INTERNATIONAL JOURNAL OF SOCIAL Sciences and Information Technology
ISSN 2412-0294 www.ijssit.com
http://www.ijssit.com

INFLUENCE OF STRATEGIC MANAGEMENT PRACTICES ON OPERATIONAL PERFORMANCE OF AUDIT FIRMS IN KENYA. A SURVEY OF AUDIT FIRMS IN NAIROBI COUNTY

[1*]**Evelyn Awinja Malova**
aawinja@gmail.com

[2**]**Dr. Allan Kihara**

[1, 2] *Jomo Kenyatta University of Agriculture and Technology P.O Box 62000-00200 Nairobi, Kenya*

Abstract

The world is experiencing a host of challenges such upsurge of commodity prices, and depletion of the available resources and the level of dependence between states has largely risen. Therefore the management has been forced to improvise new techniques of dealing with the prevailing circumstance so as to sustainably meet the market needs. The dynamism in the business environment has forced audit firms to embark on strategic management as a platform to remain relevant and competitive in the market. However the problem of strategic management practices has been reported in small firms in Kenya. This is either they do not apply the management practices or the practices are stated but not implemented. Poor management practices in these firms has been an obstacles not only to their financial performance but also to their ability to penetrate in the very competitive environment. Therefore this study seeks to determine the influence of strategic management practices on performance of audit firms in Kenya. The study found that the two factors were relevant in explaining the audit firm's performance. The study correlations found that the variables had strong positive and statistically significant effect on the audit firms performance in Kenya. Strategy evaluation and control was found to have the strong effect on the performance of Audit firm, followed by strategy implementation. Based on the findings the concluded that all the study variables were key determinant to not only operational performance of Audit firms but also the financial performance. The study recommend that managers in the Audit firms mostly the small and medium level to enhance strategic management practices in the firms for growth and competitiveness. The study recommend that Audit firm should put more emphasis on strategy evaluation and control has it was found to be the most influential and determinant to performance. Based on the finding of the study the Audit firms in Nairobi have a challenge in the implementation and Evaluation of strategic plan. Therefore Director and Managing partners are encouraged to put mechanisms to ensure that evaluation of the implemented strategies is conducted periodically to enhance performance. The study further recommends more study be conducted to investigate other management practices which influence the performance of Audit firms and are not explained in this study.

Keywords: *Strategy implementation, Strategy Evaluation and control and Operational Performance*

1.1 Introduction

The world is experiencing a host of challenges such upsurge of commodity prices, and depletion of the available resources and the level of dependence between states has largely risen. Therefore the management has been forced to improvise new techniques of dealing with the prevailing circumstance so as to sustainably meet the market needs (Ndung'u, 2016). Companies and organizations are today in rapidly changing business environment, which demands for strategic thinking. The dynamism in the business environment has forced companies to embark on strategic management as a platform to remain relevant and competitive in the market (Demba, 2013).

Strategic management is a continuous process that involves attempts to match or fit the organization with its changing environment in the most advantageous way possible (Pearce & Robinson, 2007). Adeleke, Ogundele and Oyenuga (2008) defined strategic management practice as the process of examining the organizations environments, formulation of objectives, implementing and controlling decisions focused on achieving these objectives currently and in the future environments. Strategic management therefore emphasizes the monitoring and evaluating of environmental opportunities and constraints in light of a corporation's strengths and weaknesses (Mutegi, 2010). According to Mutegi (2010) Strategic management assists in making decisions about future opportunities and threats faced by the micro and small enterprises. It also stimulates development of appropriate endeavours which serve as powerful motivators of people and enhances communication, coordination and participation in an organization. The decisions also affect the performance of organizations.

Globalization, competition and technological changes in the environment have in the recent past forced organizations to adjust their ways of doing things. The adoption of a clear strategic perspective in organizations is one of the factors that affect the performance of these organizations. In effective strategic management practice, the flow of information involves historical, current, and forecast data on the operations and environment of the business. Managers evaluate these data in light of the values and priorities of influential individuals and stakeholders that are vitally interested in the actions of the organizations (Pearce & Robinson, 2009). Therefore implementing a good strategy is one of the important factors that enable the organization to survive and gain a sustainable competitive advantage (Ogutu, 2015). Since almost all organizations have limited resources, strategists must decide which alternative strategies benefit the firm most (Kakuna, 2012). Thus, a strategy reflects managerial choices among alternatives and signals organizational commitment to particular products, markets, competitive approaches, and ways of operating the enterprise (Thompson, 2003).

In this era of globalization when the world has undergone many rapid changes of all industries, the environment in which organizations operate is no longer stable and predictable. This dynamism requires effective Strategic management to provide an operational framework allowing organizations to lead changes and gain their competitive edge (Schraeder, 2002). The concept and practice of strategic management has been embraced worldwide and across various sectors because of its perceived contribution to organizational effectiveness (Thompson & Strickland, 2007). Strategic management has been shown to be a critical determinant for organizational performance. For instance, a study of twenty micro and small enterprises in the United States of America (USA) concluded that effective strategic management is significantly associated with higher levels of performance in profitability and return on invested capital (Byars, 1987). In another study of ninety USA companies in clothing, chemical drugs, electronics, food and machinery industries, it was concluded that management of any profit seeking organization is delinquent if it does not engage in the strategic management practices (Byars, 1987).

Effective strategy management practice requires an integrative point of view. Not only the organizational structure, but cultural aspects and the human resources perspective are to be considered as well. An implementation effort is ideally a boundary less set of activities and does not concentrate on implications of only one component, e.g. the organizational structure (Rapa & Kauffman, 2005). It is of great importance to integrate soft facts as well in the reflection of the implementation process. It is the consideration of soft and hard facts together that ascertains that cultural aspects and human resources receive at least the same status as organizational aspects. Altogether, such an integrative interpretation allows an important scope of development for implementation activities (Rapa & Kauffman, 2005.

A successful strategic management process ensures that the firm achieves it's set objectives. Nevertheless there are barriers associated to effective strategy implementation emanating from either internal or external business environment. Both external and internal factors influence strategic management practice in organizations. The external environmental factors include the general environment (political and legal, demography, socio-cultural, economic, technological, and global), industry environment (threat of entry, the threat of substitutes, bargaining power of buyers, bargaining power of suppliers, and rivalry among the existing competitors), and competition. The internal environmental factors are organizational structure, organizational ownership, organizational size, organizational culture, management style, stakeholder expectations, and resources (Edirisinghe, 2008).

1.1.1 Audit firm in Kenya

Auditing is one of the largest professional services in Kenya today. ICPAK estimates that there are about 18,000 qualified professional in this area with about a third of them being registered with ICPAK. The distribution of the ICPAK membership is as follows: private practice 40%, commerce and industry 50%, and others including public sector and academia, 10% (ICPAK Annual Report, 2015). In addition, estimates show that there are over 20,000 qualified accounting technicians. It is further estimated that the Kenyan auditing/accountancy sector has more than 700 firms at the moment. Kenya has a much larger pool of auditors compared with Uganda and Tanzania whose registered members are around 300 and 1,200 respectively in the east African region.

The audit profession in Kenya is dominated by four of the largest auditing firms in the country, all of which have international backgrounds. These four firms are the auditors of practically all the publicly traded companies in Kenya. The partners of these firms, both local and expatriate actively participate in various committees of the local professional accountancy body, The Institute of Public Accountants of Kenya (ICPAK). Of the rest, two other major firms in the country are also associated with one of the big five international audit firms" country of origin and the other is a Kenya-based regional accounting firm (East Africa).

The Kenyan audit industry is regulated by the regulations that govern the accounting professional as stipulated in the accounting Act, chapter 531 of the laws of Kenya. The major bodies established to regulate the profession include: Kenya Accountants and Secretaries National Examination Board (KASNEB) whose main function is to provide examinations and issue certificate to candidates who have satisfied examination requirements; Registration of Accountants Board (RAB). This body registers accountants who are effectively graduates of IAS/ IFRSNED examinations or hold qualifications recognized by RAB (section 23 and 24); and the Institute of Certified Public Accountants of Kenya (ICPAK), which charters qualified individuals to become auditors, hence can set up audit firms if they meet the other requirements.

Like any other profit oriented firm, audit firm performance may be measured in terms of financial performance or operational performance. There are many different ways to measure financial performance of a firm, though they should be taken in aggregation (Korir, 2014). Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales (Business Dictionary, 2011). Bessler, et al., (2008) noted commonly employed measures of the performance are productivity, sales, export revenues and profits also returns on the assets are also considered. However performance may also be measured in terms of range or number of products or scope of service delivery, market coverage (Koech, 2013).

Audit Firm growth varies widely depending on business age, size and industry (Koech, 2015). Audit firms growth can be measured on the increase in number of clients annually, size of the firms, scope of audit function and ranges of services (products) offered in to the market by the firm. Therefore, sales growth need not correspond to or underpin other dimensions of growth in which policymakers might also be interested; for instance, sales can increase while employment and/or profits fall.

1.2 Statement of the problem

Strategic management practices have gained importance in recent years. During last century organizations focused on long-term planning. Long-term planning supposed that external and internal environment will remain stable for long period of time and thus they made plans for long duration (Kakuna, 2012). The fact that the world has become a global village has forced local firms across all industries to improve their efficiency and effectiveness in order to survive in a dynamic environment (Kimeli, 2013). Many of the audit firms fall under the category of small and medium enterprises with only the top four firms - PWC, Ernst & Young, Deloitte & Touche and KPMG, therefore the audit industry is still growing. However Medium-sized audit firms in Kenya are facing stiff competition and are operating under a highly turbulent environment (Kimeli, 2013).

According the ICPAK Report (2015) the audit industry in Kenya has been experiencing deterred growth, with most of the firms quitting the market. In 2015, 703 inactive members (Audit firms) were deregistered by ICPAK. This number reduced in 2016 where 553 members were deregistered. Stiff competition, technology and dynamic working environment, incompetence management, poor strategic planning among others are some of the cited problems facing firms in Kenya (Kimeli, 2013). According to ICPAK annual report (2016) and other regulatory boards indicate that ineffective strategic management practices among the small audit firms has led to ineffectiveness and inefficiency in service delivery. Nyakang'o (2007) asserts that firms do not fail because they do not have a strategic plan, but rather fail because they strategies are not executed to achieve the purpose. The statement from Nyakang'o confirms why most of the small audit firms are experiencing deterred growth due to poor strategic management practices.

Various studies have been conducted to investigate the effect of strategic management practices on performance of a firm. Nyakang'o (2007) conducted a study on the competitive strategies adopted by audit firms in Nairobi; according to Nyakang'o every firm has set a strategic plan as a directive towards achieving its goals. Karanja(2008) conducted a study on the strategic planning practices in audit firms in Nairobi and concluded that well-developed strategic planning practices are ways that can lead audit firms to acquire and sustain a competitive advantage while Kimami (2008)researched on the response strategies of small and medium audit firms in Nairobi to regulatory changes affecting the audit industry, Kimami (2008)researched on the response strategies of small and medium audit firms in Nairobi to regulatory changes affecting the audit industry. The existing research has mentioned that the major challenges facing the growth of firms is on the execution of strategies. However not only the execution of strategies but also it depends on whether the whole process of strategic planning has been successful achieved. Therefore this research seek to bridge the gap by determining the influence of strategic management practices on performance of audit firms in Kenya.

1.3 Research objective

The overall objective of the study was to identify the Influence of Strategic Management Practices on Operational Performance of Audit Firms in Kenya

1.3.1 Specific objectives

1. To determine the influence of strategy implementation on performance of audit firms in Kenya.
2. To determine the influence of strategy evaluation and control on performance of audit firms in Kenya.

1.4 Scope of the study

The study focused on all audit firms in Kenya. However most of the firms are located or have their branches within Nairobi County. This study there deduce information from a few selected audit firms in Nairobi County. The study will concentrate on two major variables which are; strategy implementation, and strategy evaluation and control.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Strategic Fit Theory

This theory, also known as best fit strategic management or strategic decision theory was developed by Chorn (1991). The theory explains that there are no universal prescriptions of strategic management practices. Wright and Snell (2005) argue that the application of strategic management practices depends on the organization context, business strategy and culture. The proponents of this theory further observe that strategic management practices would be more effective only once they are rightfully integrated with specific organizations and environmental understanding. Strategic fit theory elaborates the significance of making sure that strategic management practices are rightful to the circumstances of the firms such as culture, external environment and operational processes. The strategic management practices must consider the specific requirements of both the business and its stakeholders.

2.1.2 Resource Based View

This theory was established by Penrose (1959) that argues firms possess resources which enable firms to achieve competitive advantage and lead to superior long term performance. Grant (1998) observes that most successful businesses have been propelled to this position by thoroughly formulated and well executed strategies. He goes on to argue that strategy formulation commences with elements of an organization's mission and vision. This is in contrast to traditional firms whose strategy formulation focus was the markets they served. This argument has been overtaken by the current volatile business world where customer identity, preferences as well as technologies used to serve them are also changing. The market-based strategy therefore does not offer stability and reliable direction necessary for long-term strategy. When the external environment is in state of flux, the firm itself, in terms of its bundle of resources and capabilities, might be a much more stable basis upon which to define a sense of identity. Hence, a definition of the firm in terms of what it is capable of doing might offer a more durable strategic basis than a definition based upon the needs, which the business seeks to satisfy (Quinn, 1992). Capabilities may be understood as the way resources, talents and processes are combined and used (Teece *et al*., 1997). This theory is in full support of the strategy implementation objective. The effectiveness of strategies implementation depends on mobilization of the available resources of the firms.

2.1.3 Institutional Theory

The institutional theory was developed by Selznick (1957). This theory evaluates the processes by which structures, rules, practices, and procedures, are established as guidelines for behavior (Scott, 2008). The various elements of the theory explain why they are adapted, subtle, embraced, adopted, and how they are later on declared useless. Institutional theory holds the view that entities survive in an institutional environment which dictates it social existence (Scott, 2008). Scott (2004) indicates that, in order to survive, organizations must conform to the rules and belief systems prevailing in the environment because institutional isomorphism, both structural and procedural, will earn the organisation legitimacy.

According to Zucker (1987); Scott (2008); there are two institutional approaches. The first is the surrounding as institution' focus that is tailored on diverse processes of imitation. The locus of institutionalization is placed outside the firm and dominated by state actors. In this context organizations are forced to adapt certain processes or standards due to institutional pressures. The second dimension is the organization as institution approach focusing on processes on the firm-level. The internal organizational structure is the source of institutionalization; the organization itself is a result of negotiation processes and groups of ideas. The second approach, 'organization as institution' is the one which gives explanatory power to strategic planning processes. This theory is in full support of strategy evaluation and control.

2.2 Conceptual Framework

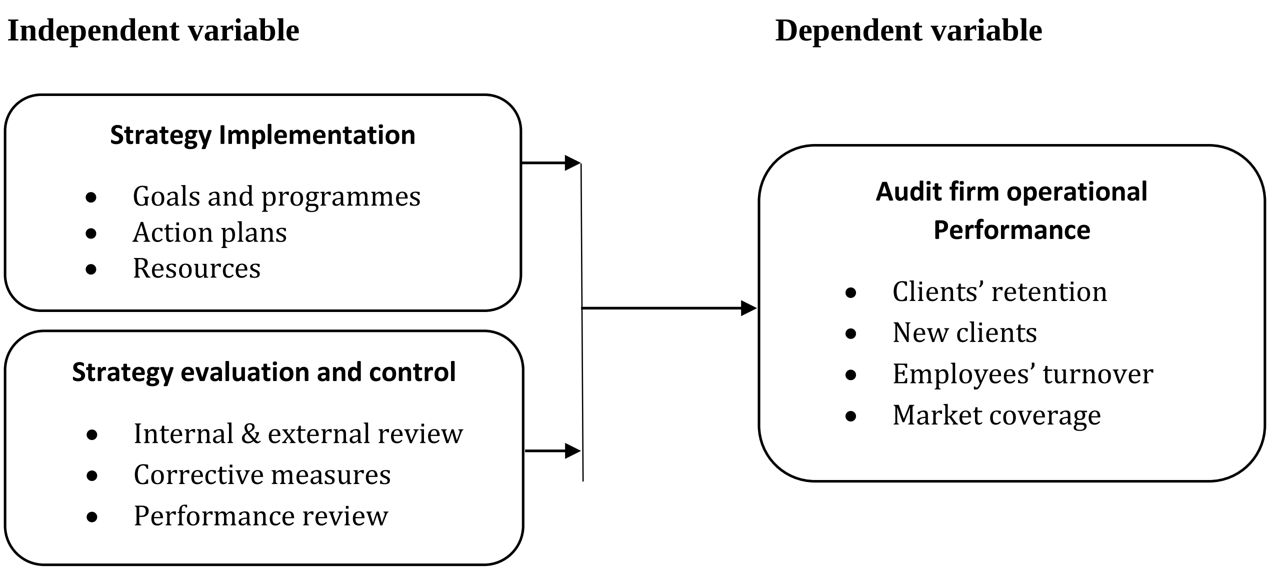

Figure 2.1 Conceptual framework

2.2.1 Strategy implementation

Strategy implementation is a carefully considered process of ensuring that strategies which have been formulated within the organization are executed effectively and efficiently in order to achieve organizations goals and objectives Schermerhon (2010). It involves mobilization of the resources available, take an action plan on the strategies of the firm. Strategy implementation involves taking action of the formulated strategies. The Actions plans are the policies and procedure which are enforce to achieve the goals. Implementation also involves put the right resource required to actualize the established strategies. This involved making sure that finance are available and enough competent personnel.

2.2.2 Strategy evaluation and control

Strategy evaluation and control is the process by which an organization's activities and performance results are monitored and actual performance compared with desired performance Pearce and Robinson (2009). It is a review of the systems to check whether the firms is achieving its intended goals. Strategy evaluation is very important to any firms as it works as a detector to area of weaknesses in the strategy implementation and provide a solution to bridge the gaps. This is the fourth variable of the study. It was measures on whether the firms reviews its internal and externs related strategies. What correctives measures are undertaken in the firms, and whether the firms' conducts a performance review as a measure of their achievements in the market or operations.

2.2.3 Firms performance

Firms' performance can be defined in two aspects that is either operational performance of financial performance. Firms performance is typically defined and measured using absolute or relative changes in sales, assets, employment, productivity, profits and profits margins (Davidson et al, 2005). This being the independent variable of the study audit firms performance was measured in terms of the number of new clients they have gained within a stipulated time, rate of employees turnover and the market coverage.

2.3 Empirical Review

2.3.1 Strategy Implementation

Strategy implementation is a carefully considered process of ensuring that strategies which have been formulated within the organization are executed effectively and efficiently in order to achieve organizations goals and objectives. It is a continuous feedback mechanism process that ensures that strategies are relevant, objective and effective to the organizations goals. Schermerhon (2010) contends that there are five essential tasks for strategy implementation: identify organizational mission and objectives, assess current performance vis-à-vis mission and objectives, create strategic plans to accomplish purpose and objectives, implement the strategic plans and evaluate results.

Strategy implementation includes consideration of who will be responsible for strategy implementation; the most suitable organizational structure that will support the implementation of strategy; the need to adapt the systems used to manage the organizations (Johnson and Scholes, 2003); their key tasks to be carried out and desirable changes in the resource mix of the organization as well as the mandate of each department in the organization and the information systems to be put in place to monitor progress and resource planning (Pearce and Robinson, 2001). Implementation may also take into account the need for retaining* the workforce and management of change (Johnson and Scholes, 2003).

According to the White Paper of Strategy Implementation of Chinese Corporations in 2006, strategy implementation has become "the most significant management challenge which all kinds of corporations face at the moment". The survey reported in that white paper indicates that 83 percent of the surveyed companies failed to implement their strategy smoothly, and only 17 percent felt that they had a consistent strategy implementation process. It is thus obvious that strategy implementation is a key challenge for today's organizations. An organizational structure affects and reflects its strategic planning goals and its focus. The structural design of an organization helps people pull together activities that promote effective strategy implementation .Schaap (2006) suggests that adjusting organizational structure according to perfect strategy can ensure successful strategy implementation. Yang et al (2008) suggests that strategy implementation perspective demands systems with criteria different from those of conventional systems. How well the system can monitor and track the implementation process should be the Centre of interest. In the past implementation, related activities were tracked manually or launched on an ad hoc basis so that there was a lack in mandatory installed business processes.

Kotter (1997) is of the view that strategy implementation is relatively more important compared to the strategy formulation due to its connection with organizational performance. Collins and Nicols (2007), looking at the school strategic planning say that, the worst thing is spending all the time to develop the strategic plan and then ignoring it or finding it is unworkable. Lawrence (2001) adds that very few countries have committed themselves to the discipline necessary for implementing an integrated school development program.

2.3.2 Strategy evaluation and control

Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial / corrective actions (Thompson and Strickland, 2003). Evaluation makes sure that the organizational strategy as well as its implementation meets the organizational objectives. According to Pearce and Robinson (2009), evaluation and control is the process by which an organization's activities and performance results are monitored and actual performance compared with desired performance. During evaluation of strategy, managers try to ensure that the strategy chosen is properly implemented and is meeting the objectives of the organization. Control and evaluation process helps strategists monitor the progress of a plan. As such evaluation and control processes are set up to ensure that the variance between expected and desired objectives will be closed according to the strategy (Pearce & Robinson, 2009). Oluoch (2011) noted that strategy evaluation and control process ensures that a company is achieving what it set out to accomplish. It compares performance with desired results and provides the feedback necessary for management to evaluate results and take corrective action as needed. This process can be viewed as a five*step feedback model.

Strategy execution gap in most companies has often been correlated with company performance. Research indicates that less than 10% of strategies are effectively executed (Norton, 2004; Kiechel, 2006; McKinsey, 2006). According to Mankins and Steel (2005) "less than 15% of companies make it a regular practice to go back and compare" their performance against their long-term strategic plans. Effective strategy execution begins with a concisely defined strategy that is within the organization's core competencies and achievable based on their available resources within a comprehensive system of performance review (McCarthey et al., 1986). This implies that there is need for managers to keep track of implementation through a strategic evaluation mechanism.

According to Etez and Kenfar (1983); Mintzberg (1994) strategy evaluation measures whether a strategy is effective and whether the organization is efficient in achieving its objectives. When evaluating effectiveness of a strategy, success implies a strategic perspective that is right for today and developing in line with future needs, linked to a clear mission or purpose that is communicated and understood and leads to the provision of quality products and high level of services.

2.3.3 Audit firms performance

Audit firms performance is typically defined and measured using absolute or relative changes in sales, assets, employment, productivity, profits and profits margins (Davidson et al, 2005; Allinson et al., 2006). Firm performance is one of the most analysed fields in economics. Its impact on employment, industry concentration, firm survival and economic activity are reasons enough for it to be considered an issue of crucial interest (Carrizosa, 2007). According to Gichuke (2013) First, firm growth is related very closely to firm survival. Specifically, firm growth is positively correlated with the likelihood of survival and firms that experience continuous growth have a higher probability of surviving in the market. Second, firm growth is related to employment. A positive rate of growth implies a net creation of new jobs, and the vice versa is true. The third factor is the effect of business growth on economic growth. The economic dynamics are related to the growth of the firm. Fourth, firm growth is a way to introduce innovation and is a leading factor leading to technological change.

Firm performance varies widely depending on business age, size and industry (Koech, 2015). Audit firms performance can be measured on the increase in number of clients annually, size of the firms, scope of audit function and ranges of services (products) offered in to the market by the firm. Therefore, sales growth need not correspond to or underpin other dimensions of growth in which policymakers might also be interested; for instance, sales can increase while employment and/or profits fall. This is partly related to contextual or structural issues such as sector or age of business but also to the strategic choices made by principal decision-makers within the firm. Firms might, for example, expand sales at the expense of profit margins by reducing prices or by outsourcing work with no impact on employment.

However like any other profit oriented firm the growth of audit firm may be measured in term of financial performance. There are many different ways to measure financial performance of a firm, though they should be taken in aggregation (Korir, 2014). Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales (Business Dictionary, 2011).

3.0 RESEARCH METHODOLOGY

A descriptive research design with survey method was applied in this research in attempting to describe and explain the influence of strategic management practices on performance of audit firms in Kenya, by using both primary and existing secondary data to fully describe the phenomenon. The survey was used qualitative and quantitative measures in order to answer the research question and thus arrive at the goal of the research.

The population of interest for the study consisted of all audit firms in Nairobi County. A census of all audit firms registered with ICPAK was conducted. According to the ICPAK registration manual, there were approximately 1203 audit firms that are duly registered with 248 of them located within Nairobi County as at December 2016 (www.icpackdictionary).

Through stratified random sampling method the sample size of 20% was determine. This group of respondents is expected to provide reliable information on the factors affecting growth of audit firms in Kenya. Cooper and Schindler (1998) concur that a sample of 30 and above is considered representative of the population for the purpose of data analysis and generalization.

The research targeted at least 49 audit firms which is equivalent to 20% of all audit firms located in Nairobi region. The study selected 20% of the target population because Gay, (as cited in Mugenda and Mugenda 2003) that the sample size for descriptive study to be at least 10% of the accessible population. Given that the audit firms in Kenya perform similar activities, then the sample size will provide adequate information for the study. Among the firms consist of the big four in terms of market coverage and service providence - PWC, Ernest & Young, KPMG and Deloitte & Touché, the mid-sized audit firms and the small audit firms. A list of the registered audit firms was obtained from the website of ICPAK www.icpak.com.

Table 3.1 Sample Size

Category	Population	Calculation	Sample
Top Managers	49	49*2=98	98
Middle level Management	49	49*2=98	98
Subordinate Staff	49	49*2=98	98
Total			294

In this study, emphasis is given to primary sources. The structured interviews and use of questionnaire which was administered to the respondents personally to shorten the response time and enable on the – spot clarification of any doubt that the respondents might have regarding any questions. The respondents in each of the audit firms involves the Managing Partner of each firm. The Managing Partners are responsible for strategic decision making and have access to resourceful information. Employees also involved adding more value to the data. Kothari (2004) states that, the researcher must scrutinize the secondary data because it may be unsuitable for the area under study, or may be inadequate for the context to which the researcher is undertaking during the study.

The data collected was analysed using descriptive statistics. Data was presented by use of cross tabulation charts and graphs, tables, percentages and frequencies to display a visual presentation of the data, for ease of understanding and analysis. The analysis was done with the application of the statistical package for social sciences (SPSS) software. The study also will use multiple regression analysis to establish the relationship between the dependent and the independent variables.

4.0 RESEARCH FINDINGS AND DISCUSSION

4.1 Descriptive findings on Strategy Implementation

Table 4.1 Strategy Implementation

Opinion Statement	Mean	Std. Deviation
Goals and programmes are implemented on time	4.14	1.305
Outlined strategies of the firms are achieved as planed	4.20	1.237
New policies and procedure are effected on time	4.18	1.353
The firm allocate enough resources to implement strategies	4.14	1.282
The firms work plan is well outlined and achieved	4.11	1.305

The study sought to examine the respondent's level of agreement or disagreement on the various measures of Strategy Implementation. Table 4.1 presents the relevant results which show that on a scale of 1 to 5 (where 1= strongly disagree and strongly agree=5) the means and standard deviations for the statements Goals and programmers are implemented on time, Outlined strategies of the firms are achieved as planned, New policies and procedure are effected on time, The firm allocate enough resources to implement strategies and The firms work plan is well outlined and achieved (mean score 4.14), (mean score 4.20), (mean score 3.18), (mean score ,3.14) and mean score ,3.11 respectively. In extension all the variables had a standard deviation less than 2.0 which means that all the variables are normally distributed around their means. These results supported those of Schermerhon (2010); Johnson and Scholes (2003); Pearce and Robinson (2001); Schaap (2006); Yang *et al.*, (2008); Kotter (1997); Collins and Nicols (2007) and Lawrence (2001). The interpretation was that Strategy Implementation was considered an integral part of their organization.

4.3 Descriptive findings on Strategy evaluation and control

Table 4.2 Strategy evaluation and control

Opinion Statement	Mean	Std. Deviation
We conduct regular internal review of the systems	4.24	1.245
We conduct regular external review of the systems	4.16	1.275
Performance appraisal is conducted to all employees	4.09	1.246
The firms as put in place systems to control operations	4.10	1.323

The study sought to examine the respondent's level of agreement or disagreement on the various measures of Strategy evaluation and control. Table 4.2 presents the relevant results which show that on a scale of 1 to 5 (where 1= strongly disagree and strongly agree=5) the means and standard deviations for the statements; We conduct regular internal review of the systems, We conduct regular external review of the systems, Performance appraisal is conducted to all employees, The firms as put in place systems to control operations were (mean score 4.24), (mean score 4.16), (mean score 4.09) and mean score (4.10) respectively for the construct. In extension all the variables had a standard deviation less than 2.0 which means that all the variables are normally distributed around their means. These results supported those of Pearce and Robinson (2009); Oluoch (2011); Norton, (2004; Kiechel, (2006); McKinsey, (2006); Mankins and Steel (2005) McCarthey *et al.*, (1986). The interpretation was that Strategy evaluation and control was an integral part of their organization.

4.4 Descriptive findings Audit firm performance

Table 4.3 Audit firm performance

Opinion Statement	Mean	Std. Deviation
The firm has Customer retention	4.50	1.240
The firm has New clients	4.46	1.132
The firm has Employees' turnover	4.61	1.126
The firm has enjoyed high income growth	4.54	1.095

The study sought to examine the respondent's level of agreement or disagreement on the various measures of Audit firm performance. Table 4.3 presents the relevant results which show that on a scale of 1 to 5 (where 1= strongly disagree and strongly agree=5) the means and standard deviations were; The firm has Customer retention, The firm has New clients, The firm has Employees' turnover and The firm has enjoyed high income growth (mean score 4.50), (mean score 4.46), (mean score 4.61) and mean score (4.54) respectively. In extension all the variables had a standard deviation less than 2.0 which means that all the variables are normally distributed around their means. The interpretation was that majority of the respondent felt that the Audit firm performance was moving in the right direction.

Table 4.4 Growth in Number of Customers

Customers Growth Rate	Frequency	Percent
1%-10%	30	15
11%-20%	70	36
21%-30%	60	31
31%-40%	27	14
0ver 40%	10	5
Total	197	100.0

Table 4.4 shows the results on the customer growth in the audits firms in Kenya. From the results 15% of the audit firms had experienced a rate of 1-10% growth in customer base. 36% of the audit firms had experienced a rate of 11-10% growth in customer base. 31% of the audit firms had experienced a rate of 21-30% growth in customer base. 14% of the audit firms had experienced a rate of 31-40% growth in customer base. 5% of the audit firms had experienced a rate of over 40% growth in customer base. The interpretation is that majority of the audit firms are still in the early stages of growth since the rate of growth on average is still in the low level profiles. Thus the management of the audit firms should come up with strategies to enhance the expansion or taping of more customers.

Table 4.5 Growth in Income

Income	Frequency	Percent
Below Ksh 100,000	12	6
Ksh 100,001- Ksh 500,000	39	20
Ksh 500,001- Ksh 1,000,000	103	52
Over Ksh 1,000,000	43	22
Total	197	100.0

Table 4.5 presents the frequency and the percentage of growth in income base for the companies in each cluster. From the table it was noted that 6% of the firms have income below 100,000 which is the smallest group while 20% were in the Ksh 100,001- Ksh 500,000, 52% are in the Ksh 500,001-Ksh 1,000,000 category and finally 22% had income over Ksh 1,000,000. The interpretation is that the majority audit firms are still in the growth stages.

4.5 Multicollinearity Test

Table 4.6 Correlation Matrix

	performance	Strategy implementation	Strategy evaluation and control
Variable			
Performance	1		
Strategy implementation	0.770	1	
Strategy evaluation and control	0.802	0.30	1
N	197	197	

From table 4.6 it can be observed that the correlation between the independent variables and the dependent variable was high and positive at 0.770 and 0.802 for Strategy implementation, Strategy evaluation and control respectively. The interpretation was that the level of multicollinearity between the independent variable was not very high which meant that the influence of each variable in the regression model could be isolated individually.

According to Brook (2002) multicollinearity is the problem that occurs when the explanatory variables are very highly correlated with each other. Burns and Burns (2008), asserted that multi-collinearity is the presence of very high correlations between the independent variables and should be avoided.

4.6 Regression Results

Table 4.7 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.851[a]	.804	.802	.30874433

Table 7, presents the model summary. From the results, the value of R-square was found to be 80.4 while the value of the adjusted R square was 0.802.This indicates that all the variables considered causes a variation of 80% on strategic management practices. That is environmental scanning, strategy formulation, strategy implementation and strategy evaluation were found to influence the performance of Audit firms by 80%. This expected and standard influence should be explained by a critical value of 100%. This implies that 20% which is not captured in this model is explained by other management practices which were not covered in this study.

Table 4.8 Analysis of variance

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	172.151	4	43.038	451.494	.000[b]
	Residual	18.302	192	.095		
	Total	190.453	196			

The results in Table 4.8 indicated that the overall model was a good fit since the value of F-statistic was found to be 451.494 and it p-value was found to be 0.000 which is less than the critical value of 0.05.. This value clearly suggests that after adjusting for the degrees of freedom there is a strong relationship between Strategy implementation and Strategy evaluation and control. The interpretation is that selected management drivers considered in this study have a substantial effect on audit firm performance and therefore should be considered carefully when making organizational policies.

Table 4.9 Regression Result

Variable		Coefficients	Std. Error	t-statistic	p-value
	(Constant)	0.130	0.022	5.909	0.011
	Strategy Implementation	0.192	0.032	6.086	0.034
	Strategy Evaluation and control	0.306	0.036	8.493	0.041

4.6.1 Strategy Implementation

From table 4.9, the regression coefficient of Strategy Implementation was found to be 0.192. This value shows that holding other variables in the model constant, an increase in Strategy Implementation by one unit causes the audit firms performance to increase by 0.192 units. The value of the coefficient is positive. The positive effect shows that there is a positive relationship between Strategy Implementation and audit firm performance.

The coefficient was not just positive but also statistically significant with a t-statistic value of 6.086. The standard error was found to be 0.032 and the p-value was found to be 0.034. The variable was also found to be the fourth most influential variable on the audit firm performance in Kenya. These findings supports those of Schermerhon (2010); Johnson and Scholes (2003); Pearce and Robinson (2001); Schaap (2006); Yang *et al*

(2008); Kotter (1997); Collins and Nicols (2007) and Lawrence (2001) who found that Strategy Implementation had significant effect on firm performance.

4.6.2 Strategy evaluation and control

From table 4.9, the regression coefficient of Strategy evaluation and control was found to be 0.306. This value shows that holding other variables in the model constant, an increase in structure by one unit causes the audit firm performance to increase by 0.306 units. The value of the coefficient is also positive. The positive effect shows that there is a positive relationship between Strategy evaluation and control and audit firms performance.

The coefficient was not just positive but also statistically significant with a t-statistic value of 8.493. The standard error was found to be 0.036 and the p-value was found to be 0.041. The variable was also found to be the second most influential variable on the audit firm performance in Kenya. These findings supported those of Thompson and Strickland, (2003); Pearce and Robinson (2009); Oluoch (2011); Norton, (2004; Kiechel, (2006); McKinsey, (2006); Mankins and Steel (2005) McCarthey *et al.,* (1986); Etez and Kenfar (1983); Mintzberg (1994); Thompson and Strickland (1995); Senge (1990), Thompson and Strickland (1995) who found that Strategy evaluation and control had an effect on firm performance.

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

This study sought to establish the effect of four key variables on performance audit firms in Kenya. The key objectives were to establish the effect of Strategy Implementation and Strategy Evaluation and control on performance of firms in Kenya. The study utilized descriptive statistical analysis, correlation analysis and regression analysis in an attempt to establish the effect of these strategic practice on performance.

The study established that the majority of the respondents agreed with the various statement that were used to assess the effect of strategic management practices on performance. The correlation analysis revealed that all the independent variables had low correlation level with one another. This indicated the absence of multicolinearity problem. The correlation analysis however revealed that the level of the correlation between the dependent and independent variables to be high. The study proceeded further to the regression analysis in order to establish if there is a linear relationship between the various drivers of strategic management and audit firm performance. The study revealed that all the explanatory variables had a positive and statistically significant effect on the performance of audit firms. The study also utilized the normality test to establish the reliability of the estimated regression equation. The normality test established that the model was well-identified

5.3 Conclusion

The study concluded that Strategy implementation are the key determinants of audits firms performance in Kenya. From the descriptive results the means of the various constructs on this variable indicated an agreement by the respondents on the effect of Strategy Implementation on audit firm performance. The results from the regression model revealed that the factor has a strong influence on audit firms performance in Kenya. The audit firms are therefore encouraged to focus on the Strategy implementation as part of their strategic plan.

The study further concluded that Strategy evaluation and control are the key determinants of audits firms performance in Kenya. From the descriptive results the means of the various constructs on this variable indicated an agreement by the respondents on the effect of Strategy evaluation and control on audit firm performance. The results from the regression model revealed that the factor has a strong influence on audit firms performance in Kenya. The audit firms are therefore encouraged to focus on the Strategy Evaluation and control as part of their strategic plan.

5.4 Recommendation

Since the results revealed that the strategic management practices is influential on performance there is the need for all the stakeholders to be aware of this. Any bad policies on the adoption of strategic management practice would lead to some very devastating effects on the performance of audit firms in Kenya. Therefore there is the need to initiate strategies that are directed toward the adoption of strategic management practices.

Based on the finding the study recommends Managers in the audit firms to come out with clear goals and objectives which are under their scope of implementations. Strategy implementation and strategy evaluation and control were found to have a statistically significant effect on audit firms performance. The two practices were found to be the most influential and therefore it is recommended that managers should be keen on the execution of key strategies that will enhance and audit firms performance in the country. Managers should consider conducting quarterly review as a mean of evaluating the level of implementation and achieving of set goals and objectives of the firma. Management of these audit firms should be focused towards bringing new procedures aimed at ensuring the performance of the audit firm is enhanced through the adoption of the strategic management practices.

From the regression model it was noted that the variables included were only able to explain 80% of the variation in audit firm performance. This implies that there are other strategic management practices explained by the 20% which were not covered in this study. This study therefore recommends that a study be carried out to determine the factors that affect the relationship between the independent variables and performance that are relevant in explaining the variation of strategic management practices on audit firms performance.

REFERENCES

Adeleke, A., Ogundele, O. & Oyenuga, O. (2008), Business Policy and Strategy, 2nd ed. Lagos: Concept Publications.

Armstrong, M. (2006). A handbook of Human Resource Management Practice. (10thed., Revised). Philadelphia: Kogan Page 13.

Berg, B. L. 2004. Qualitative research methods for the social sciences. 5th ed. Boston: Pearson Education, Inc.

Chandler, A. D. Jr. (1962). Strategy and structure. Chapters in the history of the American Industrial Enterprise, Cambridge, MA: MIT Press.

Grant, R. (1991) The resource- based theory of competitive advantage; Implication for strategy formulation; California Management review.

Kaplan, R. S., & Norton, P. D. (2005). How the balanced scorecard complements the McKinsey 7-S model. Emerald Journal on Strategy and Leadership, 33, 41-46.

Kaplan R. S., & Norton, P. D. (2008). The execution premium: Linking strategy to operations for competitive advantage. Boston: Havard Business Press

Kent, S. (2001). The Cronbach Alpha Coefficient Interpretation of Results. London, UK: Mcgraw-Hill

Kotter, J. (1995). Leading change: why transformation efforts fail. HBR, 59-67.

Kothari, C. R. (2004). Research methodology: Methods and techniques. (Second Edition). New Delhi: New Age International (P) Limited.

Mintzberg, H., Ahlstrand, B.,& Lampel, J. (1998). Strategy safari: A guided tour through the wilds of strategic management. New York: Free Press.

Mugenda, O. M., & Mugenda, A. G. (2003). Research methods: Quantitative and qualitative approaches. Nairobi: African Centre for Technology Studies.

Noble, C. H. (1999) Building the strategy implementation network; business horizon, 19-27

Olson, E. M., Slater, S. F., & Hult, G. T. (2005). The importance of structure and process to strategy implementation. Business Horizons, 48, 47-54.

Pearce, J. A., & Robinson, R. B. (1991). Strategic management: Formulation, implementation, and control. (4thEdition). Homewood, IL: Irwin.

Pearce, J. A., & Robinson, R. E. (2007). Strategic management: Formulation, Implementation and Control. Burr Ridge: Irwin.

Pearce II, J. A., & Robinson, R. E. (2011). Strategic management: Formulation, Implementation and Control. Boston: McGraw-Hill.

Peng, W. and Littlejohn D. (2001) Organization communication and strategy implementation- A primary inquiry. International Journal of Contemporary Hospitality, 3, 360.

Thompson, A. A., & Strickland, A. J. (2003). Strategic Management: Concepts and Cases. New York: McGraw-Hill.

Thompson, A. A., & Strickland, A. J. (2004). Strategic Management: Concepts and Cases. (13th Edition). New York: McGraw-Hill.

Thompson A. A., Strickland A. J., and Gamble J.E., (2007), Crafting and Executing Strategy, McGraw-Hill/Arwin, 1221 Avenue, New York, 15th edition