KAM) Directory (2013)