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Influence of Strategic Contingency Factors on Performance of Large Manufacturing Firms in Kenya

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Abstract

Purpose: The main purpose of this study was to establish the influence of strategic contingency factors on performance of large manufacturing firms in Kenya by reviewing organizational structure, information technology, dynamic capabilities and leadership characteristics as the study variables with legal and regulatory environment as the moderating variable.

Methodology: The study adopted a cross-sectional research design and descriptive survey design and the research philosophy was positivism. The study population study was 499 large scale manufacturing firms where a sample size of 217 firms was selected. Data was collected through the administration of questionnaires to operations managers.

Results: The study findings revealed that organization structure has a significant influence on performance of large manufacturing firms in Kenya. Organization structure was found to be positively related to performance of large manufacturing firms in Kenya. Dynamic Capabilities was also found have a positive and significant influence on performance of large manufacturing firms in Kenya. On the relationship between leadership characteristics and organization performance, the study findings revealed that leadership characteristics have a positive and significant influence on performance of large manufacturing firms in Kenya.

Policy recommendation: The study recommended that large manufacturing firms in Kenya should put in place better organizational structure strategies, improved information technology put in place strategies that encourage their leaders to have leadership characteristics and structural dynamic capabilities as they lead to high performance

Keywords: *dynamic capabilities, performance, manufacturing firms organizational structure, information technology and leadership characteristics*

1.0 INTRODUCTION

This study establishes the influence of strategic contingency factors on performance of large manufacturing firms in Kenya. This chapter presents the background of the study. The concept of the study in terms of the study variables namely organizational structure, information Technology, dynamic Capabilities, leadership characteristics, legal and regulatory environment as well as the context of the study that is manufacturing firms in Kenya and their performance is discussed. Furthermore, the statement of the problem, research objectives, hypothesis as well as justification of the study is presented. The chapter finally presents the scope of the study as well as the limitations of the study. In the dynamic and volatile environments in which most manufacturing firms operate today, flexibility of organizational factors is a valuable capability for competitive advantage (Schmenner & Tatikonda, 2005; Hutchison & Das, 2007). However, in the process of adopting the techniques of manufacturing flexibilities, firms still find it challenging to realize benefits towards performance (McDougall, 2006; Anderson, 2013). Manufacturing organizational factors flexibility towards performance due to contingencies has emerged as an important source of competitive advantage as firms seek to be responsive to changing customer demands while remaining competitive on the dimensions of cost and quality (Ward, McCrery & Anand, 2007; Hallgren, Olhager & Schroeder, 2011).

Organizational contingency factors such as organizational structure, information technology, dynamic capabilities and leadership characteristics are critical in realization of firm goals. According to Porter (1991) organization structure is key because the way a firm fit into the industry structure is seen as the primary source of competitive advantage. Modern enterprises operate in rapidly changing environments that are hypercompetitive and turbulent where customer preferences are volatile and technology is transforming scenarios.

The relationship between an organization's factors such as its structure, information technology, dynamic capabilities and leadership characteristics and its performance depend upon the level of their contingent nature (Donaldson, 2006). The point to note is that organizational factors cannot be generalized therefore each organization needs to be designed ready to respond to contingencies in order to avoid loss of performance. According to Thompson (2007) significant challenges for complex organizations are posed by contingencies and therefore a firm should properly design their organizational factors to be contingent in order to specifically address them than operating under earlier strategic arrangement.

In Kenya, the manufacturing sector is the third biggest industrial sector after agriculture and transport and communication (KPMG, 2014). It is the third leading sector contributing to GDP in Kenya. Although Kenya is the most industrially developed country in East Africa, the manufacturing sector constitutes merely 10 per cent of the industrial sector contribution to GDP (RoK, 2014). The growth in manufacturing industry has declined to 3.3 per cent in 2011 as compared to 4.4 per cent in the year 2010 mainly due to a challenging operating environment (KNBS, 2012). Furthermore, the manufacturing sector has high yet untapped potential to contribute to employment and GDP growth. As an important sector in the overall economic growth, manufacturing sector requires an in-depth analysis at industry as well as firm level.

The manufacturing sector has a great potential on promoting economic growth and competitiveness in the country like Kenya. According to the World Bank (2014), sluggish growth in the manufacturing sector is pulling down economic growth in Kenya and is also losing grip on the East Africa Community market where it was dominant, due to inefficiencies and the unpredictable operating environment. The share of manufactured goods imported by EAC from Kenya declined from 9 per cent in 2009 to 7 per cent in 2013 (WB, 2014).

The performance of these manufacturing firms is affected by contingency factors that include organizational structure, information Technology, dynamic Capabilities, leadership characteristics, legal and regulatory environment. It is therefore prudent to study their effect on firm performance.

1.2 Problem statement

Kenya has been experiencing turbulent times with regard to its organizational practices and this has resulted in declining profits in the manufacturing sector of the economy (Mutindi, Namusonge & Obwogi, 2013). Statistics from World Bank show that large scale manufacturers operating in Kenya registered stagnation and declining profits for the last five years due to a turbulent operating environment (WB, 2014). It is estimated that large manufacturing firms have lost 70 per cent of their market share in East Africa largely attributed to contingencies (RoK, 2014a). Further statistics from Kenya Association of Manufacturers have shown that some firms announced plans to shut down their plants and shift operations to Egypt due to negative influences of contingencies (KAM, 2014). In 2014, manufacturing sector in Kenya contributed barely 10% to the GDP which represented 3.4 per cent growth to Sh.537.3 Billion indicating a decline from the previous year 2013 where it had reported a 5.6 per cent growth mainly due to a challenging operating environment and high operational costs (KNBS, 2014).

Many large Manufacturing firms have relocated or restructured their operations opting to serve the local market through importing from low-cost manufacturing areas such as Egypt therefore resulting in job losses (Nyabiage & Kapchanga, 2014) citing turbulent operating environment and high operating costs. This is an indication that many manufacturing firms in Kenya are experiencing performance challenges with many reporting profit warnings due to challenges in the operating environment (RoK, 2014). Previous studies have shown that strategic contingency factors are critical drivers to performance of organizations (Brewster & Mayrhofer, 2012). Organizations seek to fit their organizational factors to contingencies in order to achieve high performance and to avoid any losses resulting from the misfit when contingencies change (Donaldson, 2006).

In addition, previous empirical findings show that strategic contingency factors measures have lacked precision and consistency by providing no clear direction on the influence of contingency factors on firm's performance (Walters & Bhuian, 2004; Lee & Runge 2001). Studies have focused on financial performance measures ignoring non-financial indicators like environment (Kargar & Parnell 2009).

Furthermore, previous studies have used different methodological approaches for instance a study by Pertusa-Ortega (2008) used Partial Least Squares (PLS) technique to analyze the internal factors of organizational structure which had an influence on the firm performance, Mouelhi (2008) used firm level panel data to examine the extent to which the use of information and communication technology has contributed to efficiency growth in Tunisian manufacturing firms while Jekel (2009) used generalized least square regression model in a study on the quality aspect of dynamic capabilities based on successful practices of 61 German manufacturing firms in China. This presented methodological research gaps in the previous studies conducted on the topic.

It is therefore inadequate to merely analyse firm's performance by financial performance especially under today's changing operating environment (Qi, 2010) using a different methodology from the previous studies. The manufacturing sector in Kenya has a huge untapped potential contribution to employment and GDP if the challenges facing this sector are properly addressed (Wagana & Kabare, 2015). The study would eventually help in determining what is needed to stop manufacturing firms from failing, stagnating in performance or relocating from Kenya resulting to job losses and therefore continue in operation to the foreseeable future.

1.3 Research Objectives

i. To establish the influence of organizational structure on performance of large manufacturing firms in Kenya.

ii. To assess the influence of information technology on performance of large manufacturing firms in Kenya. iii. To determine the influence of dynamic capabilities on performance of large manufacturing firms in Kenya.

iv. To analyze the influence of leadership characteristics on performance of large manufacturing firms in Kenya.

v. To explore the moderating effect of legal and regulatory environment on the relationship between strategic contingency factors and performance of large manufacturing firms in Kenya.

1.4 Study Hypothesis

i. **$H_0$1**: Organizational structure does not influence the performance of large manufacturing firms in Kenya. ii. **$H_0$2**: Information Technology does not influence the performance of large manufacturing firms in Kenya.

iii. **$H_0$3:** Dynamic capabilities do not influence performance of large manufacturing firms in Kenya.

iv. **$H_0$4:** Leadership characteristics do not influence performance of large manufacturing firms in Kenya.

v. **$H_0$5:** Legal and regulatory environment does not have a moderating effect on the relationship between strategic contingency factors and performance of large manufacturing firms in Kenya.

2.0 LITERATURE REVIEW

2.1 The Contingency Theory of "Fit"

This theory was proposed by Robert Drazin and Andrew H. Van de Ven in 1985 in their study of the concept of fit in structural contingency theory (Van de Yen & Drazin 1985). The present research introduces a third strand of research for investigating fit that focuses on the organizational level as compared to the group or individual performance level.

In doing so, it is necessary to start with Van de Yen and Drazin (1985) summary of the structural contingency theory of fit where fit is broadly described in terms of "congruence, internal consistency of multiple contingencies, structural and performance constructs." The concept of "fit" in contingency theory is well documented in various areas of organizational behavior research.

According to Van de Yen and Drazin (1985), the key thread common to all scholarly research in this area is that an organizational outcome is the consequence of a "fit" or match between two or more factors. There are three ways to define and test the concept of fit namely selection, interaction and the systems approach. Due to its relevance to this study, focus is on their description of the systems approach. Under the systems approach, "fit is a feasible set of equally effective, internally consistent patterns of organization and context and structure". Furthermore, they argue that "organization design can only advance if we address, in simultaneous manner, the many contingencies, structural alternatives and performance criteria inherent to organizational life" (Van de Yen & Drazin, 1985).

The concept of fit has broad utility to various areas of theory development wherein "organizational performance is a function of match, congruence, intersection or union of two or more factors" (Lee & Runge, 2001). Fit as matching in this research context implies that there is a match between two theoretically related variables without reference to a criterion variable (Zigurs & Buckland, 1998),thus consistent with the systems approach for defining and assessing "fit," in the context of the present research study, the notion of Information Technology (IT) appropriateness is described as consisting of the conditions under which a business should consider itself a likely candidate for (new) IT implementation.

Appropriateness is thus an issue of determining the "readiness" of a firm for new IT implementation. It goes to the question of "fit" between current environmental business conditions faced by a candidate firm and the nature of IT being considered for adoption/implementation and its potential impact on organizational performance. This theory instigates the second research hypothesis:

$H_0$2: Information Technology does not influence the performance of large manufacturing firms in Kenya.

2.2 Dynamic Capabilities Theory

Teece, Pisano and Shuen, (1997) define dynamic capabilities as 'the ability to integrate, build and reconfigure internal and external competencies to address rapidly-changing environments'. The concept of dynamic capabilities arose from a key shortcoming of the resource-based view of the firm. The RBV has been criticized for ignoring factors surrounding resources instead assuming that they simply "exist". Considerations such as how resources are developed, how they are integrated within the firm and how they are released have been under-explored in the literature. Dynamic capabilities approach attempt to bridge these gaps by adopting a process approach by acting as a buffer between firm resources and the changing business environment. Dynamic resources help a firm adjust its resource mix and thereby maintain the sustainability of the firm's competitive advantage which otherwise might be quickly eroded.

While the RBV emphasizes resource choice or the selecting of appropriate resources, dynamic capabilities emphasize resource development and renewal. According to Wade and Hulland (2004), resources may take on many of the attributes of dynamic capabilities, and thus may be particularly useful to firms operating in rapidly changing environments.

However, reviewing key articles in this academic field, Zahra *et al*. (2006), Salvato (2003) as well as Schreyögg and Kliesch-Eberl (2007) uncover inconsistencies, overlapping definitions and contradictions in the differentiation of dynamic capabilities from other capabilities. Zahra and George (2002) regard dynamic capabilities neither as a firm's abilities nor as processes but as capabilities to match customer demands and competitor strategies.

A central concern of a firm's overall strategy and management is to maintain a dynamic fit between what the firm has to offer and what the environment dictates (Miles & Snow, 1978). Achieving this fit again requires that the firm is able to change its processes. As such, a firm has to possess a dynamic capability which besides increasing firm's opportunities to survive, often provide organizations with the potential for growth (Helfat *et al.,* 2007). The roots of dynamic capabilities are based in evolutionary economics (Nelson & Winter, 1982) and briefly the essence of dynamic capabilities approach is that competitive success arises from the continuous development, alignment and reconfiguration of firm-specific assets (Teece *et al.,* 1997; Augier & Teece, 2006).

In other words, dynamic capabilities impact the resource base of the firm which in turn is the source of the firm's competitive advantage (Ambrosini & Bowman, 2009). However, dynamic capabilities are typically the outcome of experience and learning within the organizations. This theory instigates the third research hypothesis:

$H_0$3: Dynamic capabilities do not influence performance of large manufacturing firms in Kenya.

2.3 Situational Leadership Theory

The situational leadership theory put forth by Paul Hersey and Ken Blanchard in 1969 proposes that effective leadership requires a rational understanding of the situation and an appropriate response rather than a charismatic leader with a large group of dedicated followers (Graeff, 1997; Grint, 2011). The theory evolved from task-oriented versus people-oriented leadership continuum (Conger, 2011).

The continuum represented the extent that the leader focuses on the required tasks or focuses on their relations with their followers. Various authors have classified SLT as a behavioral theory (Bass, 2008) or a contingency theory (Yukl, 2011). Both conceptions contain some validity. SLT focuses on leaders' behaviors as either task or people focused. This supports its inclusion as a behavioral approach to leadership similar to the leadership styles approach (autocratic, democratic, and laissez-faire), the Michigan production-oriented versus employee oriented approach, the Ohio State initiation versus consideration dichotomy and the directive versus participative approach (Bass, 2008; Glynn & DeJordy, 2010).

It also portrays effective leadership as contingent on follower's maturity. This fits with other contingency-based leadership theories including Fiedler's contingency theory, path-goal theory, leadership substitute theory and Vroom's normative contingency model (Glynn & DeJordy, 2010; Bass, 2008; Yukl, 2011). This theory instigates the fourth research hypothesis:

$H_0$4: Leadership characteristics do not influence performance of large manufacturing firms in Kenya.

2.2 Conceptual Framework

The conceptual framework attempts to bring into focus leadership characteristics and performance of manufacturing firms in Kenya.

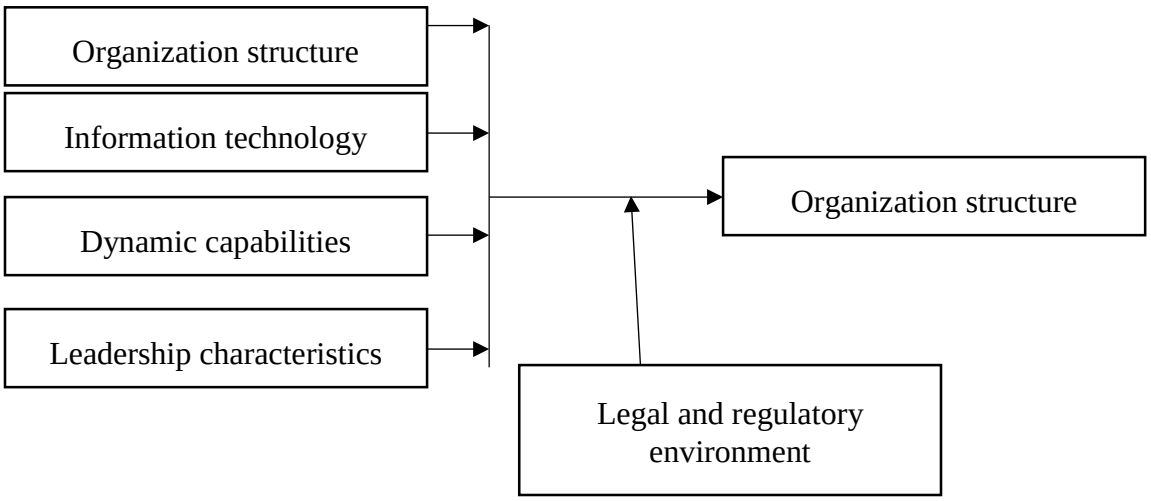

Figure 1: Conceptual framework

2.3 Empirical Review

2.3.1 Organizational Structure

Pertusa-Ortega (2008) analyzed the internal factors of organizational structure which had an influence on the firm performance. The study examined a sample of large Spanish firms belonging to different sectors by means of the Partial Least Squares (PLS) technique using formative dimensions for competitive strategy and organizational structure. The results revealed that the strategies which simultaneously emphasize high differentiation and low cost levels influence firm performance positively and that the possible organizational support needed to reach an appropriate hybrid strategy may be in the form of design of organic flexible organizations with mechanical components.

2.3.2 Information Technology

Mouelhi (2008) examined the extent to which the use of information and communication technology contributed to efficiency growth in Tunisian manufacturing firms and how it varied according to the roles played in different branches. The study used a firm level panel data for the manufacturing sectors in Tunisia to investigate whether adoption of ICT impacts on the efficiency in factors use and adopted principally the stochastic frontier approach. The results indicated that the variables included in the technical inefficiency model contributed significantly to the explanation of the technical inefficiencies.

2.3.3 Dynamic Capabilities

Jekel (2009) in a study on the quality aspect of dynamic capabilities based on successful practices of 61 German manufacturing firms in China understood dynamic capabilities as organizational processes which modify a firm's resource configuration to address en4vironmental opportunities or threats. The study resulted in a comprehensive, generalized model summarizing the quality aspects of dynamic capabilities with the highest influence on firm performance. The study recommended that identification of those dynamic capabilities with highest impact on firm performance is an additional contribution to academia (Jekel, 2009).

2.3.4 Leadership Characteristics

Hoogh (2014) examined relationships between idealized influence leadership and performance outcomes. Results revealed that idealized influence leadership was positively related to commonsource and multi-source perceptual performance outcomes (subordinate's positive work attitude) and to organization's profitability but unrelated to organization liquidity and solvency.

3.0 METHODOLOGY

The research philosophy for this study was positivism. The study adopted both cross-sectional research design and descriptive survey design. The 499 large scale manufacturing firms represented the total population for this study. A sample size of 217 manufacturing firms was used during the study. This study utilized a questionnaire to collect primary data.A pilot study was conducted among 22 manufacturing firms which constituted 10 per cent of the sample size. Data was analysed using SPSS software which generated both descriptive and inferential statistics.

4.0 RESULTS FINDINGS

4.1Response Rate

The results for response rate are as indicated in Table 1. The number of questionnaires that were administered was 217. A total of 157 questionnaires were filled and returned. This represented an overall successful response rate of 72.4%. They fit with the argument of Kothari (2004) that a response rate of 50% or more is adequate for a descriptive study.

Table 1: Response Rate

Response	Frequency	Percent
Returned	157	72.4%
Unreturned	79	27.6%
Total	**217**	**100%**

4.2 Results of Pilot Test

The study conducted a pilot test to test for the instrument reliability. The participants in the pilot test were not included in the final study. Reliability of this instrument was evaluated through Cronbach Alpha which measures the internal consistency. Cronbach Alpha value is widely used to verify the reliability of the construct. The results are presented in Table 2. The findings in Table 2 indicate that organizational structure, information technology, dynamic characteristics, leadership characteristics and legal regulatory environment had Cronbach's alpha of 0.774, 0.711, 0.796, 0.716 and 0.752 respectively. Since they were above the set alpha coefficients cutoff point of 0.7, all the study variables were adopted.

Table 2 Reliability Coefficient

Variables	Cronbach's Alpha	Comment
Organizational Structure	0.774	Accepted
Information Technology	0.711	Accepted
Dynamic Capabilities	0.796	Accepted
Leadership Characteristics	0.716	Accepted
Legal and Regulatory environment	0.752	Accepted

4.3 Demographic Characteristics

4.3.1 Gender Composition of Respondents

The respondents were asked to indicate their gender. Results in Figure 2 reveal that a majority of the respondents were male as supported by 69% while 31% were female. The manufacturing firms that are registered members of KAM are male dominated. In addition, the gender distribution was below the Constitutional of Kenya (2010) threshold of a third, however this did not affect the results of the study as women were under-represented in the management of manufacturing firms.

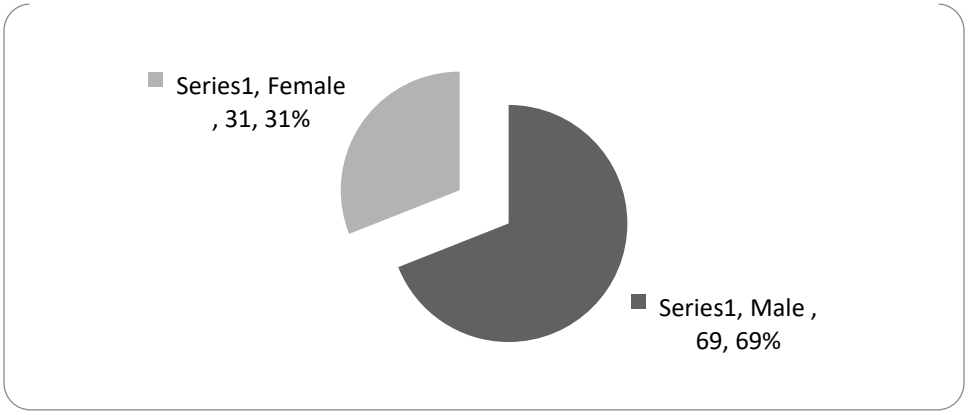

Figure 2: Gender Composition of Respondents

4.3.2 Age of Respondents

The respondents were also asked to indicate their age. The results are presented in Figure 3 reveal that 6% of the respondents were over 50 years, 30% were between 18 and 30 years while those who were between 40 to 50 years were 25%. Majority of the respondents, 39%, were between 30 to 40 years. This implies that majority of the workers at manufacturing firms that are registered members of KAM are between 30 to 40 years of age.

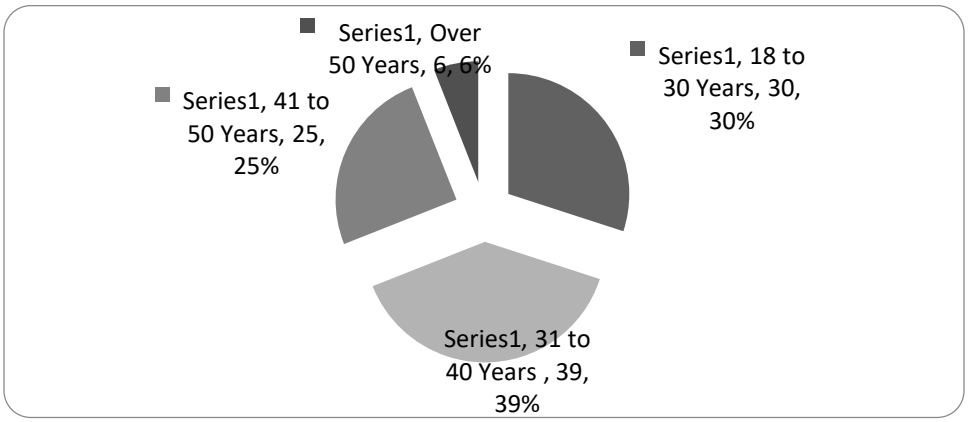

Figure 3: Age of Respondents

4.3.3 Level of Education

The respondents were asked to indicate their level of education. Results in Figure 4 reveal that 13% of the respondents had education up to the secondary school level, 39 % indicated that they had attained education up to tertiary level while 48% of the respondents indicated that they had attained education up to University level.

This implies that workers at manufacturing firms that are registered members of KAM are educated. It also implies that majority of the respondents (48%) had university qualification, and a few others had both tertiary and secondary education levels. This means that majority of the

workers at manufacturing firms that are registered members of KAM are knowledgeable and could easily understand the contents of the questionnaire and the concept of contingency factors.

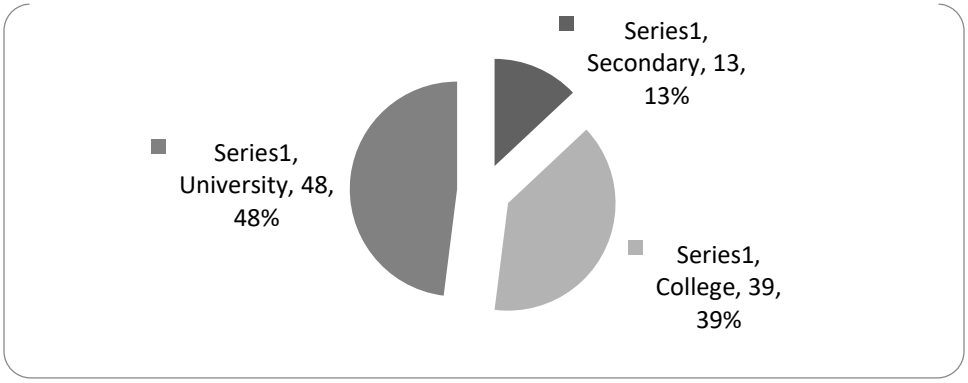

Figure 4: Level of Education

4.3.4 Years of experience in the industry

The respondents were asked to indicate their years of experience in the field. Results in Figure 5 reveal that 33% of the respondents had worked in the field for a period less than 2 years, 24% had worked in the field for a period of three years and those who had worked in the field for over three years were 43%. This implies that the rate of turnover in the sector is low.

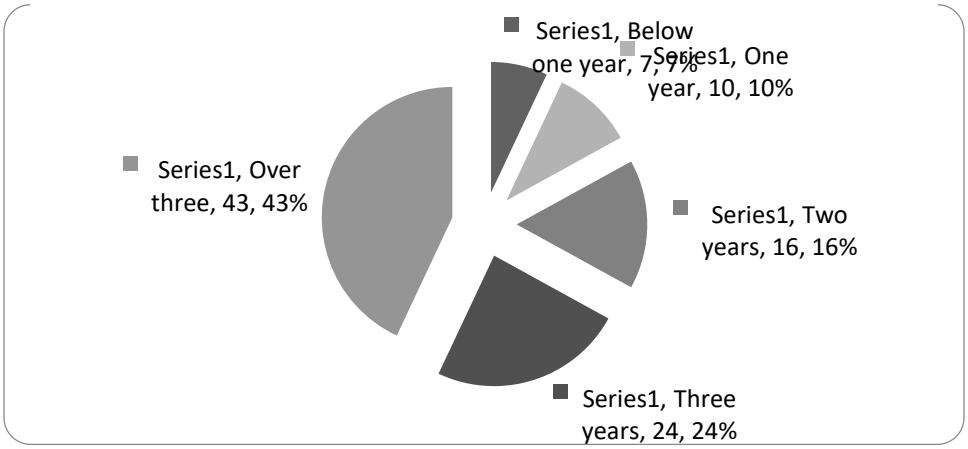

Figure 5: Years of Eexperience

4.3.5 Type of Organization

The study sought to establish the type of manufacturing firms registered by KAM. The results presented in Figure 6 reveal that majority of the manufacturing firms that are registered members of KAM (90%) are private while 10% are public. These findings are consistent with those of Kenya association of manufacturers (KAM, 2014) which indicates that KAM is a private sector body.

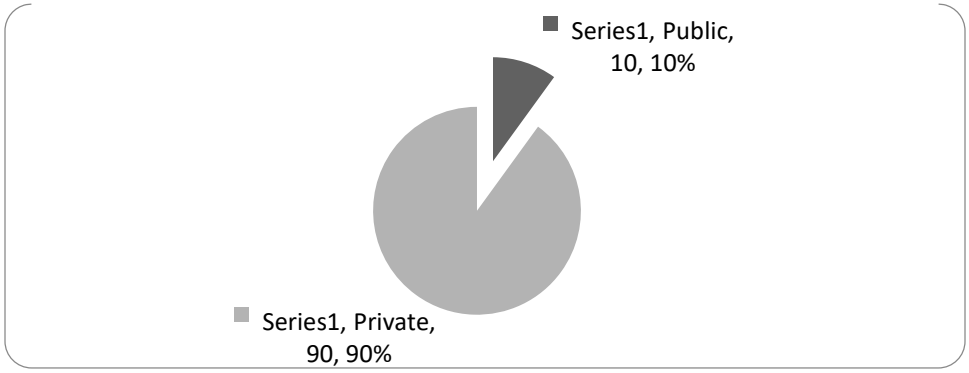

Figure 6: Type of Organization

4.4 Overall Regression Model before Moderation

The study ran an overall ordinary least square regression model before including the moderating variable (Legal and regulatory environment).

The results for the model summary are as presented in Table 3. The study findings presented in Table 3 indicates that the contingency factors; organizational structure, information technology, dynamic capabilities and leadership characteristics are jointly positively associated with performance as indicated by a Pearson correlation, R, value of 0.373. Furthermore, the findings indicated that organizational structure, information technology, dynamic capabilities and leadership characteristics jointly explain 13.9% of the changes in performance of large manufacturing firms in Kenya.

Table 3 Regression Model Summary Before Moderating

R	R Square	Adjusted R Square	Std. Error of the Estimate
.373	0.139	0.113	0.2329

The study also established the model fitness by comparing the F- calculated and F-critical values. The results for F-calculated are in Table 4. The F-Critical, $F_{0.05, 4, 152}$ was 2.37. Since F calculated, 5.258 was greater than F-Critical, $F_{0.05, 4, 152}$, 2.37, the study concluded that the model fits well. This is further supported by a p-value of 0.01 which is significant at 5% level of significance implying that the model fit well.

Table 4 Regression Model Fitness Before Moderating

	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.141	4	0.285	5.258	.001
Residual	7.052	152	0.054		
Total	8.193	156			

The regression coefficients are as presented in Table 5. The results in Table 5 indicate that the relationship between organization structure, dynamic capability and leadership characteristics was not significant before moderation but information technology was significant. The relationship was however positive implying that an increase in any of the factors results to an improvement in performance.

Table 5 Regression Model Coefficients Before Moderating

	B	Std. Error	t	Sig.
(Constant)	2.079	0.213	9.76	0.000
Organization structure	0.160	0.111	-1.451	0.149
Information Technology	0.499	0.161	3.107	0.002
Dynamic capability	0.008	0.075	-0.11	0.913
Leadership characteristics	0.077	0.133	0.577	0.565

The model before moderation was:

Performance of Large Manufacturing Firms = 2.079 + 0.160 Organization Structure + 0.499 Information Technology + 0.008 Dynamic Capabilities + 0.077 Leadership Characteristics

4.5 Overall Regression Model after Moderating effect

The results for the regression summary model after moderation are as presented in Table 6. Regression results in Table 6 after moderating revealed that contingency factors explain 14.4% of the changes in performance of large manufacturing firms. The change of R^2 from 13.9% (before moderation) to 14.4% (after moderation) shows an insignificant change. This suggested that legal and regulatory environment has no moderating effect on the relationship.

Table 6 Regression Model Summary after Moderating

R	R Square	Adjusted R Square	Std. Error of the Estimate
.379a	0.144	0.11	0.23322

In Table 7 the interaction between the independent variables and moderating variable is not statistically significant (0.424), therefore legal and regulatory environment does not moderate the influence of strategic contingency factors on firm's performance.

Table 7 Regression Model Coefficients after Moderating

	B	Std. Error	t	Sig.
(Constant)	2.172	0.242	8.956	0.000
Organization structure	0.219	0.133	-1.651	0.101
Information Technology	0.445	0.175	2.548	0.012
Dynamic capability	0.020	0.076	-0.264	0.792
Leadership characteristics	0.055	0.135	0.407	0.684
Interaction variable	0.036	0.044	0.802	0.424

Performance of Large Manufacturing Firms = 2.172 + 0.219 Organization Structure + 0.445 Information Technology + 0.02 Dynamic Capabilities + 0.055 Leadership Characteristics + 0.036 Interaction Variable.

5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The study findings revealed that organization structure has a significant influence on performance of large manufacturing firms in Kenya. Organization structure was found to be positively related to performance of large manufacturing firms in Kenya. Dynamic Capabilities was also found have a positive and significant influence on performance of large manufacturing firms in Kenya. On the relationship between leadership characteristics and organization performance, the study findings revealed that leadership characteristics have a positive and significant influence on performance of large manufacturing firms in Kenya.

5.2 Conclusion

The study concluded that organization structure has a significant influence on performance of large manufacturing firms in Kenya. Organization structure was found to be positively related to performance of large manufacturing firms in Kenya. Dynamic Capabilities was also found have a positive and significant influence on performance of large manufacturing firms in Kenya. On the relationship between leadership characteristics and organization performance, the study concluded that leadership characteristics have a positive and significant influence on performance of large manufacturing firms in Kenya.

5.3 Recommendations of the Study

The study recommended that large manufacturing firms in Kenya should put in place better organizational structure strategies as it leads to high performance. Furthermore, the study recommended that the firms should ensure they have a specialized organization structure, high nature of the span of control, centralized structure and have departmentalization. On the

importance of IT, the study recommended that large manufacturing firms in Kenya should have an improved information technology system in terms of having written down IT policy, high rate of both IT software and hardware adoption and frequently sharpen IT skills of the employees through training. The study further recommended that large manufacturing firms should also invest more in research and development, training, networking and innovation. On the leadership characteristics, the study recommended that large manufacturing should put in place strategies that encourage their leaders to have leadership characteristics as it has a positive influence on performance. To do that, the firms should encourage and put in place measures that promote idealized influence, intellectual stimulation, inspiration motivation and individualized consideration as they influence performance positively. The study established an optimal model which indicated that organization structure, information technology; dynamic capability and leadership characteristics have a significant influence on firm performance.

5.6 Areas for Further Research

Further studies can be done to establish the influence of strategic contingency factors on performance of firms in other sectors other than manufacturing firms in Kenya. A study can also be done to establish other factors that influence performance of large manufacturing firms other than strategic contingency factors. The results indicated that strategic contingency factors explain 27% of the changes in performance of large manufacturing firms in Kenya. This implies that the remaining 73% of the change in performance of large manufacturing firms is explained by other factors not investigated in the current study. A study can be conducted in future to establish the other factors.

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