

**RELATIONSHIP BETWEEN STRATEGIC CHANGE AND THE ORGANIZATIONAL  
PERFORMANCE OF SHIPPING FIRMS IN KENYA**

**BY**

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## DECLARATION

This research project is my original work and has not been presented for an award in any other university.

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

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## **DEDICATION**

To my parents

You have been a source of support and inspiration.

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## **ABBREVIATIONS AND ACRONYMS**

KMA	Kenya Maritime Authority
KPA	Kenya Ports Authority
KSAA	Kenya Ships Agents Association
MNCs	Multinational Corporations
SPSS	Statistical Package for Social Scientists
UNCTAD	United Nations Conference on Trade and Development

### **ABSTRACT**

The ensuing relationship between organizational performance and strategic change was the study objective. 38 registered shipping companies in Kenya formed the population of the study. A cross sectional survey research design was adopted. The population for this study was all the Shipping companies in Kenya. Which were 38 registered shipping companies in Kenya. The respondents were the managers in charge of strategy issues in the respective shipping companies. A questionnaire was used to collect data which was thereafter analyzed using SPSS. Descriptive Statistics, correlation and regression analysis was used. Before that, normality tests for the data was carried out using Shapiro-Wilk test, Detrended Q-Q plot and Box plots and the data was found to be normal. This warranted the use of parametric tests such as correlation and regression analysis. Correlation for the study variables was found to be positive and significant. The independent variables fitted in the regression equation were all positive. The study concluded that the strategic changes in the Shipping firms were planned change, developmental change, incremental change and transformational change and that there is a relationship between firm performance and strategic change. The study recommends stakeholders in the shipping industry to use the findings thereof in this study for policy making. The government, local community organizations, and customers (clients), employees, media, competitors, suppliers and consumer advocates are also recommended to use the findings of this study in various areas of decision making.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

Businesses have to be competitive and more so for a long time, for such to happen they have to undertake varied changes with steep rise in speed, success and efficiency (Lilie, 2002). Generically, the term strategic management describes the oftenly managerial processes of identification and implementation of a firms organization strategy (Burnes, 2004). Management of strategic change is a method, or process of facilitating change and development in culture, structure, process, people and technology in use, leadership styles and even the physical aspects of the work environment. The strategic change process should aim at successful implementation of strategy. Successful implementation of strategy involves putting the strategy in place and getting individual and organization submits to go about executing their part of strategic plan (Thompson; Strickland and Gambler, 2008).

The study will be anchored on the following relevant theoretical bases, the population-ecology theory, organization learning theory, institutional theory and transaction cost theory. These bases are postulated by various theorists. According to the learning organization theory, postulated by Maguire & McKelvey, (1999), a learning organization constitutes of behavior and mind-set change as an experience outcome. The Institutional Theory, which utilizes the steps by which hierarchies guides social behavior (Scott, 2004).The transaction theory looks at the difference in choice between vertical integration and outsourcing(Rindfleisch and Heide 1997).

Kenya is connected to the world by shipping transportation from the ports and harbors located mainly in the Indian Ocean and Lake Victoria. Estimates various types of ships to the tune of fifty have major shipping lanes at the Kenyan coast at any time. These can be characterized as follows: Oil tankers, bulk carriers, general cargo, container ships, passenger ships, tank barges, fishing trawlers, offshore supply, amongst others (UNCTAD, 2011). The Merchant Shipping Act of 2009 is an act of parliament that makes provision for the registration and licensing of Kenyan ships, to regulate proprietary interests in ships, the training and the terms of engagement of masters and seafarers and matters ancillary thereto (Kenya Shipping Act, 2009). Section 317 of the Act denotes that the KMA issues licenses in respect to registration of Shipping Lines and Shipping Agents. These are subsequently

registered with the KPA. The research will concentrate on the major players of the shipping industry business in Kenya especially those based in the Mombasa County.

### **1.1.1 Strategic Change**

This can be asserted as the realignment in the state of a firm over time (van de ven and Poole, 1995). This alignment with the exogenous environment is fundamental of the current and future resource distribution in line with the firm's objectives. As the strategic change aligns itself to various industry strategies competitive advantage and synergy needs to be employed (Hofer and Schendel, 1978).

Various facets of strategic organizations in the past involved defining the traditions and pinpointing the basics of comprehending the said phenomena. Reports from the practitioners heavily depended on the tales from individuals, their experiences and also from case studies, however as tradition increased among academicians, the theories and the normal frameworks that used more data began to emerge. (Kim, 1993). Senge (2006) comprehends that systems thinking being the facet for observing hierarchy that underlie myriad avenues and helps in determining high change from low change with leverage. Systems thinking may require intentional communication that is able to unearth interdependency amongst particular units and also in portraying relationships that are circular in nature (Argyris, 1977). Loops for feedback may act as foundations for critical monitoring and systems philosophy.

The way in which firms are run needs to be moderated by values which are managerial and at the same time those that have been created by shared mission and a vision (Bryson, 2004). Mintzberg and Westley (1992) say that a vision that is shared as a threshold in firms change which culminates in decision making is made from the common organizational behaviour. At the least level, a vision creates solutions, in personal mastery field (Senge, 2006).

Since organizations in the public domain have abstract service goals and usually work in conflicting roles a vision creates a commitment with increased sense (Ring & Perry, 1985).

The leadership concept has an important role in a firms tradition, this gained momentum in the 80s when scholars said that the effectiveness of organizations tend to increase when

the dimensions of culture are used in the mix (Ouchi, 1981; Peters & Waterman, 1982; Collins and Porras, 1997; Schein, 2004). Cultural structure, leaders support the development of vision and are supposed to be willing to share their personal vision and allow the subjects to follow the leader, these leaders allow criticism and feedback and at the same master themselves (Senge, 2006). Finally, innovation, development, communication and commitment drive value in strategic leadership (Cameron & Quinn, 2011). The board of managers endeavour to have an environment where the norm is critiqued and there is an platform for innovation is laid.

Mastery of the self, personnel development together with firm values are the facets of learning commitment (McGill, *et al.*, 1992; Barker & Camarata, 1998; Senge, 2006; Cameron & Quinn, 2011). The mastery of the self implies delving into growth of the individual and expanding in the abilities of the person to be able to critically reframe issues (McGill, *et al.*, 1992; Senge, 2006). The following characterizes employees who have mastered the self; they own things up, preserve stuff, are patient, are flexible, are passionate etc Commitment to improve is life long and requires proficiency to certain levels (Senge, 2006). Employees who have enhanced their lives and have acquired skills both off and on the job are usually given an enabling environment by strategic organizations (Barker and Camarata, 1998). Responsibility ownership and empowerment of employees is a level of a firms commitment to development (Senge, 2006).

### **1.1.2 Organizational Performance**

Lusch and Laczniak (2009) say that it is the sum total of the fiscal outcomes of the firms activities. Walker and Ruekert (2007) found the basic facets of a firm perform being triune viz; adaptability, effectiveness and efficiency. But agreeing on the best is still a hot potato. Thus comparison of firm's performance with the trio factors will require resisting one and allowing the other (Donaldson, 2004).

Ahuja (2006) says a firm's performance should be measured by the outcomes against the set targets. Although performance can be measured using productivity, effectiveness, profitability and quality amongst others. Profitability being whether a firm is able to earn profits for a long time. Expressed as a fraction of the gross profit to sales (Wood & Stangster

2006). While the ratio of output and input termed as productivity (Stoner, 2007). This productivity measures the conversion of input resource in the form of services and goods that have been made by industry, organization and the individual.

Another performance measure is the balanced score card which is more robust than other performance measurement systems. The balanced score card as a noble idea has developed over time to become a strategic management system. It determines the position of the firm both the financial and non-financial aspects (Michaleska, 2005). When more strategic objectives are designed there is bound to be an increase in the indicators of performance (Sean Chen et al., 2006). In the balanced score card, customer perspective, growth and learning are measured as indicators of financial details. Financial performance depends on the satisfaction of customers (Zendedel, 2006)

### **1.1.3 Strategic Change and Organizational Performance**

Tushman and Romanelli, (1985) for change to be effective, a correlation between the strategic and the operational aspects of the organization is paramount. Managers need to consider the different approaches to managing strategic change according to the circumstances they face as well as trying to create the organizational context that will facilitate change. Long-term organizational change has four characteristics i.e. scale, magnitude, duration, and strategic importance. A formal approach for managing change, with leadership engaging key stakeholders, should be developed early and adapted often as change evolves in the organization. This includes data collection analysis, planning, implementation discipline, a redesign of strategy, systems, and finally, processes. The change managers adopt should be fully integrated into program design and decision making, thereby informing and enabling strategic direction. Changes should be based on realistic assessments of the organization's history, readiness, and propensity to change.

Change efforts must identify leaders in the company and pushing responsibility for design and implementation down, so that change cascades through the company. At each level or stage of the organization, the leaders who are identified and trained must be aligned to the vision of the company, fortified to accomplish their specific mission, and motivated to make change happen. They serve as the common standard for planning indispensable

change elements, such as the new corporate vision, and building the programs and infrastructure required to bring change. As change programs intensify, it is imperative that leaders understand and account for culture and behaviour at each level of the organization. In-Depth cultural analysis can show organizational readiness to bring key glitches to the surface or conflicts, changes, and define factors that can recognize and influence sources of resistance and sources of leadership. These diagnostics identify the core values, perceptions, behavior and beliefs that must be taken into account for successful change to occur (Hambrick and Mason, 1984).

#### **1.1.4 Shipping Industry in Kenya**

Shipping industry in East Africa has its headquarters located in Mombasa and the hinterland for the port of Mombasa is the great lakes. Multi-national shipping lines are dominating the shipping industry in Kenya whose vessels dock at the Kilindini Port of Mombasa to load and discharge cargo. It is either through representative agents or owned subsidiaries that the Multi-national companies have established their presence in Kenya. The firms work as port operation/logistics offices and vessel handling as well as serving as client service centers. The cargo handling or shipping agency business is normally a customer service commerce that is revolving around business developing and marketing along with the functioning of handling water vessels in port (UNCTAD, 2011).

The client base consists of cargo forwarders import and export customers, clearing agents standing in and on behalf of exporters/importers, and logistics providers such as warehouse operators, independent container freights station operators, container depot operators, as well as transporters. At the border are the stakeholders like the Kenya Bureau of Standards, Kenya Maritime Authority, Kenya Revenue Authority, and their equivalents in the countries that form the larger vicinity to the port of Mombasa (UNCTAD, 2011).

One of the major driving forces that are behind Kenyan economy is the shipping industry that seems to provide indirect and direct employment. Its liberalization has also enticed additional presence of overseas owned liners, a lot of stretching their ways to more productive destinations. Shipping industries of Kenya comprises of shipping liners which

acts as the focal global carriers like CMA CGM, Maersk Line, and Diamond Shipping services among others. Other players in the industry include the agencies that work as intermediary between the shipping lines and the shipper, and clearing and forwarding agents who normally succor in logistical delivery and in clearing cargo (UNCTAD, 2011).

Kenya Ports Authority (KPA) and Kenya Maritime Authority (KMA) are the regulators of the industry, whilst other bigger stakeholders are Kenya Revenue Authority (KRA), Kenya Shipping Agents Association (KSAA), the Kenya International Freight and Warehousing Association (KIFWA) and Kenya Shippers Council (KSC). An estimate of 50 different types of ships is in the larger shipping lanes off the Coast of Kenya at any given time. The can be categorized as follows; tank barges, oil tankers, container ships, bulk carriers, fishing trawlers, offshore supply and passenger ships amongst others (UNCTAD, 2011).

## **1.2 Research Problem**

Strategic change has become a persistent sensation which must be attended to and managed properly if an organization is to survive. Changes in technology, the marketplace, information systems, the global economy, social values, workforce demographics and the political environment have a significant effect on the processes, products and services produced. The culmination of these forces has resulted in an external environment that is dynamic, unpredictable, demanding and often devastating to those organizations which are unprepared or unable to respond (Burnes, 2004). Clearly if organizations are ever to experience a greater level of performance, managers are required to obligate a better structure when articulating issues about strategic change for improving organizational performance in terms of productivity, improved profitability, increase in market share, quality production of goods and services and increase in customer base.

The complex and uncertain environment in emerging economies generally has a strong and sustainable influence over the strategic choices for both foreign and local businesses. As multinational and local shipping firms are heterogeneous in organizational capabilities, market orientations, strategic objectives, and institutional support, such strategic choices will not, and should not, be the same between them. Multinational shipping companies need to be more innovative and adaptive than local companies in order to offset their liabilities of foreignness and compensate for their disadvantages in the lack of



governmental supports that are important to business success in emerging economies. Nevertheless, multinational shipping companies should not become enormously proactive and aggressive in order to mitigate unnecessary instabilities in a volatile environment (Luo and Tan, 1998).

Various local studies focus on management of strategic change in organizations. For instance, Kenani (2013) did a study on the outsourcing strategy and performance of outsourced activities in cement industry in Kenya and found out that the need to focus on core competencies and enhance efficiency were the factors influencing outsourcing strategy adoption. Ochweri (2012) did a case study research on outsourcing strategy and performance of the Kenya Institute of Management and found out that outsourcing as a strategy in the learning institutions can be applied not only to gain the overall performance of the institution but also to increase student enrolment. Ndope (2010) also investigated the strategic change management process at the Nairobi Stock Exchange. Kamau (2013) carried a study on the relationship between strategic change and organizational performance for large printing firms in Nairobi and found out that strategic change influences achievement in organizational performance in the printing firms. However, a review of all these studies shows that there are scanty empirical studies on influence of strategic change on organizational performance within the shipping firms in Kenya. This study therefore seeks to fill the existing knowledge gap by determining the relationship of strategic change and organizational performance in the Kenyan Shipping Industry. The study seeks to answer the question; what is the relationship of strategic change and organizational performance for Shipping Firms in Kenya?

### **1.3 Research Objectives**

The study is guided by the following objectives;

- i. To establish the strategic changes in the Kenyan Shipping Industry
- ii. To establish the relationship between strategic changes and organizational performance in the Kenyan Shipping Industry

#### **1.4 Value of the study**

The findings of this study will contribute to theory and knowledge and provide an insight into the relationship between strategic change and how it influences performance. Additionally, this study will provide information on areas of further research in the area of study that will be suggested for further research. This study may be replicated in a different sector or geographical setting.

The study will provide valuable information on the strategic changes adopted by the firms in the Shipping Industry. Understanding how these firms adjust to strategic change and its relationship to performance will provide an incentive to further study this industry which has been a mystery to many people for a long time.

The study will be of benefit to various stakeholders and practitioners in the shipping industry who comprise of the government, local community organizations, and customers (clients), employees, media, competitors, suppliers and consumer advocates. The groups will get to understand the advantages and disadvantages of stakeholders' involvement in strategic change within the Shipping Industry. The study will assist and guide the present and future government to determine strategic policies to be adopted on shipping industry in order to improve their performance.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

Previous studies on Strategic change are presented in this chapter. The chapter is hence broken down into theoretical basis of strategic change, organizational change practices, review of empirical studies and summary of literature review.

### **2.2 Theoretical Foundation of the Study**

Three theories are discussed here-under; learning organization theory, institutional theory and the transaction cost theory of organizational change.

#### **2.2.1 Learning Organization Theory**

Maguire & McKelvey, (1999) asserted that an erudition association is the one that is capable of bringing a revolution to its mind-sets as well as behavior as a result of expertise. A lot of companies deny to recognize certain piece of reality or actualities and re-do dysfunctional comportments repeatedly. Cases to prove this are the number of eras reshuffling inventiveness is recurring as a reason that the aforementioned attempt did not meet the required results or the incapability of acquisitions and mergers to encounter the original goals.

Maguire adds that the surroundings incline to endorse leadership and learning at all levels (distributed leadership) and they are possible to enable the company to be more answerable for its deeds as people tend to be more accountable for their engagements. Organization both in the public and private sectors that have embraced this method or approach that the responsibility of every individual escalates to a certain level and accountability becomes stronger and clearer. They also feel contented since a true distributed leadership has been developed (Maguire & McKelvey 1999), as every agent is working towards achieving a share objective, goal, shared vision, taking initiatives and discovering possibilities that nonetheless fit well into the whole strategic direction. Learning organizations accomplish this through the existing relationships built by the networks and peer support (rather than pressure). Permitting learning surroundings inform business strategy by taking the existing advantage of strewn intelligence throughout the company; they fully engage external and internal stakeholders through responding to problems identified by investors or stakeholders they normally change the behavior of the company thought attitude and mind

change of individuals within the organization and lastly they help to integrate sustainability thinking into the culture of the organization (Maguire & McKelvey 1999).

### **2.2.2 Institutional Theory**

This theory is grafted on the insides of social structure. It includes the various facets of the society and how they affect social behavior (Scott, 2004). The various pieces of this theory explain how the elements in the social structure are adopted and somewhat adapted over time and space and how they are used. Scott (1995) says that ‘as social structures, institutions have gained a high level of flexibility. They are made up of traditional regulative, normative and cognitive elements that when in union to associated resources and activities provide foundation and gives social life meaning’.

Scott (1995) says that for survival, firms must adhere to the belief systems and rules that are prevalent in the environment (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) both procedural and structural isomorphism in the institutions earns the firms legitimacy. (Dacin, 1997; Deephouse, 1996; Suchman, 1995). For example, multinational corporations (MNCs) that operate in various nations with varied firm operating environments might face myriad pressures. Of these pressures in the home environments are known to exert influences on the competitive strategy (Martinsons, 1993; Porter, 1990)

### **2.2.3 Transaction Cost Theory**

This theory looks at the choice of different structures of governance such as outsourcing and integration which is vertical (Rindfleisch and Heide 1997). This theory is mostly used because the outsourcing of business activities that are not core has a wanton effect on operation cost (Rosenau 1990). Vertical integration is when activities are done in the firm while market governance or outsourcing is when business activities are done outside the firm. Transaction cost theory asserts that outsourcing is preferred as it minimizes transaction and productions costs. The production costs are the ones involved in specification developments, product design and related costs.

The product design expenditure, specification development and other related costs are known as production costs (Rosenau 1990). The development performance costs are also

known as production costs(Williamson 1991).For example labor, materials and capital that are used in carrying out marketing are grouped as production costs.

Transaction cost theory posits transaction costs as those incurred between the parties involved in the outsourcing, the giver and the taker. These costs include monitoring, writing and contract enforcement (Williamson 1985).The primary assumption is that when the transaction costs of allowing or giving contracts to third parties gazump the cost of production then the businesses must market from within. Due to measurement problems, safeguarding and adaptation transactions can be high. This can be because of uncertainty in the environment, specificity of assets and other reasons (Rindfleisch and Heide 1997).Foremost the assets which are highly specific may result in exploitation between the parties involved.

Secondly, the uncertainties (which are technological and volume) might even be a cause of increase in costs (transactional) due to problems in the adaptation and adoption of the agreements which are contractual. Third, the uncertainty brought about by measuring the performance of contracts of the firm outsourced to might be difficult (Rindfleisch and Heide 1997).

## **2.3 Structural Change Practices**

The “organizational change” is due to tangible change that include the usage of new products and services or the radical change of a full firm. This is deviation from the norm which may arise maybe in the installation of a new computer process. Organizational change is kind of abstract when thought out using the various stand points below;

### **2.3.1 Transformational Versus Incremental Change**

Tushman & O'Reilly III (2006) change at times might change the tradition and structure of an organization away from the normal top-down, structure to a personally led team. The other example may be the process of an organization which may be done through business process re-engineering. Transformational change oftenly is also known as quantum change. Various examples come to the fore, the improvement of a management process or when there needs to be an implementation of computer systems to make competitive advantages. Many firms need to identify incremental change and treat it as such.

### **2.3.2 Unplanned Versus Planned Change**

Burnes (2004) asserts that change that is not planned (unplanned) normally happens because of a major, sudden shock to the company, which causes its staff to retort in a muddled fashion and very highly reactive manner. Unplanned change normally happens when the C.E.O (Chief Executive Officer) unexpectedly leaves the organization leaving behind poor product performance, high rate of customer turnover, significant PR (Public Relations) problems occur, and other troublesome situations arise.

While planned change happens when the frontrunners of the organization identify the reason for a major change and proactively organize a crisis management plan to accomplish the change. The kind of change also happens with successful enactment or implementation of a strategic plan for the organization (Burnes 2004).

### **2.3.3 Developmental Change against Remedial Change**

Literature based on Burnes (2004), argued that change can be proposed to salvage current situations, for example, to reduce burnout at the workplace, to mend the underprivileged performance of the entire organization or a product and lastly to help the organization become less reactive and be more vibrant and more proactive and be able to address huge budget deficits. Burnes added that remedial projects seem to be urgent and focused since they seem to address current and major problems. With easiness of solving problem or not it is mostly easier defining the accomplishments of these undertakings or projects. Developmental change can boost a situation that is successful to be even more successful, for example, duplicate successful services or products or expand the amount of customers served.

Developmental projects seem to be vague, more general than remedial, depending on how important it is for members of the organization and how specific objectives are to achieve those goals. Different people have different insights of what a development change is compared to remedial change. People have the perception that there is always need for a remedial change if development change fails in a project. Burnes (2004) adds that

companies consider establishing a developmental vision to address any issue after recognizing remedial issues.

## **2.4 Review of Empirical Studies**

Mekgoe, (2008) conducted a study that aimed at getting at the effect of employee morale, particularly downsizing, strategy change, performance and commitment at a Telecommunication company based in South- Africa globally. The study targeted that even though the popularity in regards to the responses showed a good performance and a positive morale, most of the respondents considered positions outside the company or organization.

Wadongo et al. (2010) carried out survey to instigate the effects of managerial characteristics on key performance in the hotel industry in Kenya. The survey conducted by Wadongo was a cross-sectional survey type of research that was employed to gather primary data where questionnaires were data self-administered as a tool for data collection. The sample size used was 160 managers selected randomly to eliminate bias from the hospitality department from 6 hotels in Mombasa and Nairobi. Data was analyzed using the custom factorial uni-variate analysis of variance. The researcher revealed that hospitality managers are ignoring non-financial determinants measures and are still focused on financial and result measures of performance.

Mutura (2012) studied on stakeholder involvement in strategic change management process within the Nairobi's Insurance Industry, Kenya and concluded that senior management and managers at the middle level implemented strategic changes in the organization as strategic changes were hewed at the top level of the management. Company carried out fluctuations either steadily in a continuous manner dependent on the type of change

A research on HIV research conducted at Centre of Disease Control (CDC) and prevention Kenya Medical Research Institute (KEMRI) specifically done to evaluate management of strategic change in HIV Auma (2013) the researcher found out that the management of HIV-R laboratory averagely performed on how they controlled the change process

succeeding their lucidity on the short term rather than the long term future state of the organization, hence minimizing the positive impact that the change could have had.

Kipkemboi (2013) conducted a study on the management of strategic change at Rivatex East Africa limited. Through the study it was established that the management process on strategic change at Rivatex East Africa Limited commenced with goal setting strategies. In addition the encounters met by Rivatex company in East Africa Limited were as an outcome of transformation, training and development. The strategic change programs implemented by the company led to reduction in costs, increase in sales and market share.

Nyachoti (2014) Performance and Strategic Change Management at National Bank of Kenya the study found out that continuous communication on the progress of planning and enactment of decided approaches important in ensuring realization in management on strategic change as all shareholders will be on the know-how on the progress of implementation and what is required of them to ensure successful implementation of planned strategies.

## **2.5 Summary of Literature Review**

Change is either planned or unplanned, and either revolutionary or evolutionary. Planned change encompasses a process of transformation in an organizational structure as a sequence of evolutions between different states of re-freezing, unfreezing and transition state (Burnes, 2004). Unplanned change is a reactive response to pressure caused by alterations in the internal and external conditions. Such change is usually radical and change oriented. It usually has an external focus on the shifts in the environment and industry and applies to a specific division of an organization (Bertels, 2010)

Discontinuous or revolutionary change is an inventive change in its facets, which mostly adjusts the company's business framework and encompasses rapid modifications in its procedures and culture, formation and strategy (Tushman & O'Reilly III, 2006). The scholar added that the change that is done through convincing people is called evolutionary change. The change agents who are normally one or two or more than two see the opportunity for the company to improve, and they capitalize on it through engaging talks



with other people thereby building the mutual relationship that is iteratively found with ease.

Locally various studies have been carried out Wadongo et al. (2010) carried out an assignment to explore the effects of managerial on the real performance indicators in the hotel industry in Kenya. Kipkemboi (2013) conducted a study on the management of strategic change at Rivatex East Africa limited. Kamau (2013) did a study to establish the relationship between organizational performance and strategic change of Bigger and large printing organizations in Kenya (Nairobi). Due to the versatility of the Shipping Industry it is prudent to carry out this to see whether the same results obtained in the aforementioned studies will still hold in this industry.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter describes the procedure that was followed in conducting the research. It elaborates the whole research process which includes research design, population of the study, data collection as well as the instruments that was used for data collection and analysis.

### **3.2 Research Design**

The study adopted a cross sectional survey research design that is descriptive in nature. The census is so selected because the population under consideration is small. This was used to elicit the required information pertaining to strategic change in the Kenyan Shipping industry. This design gave further an in-depth study of the particular situation and was used to narrow down the broad aspects of the topic under study.

### **3.3 Population**

The population for this study was all the Shipping companies in Kenya. According to the Kenya Ships Agents Association (KSAA, 2016) there are 38 registered shipping companies in Kenya.

### **3.4 Data Collection**

Primary data was used. Data was collected using a semi- structured questionnaire drafted in line with the research objectives which was divided into three sections. The respondents were drawn from each of the registered shipping company where each company had one respondent. The respondents were the managers in charge of strategy issues in the respective shipping companies. The first section comprised of the basic organizational background information; the second part consisted of questions assessing the strategic change employed by shipping companies and the third part consisted of questions assessing strategic change and organizational performance. The questionnaire had close ended questions in which the respondents gave their ratings on a 5-point Likert Scale.

E-mail solutions and drop-pick later method were employed in administering the questionnaires to the business development managers of the respective shipping companies as they are considered key in strategic change application decisions.

### **3.5 Data Analysis**

The data collected was edited for completeness, uniformity, accuracy, redundancy and consistency. It was further coded to classify responses into meaningful categories to enable data to be analyzed. Descriptive statistics using SPSS was used in order to examine the pattern of responses to each of the variables under description. Percentages, frequencies and arithmetic mean were used in order to facilitate comparisons. Tables were used in presentation of data findings.

To measure the strength and direction of association between strategic change and performance of the shipping companies the Pearson product-moment correlation coefficient were used.

#### **3.5.1 Regression Model**

A regression model was fitted to establish the linearity of the variables. The Regression Model was as follows;

$$P = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where

P = Performance

X<sub>1</sub> = Incremental change

X<sub>2</sub> = Transformational change

X<sub>3</sub> = Planned change

X<sub>4</sub> = Developmental change

α = the constant term

β = coefficient

ε = Error term

## CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

### 4.1 Introduction

This chapter presents data analysis, findings and discussion in line with the objectives of the study.

### 4.2 Demographics

The demographics of the respondents were calculated and the frequencies and percentage determined and is as here-below

#### 4.2.1 Number of employees

The numbers of employees for the shipping companies were tabulated as below in table 4.1

**Table 4.1 Number of Employees**

	Frequency	Percent
1-50	17	51.5
51-100	10	30.3
101-150	3	9.1
151-200	1	3.0
Above 200	2	6.1
Total	33	100.0

**Source: Primary data (2016)**

The firms with employees between 1-50 were 17 which are 51.5% of the total number; this is followed by the firms that had employees between 51-100 which were 10 representing 30.3% of the total number of firms. Only 3 firms had employees between 101-150 which is 9.1% of the total, those with above 200 employees were 2 which represents 6.1%. Lastly, the firms with employees between 151-200 were only one which is 3% of the total number of firms. This means that most firms had employees between 1-50.

#### 4.2.2 Number of Years in Operation

The number of years in operation for the shipping firms was also analyzed and the same was tabulated in Table 4.2 below

**Table 4.2 Number of Years in Operation**

	Frequency	Percent
8 to 11 Years	4	12.1
Over 11 Years	29	87.9
Total	33	100.0

**Source: Primary data (2016)**

Twenty nine firms had been in operation for more than 11 years this is 87.9% of the total number of firms sampled. Four firms had been in operation for between 8-10 years which is a 12.1% of the total number of shipping firms in the study.

#### **4.2.3 Company Ownership**

The ownership of the shipping firms was analyzed whether locally owned or foreign owned or both and the findings are as below in Table 4.3

**Table 4.3 Company Ownership**

	Frequency	Percent
Local Owned	3	9.1
Foreign Owned	27	81.8
Foreign/Local Owned	3	9.1
Total	33	100.0

**Source: Primary data (2016)**

The firms that are foreign owned were 27 which represent 81.8% of the total number of companies studied. Those that were both locally and foreign owned were 3 which is 9.1% of the total firms. The firms that were locally owned were 3 which is also 9.1%. Majority of the firms are foreign owned.

#### **4.2.4 Market Served**

The market served by the shipping firms were analyzed also, and the findings tabulated in Table 4.4 below

**Table 4.4 Market Served**

	Frequency	Percent
International	1	3.0
Regional	1	3.0
All Markets	31	93.9
Total	33	100.0

**Source: Primary data (2016)**

The firms majorly serve all markets as shown by the 33 firms in the table, this represents 93.9% of the total firms. Those that serve regional and international markets only were 2, one a piece which is 3% of the total firms.

### 4.3 Descriptive Statistics

The descriptive statistics (Mean and Standard Deviation) for the study variables were calculated and tabulated as below.

#### 4.3.1 Descriptive Statistics for Incremental Change

The various facets for incremental change in the firms were analyzed and the following were the findings

**Table 4.5 Descriptive Statistics for Incremental Change**

	Mean	Std. Deviation
Embrace Change Gradually	3.94	.933
Proper Mechanism	3.03	1.075
Adopted Business Re-engineering	3.00	1.392

**Source: Primary data (2016)**

Employees embrace change gradually had a mean of 3.94 the highest while proper mechanism for implementing change had a mean of 3.03 and lastly adoption of business reengineering practices in the firms had a mean of 3.00. On standard deviation the highest was 1.392 and the least being 0.933 for embracing change gradually.

#### 4.3.2 Descriptive Statistics for Transformational Change

The various components of transformational change were analyzed and tabulated as shown in Table 4.6 below

**Table 4.6 Descriptive Statistics for Transformational Change**

	Mean	Std. Deviation
Embraced Team work	3.61	1.029
Policies and Procedures	3.21	.740
Transformational Leaders	2.94	.933
Strategic Change Practices	2.85	.939

**Source: Primary data (2016)**

On matters of transformational change, the firm's embraced teamwork had a mean of 3.61 and the highest standard deviation of 1.029, following policies and procedures followed with a mean of 3.21. Presence of transformational leaders had a mean of 2.94 and lastly strategic change practices had a mean of 2.85. The least standard deviation was from policies and procedures with a value of .740.

#### **4.3.4 Descriptive Statistics for Planned Change**

The various components of planned change were analyzed and tabulated as shown in Table 4.7 below

**Table 4.7 Descriptive Statistics for Planned Change**

	Mean	Standard Deviation
Leaders committed to communicate change	3.67	.816
Benchmark with companies globally	3.52	1.121
Train Employees to anticipate change	3.15	.906
Measures to Mitigate Resistance to Change	2.88	.927

**Source: Primary data (2016)**

It was shown that leaders were committed to communicate change had the highest mean of 3.67, followed by benchmarking of companies globally with a mean of 3.52. Training of employees to anticipate change had a mean of 3.15 and lastly input of measures to mitigate resistance to change had a mean 2.88. The benchmarking with companies globally had the

highest standard deviation of 1.121. The least standard deviation was leaders committed to communicate change with a value of 0.816.

#### 4.3.5 Descriptive Statistics for Developmental Change

The various components of developmental change were analyzed and tabulated as shown in Table 4.8 below

**Table 4.8 Descriptive Statistics for Developmental Change**

	Mean	Std. Deviation
We have adopted latest technological advancements	3.39	.998
We Train our Employees with new skills	3.24	.936
We adopt tactics that make our company to grow with change	3.00	.829

**Source: Primary data (2016)**

Adoption of latest technological advancements had the highest mean of 3.39 followed by training of employees with new skills with a mean of 3.24 and lastly adoption of tactics that make companies grow with change had a value of 3.00. The highest standard deviation to the lowest standard deviation followed the mean order with values 0.998, 0.936 and 0.829 respectively.

#### 4.3.6 Descriptive Statistics for Firm Performance

Firm performance components were analyzed and the findings tabulated in table 4.9 below.

**Table 4.9 Descriptive Statistics for Firm Performance**

	Mean	Standard Deviation
Achieved Competitive Advantage	3.73	.801
Increased Market Share	3.48	1.004
Quality Services	3.42	1.091
Firm has increased profitability	2.94	.933
Increased Volume of Operations	2.88	.893
Increase in number of customers	2.67	.924

**Source: Primary data (2016)**



Firm performance factor of achieving competitive advantage of 3.73 had the highest mean followed by increase in market share with a mean of 3.48. Quality services came in third with a mean of 3.42, this was followed by firm has increased in profitability with a mean of 2.94, increase in volume of operations had a mean of 2.88 and lastly increase in number of customers with a mean of 2.67. Increase in quality services had the highest standard deviation of 1.091 and the least standard deviation was with achieving competitive advantage.

#### 4.4 Check for Normality of Data

The data was subjected to various normality tests to check whether it was normal so as to enable subsequent analyses. Before the check for normality the sub-variables were aggregated to get the main variables for onward analysis.

##### 4.4.1 Kolmogorov-Smirnov and Shapiro-Wilk Test for the Variables

Table 4.10 below shows the Shapiro-Wilk and Kolmogorov-Smirnov tests which were conducted using the variables of the study. Since the variables are  $33 < 2000$  the Shapiro Wilk test was used and the data was found to be normally distributed because the p-values for all the dependent variables (ratios) were less than 0.05 at 5% level of significance. Only two (planned change and firm performance) had values greater than 0.05.

**Table 4.10 Kolmogorov-Smirnov and Shapiro-Wilk Test for the Variables**

Tests of Normality						
	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
IncrementalChange	.204	33	.001	.918	33	.016
TransformationalChange	.191	33	.004	.925	33	.026
PlannedChange	.180	33	.008	.947	33	.112
DevelopmentalChange	.197	33	.002	.929	33	.034
FirmPerformance	.148	33	.066	.953	33	.162

**Source: Primary data (2016)**

This prompted the researcher to observe normality of the variables using the Detrended Q-Q plot for the same.

#### 4.4.2 Detrended Q-Q plot for Incremental Change

Observing the detrended normal Q-Q plot for incremental change(chosen arbitrarily) from the same analysis, shown in Appendix III below discloses that all the variables lie between the range of +1 to -1 which is a confirmation of the normality of data. Since data was found to be normal, subsequent parametric tests (correlation and regression was done). With the box-plots shown in Appendix IV below, there is a revelation of symmetry in all the study variables. The symmetry of the data is a confirmation of normality.

#### 4.5 Correlation Analysis for the study variables

Correlation analysis was done for the study variables at 5% level of significance and the results are as shown in the table 4.11 below.

**Table 4.11 Correlation Analysis for the study variables**

Correlations						
		IncrementalC hange	Transformati onalChange	PlannedCh ange	Developm entalChan ge	FirmPerformance
IncrementalChange	Pearson Correlation	1				
	N	33				
TransformationalChange	Pearson Correlation	.223	1			
	Sig. (2-tailed)	.212				
	N	33	33			
PlannedChange	Pearson Correlation	.097	.069	1		
	Sig. (2-tailed)	.593	.703			
	N	33	33	33		
DevelopmentalChange	Pearson Correlation	-.113	-.085	.250	1	
	Sig. (2-tailed)	.531	.637	.161		
	N	33	33	33	33	
FirmPerformance	Pearson Correlation	.194	.091	.239	.179	1
	Sig. (2-tailed)	.279	.614	.180	.320	
	N	33	33	33	33	33

**Source: Primary data (2016)**

According to the Pearson Correlation matrix, there is a positive and significant relationship between the dependent and independent variables of the study. Implied increase in the independent variables will result to an increase in the dependent variables. The correlation between incremental change and firm performance is 0.194, while the correlation between transformational change and firm performance is 0.091. The correlation between planned change and firm performance is 0.329 and lastly the correlation between developmental change and firm performance is 0.320

#### **4.6 Regression Analysis for the study variables**

The summary of the model and the co-efficients were analyzed as here below;

##### **4.6.1 Model Summary**

The model summary for the regression variables is as shown in table 4.12

**Table 4.12 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.334	.111	-.016	.42565

**Source: Primary data (2016)**

The value of R-square implies that 11.1% of the total variance of financial performance is explained by the model. This means that, only 88.9% of the total variance of firm performance values, that cannot be explained by the model.

##### **4.6.2 Co-efficients of the Model**

The co-efficients of the model are as in the table 4.13 below

**Table 4.13 Co-efficients of the Model**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.587	.926		1.713	.098
Incremental Change	.135	.136	.183	.993	.329
Transformational Change	.047	.169	.052	.281	.781
Planned Change	.157	.164	.178	.957	.347
Developmental Change	.151	.176	.159	.855	.400

**Source: Primary data (2016)**

Fitting the regression model,  $P = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$  the equation becomes

$$P = 1.587 + 0.135X_1 + 0.047X_2 + 0.157X_3 + 0.151X_4$$

This implies when there is no strategic change, the firm performance stands at 1.587. When incremental change increases by one unit, firm performance increases by 0.135 units, when transformational change increases by one unit firm performance increases by 0.157. Also when developmental change increases by one unit firm performance increases by 0.15

**4.7 Discussion of Findings**

On incremental change employees embraced change gradually. This is shown with the highest mean implying as a factor it was the most considered of 3.94. On transformational change the firms' embraced teamwork, as shown with the highest mean of 3.61. On Planned change most of the leaders were committed to communicate change, which had a highest mean of 3.67. Observing the developmental change, the firms adopted latest technological advancements. This was most considered since it had the highest mean of 3.39. Looking at the firm performance it was found out that, most firms achieved competitive advantage. This was by the highest mean of 3.73. It can therefore be affirmed that firms embraced change gradually, embraced teamwork, and leaders were committed to communicate change, while adopting latest technological advancements. This made the firms achieve competitive advantage.

Most statistical tests, usually assume normality of data. This study's data analysis didn't assume so. The data was subjected to normality tests, and it was found to be normal. This warranted the usage of parametric tests. Correlation analysis was conducted, According to the Pearson Correlation matrix, there was found to be positive and significant relationship between the dependent and independent variables of the study. Implying increase in the independent variables will result to an increase in the dependent variables. These findings are consistent with scholars that did research before. Kenani (2013) found out that outsourcing strategy and performance had a positive and significant relation in the cement industry in Kenya. Kamau (2013) found out that there was a significant relationship between strategic change and organizational performance for large printing firms in Nairobi. This relationship was positive.

Various local studies focus on management of strategic change in organizations. For instance, Kenani (2013) did a study on the outsourcing strategy and performance of outsourced activities in cement industry in Kenya and found out that the need to focus on core competencies and enhance efficiency were the factors influencing outsourcing strategy adoption. Ochweri (2012) did a case study research on outsourcing strategy and performance of the Kenya Institute of Management and found out that outsourcing as a strategy in the learning institutions can be applied not only to gain the overall performance of the institution but also to increase student enrolment. Ndope (2010) also investigated the strategic change management process at the Nairobi Stock Exchange. There was a positive and significant relation between the dependent and independent variables of the studies.

Regression analysis was conducted, the value of R-square (0.111) implied that 11.1% of the total variance of financial performance was explained by the model. That meant 88.9% of the total variance of firm performance values that could not be explained by the model. The regression equation was fitted, and again the relationship between strategic changes as explained by incremental change, transformational change, planned change and developmental change with firm performance was found to be positive and significant.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter captures the summary of the findings, conclusion and also recommendations for further study. It is entirely derived from the findings and results of this study in chapter four.

### **5.2 Summary**

The idea to investigate the relationship of strategic change and organizational performance for Shipping Firms in Kenya was informed by scanty empirical studies on influence of strategic change on organizational performance within the shipping firms in Kenya.

The study adopted a cross sectional survey research design that was descriptive in nature. For each type of change the descriptive statistics (mean and standard deviation) was analyzed. Descriptive statistics for firm performance was also analyzed. Normality test was carried out and data was found to be normal both from the Box-plots and the detrended Q-Q plot. Correlation analysis was carried out and the correlation between the dependent and independent variables of the study was found to be positive and significant. To determine linearity of the variables regression analysis was carried out and it was found that there was a positive relation between firm performance and the independent variables.

The correlation between incremental change and firm performance is 0.194, while the correlation between transformational change and firm performance is 0.091. The correlation between planned change and firm performance is 0.329 and lastly the correlation between developmental change and firm performance is 0.320. Implying increase in the independent variables (incremental, transformational, planned and developmental) will result to an increase in the dependent variables (firm performance). Transformational change was found to have less impact on the firm performance as shown by the correlation value of 0.091 and the regression co-efficient of 0.047 which was the least in both cases.

### **5.3 Conclusion**

The study can attest to the fact that indeed there is a positive and significant relationship between strategic change and organizational performance for Shipping Firms in Kenya. This was shown at 5% confidence level.

The study also concluded that the strategic changes in the Shipping firms were planned change, developmental change, incremental change and transformational change. This was exhibited by their effect on firm performance.

### **5.4 Limitations of the Study**

The Shipping firms were also limited to the ones based in Mombasa. There could be other dry port shipping firms which could have affected the study once considered.

### **5.5 Recommendations**

The study recommends stakeholders in the shipping industry to use the findings thereof in this study for policy making. The government, local community organizations, and customers (clients), employees, media, competitors, suppliers and consumer advocates are also recommended to use findings of this study in various areas of decision making.

To the academicians, the findings of this study can be used as literature in research and coursework. The same literature can be used by practicing chief executives and other interested persons.

### **5.6 Suggestion for further studies**

The current study focused on shipping firms in Kenya. This excludes other industries, and future studies should consider other sectors such as aviation industry and bus companies. Since the strategic change factors affected only 11.1% of the firm performance, it would be good to conduct a study and determine what the other 88.9% of the effects are. Thus, this is the recommendation by this study.

The research also recommends studies to be done across the region and compare the findings. It would be interesting to find out how the results of the same study would be in other economies.

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## APPENDICES

### Appendix I: Questionnaire for Shipping Firms in Kenya

Please tick (✓) the box that matches your answer to the questions and give the answers in the spaces provided as appropriate. The information you provide will be treated with utmost confidentiality.

#### PART A: General Information

1. How many employees does your firm have?

1-50      ☐

51-100    ☐

101-150   ☐

151-200   ☐

Above 200 ☐

2. How long has your firm been in operation?

Less than one year                      ☐

1 to 3 years                                   ☐

4 to 7 years                                  ☐

8 to 11 years                                ☐

More than 11 years                       ☐

3. Who owns the company?

Local Owned                                ☐

Foreign Owned                              ☐

Local/ Foreign owned                    ☐

4. Which markets does your company serve

Local                                           ☐

International                                ☐

Regional                                      ☐

**PART B: Strategic Change Adopted By Shipping Firms**

5. To what extent do you agree with the following facets of strategic change in your company? (Indicate the appropriate variable by putting a cross [X]. 1= Not at all, 2 = little extent, 3= Moderate extent, 4= Great extent, 5= Very great extent)

Statement

	1	2	3	4	5
<b>Incremental change</b>					
We have adopted business reengineering practices in our companies					
We have a proper mechanism for implementing change					
We allow our employees to embrace change gradually					
<b>Transformational change</b>					
Our employee have embraced transformational strategic change practices					
We have embraced teamwork					
Our company has transformational leaders					
We have developed policies and procedures on how to deal with change					
<b>Planned Change</b>					
We train our employees in anticipation of change					
We have measures to mitigate resistance to change					
We always benchmark with other companies globally so as to anticipate industry changes					
Leadership always communicates change initiatives					
<b>Developmental Change</b>					
We adopt tactics that make our company to grow with change					
We train our employees on new skills					
We have adopted latest technological advancement					

### **PART C: Firm Performance**

6. To what extent has strategic change influenced achievement in organization performance in your shipping firm? (Indicate the appropriate variable by putting a cross [X]. 1= Not at all, 2= little extent, 3= Moderate extent, 4= Great extent, 5= Very great extent)

	1	2	3	4	5
The firm has increased profitability					
There is increase in number of customers in the firm					
The firm has quality shipping services compared to rivals in the industry					
The firm has increased volume of operations					
The firm has achieved competitive advantage over its rivals in the market					
The firm has increased market share compared to other shipping companies					

Thanks for Your Time

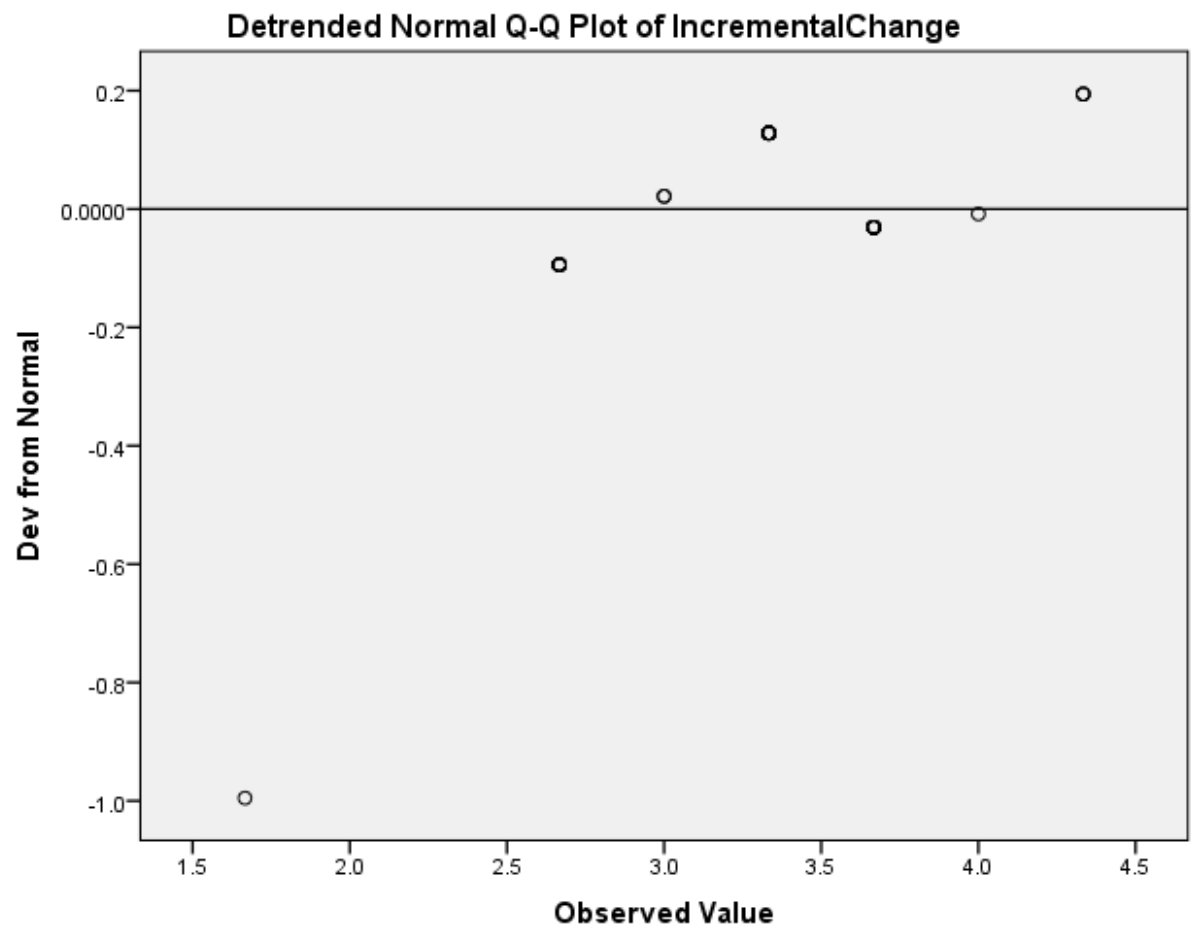


**AppendixII: List of Shipping Firms in Kenya**

1)	African Shipping Ltd	21)	Ocean Freight E.A Limited
2)	CMA CGM Kenya Ltd	22)	Pil (Kenya) Ltd
3)	Diamond Shipping Services Ltd	23)	Rais Shipping Services (K) Ltd
4)	Diverse Shipping Ltd	24)	Seabulk Shipping Services Ltd
5)	Eagol Travel Kenya Ltd	25)	Seaforth Shipping (K) Ltd
6)	East African Commercial & Shipping Co Ltd	26)	Seatrade Agencies Ltd
7)	Emirates Shipping (E.A) Ltd	27)	Seven Seas Shipping Agencies (K) Ltd
8)	Express Shipping & Logistics (EA) Ltd	28)	Sharaf Shipping Agency (K) Ltd
9)	Green Island Shipping Services Ltd	29)	Shipmarc Ltd
10)	Gulf Badr Group (Kenya) Ltd	30)	Socopao (Kenya) Ltd
11)	I.Messina (K) Ltd	31)	<u>Southern Engineering Co Ltd</u>
12)	Inchcape Shipping Services K Ltd	32)	<u>Spanfreight Shipping Ltd</u>
13)	Kenya National Shipping Line Ltd	33)	<u>Spears Shipping Agency (K) Ltd</u>
14)	Kusi Shipping Services Ltd	34)	<u>Sturrock Shipping (K) Ltd</u>
15)	Logistics Expeditors Ltd	35)	Tehema Shipping And Marine Services Co.Ltd
16)	Maersk Kenya Ltd	36)	Wec Lines (K) Ltd
17)	Magellan Logistics Kenya Ltd	37)	Wilhelmsen Ships Service Ltd
18)	Mediterranean Shipping Co (Msc)	38)	Zamzam Shipping Agency Ltd
19)	Mitchel Cotts Kenya Ltd		
20)	Nippon Yusen Kaisha (NYK)		

Source: Kenya Ships Agents Association (KSAA, 2016)

### Appendix III: Detrended Q-Q Plot for Incremental Change



#### Appendix IV: Box plots for the study variables

