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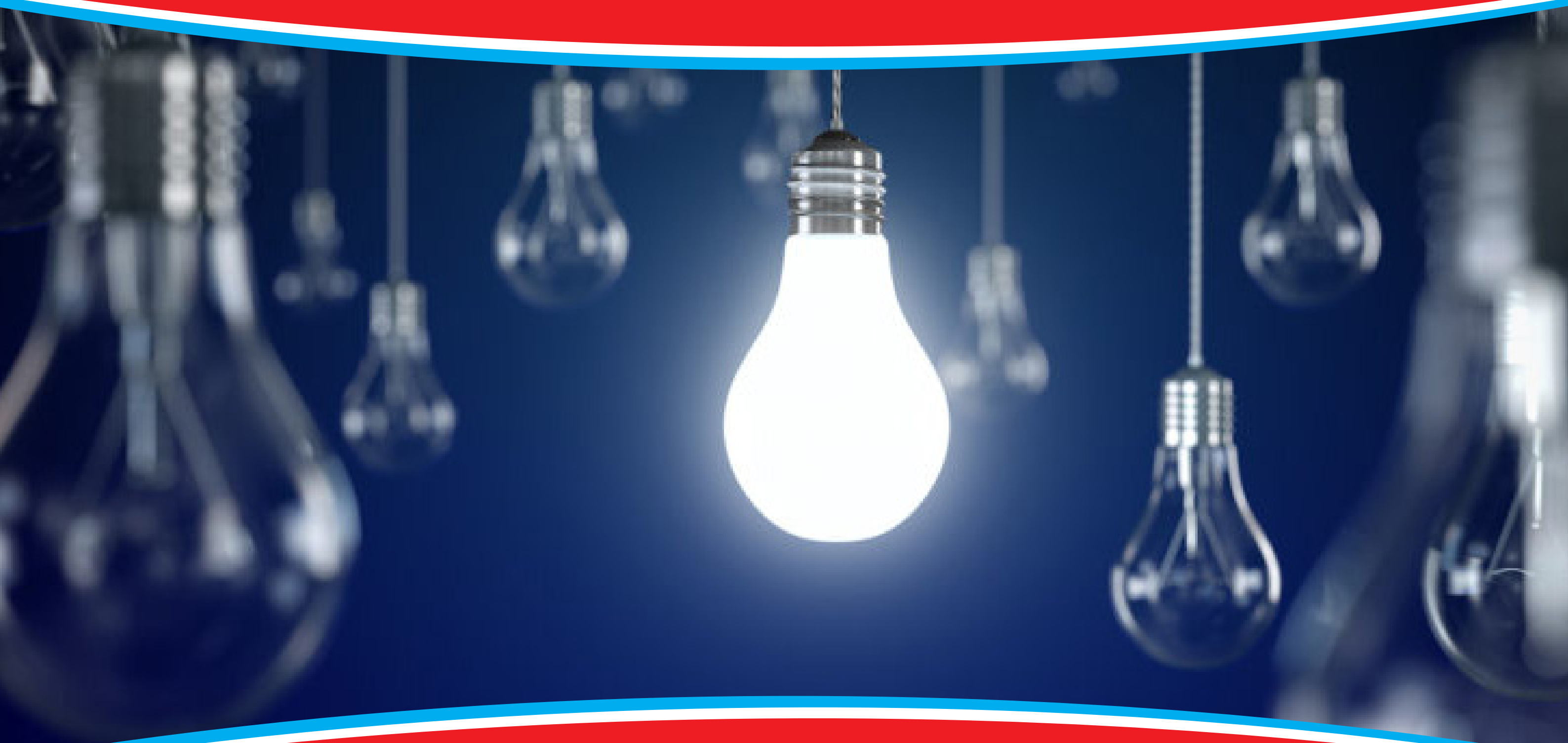

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The Effect Of Servicescape On Sales In The Hotel Industry (A Case Study Of Nairobi Serena Hotel)

[1]Mathiu Josphine Mwendwa

ABSTRACT

The purpose of this study was to analyze the effect of services cape on sales in the hotel industry. Methodology: The study used a descriptive sectional research design. The target population was 200 employees in Nairobi Serena hotel. A sample size of 50 employees was taken. The data collection instrument was a questionnaire. The data was analyzed using descriptive statistics such as means and frequencies. The data analysis tool was statistical package for social sciences (SPSS) version 17. The data was presented using bars and charts. Findings indicated that facility aesthetic features of the hotel had a positive effect on sales. This was evident because majority of the respondents agreed with the statements that the presence of marbled wall decorations have led to an increase in sales volumes, presence of artifacts have led to an increase in sales volumes, the presence of pictures have led to an increase in sales volume, the presence of signage have led to an increase in sales volume and the presence of good facility upkeep and cleanliness have led to an increase in sales volume. Results further indicated that ambient condition of the hotel had a positive effect on sales in the hotel industry. This was evidenced by majority of the respondents agreeing with the statements that the low noise level of the hotels has led to an increase in sales, the soothing music of the hotel has led to an increase in sales, the comfortable temperature of the hotel has led to an increase in sales, and the ambient/nice scent of the hotel has led to an increase in sales. The study findings also indicated that majority of the respondents agreed with the statements that the furnishings of the hotel have led to an increase in sales, the spacious layout/ space of the hotel has led to an increase in sales, the neat seat arrangement of the hotel have led to an increase in sales, adequate car parking space of the hotel has led to an increase in sales, and the comfortable chairs of the hotel have led to an increase in sales. From study findings, it is recommended that all employees be trained on the importance of facility aesthetic and their maintenance so that the sales volume could be increased. The study recommended that the management to work on the conditions of the hotel so that both the employees and the customers can be comfortable and hence referrals to other people thus increased sales. The study findings recommended that the management ensures that the hotel is spacious, comfortable seats and good furnishings to attract customers thus increased sales. The study also recommended that future studies should also investigate whether there is a difference in the effect of services capes between no star, one star, 2 star, 3 star, 4star and 5 star hotels. Further studies recommended on the effect of facility aesthetic, ambient condition and spatial layout on product and manufacturing companies should be carried out.

Keywords: facility aesthetic, ambient condition, spatial layout, hotel industry

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1.0 INTRODUCTION

Servicescape is the built environment or physical aspect of a consumption setting and comprises of dimensions such as ambient condition, partial functions (Bitner, 1992). Hotel services cape may provide indications about hotels capability and quality even before the consumer chooses the hotel (Bitner, 1992). Because of this firsthand experience the hotel servicescape may have a strong impact on a consumer perception of the service experience (Hoffman *et al*., 2003). The overall satisfaction with servicescape influences the intention of the customers to return (Johnson et al., 2004). This in the long run improves sales. A large and growing literature in environmental psychology has also shown that the built environment has much significance influence on human psychology and behavior (Darley, 1985; Holahan, 1986).

Research in the service industry has also shown that there is a strong correlation between customer satisfaction and intention of returning to the same service provider (Woodside et al. 1989; Rust and Zahorik, 1993), and that satisfied customers' brand loyalty has a positive impact on business (Reichheld and Sasser, 1990).

In USA, restaurant industry has employed 12.5 million people (kinclaid *et al.,* 2010). In Kenya hotel industry forms a small percent of modern employment in the tourism industry (sindige 1994). Most international tourists (87%) stay in high hotels that are 3 star to 5 star hotels (Akama et al. 2007). In 2007, hospitality sector catered for 509,000 jobs which is ten percent (10%) of total employment in Kenya (Kuria et al, 2011).

Hotel industry has contributed indirectly to the growth of tourism industry since provision of better hotel facilities attract tourists to come to Kenya. Labour cost is one of the largest single expenses item for hospitality(Jin-Zhao et al. 2009). The managers must seek ways of reducing labour cost and one way is to operate the hotels efficiently without compromising the standards.

Stiff competition from other operators has reduced the profits generated and hotels must come up with strategies to increase the sales turnover. (Jin-Zhao *et al.*, 2009) Lack of skilled work force has posed challenges to hotel industry (Kamau, 2012). Aging accommodation is another problem facing hotel industry and hotels are therefore supposed to renovate their establishments regularly to meet international standards (World Bank report 2010). Hotel industry must employ latest technology such as ecommerce and online booking to have edge advantage (Rhodes 2012). Usage of Internet and computers are necessary for effective running of the industry.

Statement of the Problem

Servicescape also referred to as the service environment relates to the style and appearance of the physical environment and other experimental elements encountered by customers at service delivery site (Lovelock,1984). Customers will often make patronage decisions based on a firm's physical environment. The environment around individuals solicits one of two behaviors: approach or avoidance (Mehrabian & Russell, 1974). Approach behaviors are the desire to stay, explore, and willingness to return to business for future purchases. In contrast, customer avoidance behaviors include not wanting to spend time in a business and not wanting to patronize it in the future.

The hotel owners have been focusing on the menu and have given little attention on the dimensions of physical environment as classified by Bitner (1992) which may have a long term effect on sales. A recent report by the national restaurant Association (2006) revealed that 54 percent of quick service food operators were dedicating a higher portion of their budget to remodeling in order to attract customers and were focusing on the tangible qualities of their restaurants, hotels. Not only can

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physical environment play an important role in providing cues about the expected level of service but also can affect the actual delivery of the service (Rust, Zahorik, & Keiningham, 1995). The physical environment of a service facility may also affect the ease with which customers accomplish their service objectives. The main reason why hotels fail to grow includes poor designing and specification of the service environment.

Pertinent literature on servicescape has demonstrated that service industries, in general and hotels in particular, operate in environments characterized by increased need for designing servicescape to achieve the desired effects inorder to create and sustain competitive advantages. Service industries therefore, need to be cognizant of the overall effects of servicescape.

There are a few studies (Hoffman *et al.,* 2003; Lovelock, 1984) dealing with servicescape and customer perception. However, none of them directly addresses the subject of the effect of the servicescape on sales in the hotel industry. Given that the servicescape designing is a key success factor in the service industry, it should be studied and documented. No study exists on the effect of servicescape on the sales of Nairobi Serena Hotel. This study therefore sought to investigate the effect of servicescape on sales in the Nairobi Serena Hotel.

Study Objectives

1. To determine the effect of facility aesthetic on sales in the hotel industry.
2. To analyse the effect of ambient condition on sales in the hotel industry in Kenya.
3. To assess the effect of spatial layout on sales in the hotel industry.

2.0 LITERATURE REVIEW

Theoretical Literature Review

Lovelock (1984) defines servicecape as the style and appearance of the physical surroundings and other experimental elements encounted by customer at service delivery sites. Bitner (1992) refers to the physical environment in service firms as servicecape and classifies it into three dimensions– (a) ambient conditions,(b) spatial layout and functionality, and (c) signs, symbols, and artifacts. Bitner (1992) further argued that "the servicescape has a facilitator role by either aiding or hindering the ability of customers to carry out their respective activities" (p. 67).

In high contact services, physical service environment plays a key role in shaping the service experience and enhancing or undermining customer satisfaction. Organization from hospitals to hotels and from restaurants to professional firms have come to recognize that the service environment is an important component of their marketing and overall value proposition. According to Lovelock (1984) service environment communicates and determine the positioning of the service, shape employees as well as customer productivity, guide customers through the delivery system and may represent a core component of a firms search for competitive advantage. For example, some elements of servicescape such as process technology and layout may decrease customer search time, improve processing efficiency, increase service consistency and reliability, and facilitate customer orientation within the service delivery system (Bitner, 1992; Chase & Hayes, 1991; Chase & Bowen, 1991). Mehrabian. Russel – stitulus – response model hold that the environments, its conscious and unconscious perception and interpretation influence how people feel in that environment. People's feelings in turn drive their responses to that environment.

Rusell's model of affect suggest that emotional responses to environment can be described along two main dimensions, pleasure and arousal. Pleasure is a direct subjective response to the environment depending on how much the individual likes or dislikes the environment. Arousal refers to how stimulated the individual feels ranging from deep sleep to highest level in the blood stream. The arousal quality is much less subjective that it's please quality.

If the environment is pleasant, increasing arousal can generate excitement leading to stronger positive consumer response. When customers have a strong affective expectations it is important that the environment be designed feel during the service encounter is an important driver of loyalty. Positive affect drives hedonic shopping value which in turn increases reported purchasing behaviour thus increasing sales. It is also important that the environment be designed to match with the customer expectations (Lovelock 1984)

Conceptualization

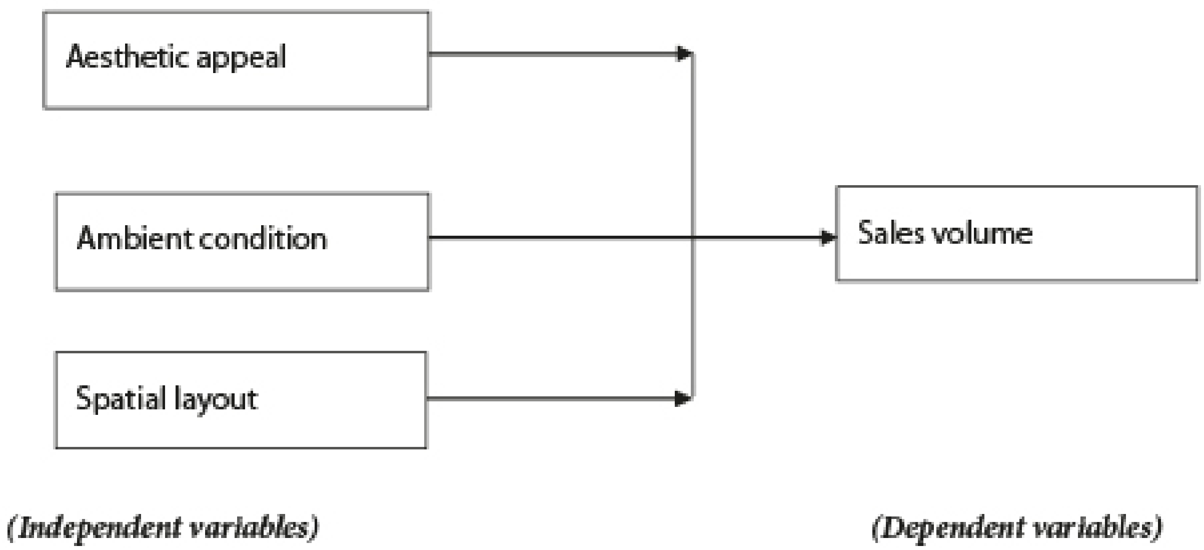

Figure 1: Conceptual framework

3.0 RESEARCH METHODOLOGY

The study used a descriptive sectional research design. The target population was 200 employees in Nairobi Serena hotel. A sample size of 50 employees was taken. The data collection instrument was a questionnaire. The data was analyzed using descriptive statistics such as means and frequencies. The data analysis tool was statistical package for social sciences (SPSS) version 17. The data was presented using bars and charts.

4.0 RESULTS AND DISCUSSIONS

Demographics

A total of 45 responses/Questionnaires were received out of a possible 50 Questionnaires. This is a response rate of 90% of the total sampled respondents. According to Mugenda and Mugenda (2003) a sample size of more than 50% is ideal for data analysis.

Age of the Respondents

The respondents were aked to indicate their ages and results are presented in figure 2.

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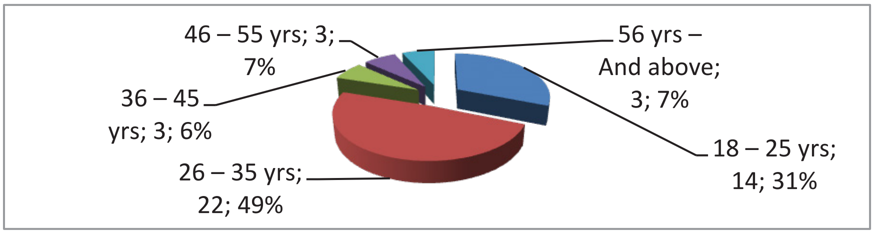

Figure 2: Age of the Respondents

Results in figure 2 revealed that 49% of the respondents indicated that they were between 26- 35 years of age, 31% of the respondents indicated that they were between 18- 25 years of age, while 7% of the respondents indicated between 46- 55 years, another 7% of the respondents indicated 56 years and above and 6% of the respondents indicated 36- 45 years of age.

The findings imply that most of the respondents working in the hotel industry are enjoying their youth.

4.2 Effect of Facility Aesthetic on Sales

The respondents were requested to rate the effect that facility aesthetics has on sales. The resulsts are presnted in figure 3

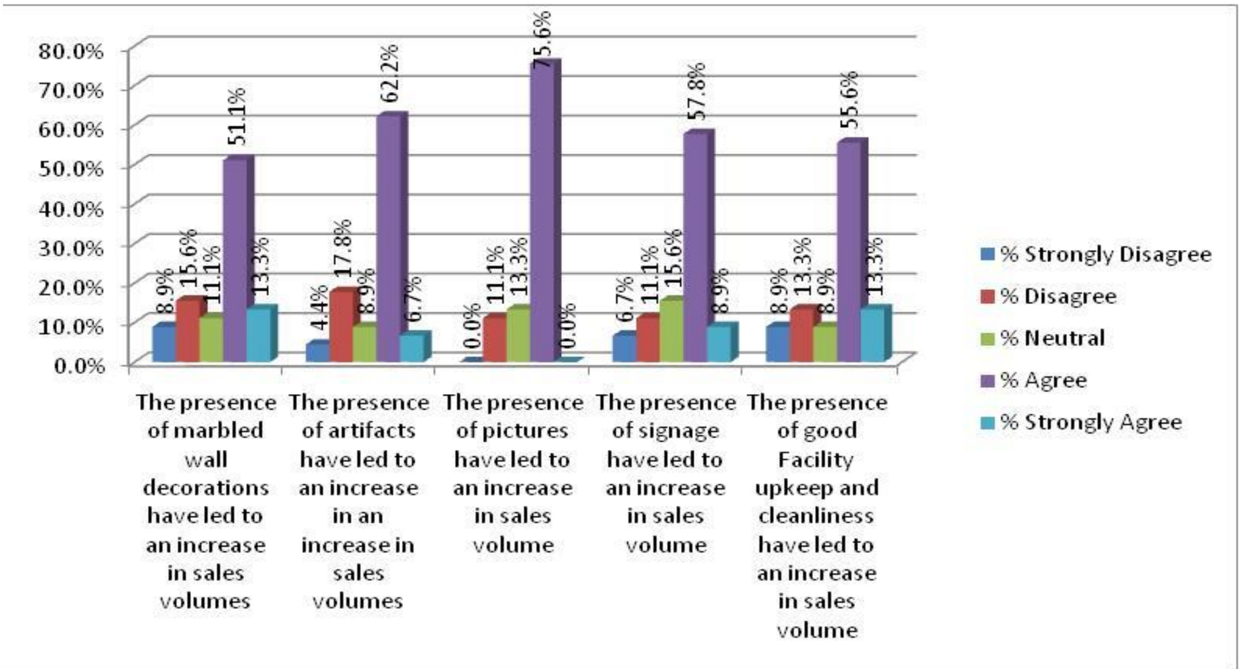

Figure 3: Response on the Effect of Facility Aesthetic on Sales

Results in figure 3 indicated that 51.1% of the respondents agreed while another 13.3% strongly agreed bringing to a total of (64.4%) agreed with the statement that the presence of marbled wall decorations have led to an increase in sales volumes, while 15.6% of the respondents disagreed, 8.9% of the respondents strongly disagreed and 11.1% of the respondents were neutral.

The findings also indicated that 62.2% of the respondents agreed and another 6.7% strongly agreed bringing to a total of (68.9%) of those who agreed with the statement the presence of artifacts have led to an increase in an increase in sales volumes.

The findings further revealed that 75.6% of the respondents agreed with the statement that the presence of pictures have led to an increase in sales volume, while 13.3% of the respondents were neutral and 11.1% of the respondents disagreed with the statement.

In addition, the study findings indicated that 57.8% of the respondents agreed and another 8.9% strongly agreed bringing to a total of (66.7%) of those who agreed with the statement the presence of signage have led to an increase in sales volume, while 15.6% were neutral, 11.1% of the respondents disagreed and 6.7% strongly disagreed with the statement.

Finally, the findings indicated that 55.6% of the respondents agreed and another 13.3% strongly agreed bringing to a total of (68.9%) of those who agreed with the statement that the presence of good facility upkeep and cleanliness have led to an increase in sales volume, while 13.3% of the respondents disagreed, 8.9% were neutral and 8.9% of the respondents strongly disagreed with the statement. The finding simply that marbel walls have led to an increase in sales volumes that the presence of artifacts has led to an increase in sales volumes.

The results agree with those in Wakefield & Blodgett (1994), and Mano & Oliver (1993) who noted that facility aesthetics can be a critical aspect of attracting and maintaining customers to a restaurant. Not only it can influences consumer traffic to a restaurant, but it can also affects the revenue of restaurant.

Extent of Effects on sales

The respondents were requested to rate the extent of effect that facility aesthetics has on sales. The resulsts are presnted in figure 4.

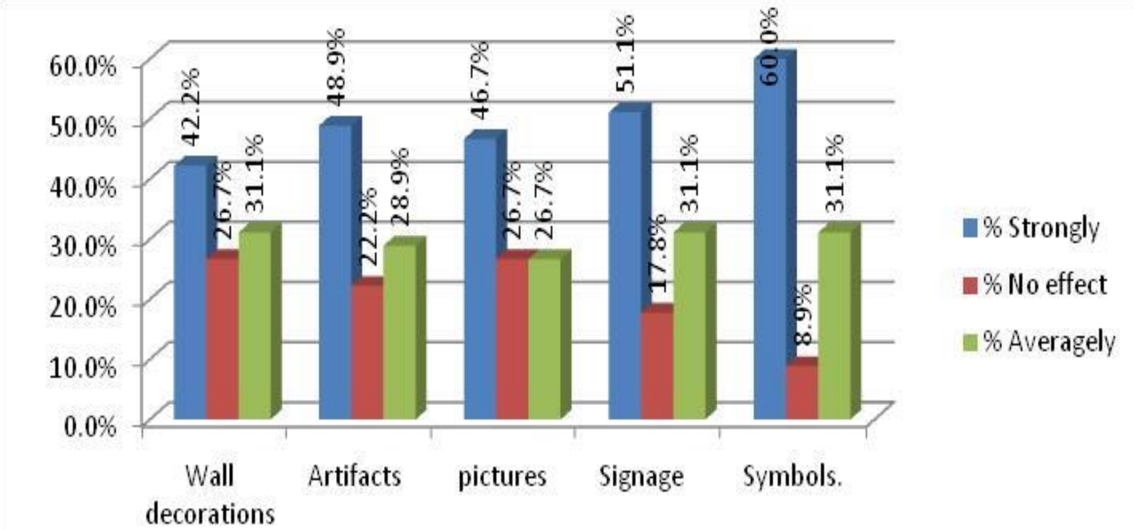

Figure 4: Extent of Effects on sales

As illustrated in table and figure 4, the findings indicated that 42.2% of the respondents indicated that wall decorations affect the extent of sales strongly, while 31.1% of the respondents indicated averagely and 26.7% indicated that wall decorations had no effect on sales of the hotel. The findings also indicated that 48.9% of the respondents indicated that artifacts affect the extent of sales strongly, while 28.9% of the respondents indicated averagely and 22.2% indicated that artifacts had no effect on sales of the hotel. In addition, 46.7% of the respondents indicated that pictures affect the extent of sales strongly, while 26.7% of the respondents indicated averagely and another 26.7% indicated that pictures had no effect on sales of the hotel.

Furthermore, the study findings indicated that 51.1% of the respondents indicated that signaage affect the extent of sales strongly, on sales of the hotel. Finally, results in figure 4.6 revealed that 60% of the respondents indicated that symbols affect the extent of sales strongly, while 31.1% of the respondents indicated averagely and 8.9% indicated that symbols had no effect on sales of the hotel.

The findings imply that the effect of waled decorations, artifacts,vpictures, signals and symbols strongly affect sales.

The findings agree with those in Berry & Wall (2007) who noted that a lot of restaurants recognize and utilize facility aesthetics to capture specific customers. The authors note that it can play as an important marketing tool by affecting customer responses such as attitudes, emotions, price perception, value, satisfaction, and behavior.

Effect of Ambient Condition on sales

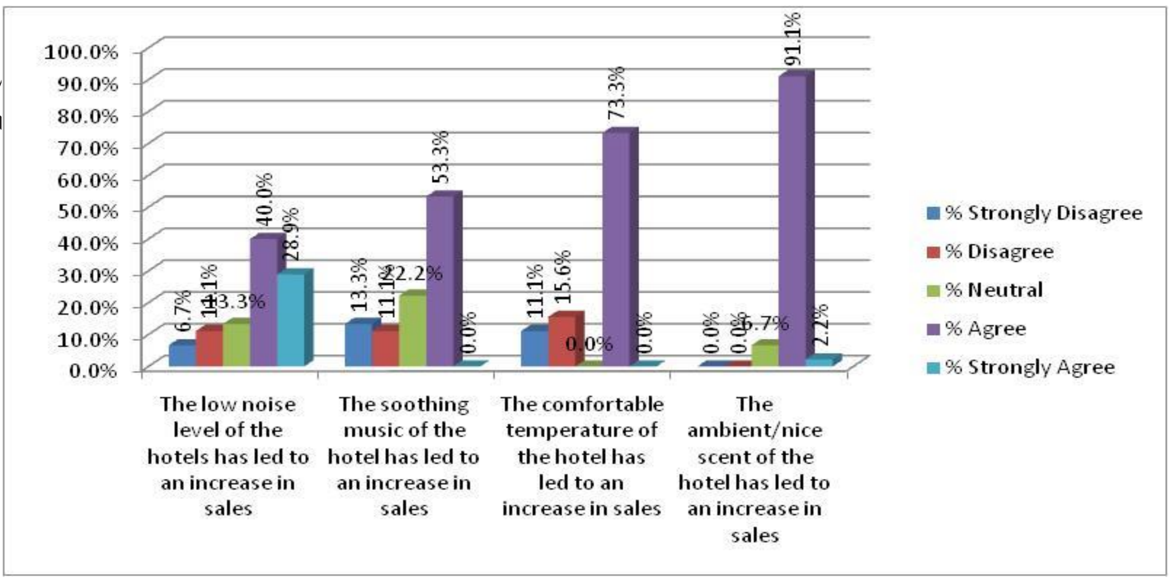

Figure 5: Effect of Ambient Condition on sales

Results in figure 5 indicated that 40% of the respondents agreed while another 28.9% strongly agreed bringing to a total of (68.9%) of those who agreed with the statement that the low noise level of the hotels has led to an increase in sales, while 14.1% of the respondents disagreed, 6.7% of the respondents strongly disagreed and 3.3% of the respondents were neutral. The findings also indicated that 53.3% of the respondents agreed with the statement that the soothing music of the hotel has led to an increase in sales, while 11.1% of the respondents disagreed and 13.3% strongly disagreed with the statement.

The findings further revealed that 73.3% of the respondents agreed with the statement that the comfortable temperature of the hotel has led to an increase in sales, while 15.6% of the respondents disagreed and 11.1% of the respondents strongly disagreed with the statement.

In addition, the study findings indicated that 91.1% of the respondents agreed and another 2.2% strongly agreed bringing to a total of (93.3%) of those who agreed with the statement the ambient/nice scent of the hotel has led to an increase in sales, while 15.6% were neutral.

None of the respondents disagreed and strongly disagreed with the statement. The findings imply that low noise level, ambient/nice scent, comfortable temperature and soothing music of the hotels leads to an increase in sales

The findings agree with those in Annemiek (2007) who noted that cool colors are favored when consumers need time to make high-involvement purchases. The findings also agree with those in Sullivan and Adcock (2002) who show that colour can be used to improve mood and direct emotions and to increase arousal and excitement. It can be seen to have both physiological and psychological effect on an individual. The findings further compare well with those in Countryman and Jang (2006) who found that colors that are bright and highly saturated tend to produce pleasant feelings.

Extent of Effect on sales

The respondents were requested to rate the extent that ambience conditions has on sales. The resulsts are presnted in figure 6

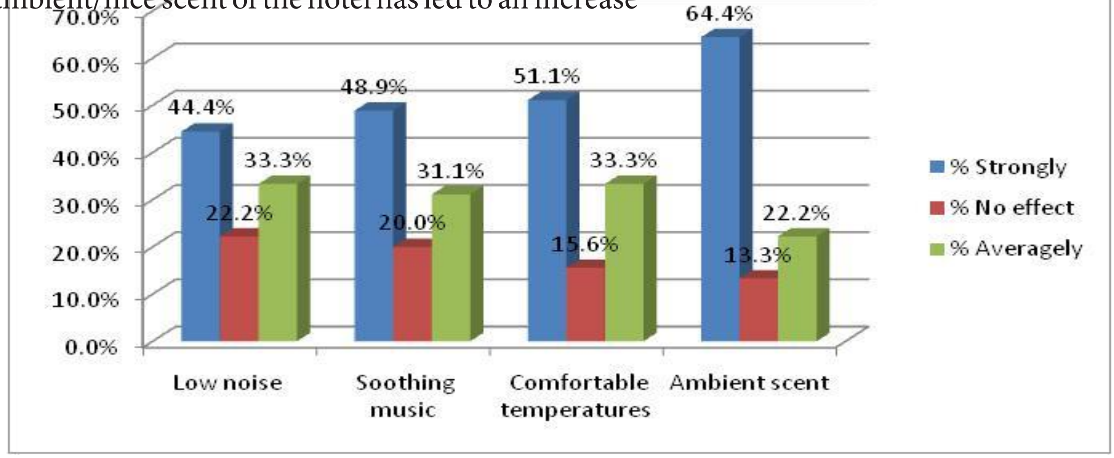

Figure 6: Extent of Effect on sales

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As illustrated in figure 6, the findings indicated that 44.4% of the respondents indicated that low noise level affect the extent of sales strongly, while 33.3% of the respondents indicated averagely and 22.2% indicated that low noise level had no effect on sales of the hotel. The findings also indicated that 48.9% of the respondents indicated that soothing music affect the extent of sales strongly, while 31.1% of the respondents indicated averagely and 20% indicated that soothing music had no effect on sales of the hotel. In addition, majority 51.1% of the respondents indicated that comfortable temperatures affect the extent of sales strongly, while 33.3% of the respondents indicated averagely and 15.6% indicated that comfortable temperatures had no effect on sales of the hotel.

Finally, the study findings indicated that 64.4% of the respondents indicated that ambient scent affect the extent of sales strongly, while 22.2% of the respondents indicated averagely and 13.3% indicated that ambient scent had no effect on sales of the hotel. The findings imply that low noise level, soothing music, comfortable temperatures and ambient scent affects the extent of sales strongly.

The findings agree with those in Morin, Dube and Chebat (2007) who noted that that the presence of music in a service environment changes the ambience in that environment.

Hence music is considered an efficient and effective means for triggering moods and communicating non-verbally Even if played at barely audible volumes, music can have a powerful effect on perception behaviours in service settings.

The findings also agree with those in Kurtz & Clow (1998), Newman & Cullen (2002) a who note that ambient conditions affect spectators physiologically, cognitively or affectively. If the temperature is too hot or too cold, customers will feel uncomfortable.

The finding also agree with those in Hoffman and Bateson (2006) who note that lightning is an important element of a stores interior and exterior design and creates a favourable first impression of the store and its surroundings Lighting can set the mood, tone and pace of the service encounter. Customers talk more softly when the lights are low, the service environment is considered formal hence, and pace of movement becomes slow

Effect of Spatial Layout on Sales

The respondents were requested to rate the effect that spatila layout has on sales. The resulsts are presnted in figure 7.

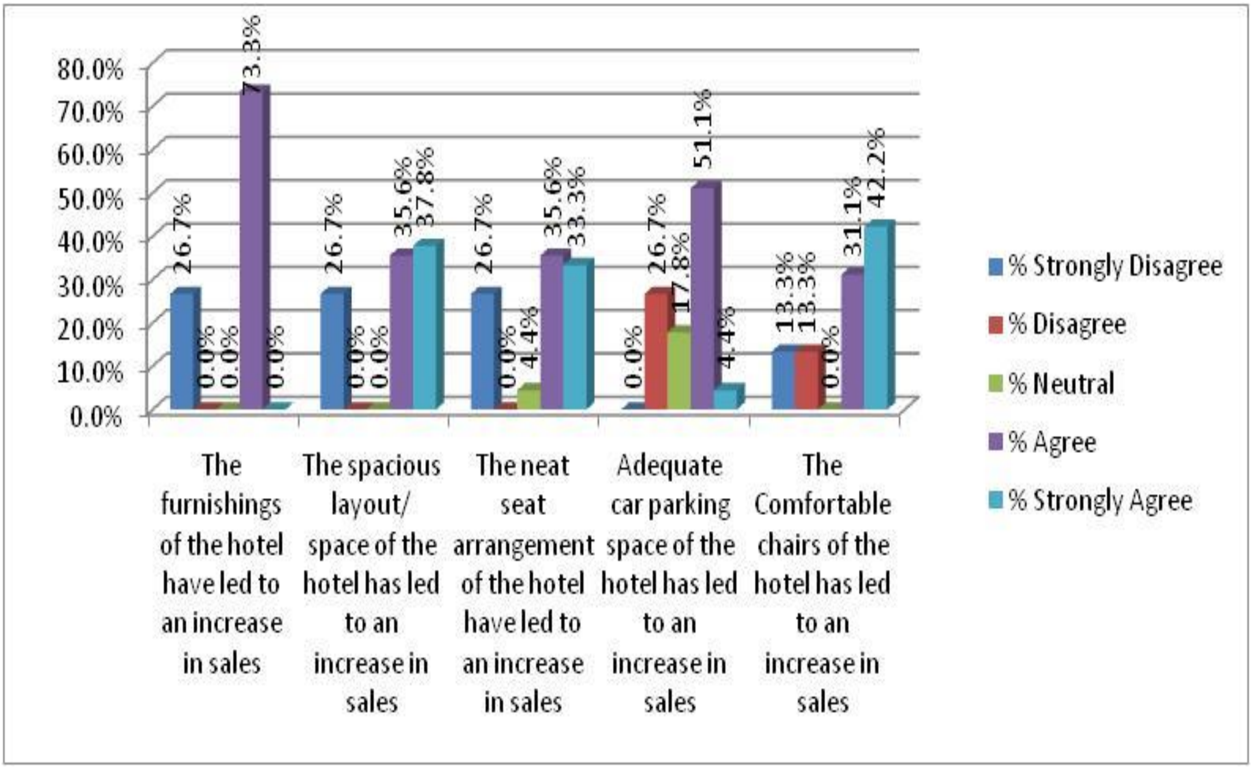

Figure 7: Effect of Spatial Layout on Sales

Results in figure 7 indicated that 73.3% of the respondents agreed with the statement that the furnishings of the hotel have led to an increase in sales, while 14.1% of the respondents disagreed, 6.7% of the respondents strongly disagreed and 3.3% of the respondents were neutral.

The findings further revealed that 37.8% of the respondents strongly agreed and another 35.6% agreed bringing to a total (73.4%) of those who agreed with the statement that the spacious layout/ space of the hotel has led to an increase in sales, while 26.6% of the respondents strongly disagreed with the statement.

The findings also indicated that 35.6% of the respondents agreed and another 33.3% strongly agreed bringing to a total of (68.9%) of those who agreed with the statement that the neat seat arrangement of the hotel have led to an increase in sales, while 26.7% of the respondents strongly disagreed with the statement.

In addition, the study findings indicated that 51.1% of the respondents agreed and another 4.4% strongly agreed bringing to a total of (55.5%) of those who agreed with the statement that adequate car parking space of the hotel has led to an increase in sales, while 17.8% were neutral and 26.7% disagreed with the statement.

Finally, the study findings indicated that 42.2% of the respondents strongly agreed and another 31.1% agreed bringing to a total of (74.3%) of those who

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agreed with the statement that the Comfortable chairs of the hotel has led to an increase in sales, while 13.3% of the respondents strongly disagreed and another 13.3% disagreed with the statement. The findings imply that furnishings of the hotel, spacious layout, neat seat arrangement, adequate car parking and comfortable chairs lead to an increase in sales.

The findings agree with those in Rutes *et al.* (2001) who noted that a private setting such as a hotel guestroom has a greater influence on guests' overall hotel experience than a public setting. The author also noted that the best hotel design organizations emphasize the importance of creating a residential feel. The author also notes that the overall layout and design of a hotel lobby must provide guest circulation from the entrance to the front desk to elevators in a logical and convenient fashion.

The results also agree with those in Milgram (1970) who posits that under high density conditions an individual is likely to experience information overload when the rate and amount of environmental stimuli exceeds his/her capacity to cope with them. Feelings of being confined, out of control and constrained are the result of this information overload.

Extent of Effect on sales

The respondents were requested to rate the extent of effect that spatial layout has on sales. The resulsts are presented in figure 8.

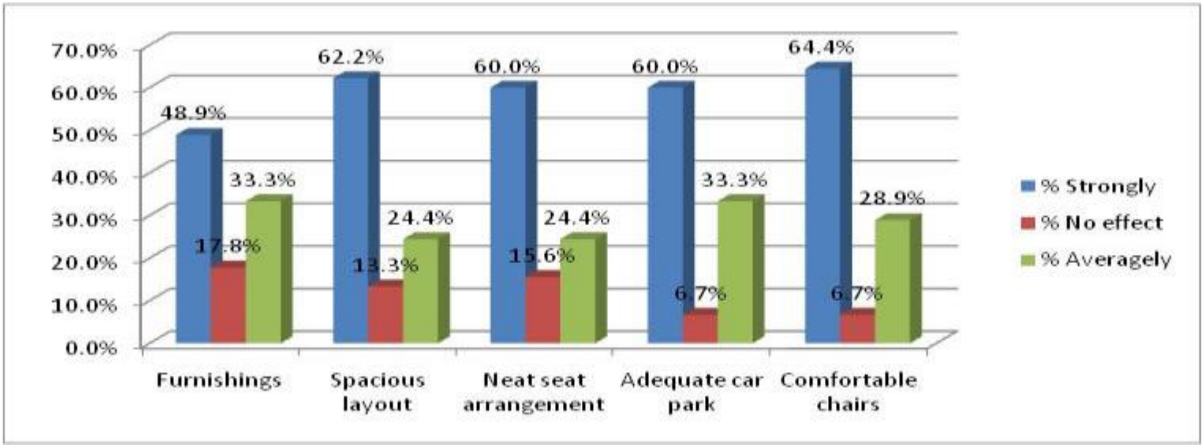

Figure 8: Extent of Effect on sales

As illustrated in figure 8, the findings indicated that 48.9% of the respondents indicated that furnishings affect the extent of sales strongly, while 33.3% of the respondents indicated averagely and 17.8% indicated that furnishins had no effect on sales of the hotel. The findings also indicated that 62.2% of the respondents indicated that spacious layout affect the extent of sales strongly, while 24.4% of the respondents indicated averagely and 13.3% indicated that spacious layout had no effect on sales of the hotel. In addition, 60% of the respondents indicated that neat seat arrangement affect the extent of sales strongly, while 24.4% of the respondents indicated averagely and 15.6% indicated that neat seat arrangement had no effect on sales of the hotel.

Furthermore, the study findings indicated that 60% of the respondents indicated that adequate car park affect the extent of sales strongly, while 33.3% of the respondents indicated averagely and 6.7% indicated that adequate car park had no effect on sales of the hotel. Finally, the study findings indicated that 64.4% of the respondents indicated that comfortable chairs affect the extent of sales strongly, while 28.9% of the respondents indicated averagely and 6.7% indicated that comfortable chairs had no effect on sales of the hotel.

The findings imply that furnishings, spacious layout, adequate car park, neat seat arrangement and comfortable chairs strongly affect the extent of effect on sales.

The findings agree with those in Machleit, Eroglu and Mantel (2000) who notes that perceived crowding in a retail environment has received considerable research interest. The findings also agree with those in Eroglu & Machleit (1990) who noted that the level of crowding perceived by a shopper can affect patronage decisions as well as satisfaction with the overall shopping experience.

5.0 Summary of Findings

Results indicated that facility aesthetic features of the hotel had a positive effect on sales. Results further indicated that ambient condition of the hotel had a positive effect on sales in the hotel industry

The study findings also indicated that majority of the respondents agreed and strongly agreed with the statements that the furnishings of the hotel have led to an increase in sales, the spacious layout/ space of the hotel has led to an increase in sales, the neat seat arrangement of the hotel have led to an increase in sales, adequate car parking space of the hotel has led to an increase in sales, and the comfortable chairs of the hotel has led to an increase in sales

6.0 Recommendations

The study findings, recommendeds that all employees be trained on the importance of facility aesthetic and their maintenance so that the sales volume could be increased. The study also recommends that the management to work on the conditions of the hotel so that both the employees and the customers can be comfortable and hence referrals to other people thus increased sales. The study findings recommended that the management ensures that the hotel is spacious, comfortable seats and good furnishings to attract customers thus increased sales.

The study also recommends future studies should also investigate whether there is a difference in the effect of services capes between no star, one star, 2 star, 3 star, 4star and 5 star hotels. Further studies on the effect of facility aesthetic, ambient condition and spatial layout on product and manufacturing companies should be carried out.

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Effect Of Selected Factors Of A Firm On Initial Public Offer Pricing In Kenya

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ABSTRACT

The purpose of this study was to analyse the effect of selected factors of a firm on IPO pricing in Kenya. This study adopted a descriptive design. This descriptive research design was preferred because the study needed to establish the effect of selected factors of a firm on IPO pricing in Kenya. The study targeted a population of all the 56 firms listed at the Nairobi Security Exchange as at 31.12.2011. A census methodology of the 56 firms was used. Secondary data relating to IPO pricing, post IPO ownership and retention, firm size, board composition and age of firm was also collected. SPSS version 17 was used to produce frequencies, descriptive and inferential statistics. Results indicated that Post-IPO ownership retention played a role in valuation process of IPO. Results revealed that firm size had a significant impact on IPO price. The findings also indicated that board composition positively affected the IPO price. In addition, both the age of the firm and past earnings have a positive effect on IPO price. Since Post-IPO ownership retention played a role in valuation process of IPO, firms should adopt this policy.

Keywords: Initial Public Offering: Post IPO ownership retention, Age of the Firm, Firm size, Board Composition

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1.0 INTRODUCTION

An alternative for a short-term investment, IPO return is one of the most attractive investments in every stock market because IPO has a large portion to invest, the average of its return is quite high and there is no tax for the initial return of IPO. However, its risks are also there and that causes many researches go through IPO topics. Initial Public Offerings (IPO) involve problems regarding price discovery due to uncertainties regarding aggregate demand and the quality of the issuer. Bensveniste and Spindt (1989) posit that issuers can feign themselves to investors as high eminence than they are. Derrien (2005) agrees that pricing of IPOs is a daunting task due to obscurity of discovering an appropriate comparable firm.

The Initial Public Offering (IPO) literature has documented dramatic fluctuations in IPO activity over time (e.g. Ibbotson and Jaffe, 1975, Ritter 1984, and Lowry and Schwert 2002). A common explanation for the fluctuations is that firms time their offerings to take advantage of high market valuations, whether such valuations are rational or otherwise. A firm that decides to tap the public market for the first time faces significant uncertainty at the time of the decision regarding how investors will receive its offering. The firm files with the SEC and engages an underwriter to "discover" investor interest and determine the offer price. The firm then sells shares and goes public only if the price-discovery effort yields an acceptable offer price. The ability to "test the waters" or "roll the dice" and then conditionally sell shares is tantamount to the firm having a "call" option on the uncertain offer price. Filing for an IPO and engaging an underwriter creates this call option, while selling shares if price discovery yields a high offer price amounts to exercising the option (Busaba, 2006).

The factors that have been identified in literature that affect IPO pricing include Post-IPO ownership retention. Ofek and Richardson (2001) show a positive relationship between IPO values and post-IPO ownership retention using a downward sloping demand curves for IPO shares. Firm Size also affects IPO pricing. Extant research shows that firm size has a significant impact on IPO pricing. Ritter (1984) argue that larger firms are easier to value because of ease of forecasting cash flows. Board Composition also affects IPO pricing. Following the bankruptcy of Enron in 2001, the effectiveness of board of directors has become a debatable issue. According to Gillan and Martin (2007) the bankruptcy of Enron was as a result of failure by the firm's board to understand risks associated with the firm's strategy coupled with conflicts of interests to execute their role as monitors. Age of the Firm affects IPO pricing. IPO firms are subject to uncertainties regarding quality of the firm because of missing track record and lack of public scrutiny. Past Earnings affect IPO pricing. A number of recent U.S. studies have documented an apparent tendency of IPOs to underperform in the long run. Ritter (1991) finds that over a three-year horizon after the offering, U.S. IPOs underperform on average by 29% relative to comparable firms.

Tran and Jeon (2011), studying the US market, found that a relationship between IPO activities and macroeconomic conditions existed. Empirical studies show that stock market performance and volatility were the most crucial factors affecting the timing of IPOS. While the Fed funds rate and the 10-year US Treasury Bond (TB) yield play a significant role in determining the amount of proceeds raised in these IPOs. They found that stock market performance as a factor dominated all others in explaining the timing of going public. The reason was that when the stock market was performing well, there would be a higher probability of being able to attract investors and thus also lead to higher stock returns. Entrepreneurs took advantage of better stock market performance to bring their company public due to this fact. For example, a study by Daily (2005) shows that more than 773 firms went public in the United States between 1996 and 1997.
In the Stock Exchange of Thailand, after the post crisis period in 1997, the annual IPO volume dropped to almost zero issue for a few years. SET

then implemented new regulation and procedure to control all listed and will be listed firms and also pursued them to enhance corporate governance. By 2004, the rate of stock listing increased to almost one in a week, with an average initial return of 14.91%. The Securities Exchange Commission (SEC) of Thailand in the past, before the year 2000, required the future performance and forecasts of a firm's future profits to be published in the IPO's prospectus mostly in the same way as other stock markets do. This information is one of the factors that affect the IPO initial return (Ravi and Michael, 2003).

The process of raising capital through Initial public offering in Kenya is regulated by the Capital Markets Authority, an independent agency established by an Act of Parliament Cap 485 under the ministry of Finance. The number of firms in Kenya seeking to use IPOs to raise capital has been on an increasing trend. Between 1980 and 1999 only twelve firms were listed in Nairobi Securities Exchange four of which were part of the government privatization process of the parastatals (Ngugi & Njiru, 2005).

Statement of the Problem

The environment of the stock market in Kenya changed considerably in the late 1970s and especially in the 1980s & 90s when it moved from over reliance on the T-bills as the only vehicle of investment to the stock market when the Kenyan Government realized and embraced the need to design and implement policy reforms to foster sustainable economic development with an efficient and stable financial system.

This spurred increased activity at the NSE leading to a dramatic increase towards more active stock portfolio management, encouraging substantially more dispersed performance by stock portfolio managers and investors. The dispersion in turn created a demand for techniques that would help investors evaluate the performance of investors and portfolio managers. The question now is what models is to be used for the above purpose? What are the factors for inclusion on estimating the IPO Pricing? And how will this model be subsequently used to evaluate IPO stocks performance in Kenya? Several Models have been advanced that can guide an investor to evaluate the determinants of IPO prices. Bhole and Mahakud, 2009, Chau, 2012) advocated for the use of the Capital Asset Pricing Model (CAPM). Fama and French, 2004; Artmann, Fitner and Kempf, 2010 suggest that the Inter Temporal Capital Asset Pricing Model (ICAMP) is superior to the Capital Asset Pricing Model (CAPM).

Still, the debate on the best way to select factors is not over as empirical studies Jiranyakul, (2009); Wang, Meric, Liu, and Meric, (2010) have advanced the Abitrage Pricing Model (APT) as a superior approach to selecting the factors that influence IPO pricing. The large number of empirical studies that continue to experiment on factors in order to yield the most superior model indicates that the debate on the best approach is far from over. The research gap of this study is centred on the lack of conclusiveness of the debate on what factors should be included in a predictive model for IPO stocks. In addition, there is a paucity of studies in African economies and majority of studies seems to concentrate on stock markets in developed and emerging economies.

A solution in the form of a predictive model will come in handy to help investors, and investment managers, arrive at a decision on whether or not to invest in shares on offer through the IPO.This study therefore seeks to identify the extent to which the selected factors affect the IPO price and thus help all the stakeholders in identifying whether the stock is under priced or overpriced.

Specific Objectives

In order to achieve the above objective, the study was guided by the following specific objectives:

i) To determine the effect of post IPO ownership retention of a firm on IPO pricing in Kenya.

ii) To determine the effect of the size of the IPO firm on its pricing in Kenya.

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iii) To determine the effect of a firm's board composition on the pricing of IPO in Kenya.
iv) To determine effect of age of the firm on IPO pricing in Kenya.
v) To determine the effect of a firm's past earnings on IPO pricing in Kenya.

2.0 LITERATURE REVIEW

Theoretical Literature Review

The Prospect theory

The theory was developed by Kahneman and Tversky in 1979. It describes how people choose between probabilistic alternatives and evaluate potential losses and gains. The theory is a behavioural economic theory that describes decisions between alternatives that involve risk, where the probabilities of outcomes are known. The theory says that people make decisions based on the potential value of losses and gains rather than the final outcome, and that people evaluate these losses and gains using interesting heuristics. This theory is descriptive as it tries to model real-life choices, rather than optimal decisions.

The theory describes the decision processes in two stages, editing and evaluation. In the first stage, outcomes of the decision are ordered following some heuristic. In particular, people decide which outcomes they see as basically identical, set a reference point and then consider lesser outcomes as losses and greater ones as gains. In the evaluation phase, people behave as if they would compute a value (utility), based on the potential outcomes and their respective probabilities, and then choose the alternative having a higher utility.

Signalling theory

The theory was developed in 1930's and 1940's in the field of evolutionary biology to explain sexual selection where by traits are selected via the pressure of mate selection. Signalling theory is a body of theoretical work examining communication between individuals. The theory was modified in 1973 and applied to behavioural finance field by Michael Spence's. In behavioural finance, Spence defined signalling as the idea that one party (termed the agent) credibly conveys some information about itself to another party (the principal). Michael Spence's developed a job-market signalling model, whereby (potential) employees send a signal about their ability level to the employer by acquiring certain education credentials. The informational value of the credential comes from the fact that the employer assumes it is positively correlated with having greater ability.

Rock (1986) argues that investors in the capital market possess differing levels of quality information, given the missing track record of the firm. Because of information unevenness, extant research has relied on signalling theory for investigating determinants of IPO firm performance (Certo 2001). Signalling theory postulates that IPO firm managers strive to reveal the firm's value to outsiders through favourable information so as to maximise the share price (Certo 2001). Firms reveal their value through prospectus to show their potential and growth opportunities.

Later behavioural finance researchers among them Leland and Pyle (1977) analyzed the role of signals within the process of IPO. The authors show how companies with good future perspectives and higher possibilities of success "good companies" should always send clear signals to the market when going public (e.g. the owner should keep control of a significant percentage of the company). To be reliable, the signal must be too costly to be imitated by "bad companies". If no signal is sent to the market, asymmetric information will result in adverse selection in the IPO market.

Empirical Literature Review

Post IPO Ownership Retention

Post-IPO ownership retention may play a role in valuation process of IPO. Ofek and Richardson (2001) show a positive relationship between IPO values and post-IPO ownership retention using a downward sloping demand curves for IPO shares. Thus, a higher retention level means that fewer shares will be available for trading and hence IPO prices will increase. According to McBain and Krause (2006) higher valuations are experienced by firms whose pre-IPO shareholders maintain relatively larger ownership positions following the offer. Consistent with Ritter (1984). Bhagat and Rangan (2004) document a positive relation between IPO valuation and post-IPO ownership retention. The study focused on how the valuation function of IPO has changed over time and studied the signal effect of IPO retention for different classes of share holders instead of studying retention as an aggregate signal.

Habib and Ljngqvist (2001) posit that where owners sell fewer shares at the time of IPO, they are likely to be more tolerant to under-pricing (and hence higher offer price) because the benefit of costly monitoring is minimal. Bhagat and Rangan (2004) extending the work of Leland and Pyle (2005) argue that the entrepreneur taking the firm public retains shares only when he is optimistic regarding future cash flows of the firm. The signalling model of Leland and Pyle (2005) implies that greater ownership retention enhances IPO values.

Firm Size

Extant research shows that firm size has a significant impact on IPO pricing. Ritter (1984) argue that larger firms are easier to value because of ease of forecasting cash flows. The under pricing phenomenon in IPO literature which has been widely debated on in extant research is to a great extent hinged on information asymmetry among investors. According to Rock (1986), to lure relatively uninformed investors, investment bankers under price IPOs to cushion against potential losses experienced by uniformed investors due to Winner's curse. According to Dalton (2003), the size of the IPO firm has important implication for pricing as it is an important determinant of stability of the firm.

An and Chan (2008) posit that greater uncertainty of the firm's value encourage investors to demand for lower IPO price as an incentive for risk. Teker and Ekit (2003) posit that a firm with larger amount of total assets experience less uncertainty regarding its perpetuity, and hence commanding less under pricing, and hence higher offer price.

Board Composition

Following the bankruptcy of Enron in 2001, the effectiveness of board of directors has become a debatable issue. According to Gillan and Martin (2007) the bankruptcy of Enron was as a result of failure by the firm's board to understand risks associated with the firm's strategy coupled with conflicts of interests to execute their role as monitors. According to Daily (2005) outside board member is a prestigious assignment.
Certo (2001) argue that IPO firm gains legitimacy through prestigious board of directors. According to Dalton (2003) directors holding additional board positions posses' exposure benefits. Korn and Baum (2007) argue that directors' association with other companies via board service enhance the prestige of the IPO firm.

Igor and Kate (2002) observe that IPO provides a unique opportunity to understand the interrelationship between governance and performance. They conclude that corporate governance factors can be used strategically to affect the short term performance of IPOs. However the study focused on small and young firm with an average age of 5.4 Years.

According to Shivdasani (2009) prestigious board is a signal of effective control and enhances the value of the firm going public. Davis and Mizruchi (2008) argue that board prestige is an important signal to potential investors. Jensen (2005) posits that board of directors play a crucial role in internal control systems of the firm. Effective control has the effect of enhancing value of the firm and hence higher offer price. Daily (2005) argue that where an IPO firm posses prestigious board, the underwriter is likely to offer a narrow offer price band and a higher offer price.

Age of the Firm

IPO firms are subject to uncertainties regarding quality of the firm because of missing track record and lack of public scrutiny. In order to compensate investors for value uncertainty, investment bankers discount IPO offer prices (Beatty and Ritter, 2006; Rock, 2006). According to Carter (2007), older firms have longer operating histories and face less uncertainty. This observation was also echoed by Ritter (1998) who argue that younger firms have shorter operating history and are subject to great deal of uncertainty.

According to Daily (2005), because of greater uncertainties surrounding the prospects of younger firms, underwriters apply greater offer price spread and lower offer prices as compared to older firms with larger operating history. According to Kim and Ritter (2004) it is difficult to forecast future cash flows of younger firms due to missing track records. Ritter (1984) observe older firms are subject to less uncertainty, and because under pricing is compensation to uncertainty, investment bankers attach higher value to IPOs of older firms.

Past Earnings

A number of recent U.S. studies have documented an apparent tendency of IPOs to underperform in the long run. Ritter (1991) finds that over a three-year horizon after the offering, U.S. IPOs underperform on average by 29% relative to comparable firms. In a study on U.S. IPOs and Seasoned Equity Offerings (SEOs), Loughran and Ritter (1995) find that "An investor would have had to invest 44% more money in the issuers than in non-issuers of the same size to have the same wealth five years after the offering date".

Several behavioral explanations have been advanced for these findings. Perhaps investors donot take into account fully the fact that the accounts of companies going public are managed upwards before the IPO (Teoh, Welch, and Wong 2006) and base their valuation of the IPO on a naïve extrapolation of the past. Perhaps investors do not fully disentangle IPO timing strategies: Degeorge and Zeckhauser (2007) argue that companies will choose to go public after unusually high earnings performance. Regression toward the mean predicts that post-IPO earnings performance will be inferior to the pre-IPO record. Failure to take into account this phenomenon would result in inflated IPO valuations. Underwriter incentives might also contribute to excessive IPO valuations. Michaely and Womack (2009) document that financial analysts linked to the underwriter try to push-up IPO prices through positive recommendations.

Conceptual Framework

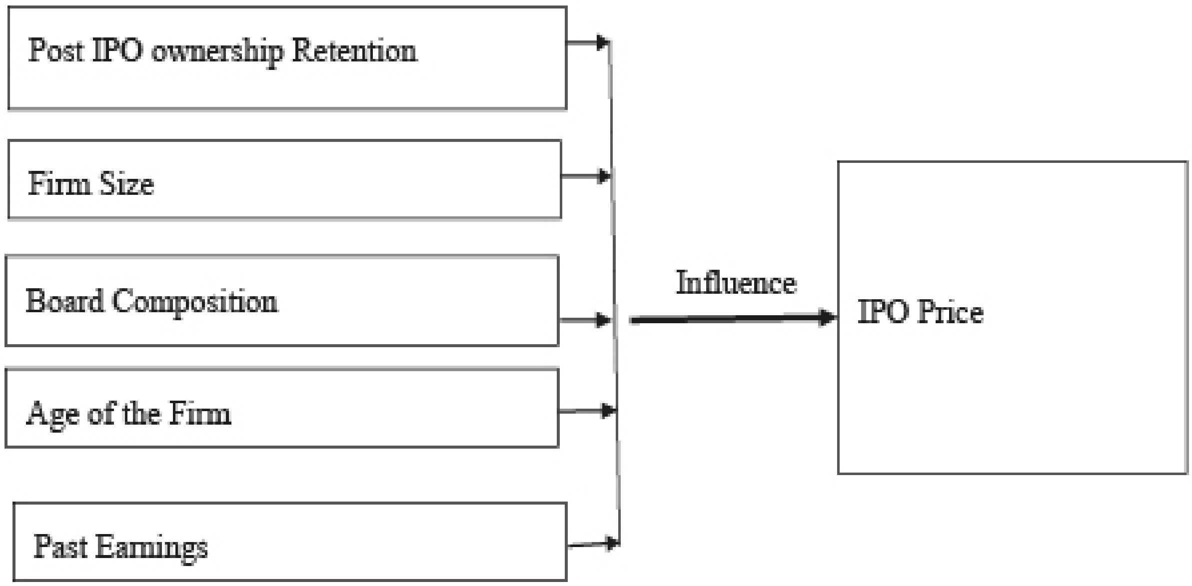

Figure 1: Conceptual Framework

3.0 RESEARCH METHODOLOGY

This study adopted a descriptive design. This descriptive research design was preferred because the study needed to establish the effect of selected factors of a firm on IPO pricing in Kenya. The study targeted a population of all the 56 firms listed at the Nairobi Security Exchange as at 31.12.2011. A census methodology of the 56 firms was used. Secondary data relating to IPO pricing, post IPO ownership and retention, firm size, board composition and age of firm was also collected. SPSS version 17 was used to produce frequencies, descriptive and inferential statistics.

4.0 RESULTS AND DISCUSSIONS

Response rate

The successful response rate was deemed to include all those responses that were returned. In addition, they had to be properly filled for them to be included in the data analysis. Hence the study had a successful response rate of 100% since all questionnaires were returned properly filled. According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of 50 % or more is ideal for data analysis.

Reliability Test

Table 1 shows the results of reliability tests of the questionnaire. The test was done at two levels. It was first done for each variable and then for the overall questionnaire as shows on the Table 4.1. All the variables and the overall questionnaire achieved the benchmark of Cronbach alpha coefficient of 0.7. Cronbach (1951) recommends a coefficient of 0.7 for a newly developed instrument like the one of this study. Based on the results the questionnaire is reliable of producing good reliability results.

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Table 1: Questionnaire Reliability Test

Variable	Cronbach Alpha Coefficient
IPO Pricing	0.712
Post IPO retention	0.694
Board composition	0.879
Firm size	0.656
Age of firm	0.673
Past earning	0.561
Overall	0.711

Age of the Respondents

The respondents were asked to indicate their age bracket. Table 2 shows that majority 60% were aged between 36-65 years while 26.7% were aged 18 -35 years. The findings imply that the firms had mature staff and this may be a pointer towards more experience and to an extent it may influence the financial performance of an IPO firm. The findings concur with those of Watson Wyatt Worldwide Study (2006) which asserted that the aging workforce exists in many countries including the U.S. and many European countries. The study by Watson also found that by 2050, Asia Pacific will be home to most of the world's elderly with 998 million people aged 60 and over.

Table 2: Age of the Respondents

Age range	Percent
18-35 years	26.7%
36-65 years	60%
Above 65yrs	13.3%
Total	100%

Quantitative Data Analysis

IPO Pricing

The study sought to establish the level and characteristics of IPO prices. Results in Table 3 indicated that 80% of the respondents agreed that the IPO prices are always over priced, 73% agreed the IPO prices reflects the correct valuation, 80% agreed that the IPO prices reflects the fundamentals of the issuing firm and 87% agreed that the post IPO prices are significantly lower that the IPO price. The mean score for this section was 3.70 which indicates that majority of the respondents agreed with the statements on IPO pricing.

Table 3: IPO Pricing

Statement	Strongly disagree	Disa gree	Neither agree not disagree	Agree	Strongly agree	Average likert mean
The IPO prices are always over priced	0%	20%	0%	67%	13%	3.73
The IPO prices reflects the correct valuation	13%	13%	0%	60%	13%	3.47
The IPO prices reflects the fundamentals of the issuing firm	0%	7%	13%	73%	7%	3.80
The post IPO prices are significantly lower that the IPO price	0%	13%	0%	80%	7%	3.80
Average likert Mean						3.70

Post IPO ownership retention and IPO pricing

One of the objectives of the study was to determine the effect of post IPO ownership retention on IPO pricing in Kenya. Results in Table 4 indicated that 74% of the respondents agreed that Post-IPO ownership retention may play a role in valuation process of IPO, 80% agreed that a higher retention level means that fewer shares will be available for trading and hence IPO prices will increase and 93% of the respondents agreed that there is a positive relationship between the IPO price and the number of shares retained by the founder shareholders. The mean score for the responses was 3.78 which indicates that majority of the respondents agreed with the statements regarding the effects of post IPO retention on IPO pricing in Kenya. These results imply that post IPO retention has a positive effect on IPO pricing.

The findings agree with those in Ofek and Richardson (2001) who showed a positive relationship between IPO values and post-IPO ownership retention using a downward sloping demand curves for IPO shares, thus, a higher retention level means that fewer shares will be available for trading and hence IPO prices will increase. The findings also agree with those in McBain and Krause (2006) who asserted that higher valuations are experienced by firms whose pre-IPO shareholders maintain relatively larger ownership positions following the offer and consistent with Ritter (1984) and Bhagat and Rangan (2004) who documented a positive relation between IPO valuation and post-IPO ownership retention.

Table 4: Post IPO Ownership Retention and IPO Pricing

Statement	Strongly disagree	Disagree	Neither agree not disagree	Agree	Strongly agree	Average likert mean
Post-IPO ownership retention may play a role in valuation process of IPO.	13%	13%	0%	47%	27%	3.60
A higher retention level means that fewer shares will be available for trading and hence IPO prices will increase	7%	13%	0%	60%	20%	3.73
There is a positive relationship between the IPO price and the number of shares retained by the founder shareholders.	0%	7%	0%	80%	13%	4.00
Average likert Mean						**3.78**

Size of the Firm and IPO Pricing

The second objective of the study was to determine the effect of the size of the IPO firm on its pricing in Kenya. Results in Table 5 revealed that 80% of the respondents agreed that firm size had a significant impact on IPO price, 80% agreed that a firms share capital affects its IPO price and 93% of the respondents agreed that a firm with larger amount of total assets experience less uncertainty regarding its perpetuity, and hence commanding less under pricing, and hence higher offer price. The mean score for the responses was 4.07 which indicates that majority of the respondents agreed with the statements regarding the effects of firm size on IPO pricing in Kenya. These results imply that firm size has a positive effect on IPO pricing.

The findings agreed with those in Dalton (2003), who argued that the size of the IPO firm has important implication for pricing as it is an important determinant of stability of the firm. The findings also agree with those in An and Chan (2008) who posited that greater uncertainty of the firm's value encourage investors to demand for lower IPO price as an incentive for risk and Teker and Ekit (2003) posited that a firm with larger amount of total assets experience less uncertainty regarding its perpetuity, thus commanding less under-pricing, and hence higher offer price.

Table 5 : Size of the Firm and IPO Pricing

Statement	Strongly disagree	Disagree	Neither agree not disagree	Agree	Strongly agree	Average likert mean
Firm size has a significant impact on IPO price	17%	13%	0%	53%	27%	3.80
A firms share capital affects its IPO price	0%	20%	0%	60%	20%	3.80
A firm with larger amount of total assets experience less uncertainty regarding its perpetuity, and hence commanding less under pricing, and hence higher offer price.	0%	7%	0%	20%	73%	4.60
Average likert Mean						**4.07**

Board Composition and IPO Pricing

The other objective of the study was to determine the effect of board composition on the pricing of IPO in Kenya. Results in Table 6 indicates that 67% of the respondents agreed that Firm gains legitimacy through prestigious board of directors, 73% agreed that Directors association with other companies via board membership enhances the value of the IPO firm, and 53% agreed that Board composition in terms of executive and non executive directors is an important signal to potential investors.

Sixty seven percent (67%) of the respondents agreed that where an IPO firm posses prestigious board, the underwriter is likely to offer a narrow offer price band and a higher offer price, 60% agreed that the size of the board has a direct effect on the IPO price and 67% agreed that inclusion of foreign directors in the board enhances the IPO value of the firm. The mean score for the responses was 4.03 which indicates that majority of the respondents agreed with the statements regarding the effects of board composition on IPO pricing in Kenya. These results imply that board composition has a positive effect on IPO pricing.

The findings agree with those in Certo (2001) who argued that IPO firm gains legitimacy through prestigious board of directors and Korn and Baum (2007) who argued that directors association with other companies via board service enhance the prestige of the IPO firm.

The findings also agree with those in Shivdasani (2009) who asserted that prestigious board is a signal of effective control and enhances the value of the firm going public, Davis and Mizruchi (2008) who argued that board prestige is an important signal to potential investors and Jensen (2005) posited that board of directors play a crucial role in internal control systems of the firm thus effective control has the effect of enhancing value of the firm and hence higher offer price.

Table 6: Board Composition and IPO Pricing

Statement	Strongly disagree	Disagree	Neither agree not disagree	Agree	Strongly agree	Average likert mean
Firm gains legitimacy through prestigious board of directors.	0%	7%	7%	67%	20%	4.00
Directors association with other companies via board membership enhances the value of the IPO firm	7%	7%	0%	73%	13%	3.80
Board composition in terms of executive and non-executive directors is an important signal to potential investors.	7%	13%	0%	53%	27%	3.80
Where an IPO firm possess prestigious board, the underwriter is likely to offer a narrow offer price band and a higher offer price	0%	20%	0%	67%	13%	3.73
The size of the board has a direct effect on the IPO price	0%	0%	0%	60%	40%	4.40
Inclusion of foreign directors in the board enhances the IPO value of the firm.	0%	0%	0%	67%	33%	4.43
Average likert Mean						**4.03**

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Age of the Firm and IPO Pricing

The other objective of the study was to determine effect of age of the firm on IPO pricing in Kenya. Table 7 shows that 87% agreed that IPO firms are subject to uncertainties regarding quality of the firm because of missing track record and lack of public scrutiny, 80% agreed that in order to compensate investors for value uncertainty, investment bankers discount IPO offer prices and 87% agreed that older firms have longer operating histories and face less uncertainty. Eighty percent of the respondents agreed that younger firms have shorter operating history and are subject to great deal of uncertainty, 80% agreed that because of greater uncertainties surrounding the prospects of younger firms, underwriters apply greater offer price spread and lower offer prices as compared to older firms with larger operating history and 86% agreed that older firms are subject to less uncertainty, and because under pricing is compensation to uncertainty, investment bankers attach higher value to IPOs of older firms. The mean score for the responses was 4.01 which indicates that majority of the respondents agreed with the statements regarding the effects of firm age on IPO pricing in Kenya. These results imply that age of the firm has a positive effect on IPO pricing

The findings agree with those in Carter (2007), who argued that older firms have longer operating histories and face less uncertainty. The findings further agree with those in Daily (2005), who posited because of greater uncertainties surrounding the prospects of younger firms, underwriters apply greater offer price spread and lower offer prices as compared to older firms with larger operating history. The findings concur with those in Ritter (1984) who observed older firms are subject to less uncertainty, and because underpricing is compensation to uncertainty, investment bankers attach higher value to IPOs of older firms.

Table 7: Age of the Firm and IPO Pricing

Statement	Strongly disagree	Disagree	Neither agree not disagree	Agree	Strongly agree	Average likert mean
IPO firms are subject to uncertainties regarding quality of the firm because of missing track record and lack of public scrutiny.	7%	77%	0%	660%	27%	3.93
In order to compensate investors for value uncertainty, investment bankers discount IPO offer prices	0%	13%	7%	60%	20%	3.87
Older firms have longer operating histories and face less uncertainty	0%	13%	0%	60%	27%	4.00
Younger firms have shorter operating history and are subject to great deal of uncertainty.	7%	13%	0%	33%	47%	4.00
Because of greater uncertainties surrounding the prospects of younger firms, underwriters apply greater offer price spread and lower offer prices as compared to older firms with larger operating history	0%	20%	0%	53%	27%	3.87
Older firms are subject to less uncertainty, and because under pricing is compensation to uncertainty, investment bankers attach higher value to IPOs of older firms	0%	13%	0%	53%	33%	4.07
Average likert Mean						**4.01**

Past Earnings and IPO Pricing

Another objective of the study was to determine the effect of past earnings on IPO pricing in Kenya. Results in Table 8 indicate that 80% of the respondents agreed that the profitability of IPO companies before listing influences its IPO price , 93% agreed that the cash flows of IPO companies before listing affects the IPO price and 86% agreed that the earnings per share of IPO companies before listing will have an effect on the IPO price. The mean score was 4.06 which indicates that majority of the respondents agreed with the statements regarding the effects of past earnings on IPO pricing in Kenya. These results imply that past earnings has a positive effect on IPO pricing

The findings agree with those in Degeorge and Zeckhauser (2007) who argued that companies will choose to go public after unusually high earnings performance. The findings also concur with those in Michaely and Womack (2009) who documented that financial analysts linked to the underwriter try to push-up IPO prices through positive recommendations.

Table 8: Past Earnings and IPO Pricing

Statement	Strongly disagree	Disagree	Neither agree not disagree	Agree	Strongly agree	Average likert mean
The Profitability of IPO companies before listing influences its IPO price	0%	13%	7%	53%	27%	3.93
The cash flows of IPO companies before listing affects the IPO price	7%	0%	0%	60%	33%	4.17
The earnings per share of IPO companies before listing will have an effect on the IPO price.	0%	13%	0%	53%	33%	4.07
Average likert Mean						**4.06**

Cross Tabulation Tables and Mean Scores

This section presented the mean score of the variables generated from both primary data and secondary data. Primary data mean scores were presented first. Ranking of the variables was also presented. The size of the firm was ranked highest on its influence of IPO price followed by past earning, board composition, age of the firm and lastly post IPO ownership retention. The results were presented in table 9.

Table 9: Cross Tabulation Tables and Mean Scores

Variable	Likert Mean score	Ranking
IPO price	3.7	Non Ranking
Size of the Firm	4.07	1
Past Earnings	4.06	2
Board Composition	4.03	3
Age of the Firm	4.01	4
Post IPO ownership retention	3.78	5

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Mean scores were also computed from the secondary data. Results in table 10 revealed that the mean board composition for the 15 companies was 6.87 directors. The average size of the firm was 111.2 billion shillings. The average age of the 15 firms was 44.87 years. The average post IPO ownership was 69.55%. The average return on assets was 6.21%. The average IPO pricing was 11.57 Kenya shillings.

Table 10: Means Scores Of Secondary Data

	N	Minimum	Maximum	Mean	Std. Deviation
BOARD COMPOSITION	15	2	10	6.87	2.134
SIZE OF THE FIRM	15	11.26	377.00	111.22	126.69671
AGE OF FIRM	15	38	48	44.87	3.314
POST IPO OWNERSHIP	15	52.30	80.70	69.5560	9.83989
Av ROA	15	2.37	14.57	6.2187	12.42981
IPO Pricing	15	5.00	35.50	11.5733	6.93655

Regression Analysis

Correlation Analysis and Multicollinearity

Correlation illustrates that the independent variables were highly and significantly correlated with each other, which implies the presence of multi collinearly among independent variables. Table 11 indicates that Age of the firm and board composition were highly correlated (R=0.896); Post IPO ownership and Board Composition (R=0.864); Post IPO ownership and age of the firm (R=0.947); past earnings is highly correlated with board composition (R= 0.844); Size of the firm (R=0.835); age of the firm (R=0.873) and Post IPO ownership (R=0.812). The high correlations indicate multicollinearity. The solution for multicolleneanity is to drop all the affected variables but since this was not a choice in the study, bivarite regressions were conducted to supplement the multivariate regression model.

Table 11: Correlation Analysis and Multicollinearity

		IPO Pricing	BOARD COMPOSITION	SIZE OF THE FIRM	AGE OF FIRM	POST IPO OWNERSHIP	Av ROA(PAST EARNINGS)
IPO Pricing	Pearson Correlation	1					
	Sig. (2-tailed)						
BOARD COMPOSITION	Pearson Correlation	.651**	1				
	Sig. (2-tailed)	.009					
SIZE OF THE FIRM	Pearson Correlation	.733**	.758**	1			
	Sig. (2-tailed)	.002	.001				
AGE OF FIRM	Pearson Correlation	.515*	.896**	.666**	1		
	Sig. (2-tailed)	.049	.000	.007			
POST IPO OWNERSHIP	Pearson Correlation	.555*	.864**	.695**	.947**	1	
	Sig. (2-tailed)	.032	.000	.004	.000		
Av ROA(PAST EARNING)	Pearson Correlation	.615*	.844**	.835**	.873**	.812**	1
	Sig. (2-tailed)	.015	.000	.000	.000	.000	

Table 12 shows that the coefficient of determination also called the R square is 60.4%. This means that the combined effect of the predictor variables (Post IPO ownership retention, Size of the firm, Age of the firm, past earnings, Board Composition) explains 60.4% of the variations in IPO Pricing. The correlation coefficient of 77.7% indicates that the combined effect of the predictor variables has a strong and positive correlation with IPO pricing.

Table 12 : Multivariate Regression Model Fitness

Indicator	Coefficient
R	0.777
R Square	0.604
Std. Error of the Estimate	5.77287

Analysis of variance (ANOVA) on Table 13 shows that the combine effect of Post IPO ownership retention, Size of the firm, Age of the firm, past earnings, Board Composition was statistically significant in explaining changes in IPO pricing. This is demonstrated by a p value of 0.007 which is less than that the acceptance critical value of 0.05.

Table 13: ANOVA/ Overall model significance

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	407.011	6	67.835	5.98	0.007
Residual	90.608	8	11.326		
Total	673.619	14			

Table 14 displays the regression coefficients of the independent variables. The results reveal that Post IPO ownership retention, Size of the firm, Age of the firm, past earnings, Board Composition were not statistically significant in influencing IPO Pricing. The findings imply that all the independent variables were not strong determinants of IPO pricing. This may be because of multicollinearity problems between independent variables or because of the small sample size.

In conclusion, the study relied on the Anova statistics which showed overall model significance but dismissed the individual regression coefficient of the multivariate model due to multicollinearity and sample size problems. The interpretation of the results of the multivariate model was ignored since it is of no consequence to explain insignificant results. However, the study relied on the bivariate models to draw conclusion on the extent to which the factors (independent variables) affected IPO pricing.

Table 14:Regression Coefficients

Variable	Beta	Std. Error	t	Sig.
(Constant)	31.664	65.418	0.484	0.641
BOARD COMPOSITION	1.684	1.882	0.895	0.397
SIZE OF THE FIRM	0.027	0.028	0.949	0.37
AGE OF FIRM	-0.767	2.377	-0.323	0.755
POST IPO OWNERSHIP	0.176	0.555	0.317	0.759
PAST EARNINGS	0.306	0.584	0.524	0.615

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

Post IPO Ownership Retention and IPO Pricing

One of the objectives of the study was to determine the effect of post IPO ownership retention on IPO pricing in Kenya. Results indicated that Post-IPO ownership retention played a role in valuation process of IPO, a higher retention level meant that fewer shares were available for trading and hence IPO prices would increase and that there was a positive relationship between the IPO price and the number of shares retained by the founder shareholders. These results implied that post IPO retention has a positive effect on IPO pricing. This implies that an increase in the effectiveness of post IPO ownership retention by 1 unit leads to an increase in IPO pricing by 0.391 units.

The findings agree with those in Ofek and Richardson (2001) who showed a positive relationship between IPO values and post-IPO ownership retention using a downward sloping demand curves for IPO shares, thus, a higher retention level means that fewer shares will be available for trading and hence IPO prices will increase.

Size of the Firm and IPO Pricing

The second objective of the study was to determine the effect of the size of the IPO firm on its pricing in Kenya. Results revealed that firm size had a significant impact on IPO price, firms share capital affects its IPO price and a firm with larger amount of total assets experience less uncertainty regarding its perpetuity, and hence commanding less under-pricing, and hence higher offer price. These results implied that firm size has a positive effect on IPO pricing. This implies that an increase in the effectiveness of firm size by 1 unit leads to an increase in IPO pricing by 0.04 units. The findings also agree with those in an and Chan (2008) who posited that greater uncertainty of the firm's value encourage investors to demand for lower IPO price as an incentive for risk and Teker and Ekit (2003) posited that a firm with larger amount of total assets experience less uncertainty regarding its perpetuity, thus commanding less underprizing, and hence higher offer price.

Board Composition and IPO Pricing

The other objective of the study was to determine the effect of board composition on the pricing of IPO in Kenya. Results indicated that firm gains legitimacy through prestigious board of directors, Directors association with other companies via board membership enhanced the value of the IPO firm, and Board composition in terms of executive and non executive directors is an important signal to potential investors.

Results also indicated that where an IPO firm posed prestigious board, the underwriter was likely to offer a narrow offer price band and a higher offer price, the size of the board had a direct effect on the IPO price and inclusion of foreign directors in the board enhanced the IPO value of the firm. These results implied that board composition had a positive effect on IPO pricing. This implies that an increase in the effectiveness of board composition by 1 unit leads to an increase in IPO pricing by 2.117 units. The findings agree with those in Certo (2001) who argued that IPO firm gains legitimacy through prestigious board of directors and Korn and Baum (2007) who argued that directors association with other companies via board service enhance the prestige of the IPO firm.

Age of the Firm and IPO Pricing

The other objective of the study was to determine effect of age of the firm on IPO pricing in Kenya. The study findings indicated that IPO firms were subject to uncertainties regarding quality of the firm because of missing track record and lack of public scrutiny. The results also indicated that younger firms have shorter operating history and are subject to great deal of uncertainty which attracts a lower offer price as compared to older firms with longer operating history. These results implied that age of the firm has a positive effect on IPO pricing. This implies that an increase in the effectiveness in age of the firm by 1 unit leads to an increase in IPO pricing by 1.078 units. The findings further agree with those in Daily (2005), who posited because of greater uncertainties surrounding the prospects of younger firms, underwriters apply greater offer price spread and lower offer prices as compared to older firms with larger operating history.

Past Earnings and IPO Pricing

Another objective of the study was to determine the effect of past earnings on IPO pricing in Kenya. Results indicated that the profitability of IPO companies before listing influenced its IPO price, the cash flows of IPO companies before listing affected the IPO price and the earnings per share of IPO companies before listing would have an

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effect on the IPO price. These results implied that past earnings has a positive effect on IPO pricing. This implies that an increase in the effectiveness of past earnings by 1 unit leads to an increase in IPO pricing by 0.343 units. The findings also concur with those in Michaely and Womack (2009) who documented that financial analysts linked to the underwriter try to push-up IPO prices through positive recommendations.

Conclusions

Based on the objectives and the findings of the study the following conclusion can be made.
Post IPO ownership retention, Size of the firm, Age of the firm, past earnings, and Board Composition were strong determinants of IPO pricing. The study noted that, there was a statistically positive and significant relationship between Post IPO ownership retention, Size of the firm, Age of the firm, past earnings, Board Composition and IPO pricing.

It was also possible to conclude that a higher retention level means that fewer shares will be available for trading and hence IPO prices will increase, greater uncertainty of the firm's value encourage investors to demand for lower IPO price as an incentive for risk. The study also concludes that corporate governance factors can be used strategically to affect the short term performance of IPOs, and in the case of young firms it is difficult to forecast future cash flows of younger firms due to missing track records hence older firms are subject to less uncertainty, and because under pricing is compensation to uncertainty, investment bankers attach higher value to IPOs of older firms

Recommendations

Recommendations on Research Findings

It is suggested that firms should improve their corporate governance practices as doing so would enhance the IPO price during listing. Specifically, they should have a large board with a set of independent, nonexecutive and executive directors.

The listing firm should also take time to grow as age may influence the IPO price. The firms would therefore fetch a better IPO price if their age is slightly more than the average industry age. In addition, it is recommended that firm should ensure that their intended post IPO retention is higher than the industry average as doing so would enable the firm to fetch a higher price during the IPO.

It is recommended that the firms which wish to list should only do so when the average return on assets is large enough to attract a significant interest from the IPO investors. Doing so would ensure that they fetch a higher IPO price.Larger firms in terms of asset base fetch higher IPO prices. Hence, it is recommended that firms with a lower asset base need to merge or acquire other firms before IPO in order to boost their asset base.

It is recommended that CMA needs to review the listing guidelines in order to enhance the disclosure requirements. However based on the findings the publicly available information as provided in the IPO prospectus is quite relevant in explaining the IPO price and Capital Market Authority has partially achieved its objective of safeguarding the interest of potential investors by issuing the listing guidelines.

5.3.2 Recommendations for Further Research

Arising from the findings and the gaps in the study a replica study is recommended in other stock markets within the East African region in order to test whether the conclusions of this study will hold true. There is also need to carry out a study for each of the five indentified factors in-depth and their effect on the IPO price. For instance, how do the various elements of corporate governance affect IPO prices? In addition, the set of factors influencing

IPO price were not exhausted, the more the reason the r squared was not a 100%. A study to establish other factors is therefore suggested.

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Factors affecting Utilization of Evaluations in Selected Non-profit Organizations in Kenya

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ABSTRACT

The aim of this research was to establish what factors affecting utilization of evaluation recommendations among Non-government organizations. The study adopted a descriptive,cross-sectional research designwith a quantitativeapproach.A sample size of 48 CRS (63%) and partner organizations' (37%) staff was calculated based on Slovin's sampling formula at a confidence level of 95% from a sample frame of 60. Multi-stage sampling technique was used with probability proportional to size (PPS) for the first stage,that distributedthe sample between CRS and partner,and systematic random sampling for the second stage that selected individual respondents.An online semi-structured questionnaire was used to collect data before the data was exported onto Statistical Package for Social Sciences software where both descriptive and inferential statistical analysis was done.Use of technology was informed by the limitation of physical availability of respondents due to them being stationed in remote areas as well as frequent work travel for those based in Nairobi. Descriptive analysis providedcharacteristicsof respondents and responses while Inferential statistics was used to identify relationships among independent variables and between independent variables and dependent variables. Findings from the study showed that there was a negatively significant correlation between knowledge and use of evaluation.Evaluation policy and attitude were found to be significantly and positivelycorrelated with use of evaluation while disseminationpracticewas not correlated with use of evaluations. This concluded that knowledge,attitude, and policy affected utilization of evaluations but dissemination practice did not.The study recommended strengthening and enforcement of evaluation policy,review of the content and facilitation of dissemination forums as well continued sensitization on theimportance and how to implement evaluation recommendations.

Keywords: knowledge, attitude, dissemination practices, evaluation policy, affect utilization of evaluation recommendations, Non-Profit Organizations

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1.0 INTRODUCTION

Non-profit organizations are part of civil society that compliments what a government is responsible for delivering. Also known as non-government organizations (NGOs), these organizations have the mandate to support vulnerable community from suffering through the implementation of social, biomedical or structural programs, funded through private or public donors. Catholic Relief Services (CRS) which is the official agency of the United States Conference of Catholic Bishops (USCCB) for relief and development supports development programs and emergency responses in over 100 countries through local partners.

CRS has been implemented development and emergency programs in Kenya for the past 40 years in various sectors through local NGOs. Despite its mission being rooted in the Catholic faith, its operations serve people based solely on need, regardless of their race, religion or ethnicity. In order to ensure sustained quality of its programs, CRS conducts evaluations both internally and by external consultants.

Evaluation is defined as an analytical inquiry based on collecting and analyzing evidence, and drawing conclusions and recommendations from this evidence to demonstrate achievement of results (Valovirta, 2002).Research, on the other hand, involves a critical analysis of existing conclusions or theories to discover new facts(Mugenda & Mugenda, 2006). Therefore, while research seeks to create new knowledge; evaluations focus on analyzing evidence, and drawing conclusions and recommendations from this evidence (Valovirta, 2002).However, they are both studies with same methodologies.

In recent years, organizations and governments globally have experienced an upward surge of demand for evaluations. Indeed, evaluations practices have become widespread in the last 30 years (Hojlund, 2014) with generalizations from evaluation percolating into the stock of knowledge that participants draw from. These include empirical research that confirmed that decisions by decision makers are influenced by ideas and arguments that have their origin in research and evaluation, a phenomenon is known as 'enlightenment' (Weiss, 1998). National and international organizations have institutionalized evaluation practices into their organizational and project management systems to contribute to adaptive learning approach by these organizations.

Despite some evaluation recommendations having informed key changes in organizations and project management, others have not been used. From his paper, while reviewing the European Union evaluation system, Hojlund (2014), gave five factors that affected utilization of evaluations. First, was the over-formalization of evaluations which resulted in using of recommendations but impeded the use of process information. Evaluations were therefore typically used after their completion and not during their implementation, due to an over-emphasis on research standards like the independence of the evaluator. Secondly, the significant decision on the use of recommendations was typically done at program management level who was not necessarily the primary users of the evaluation recommendations.

Third, evaluations had little overall relevance for policy-makers and program management alike. In particular, evaluations were not relevant for policy-makers outside the organization due to competing information. Fourth, program evaluations were generally 'de-politicized' and were not something policy-makers participated in nor had any use for while lastly, organization policies required evaluations to be conducted but did not provide the same for use.

Statement of the Problem

Globally, effective use of evaluations plays a crucial role in making policies more successful even as it draws a lot of resources and demand for skill from their respective organizations, according to Department for International Development (DfID) the United Kingdom based aid agency.

According to Research Africa, a global research organization, Africa is a large and rapidly growing market for research and evaluations, as seen in the numbers of funding opportunities that are open to researchers. However, this is not matched by how recommendations from research are then used. Indeed, the organization recommends that effective use of research-informed public policy is important to reduce poverty and inequality in Africa (including Kenya). There is, however, an absence of clear evidence as to how best to promote evidence-informed decision making, and how to build capacity amongst decision makers in the use of research (Stewart, 2015).

In Kenya, evaluations utilization has not been institutionalized in both public and private sectors. Research conducted in Kenya by African Institute for Development Policy (AFIDEP) in 2015 identified three categories of barriers that hinder the use of evaluation recommendations. These include access, institutional, and individual barriers. Access barriers are majorly due to constrained access to data and evaluation information. Institutional barriers are about lack or weak systems and support mechanisms like funding. Individual barriers on the hand had to do with lack of technical know how to use research recommendations.

These problems are not unique to any single organization, public or private, local or international, for-profit or non-profit. Indeed, from the researcher's preliminary observations and discussions with project managers and monitoring and evaluation staff of several humanitarian agencies; use of evaluation recommendations is not intentionally planned for within these organizations and projects, with most evaluations ending at dissemination and submission of the reports.

In acknowledging this challenge, CRS put in place a Monitoring, Evaluation, Learning and Accountability (MEAL) policy in 2015 that require all to be shared and reflected upon in order to facilitate utilization. Despite the policy utilization still remains a challenge. For instance, in the year 2015,CRS conducted and reported seven evaluations but only three developed an implementation plan with only one implementing parts of its recommendations. This contrasted with the fact the organization has worked towards reducing access, institutional and individual barriers through policy, the establishment of knowledge sharing forums as well as the availability of highly qualified and experienced technical support through its regional offices.
While there might have been many reasons for not utilizing the recommendations, it is not clear what factors predominantly affect utilization especially in NGOs hence necessitating studies like this one. This study, therefore, seeks to establish factors that affect utilization of evaluation among NGOs in Kenya with a case of CRS.

Objectives of the Study

i. To establish the extent to which knowledge on evaluation use affects utilization of evaluation recommendations.
ii. To assess the extent to which attitude towards evaluation use affects utilization of recommendations.
iii. To assess the extent to which dissemination practices affect utilization of evaluation recommendations.
iv. To determine the extent to which evaluation policy affect utilization of evaluation recommendations.

2.0 LITERATURE REVIEW

Theoretical Literature Review

Schein's theory on Organizational Culture and Leadership

The theory on organizational culture and leadership was provided by Edgar Schein, a Harvard

University-educated social psychologist. According to Schein, an organizational culture is a result of interactions between a set of subcultures and has a close relationship with the leadership of an organization (Schein, 2010). This theory applies to attitude and practices of CRS and implementing staff that either promotes or hamper utilization of evaluation recommendations. To fully understand what goes on in an organization it is important to understand both macro-context because what is observed is normally and interplay of subcultures. However, this subcultures that form over time could be subject to assumptions that may or may not hold. These assumptions could be for the total organization but also go beyond total organizations to individual's functional tasks, occupation or experiences of individual members of staff. However, even though these assumptions could go beyond total organizations, shared assumptions within a functional department could form a common subculture. These are normally based on similarities like shared education background, shared tasks or similarities of organizational experience, that is sometimes referred to as "stovepipes" or silos (Schein, 2010).

While many researchers have tried to measure organizational culture using surveys,(Schein, 2010), identifies that this approach present. First, does not know what to ask, a fact, that makes surveys to be too broad and not know what to measure and through which questions. This research has sought to address this by only focusing on only four independent variables of organizational culture on the use of evaluations. For instance, Knowledge has been defined as, implementation of evaluation recommendations only happens when departmental staff know how to plan and implement evaluation recommendations.

The second problem of studying culture is that employees may not be motivated to be honest, especially because surveys require evaluations and judgments that make employees be careful. In this research, the author has sought to mitigate against this by making the responses anonymous and with an assurance of the confidentiality of the data collected. The third problem associated with using surveys to study culture is that employees may not understand or interpret them separately which through apilot study, the researcher shall improve validity and reliability of research instruments. The fourth problem is that the sample of employees surveyed may not be representative of the key culture barriers, a fact that this study has attempted to address by identifying key characteristics of respondents including age, cadre, type of project as well as the length of service in the organization.

Theory of Constraints

The theory of constraints (TOC) is a management philosophy developed by Dr. Eliyahu M. Goldratt, a physicist in the book "The Goal: "A Process of Ongoing Improvement' in 1984. According to Goldratt, every organization has a purpose it seeks to achieve hence the title goal. However, to achieve the goal, some pre-set conditions ought to be present to enable this. For example, a non-profit organization whose goal is to improve livelihoods of the poor and suffering requires some conditions like correct targeting, quality programming and continuous learning to be present to enable it to achieve its goal. Indeed, previous a review on previous research has provided evidence that successful application of TOC results in improvement of both financial and operational performance (Victoria, 2003).

The theory of constraints states that an organization is like a chain or network of chains that with each component dependent on another with one part being the weak link. This means there is always at least one constraint in a system that limits the system's output (Tulasi & Rao, 2012). Constraints prevent an organization from achieving its set objectives and goals which in the case of this research will be policy, knowledge, attitudes and practices. While the organization might seek to address the constraint, there shall still be one constraint that will exist, even as the system will be stronger than earlier but not as strong as it could be. Using the 'focus process', Theory of Constraints identifies the constraint and re-align the rest of the organization around the constraint. Their theory outlines a five-step process for identifying and addressing the constraint.

Contrary to traditional belief TOC views constraint as positive as it continuously improves and organizations performance (Rahman, 1998). The working principle of TOC provides a focus for a continuous improvement process. The principle consists of five focusing steps (Rahman, 1998) which are summarized below: The first step is to identify the system's constraint(s). In this step, constraints which may be physical and policy (managerial) are identified. Notably, most constraints in organizations are managerial which involve aspects of policy, procedure, rules and methods. Using the Goldratt's Current Reality Tree, constraints are then identified and enlisted. Once the constraints have been identified they are then prioritized. With the constraint having been identified and prioritized, the next step is to decide how to exploit the system's constraint(s).In case the constraint is found to be physical, then the key objective to ensure that the constraint is made to be as effective as possible. However, a managerial constraint should not be exploited but be eliminated and replaced with a policy which will support increased output.

From this research, Catholic Relief Services in its pursuit to continued improvement acknowledged the existence of possible weak links that if identified could then be strengthened as proposed in theory of change resulting in a continuous improvement on its performance. Therefore, this theory shall be relevant to the study as it will inform types of recommendations in case of a physical or managerial weak link.

Conceptual framework

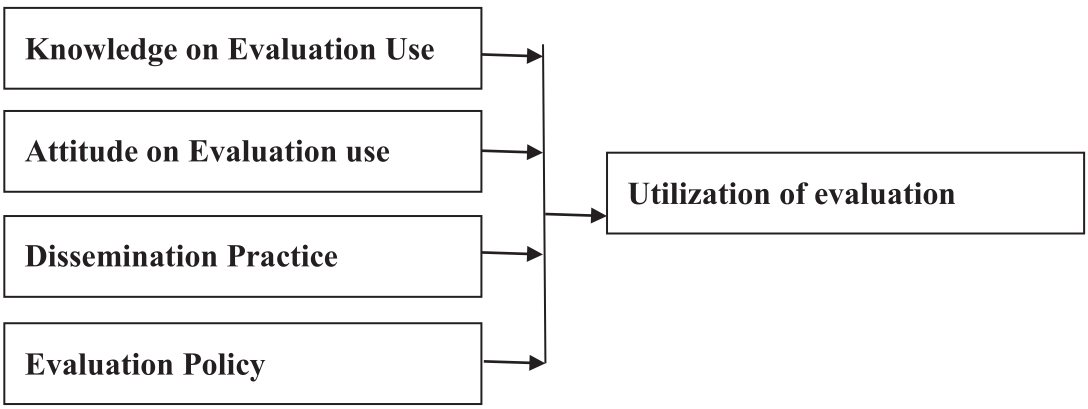

Figure 1: Conceptual Framework.

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Empirical Literature Review

While relevant and timely information allows managers to make accurate decisions, irrelevant information makes decision making difficult, adds to the confusion, and affects the performance of organizations (Shrianjani , Elle, & Alwis, 2002). These authors in their paper "Information as tool for management decision making", emphasized that it was crucial that managers were aware of the information they required, how to acquire it and to maximally use it in order to survive and prosper in today's information-intensive environment a concept also underlined by Scott Christopher (Scott, 2005).These authors underline the importance of user having the knowledge on how to implement evaluation findings.

In his book, "Building the Bridge from Human Resources Data to Effective Decisions: Ten Pillars of Successful Data-Driven Decision-Making" (Adano, 2008), explained that one of the major misconceptions about the effective use of data in decision-making was assuming that once data was gathered it would be used. However, sufficient experience showed that it was not enough to make data available, organizational leaders needed a process in place for analyzing the information, getting it to the right decision-maker at the right time, and ensuring the power and resources to act on the data. This required the decision maker to have requisite knowledge on how to use the evaluations as well have an attitude that considered implementation important.

In their report to the American Evaluation Association (AEA) members,(Preskill & Caracellin, 1997) presented survey recommendations that revealed the most important strategies for facilitating the use of evaluation recommendations. In their report they identified, planning for use at the beginning of an evaluation; identifying and prioritizing intended users and intended uses of the evaluation; designing the evaluation within resource limitations; involving stakeholders in the evaluation process, communicating recommendations to stakeholders as the evaluation progresses, and developing a communication and reporting plan. While these factors did not explicit mention role of dissemination forums, they strongly allude to the importance of communication between evaluators ad intended users as an important factor in those evaluations getting used. The use of dissemination forums though not explicitly studied could then be considered as implied.

Policies in an organization provide hierarchical and span of control that ensure organizations achieve their strategic objectives or goal. From previous studies by (Shrianjani , Elle, & Alwis, 2002), managers in Singapore did not exploit all types of information sources available to them, mainly due to lack of knowledge, skills and even lack of accessibility to media channels. However, Shrianjani , Elle, & Alwis, (2002) stated that most researchers considered the following as the main factors of evaluation use. These included; perceived the relevance of evaluation to the needs of potential users; the extent of communication between potential users and producers of evaluations; translation of evaluations into their implications for policy and programs; credibility or trust placed in evaluations and commitment or advocacy by individual users (Hughes, Leviton, & Edward, 2014). Even with great insights on factors that promoted the use of evaluation recommendations, the researcher did not find a study that directly reviewed whether the policy on evaluations and their timelines affected utilization of evaluation and stakeholder involvement (Johnson, *et al.,* 2009).

3.0 RESEARCH METHODOLOGY

The study adopted a descriptive, cross-sectional research design. The target population for this study was project staff who had worked for Catholic Relief Services and its implementing partners. A total of sixty staff were identified and included in the sample frame. In order to ensure a representative sample, the researcher used multi-stage sampling. A sample size of 48 was selected. The study used semi-structured questionnaires to capture quantitative data and limited qualitative data (mostly probing questions). A pilot test was carried on a third of the sample where both validity and reliability of the tools was assured. The internal reliability of questionnaires was tested using Cronbach's alpha coefficients. Data analysis was carried using SPSS. Descriptive statistics and inferential statistics were produced. Qualitative data was also analyzed using Microsoft excel.

4.0 RESULTS AND DISCUSSIONS

Response Rate

Out of 48 respondents that were targeted, 40 respondents completed the questionnaire translating to a response rate of 83%. From the eight that did not complete the survey, two respondents completed partially while six did not attempt the study. The response rate was considered sufficient for analysis.

General Information on the Respondents

Distribution by Sex

The figure below shows how the respondents were distributed according to sex.

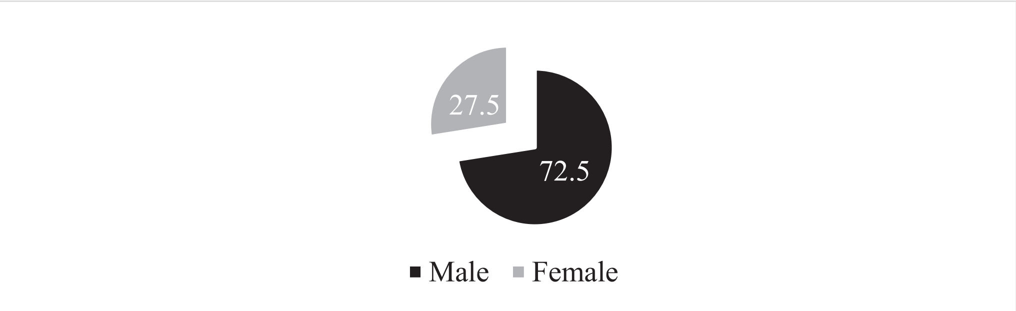

Figure 2: Gender of Respondents in Percent.

From figure 2 above, the majority of the respondents were female making up 73% (n=40). Despite the fact that interviewed organizations did not employ staff based on gender, this finding describes the population that participated in the survey and offers an insight of how the identified factors vary across the gender divide.

Distribution by age

With the majority of the respondents under 40 years, this indicated that most of the respondents were still in their reproductive age and therefore still active physically and mentally (Miller , Strath, Swartz, & Cashin, 2010). For the 25% who were above 41 years, these were mostly staff who had extensive work experience and were in management and advisory roles.

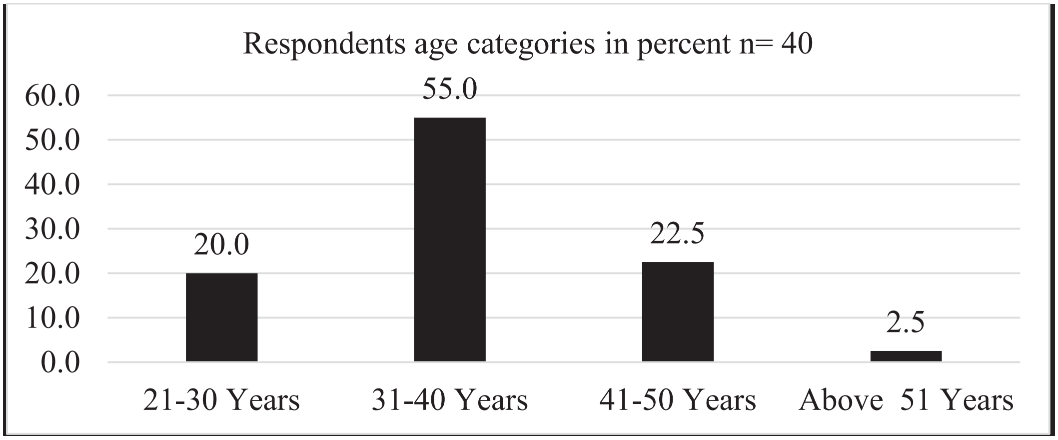

Figure 3: Respondents age categories in percent.

Descriptive Statistics

Knowledge on Evaluation Use

The study sought to establish how influential was knowledge in implementing evaluation recommendations which was also specific objective one. Knowledge is understood as the theoretical or practical understanding of a subject and largely depicts the capacity of a staff to plan and implement evaluation recommendations.

Table 1: Influence of Knowledge on utilization of evaluations

Response	Frequency	Percent
Least Influential	13	38%
Slightly Influential	13	38%
Moderately Influential	6	18%
Most Influential	2	6%
Total	34	100%

Table 1 above shows how the respondents regarded knowledge to have influenced them in either utilizing or not utilizing the evaluation. From the 34 respondents who implemented evaluation recommendation, 24% of the respondents attributed their decision to knowledge as the most or moderately influential factor. However, the majority stated knowledge as least or slightly influential with 76%. This meant while staff had knowledge on how to plan and implement recommendations from evaluations, this was not strongly informing their decision. They might have known how to plan and implement but simply went ahead and implemented.

Only 8%reported knowledge as the most influential and were all from partner organizations and had worked in their organization for an average of 12 years. This was related to the fact that partner organizations had less technical capacity as compared to CRS and that by working for over 12 years, these respondents were mostly in management and did not have direct involvement on evaluations. Conversely, those who reported that knowledge was least influential, 69% were from CRS (n=9) while the rest were from partner organizations with an average length of service of 5 years.

Attitude on Evaluation Use.

The attitude was operationalized by asking respondents whether they considered the implementation of evaluation recommendations to be important in their project's performance. This was asked to both those who implemented and those who did not and the results were as depicted in Figure 4.

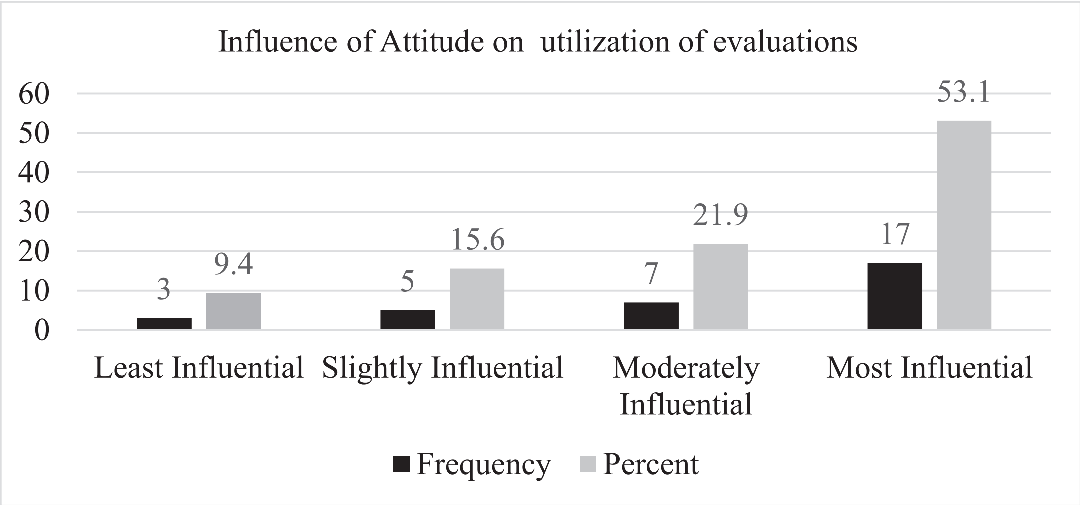

Figure 4 : Influence of Attitude on utilization of evaluations

Over half of the respondents (53%) considered attitude as the most influential factor that made them implement evaluation recommendations. This was the opposite for knowledge with less than 10% reporting it as most influential. Generally, over 90% of the respondents attributed their use of evaluation recommendations to their attitude towards evaluations which agrees with Schein's theory on leadership and organizational culture that attributes an organization's culture to individual sub-cultures. However, gender, duration of employment and respondents' age were not in any way correlated with the attitude towards evaluations with p-values of more than 0.05 for the bi-variate tests. This finding was also seen across organizations CRS and partners with 59% and 47% respectively marking a difference of 12% and concluding that attitude was the most influential factor.

Dissemination Practice on Evaluation Use.

Another variable that was reviewed was the practice by the organizations in the dissemination of its evaluations. Respondents were asked about their experience of attending a dissemination forum, did the forums facilitate and influence their decision to implement or not implement evaluation findings. The organizations which largely follow these forums were largely similar across all selected organizations as they were all CRS implementing partners. In these forums, evaluations were presented and then participants reflected on the findings and recommendations and then input and validated them. Once validated, they would then identify and prioritize key recommendations and draw up an action plan to implement the recommendations.

From this research, there was almost same level of responses across all levels of influence with the majority of 31% stating it was slightly influential and 22% being the minority stating it was least influential, see figure 5.

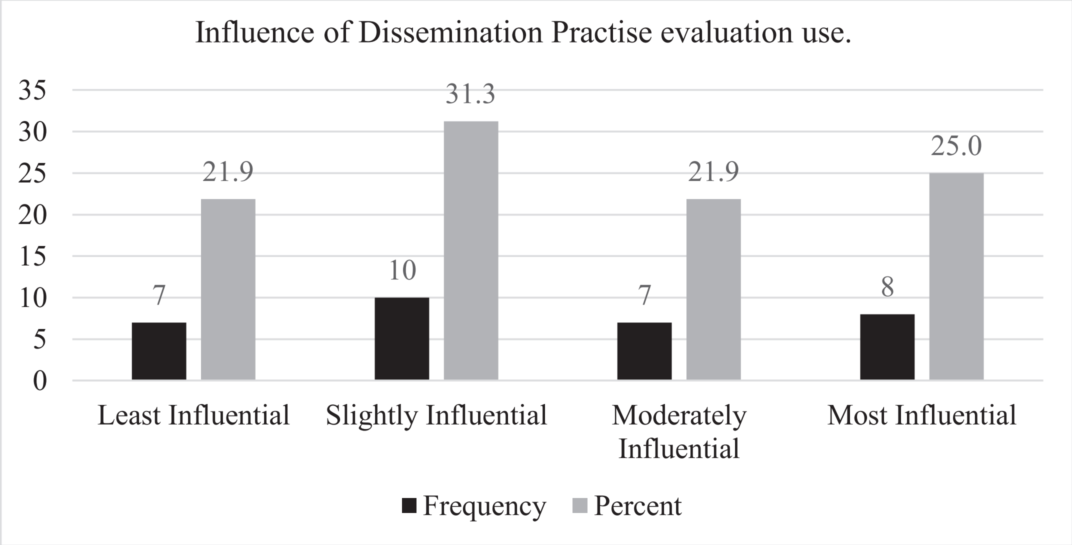

Figure 5: Influence of Dissemination Practice evaluation use.

From figure 5, only 29% of CRS and 20% of partner staff considered of dissemination forums as most influential, while 24% (CRS) and 20% (partner) opined it was least influential. This could be an indication that the practices could have varied based on experiences and delivery by the facilitator. From the qualitative data, respondents also indicated that staff did not see the dissemination practice as an agent of evaluation use but rather as a validation exercise. The distribution was also similarly distributed across gender with 29% of female staff stating dissemination forums were most influential to them while 25% said it was least influential. Thirteen percent of male staff also agreed it was most influential with the same percentage indicating it was least influential to them.

Evaluation Policy on Evaluation Use.

Evaluation policy was categorized as either donor requirements or CRSMEAL policy that required projects to implement their evaluations' recommendations. While most projects implemented by partners were funded by CRS, the funds were drawn from various donors that included both public and private institutions and individuals. Most public funds had clear requirements on conducting and dissemination of evaluations while CRS as an agency applied the MEAL policy and procedures that outlined how and when evaluation recommendations were to be implemented. Figure 6 depicts how respondents considered evaluation policy to be influential in their decision of implementing or not implementing evaluation recommendations.

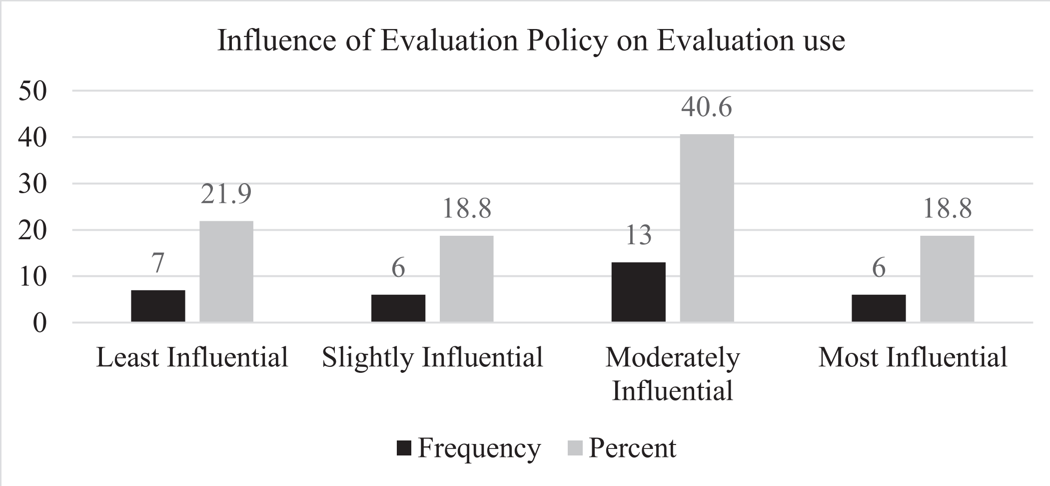

Figure 6:Influence of Evaluation Policy on Evaluation use.

Figure 6 shows that a 41% majority reported that policy was moderately influential, that is, it was not between most and slightly influential. However, in an interesting coincidence, 19% of respondents felt that policy was both slightly and most influential and 22% stated it was least influential. The response was similar for both CRS and the partner organizations with the broader category of moderate and most influential accounting for 60%. Policy was regarded as influential due to the audit component that it attracts and subsequent decisions that are made as a result of compliance or non-compliance.

Inferential Statistics

correlation of research variables

Table 2: Bi-variate correlation among independent variables

		Knowledge	Attitude	Dissemination Practice	Evaluation Policy
Knowledge	Correlation Coefficient	1	-.181	-.149	-.435*
	Sig. (2-tailed)		.305	.399	.010
	N	34	34	34	32
Attitude	Correlation Coefficient	-.181	1	-.551**	-.195
	Sig. (2-tailed)	.305		.001	.265
	N	34	34	34	34
Dissemination Practice	Correlation Coefficient	-.149	-.551**	1	-.280
	Sig. (2-tailed)	.399	.001		.109
	N	34	34	34	34
Evaluation Policy	Correlation Coefficient	-.435*	-.195	-.280	1

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Sig. (2-tailed)	.010	.265	.109	
N	34	34	34	34

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

From the table 2 only knowledge and evaluation policy and ,attitude and dissemination practice had negatively and moderately correlation where (r_s)>0.50 but < 0.70.This means that these variables are moderately correlated but do not have a perfect linear relationship and hence independent from each other There was no significant linear relationship between any other independent variables, therefore concluding the independent variables were all independent of each other and could hence were all retained for analysis on their effect on utilization of evaluations.

Relationship between Knowledge on Evaluation Use

The study sought to establish whether there was a linear relationship between knowledge on the use of evaluations and actually use of evaluations. Table 3 below summarizes the relationship between the independent and dependent variable.

Table 3: Relationship between knowledge and use of evaluations

Correlations (Spearman's rho)		
		Utilization of Evaluations
Knowledge on Evaluation Use	Correlation Coefficient	-.048
	Sig. (2-tailed)	.788
	N	34

Knowledge on evaluation use had a negatively and weak linear relationship with the utilization of evaluations. This means that, as knowledge on how to implement the recommendations increases the less likely people were to implement evaluation recommendations. This disagrees with that indicates that knowledge contributes to managers being able to use information for decision making. It was however noted that this relationship was not significant (p>0.05) and therefore it cannot be concluded that knowledge makes organizations not to implement evaluation recommendations.

Relationship between Attitude and Evaluation Use

Attitude which was assessed by how important the respondents considered use of evaluations was. Table 4 below presents the linear relationship between attitude and use of evaluations.

Table 4: Relationship between Attitude and Evaluation Use

Correlations (Spearman's rho)		
		Attitude on evaluation use
Utilization of Evaluation Findings	Correlation Coefficient	.880
	Sig. (2-tailed)	.002*
	N	34

From the study, attitude towards use evaluation was positively strong and significant ($p<0.05$). This indicated that as attitude improved, evaluation findings were more likely to be implemented.

Relationship between Dissemination Practice and Evaluation Use

Dissemination practice was measured by finding out whether evaluation dissemination forums affected the use of evaluations in the selected organizations.

Table 5: Relationship between dissemination practice and utilization of evaluations

		Dissemination Practice
Utilization of Evaluation	Correlation Coefficient	-.050
	Sig. (2-tailed)	.778
	N	34

Dissemination practice had a positively weak correlation with use of evaluations. These meant that dissemination to a very small extent informed the decision to use evaluation findings.

Relationship between Evaluation Policy and Evaluation Use

Evaluation policy included policy on evaluation use by CRS or external donor.

Table 6: Relationship between Evaluation Policy and Evaluation Use

Correlations (Spearman's rho)		
		Evaluation Policy
Utilization of Evaluation	Correlation Coefficient	.941
	Sig. (2-tailed)	.001**
	N	34

From the table 6 above, donor requirement or organization policy (independent variables) had a strongly positive and significant ($p<0.05$) correlation with the utilization of evaluations. That is, as, with a policy requiring organizations to implement evaluations findings, there were higher chances of a project using its evaluation.

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5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

Discussion

The study sought to establish whether there was a relationship between four factors and utilization of evaluation recommendations. Independent variables included knowledge on how to implement recommendations, whether they considered it important (attitude), whether dissemination practice and finally evaluation policy affected selected organization to use evaluations.

From the study, it was found that 83% of the respondents had conducted an evaluation in the last 12months and thus participated in the study. CRS accounted for 60% of all respondents with 73% being female and 55% aged between 31 to 40 years having worked for an average of 5 years for their respective organizations.
From the study, knowledge and evaluation policy, and, attitude and dissemination practices had negatively and moderately correlation with no other correlation among the independent variables which pointed to independence of the specific objectives

Further, knowledge had a negative and weak correlation with the utilization of evaluation recommendations. Attitude and evaluation policy had a positive (weak and strong respectively) correlation. Dissemination practices, on the other hand, did not have a significant correlation with the utilization of evaluation recommendations. Dissemination forums were found to have a weak positive correlation with evaluation use.

Conclusions

From the summary above it can be concluded that when organizations' staff have knowledge on how to implement evaluation recommendations it is not likely that this will make them use the evaluations. However, if their attitude towards the use of evaluations was improved and evaluation policy provided, evaluations was most likely implement their recommendations. This was not however guaranteed with the use of dissemination forums practice which did not affect utilization of evaluations.

Recommendations

The study recommended strengthening and enforcement of evaluation policy,review of the content and facilitation of dissemination forums as well continued sensitization on theimportance and how to implement evaluation recommendations.

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An Investigation Of Public Relation Strategies Used By Kenyan Organizations In Building The Image Of Their Ceos

Carol Njoroge

ABSTRACT

The purpose of the study was to investigate Public Relation (PR) Strategies Used by Kenyan Organizations in Building the Image of their C.E.Os. The research adopted both quantitative and qualitative approach (mixed method) using the survey research design. To this end the researcher used self-administered questionnaires and in cases where this is not applicable due to time constraints the questionnaires was sent via email as well interviews with selected CEO's. The entire population in this research was all corporate companies that have participated in the Company of the Year Awards (COYA) awards in the last five years. However, the sample population in this study were selected Public Relations departments and selected CEOs whose organizations had successfully been recognized as either top- ranking or bottom ranking in the COYA annual awards in the last five years. The study findings showed that the PR strategies used in building the image of the CEO include (a) training the CEO in public speaking skills to mould his image(b), training the CEO in non verbal skills to mold his image to the public(c) consitently training CEO on interpersonal interaction(d), coaching CEO on the communication words to boost his image to the public(e) helping CEO to select venues and props before addressing the public(f) PR department shaping the CEO media and public appearances (g) training the CEO in corporate dressing and image marketing (h) team building activities, (i) CSR activities, (j)CEO image support, (k)publications,(l) seminars, (m) organizational performance,(n) training, (o) corporate memberships clubs, (p)conferences, education tours, (q) foundations,(r) forums, (s)outsourcing CEO consultancy to PR consultancy firms. Results also lead to the inference that CEOs nomination and positive image positively contributes to the performance of an organization. Specifically, the positive CEOs image may lead to financial successes of the organization, contribute to gaining competitive advantage in today competitive markets, affect the overall company reputation and directly influences the stakeholders. The study recommends that since it was established that PR strategies differ between successful and unsuccessful CEOs, the following PR practices and strategies may be adopted by other COYA and Non COYA award organizations which include; (a) training the CEO in public speaking skills to mould his image(b), training the CEO in non verbal skills to mold his image to the public(c) consitently training CEO on interpersonal interaction(d), coaching CEO on the communication words to boost his image to the public(e) helping CEO to select venues and props before addressing the public(f) PR department shaping the CEO media and public appearances (g) training the CEO in corporate dressing and image marketing (h) team building activities, (i) CSR activities, (j)CEO image support, (k)publications,(l) seminars, (m) organizational performance,(n) training, (o) corporate memberships clubs, (p)conferences, education tours, (q) foundations,(r) forums, (s)outsourcing CEO consultancy to PR consultancy firms. The study further recommends that since there seems to be appositive relationship between organization performance and the CEOs positive image, and then PR departments and CEOs should seriously emphasize on the important role of PR department in shaping the CEOs image.

Keywords: Corporate image, Chief Executive Officer, Impression management

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1.0 INTRODUCTION

Across the globe, in Africa and in Kenya there is a marked increase in annual award schemes recognizing successful corporate organizations. Forbes 'top 100 CEO's' is probably the world's most notable and since 1997 Fortune/Hay group has been conducting global survey of corporate reputations. The top executives and directors from these eligible companies, with the help of financial analysts, "aim at identifying companies that enjoy the strongest reputation within their industries and across the board so as to be recognized by this awarding body" (Mathews, 1997, p.8). In Africa, there are a number of awards that recognize successful corporate organization and Investor Index award is one such example. This award recognizes "the continent's institutions for good management and innovative ideas", while exploring investment partnership in the developing countries (Sun, 2009, p. 4).

Several factors contribute to the successful corporate image of an organization. For example Fombrun & Van Reil, (2004) say that "businesses with a sustainable business model and with a visionary and passionate CEO with branding talent most of the times benefits from the rising opportunities for competing in the modern market place" (p. 67). Leslie says that "a CEO's reputation accounts for up to 50 percent of the overall company's reputation, which means that the CEO's are part of a company's brand equity" (Mayer, 2007, p. 24).

On the other hand, the marketing experts at Wharton School, University of Pennsylvania say that "making a celebrity out of a business owner can be a good thing, as long as certain safeguards are in place" (Khan, 2004, p. 24). and this may include making sure the CEO's brand can always be identified by all stakeholders as the face of that organization and the PRO should continuously scan the external environment and check on the multiple image that is being formed by the different stakeholders is in line with what is being projected most of the times. They caution though, that problems arise when a company doesn't prepare for the unexpected. "At one time, brand awareness and positioning was viewed as a process of associating an image with a company, whether people had a positive or negative perception when they thought of a brand," says Khan, a marketing professor (2004, p 3) they continue to emphasis that for the CEO to enhance the image of the corporate or product brand, his or her own external perceived image by consumers must be harmonious with the image of that organization.

Problem Statement

Conger and Kanungo (1987) argue that leadership plays a big role in how the organization is perceived by the public and this perception helps in improving the corporate image and brand of that organization. Collins (2001) seems to hold the same opinion as Conger & Kanungo; he identified a typical pattern of leadership behavior in those large organizations as "stunningly transforming from being good performers to great performers."

It is important to understand that leadership is not the only factor that influences the image of an organization. Key factors include: the direct experience of the products from the consumers, work place environment, word of mouth and news communicated by the mass media, the organization visibility and the emotional appeal by the public (Burson- Marsteller, 2003). In addition, Black (1972) argues that crafting the strategy that shapes the image of the organization is one of the most important responsibilities of a PR officer (Black, 1972, p.5). Thus the superseding deductions that can be derived from the different scholars is that the image of the organization is influenced by several factors and the public relations practitioners in any organization contribute to how these factors are perceived by the public.

In view of the challenges faced by different corporate organizations, the researcher has noted several gaps. Foremost, there are times that the CEO's charismatic nature makes it irrelevant to have any PR strategies to influence the image of that CEO to the public.

Secondly, is that the activities and strategies of the PR department help in influencing the image of the CEO to the public. Thirdly, is that the corporate image of a CEO can be used to enhance the brand of the organization, hence increase loyalty and brand equity of the organization amongst its publics. Lastly, is the fact that PR strategies have been used to enhance the public's perception of the CEO at the expense of the organization resulting in two separate brand entities, that is, an enhanced CEO's image that does not result or enhance the organizations brand entity.
Therefore, the researcher will seek to investigate the PR strategies used by Kenyan organizations in building the image of their CEOs.

Study Objectives

1. To identify PR strategies used by PR practitioners in building the image of the CEO.
2. To identify if PR strategies and campaigns differ between successful or unsuccessful CEO's in the Kenyan corporate world.
3. To find out if the CEO's image contributes to the organization performance.

2.0 LITERATURE REVIEW

Empirical Literature

Before attempting to study the role of PR in creating and shaping the corporate image of the executive officer in this case the leader of the organization, it is important to define the concept of leadership and its meaning within an organization (Bennis, 1989). A survey of scholarship write ups on leadership in the past century reveals different kinds of thinking about leadership. The great man theory of leadership of the 'born leader' concept is still highly ranked among leadership scholars. In this school of thought a leader would be defined as "that man with special in-born leadership characteristics" and this is a person whose belief and behavior amongst his community results in cataclysmic change in the way things are being done (Bass, 1990). Later on, social Darwinist's opposed to this idea of the 'natural leader' proposed that "leadership is both a function of the traits and the emergence of those traits in a given situation or environment" Rosenbach & Taylor (1989) and this is when someone at any level within an organization leads by virtue of meeting the needs of his or her team or followers.

Fiedler in the late 1960's advanced the idea of situational leadership. He proposed that leadership is contingent upon several factors: the needs of the would-be followers, the ability of the leader to meet those needs through his natural gifts, his behavior towards the followers and the situation (Bass & Stodgill, 1981; Conger, 1988).

3.0 RESEARCH METHODOLOGY

Therefore the current research adopted both quantitative and qualitative approach (mixed method) using the survey research design. To this end the researcher used self-administered questionnaires and in cases where this is not applicable due to time constraints the questionnaires was sent via email as well interviews with selected CEO's. The entire population in this research was all corporate companies that have participated in the COYA awards in the last five years. However, the sample population in this study was selected Public Relations departments and selected CEOs whose organizations had successfully been recognized as either top- ranking or bottom ranking the COYA annual awards in the last five years. In the case that an organization had won the COYA awards, they ought to be in the four distinct categories as indicated in the sampling procedure below. The population sample frame was the list of participating companies at the annual COYA awards for the last five years and this list was provided by KIM (Kenya Institute of Management) since they have always been the awarding and recruiting body. The sampling approach that was used in this study is non-probability sampling, and the researcher used purposive sampling. The study employed two methods of data collection: interviews and questionnaires to get information in the areas of Public Relations and Strategic planning. Quantitative data from the questionnaire was analyzed by the use descriptive statistics and presented in form of frequency tables, charts, and graph.

4.0 RESULTS

A cross tabulation of age of PRO and age of CEO provided some interesting insights into the question of whether older CEOs are more comfortable working with older PRO's or younger PROs. Cross tabulation results in conjunction with chi-square results indicated that the null hypothesis of independence between the age of PRO and the age of CEO was rejected. This implied that there is a relationship between age of CEO and age of PRO. In 58.6% of the cases, CEO aged 37 to 44 years preferred to work with PROs who were of the same age group (37 to 44 years). In other instance, 60% of CEOs aged 45 years and above worked with PROs of the same age. The study may therefore conclude that older CEOs are more comfortable working with older PROs, while young CEOs are more comfortable working with young PROs (chi square=19.681,df=6, p value =0.003).

Table 1:Age_of_PRO * Age group of CEO Cross tabulation

			Age group of ceo			
			31-36	37-44	45+	Total
Age_of_PRO	24-30	Count	0	10	12	22
		% within Age_of_PRO	.0%	45.5%	54.5%	100.0%
		% within Age group of ceo	.0%	23.8%	34.3%	27.5%
		% of Total	.0%	12.5%	15.0%	27.5%
	31-36	Count	3	9	2	14
		% within Age_of_PRO	21.4%	64.3%	14.3%	100.0%
		% within Age group of ceo	100.0%	21.4%	5.7%	17.5%
		% of Total	3.8%	11.3%	2.5%	17.5%
	37-44	Count	0	17	12	29
		% within Age_of_PRO	.0%	58.6%	41.4%	100.0%
		% within Age group of ceo	.0%	40.5%	34.3%	36.3%
		% of Total	.0%	21.3%	15.0%	36.3%
	45+	Count	0	6	9	15
		% within Age_of_PRO	.0%	40.0%	60.0%	100.0%
		% within Age group of ceo	.0%	14.3%	25.7%	18.8%
		% of Total	.0%	7.5%	11.3%	18.8%
Total		Count	3	42	35	80
		% within Age_of_PRO	3.8%	52.5%	43.8%	100.0%
		% within Age group of ceo	100.0%	100.0%	100.0%	100.0%
		% of Total	3.8%	52.5%	43.8%	100.0%

Table 2: Chi-Square Tests of independence

Chi-Square Tests	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.681[a]	6	.003
Likelihood Ratio	16.872	6	.010
N of Valid Cases	80		

a. 4 cells (33.3%) have expected count less than 5. The minimum expected count is .53.

Factors contributing to positive corporate image of CEO

The study sought to establish whether the projected CEOs image was a result of PR efforts. The findings are presented in table 3 below.

Table 3: Factors contributing to positive corporate image of CEO

Contributing factors to positive CEO image	Total	Percentage
employee retention	1	1%
good stock market price	1	1%
Media attention and Publications	20	25%
No response	9	11%
Organization profitability	4	5%
Organizational Brand	1	1%
Pr Department Support	33	41%
Product development and good customer service	4	5%
quality assurance	3	4%
Training by PR department	4	5%
Grand Total	**80**	**100%**

Results reveal that some of the factors contributing to the positive image of the CEO include Public Relations department support(41%), media attantion and publications(25%), product development and good customer service(5%), training by public relations department(5%), organization profitability(5%), quality assurance(4%), organization brand(1%), good stock market price (1%) and employee retention (1%) respectively. A small percentage of non responses (11%) implied that there were some PR respondents who were unaware of other factors that contribute to positive image of the CEO In other studies used in the literature review, it shows that within the corporate communication, the role of strategy is perceived to be a 'boundary spanning' function and it plays a key role in the process of managing the environmental interaction. This means that 'the strategic planners within the organization operate as the interface between the organization and its environment to help gather, relay and interpret information from the environment to the organization' (Wilcox, at. el. p.41, 1989).

PR STRATEGIES AIMED AT BUILDING CEOs IMAGE

One of the objectives of the study was to identify the PR strategies and campaigns that are being used by PR practitioners to build the image of the CEO. The findings were given in table 4.

Table 4: PR Strategies Aimed At Building CEOs Image

	Agree	Disagree	Neutral	Strongly Agree
The PR department is involved in training the CEO in public speaking skills to mould his image	22-28%	9-11%	12-15%	37-46%
The PR department is involved in training the CEO in non-verbal skills to mold his image to the public	10-13%	12-15%	24-30%	34-43%
The CEO is consistently trained on interpersonal interaction	13-16%	9-11%	23-29%	35-44%
The CEO is trained effectively to being able to use his/her rhetoric skill by the PR department	16-20%	12-15%	20-25%	32-40%
The CEO is coached on the communication's words to boost his image to the public	8-10%	18-23%	19-24%	35-44%
The PR department helps the CEO to select venues, props before addressing the public	16-20%	6-8%	12-15%	46-58%
The PR department shapes the CEO's media and public appearances	15-19%	6-8%	9-11%	50-63%
The PR department trains the CEO in corporate dressing and image marketing.	10-13%	11-14%	18-23%	41-51%

The majority of respondents (46%)strongly agreed with the statement that the PR department is involved in training the CEO in public speaking skills to mould his image. A majority of less than half (43%) strongly agreed with the statement that the PR deprtment is involved in training the CEO in non verbal skills to mold his image to the public. A majority of less than half (44%) strongly agreed with the statament that the CEO is consitently trained on interpersonal interaction. A majority of less than half (44%) strongly agreed with the statament that the CEO is coached on the communication words to boost his image to the public.

A majority of more than half (58%) strogly agreed with the statament that the PR deprtment helps the CEO to select venues and props before addressing the public. A majority of more than half (63%) strongly agreed with the statement that the PR department shapes the CEO media and public appearances. Lastly, the a majority of slightly more than half (51%) strongly agreed with the statement that the PR department trains the CEO in corporate dressing and image marketing. The finding implies that PR practictioners play very important roles aimed at building the CEO image.

COMPARISON OF PR STRATEGIES BETWEEN TOP RANKED AND BOTTOM RANKED CEOS

In line with study objectives , the research sought to identify whether PR strategies differ between top ranked and bottom ranked CEOs. The findings were given in table 5.

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Table 5: Comparison of PR strategies between top ranked and bottom ranked CEOs

	V1	N	Mean	Std. Deviation	Std. Error Mean
The PR department is involved in training the CEO in public speaking skills to mould his image	Top 10	10	4.40	.843	.267
	Bottom 10	10	3.30	1.059	.335
The PR department is involved in training the CEO in non-verbal skills to mold his image to the public	Top 10	10	4.30	.823	.260
	Bottom 10	10	3.20	.919	.291
The CEO is consistently trained on interpersonal interaction	Top 10	10	4.70	.675	.213
	Bottom 10	10	3.40	1.075	.340
The CEO is trained effectively to being able to use his/her rhetoric skill by the PR department	Top 10	10	4.40	.699	.221
	Bottom 10	10	3.40	.966	.306
The CEO is coached on the communication's words to boost his image to the public	Top 10	10	4.50	.707	.224
	Bottom 10	10	3.40	1.075	.340
The PR department helps the CEO to select venues, props before addressing the public	Top 10	10	4.80	.422	.133
	Bottom 10	10	3.40	1.075	.340
The PR department shapes the CEO's media and public appearances	Top 10	10	4.90	.316	.100
	Bottom 10	10	3.60	1.174	.371
The PR department trains the CEO in corporate dressing and image marketing.	Top 10	10	4.40	.966	.306
	Bottom 10	10	3.30	1.160	.367

Table 5 above displays the group statistics for the two groups namely Top 10 CEOs group and Bottom 10 CEOs group.

The first statement that PR department is involved in training the CEO in public speaking skills to mould his image attracted a mean response of 4.40 in the TOP CEO group while it also attracted a mean of 3.30 in the bottom 10 group. Given a likert scale of between 1 to 5 where 1 is strongly disagree and 5 is strongly agree, the top 10 CEO group mean response rate seems to fall under the scale of 4 (Agree). However, the mean response of 3.30 for the Bottom 10 CEO group seems to fall at the likert scale of 3 (neutral/ neither agree nor Disagree). The other statements in the table demonstrated the same results.

An objective way of testing whether the two group responses were significantly different was by use of a t- test for equality of means. The t test results are given in table 7 and the finding are in agreement with a study done by Murray & White (2005) on the role of PR practitioners in Assisting CEOS on image building and maintenance which includes it to be:

Table 6 t-Test for equality of means

						95% Confidence Interval of the Difference	
	t	df	**Sig. (2-tailed)**	Mean Difference	Std. Error Difference	Lower	Upper
The PR department is involved in training the CEO in public speaking skills to mould his image	2.569	18	**0.019**	1.1	0.428	0.2	2
The PR department is involved in training the CEO in non-verbal skills to mold his image to the public	2.819	18	**0.011**	1.1	0.39	0.28	1.92
The CEO is consistently trained on interpersonal interaction	3.239	18	**0.005**	1.3	0.401	0.457	2.143
The CEO is trained effectively to being able to use his/her rhetoric skill by the PR department	2.652	18	**0.016**	1	0.377	0.208	1.792
The CEO is coached on the communication's words to boost his image to the public	2.703	18	**0.015**	1.1	0.407	0.245	1.955
The PR department helps the CEO to select venues, props before addressing the public	3.834	18	**0.001**	1.4	0.365	0.633	2.167
The PR department shapes the CEO's media and public appearances	3.382	18	**0.003**	1.3	0.384	0.492	2.108
The PR department trains the CEO in corporate dressing and image marketing.	2.305	18	**0.033**	1.1	0.477	0.097	2.103

The statement that the PR department is involved in training the CEO in public speaking skills to mould his image attracted a p value of 0.019,df= 18 and t-statistic of 2.569. The statement that the PR department is involved in training the CEO in non verbal skills to mold his image to the public attracted a p value of of 0.011 ,df=18 and t=2.819. The statement that the CEO is consitently trained on interpersonal interaction attracted a p vlaue of 0.005, df=18 and t= 3.239 .

The statament that the CEO is trained effectively to being able to use his/her rhetoric skill by the PR department attracted a p value of 0.016, df=18, t=2.652. The statement that the CEO is coached on the communication words to boost his image to the public attracted a p value of 0.015,df=18 and t=2.703 .

The statament that the PR deprtment helps the CEO to select venues and props before addressing the public attracted a p value of 0.001, df=18, t stataistic=3.834. The statement that the PR department shapes the CEO media and public appearances attracted a p value of 0.003, df=18 and t stataistic=3.382. Lastly, the statement that the PR deprtmnet trains the CEO in corporate dressing and image marketing attracted a p value of 0.033, df=18 and t sttatistic of 2.305.

Since all the p values were lower than the p value of 0.05, there exists a significant difference in mean responses between the two groups. The findings therefore imply that strategies differ between the Top 10 CEOs and Bottom 10 CEOs which also hold true to what Conger (1989), says that 'the establishment of a shared vision and collective identity coupled with strong follower commitment to the leader and elevated effort can produce high levels of internal cohesion, value congruence, and performance potential which help to promote strong identity leading to a positive image' (p. 143).

5.0 SUMMARY AND CONCLUSIONS

Summary of the findings

One of the research questions attempted to find out what PR strategies are used in building the image of the CEO. Results indicate that the majority of respondents strongly agreed with the statement that the PR department is involved in training the CEO in public speaking skills to mould his image (46%), that the PR deprtment is involved in training the CEO in non verbal skills to mold his image to the public(43%), that CEO is consitently trained on interpersonal interaction (44%), that the CEO is coached on the communication words to boost his image to the public (44%). Results further indicate that a majority of respondents strongly agreed with the statament that the PR department helps the CEO to select venues and props before addressing the public (58%), that the PR department shapes the CEO media and public appearances (63%) and that the PR department trains the CEO in corporate dressing and image marketing.

The finding implies that PR practictioners play very important roles aimed at building the CEO image. The findings further imply that PR strategies mentioned above are an important aspect of shaping the CEOs image. This findings are further supported in other parts of this study that suggest that majority of responndets agree to the PR-led CEO image proposition, the Organization led-ceo image proposition but strongly disagree to Irrelevance of PR proposition.

Another research question attempted to find out whether PR strategies differ between successful and unsuccessful CEOs. Results suggest that PR strategies do differ between successful and unsuccessful CEOs. This finding was supported by the observed t statistic and p values. It was evident from the t-tests that in the case of successful CEOs, it was more likely to observe the PR department being involved in training the CEO in public speaking skills to mould his image, more likely to observe the PR department being involved in training the CEO in non-verbal skills to mold his image to the public, more likely for the CEO to be consistently trained on interpersonal interaction, more likely for the CEO to be trained effectively to being able to use his/her rhetoric skill, more likely for the CEO to be coached on the communication's words to boost his image to the public, more likely for the PR department to help the CEO to select venues, props before addressing the public, more likely for the PR department to shape the CEO's media and public appearances, and more likely for the PR department to train the CEO in corporate dressing and image marketing.

This may imply that PR has a role to play in enhancing the successful image of the CEO. The third research question attempted to find out if the image of the CEO contributes to organization performance. A strong majority of respondents strongly agreed with the statement that the CEO image after the awards impacts on the financial successes of the organization (85%), that the CEO image after the awards helps the organization to gain competitive advantage in today competitive markets (85%), that the CEO image after the awards affects the overall company reputation (89%) that the CEO image after the awards directly influences the stakeholders (85%). The findings imply that CEOs nomination and positive image positively contributes to the performance of an organization. This positive relationship may arise because the stakeholders (suppliers, customers, government and the general public) either become more trusting or are convinced of the going concern and sustainability of the firm. This way, the organization can attract capital at low costs, can target customers more easily and can negotiate with suppliers more easily. This further improves the top line and bottom line results.

Conclusions

It was possible to make several inferences from the findings of the current study. The inferences are in line with the objectives and research questions of the study. The study concludes that the PR strategies used in building the image of the CEO include (a) training the CEO in public speaking skills to mould his image(b), training the CEO in non verbal skills to mold his image to the public(c) consitently training CEO on interpersonal interaction(d), coaching CEO on the communication words to boost his image to the public(e) helping CEO to select venues and props before addressing the public(f) PR department shaping the CEO media and public appearances (g) training the CEO in corporate dressing and image marketing (h) team building activities, (i) CSR activities, (j) CEO image support, (k)publications,(l) seminars, (m) organizational performance,(n) training, (o) corporate memberships clubs, (p)conferences, education tours, (q) foundations,(r) forums, (s) outsourcing CEO consultancy to PR consultancy firms.

It was also possible to infer that PR strategies differ between successful and unsuccessful CEOs since it is more likely for successful CEOs to have been trained on public speaking skills to mould his image(b), trained innon verbal skills to mold his image to the public(c) consitently trained on interpersonal interaction(d), coached on communication words to boost his image to the public (e) helped to select venues and props before addressing the public (f) the PR department shape the CEO media and public appearances (g) trained in corporate dressing and image marketing.

Results also lead to the inference that CEOs nomination and positive image positively contributes to the performance of an organization. Specifically, the positive CEOs image may lead to financial successes of the organization, contribute to gaining competitive advantage in today competitive markets, affect the overall company reputation and directly influences the stakeholders.

Recommendations

The study recommends that since it was established that PR strategies differ between successful and unsuccessful CEOs, the following PR practices and strategies may be adopted by other COYA and Non COYA award organizations. Specifically, it is recommended that PR departments should put in place the following PR strategies (a) training the CEO in public speaking skills to mould his image(b), training the CEO in non verbal skills to mold his image to the public(c) consitently training CEO on interpersonal interaction(d), coaching CEO on the communication words to boost his image to the public(e) helping CEO to select venues and props before addressing the public(f) PR department shaping the CEO media and public appearances (g) training the CEO in corporate dressing and image marketing (h) team building activities, (i) CSR activities, (j)CEO image support, (k)publications,(l) seminars, (m) organizational performance,(n) training, (o) corporate memberships clubs, (p) conferences, education tours, (q) foundations,(r) forums, (s)outsourcing CEO consultancy to PR consultancy firms.

The study also recommends that since there seems to be appositive relationship between organization performance and the CEOs positive image, and then PR departments and CEOs should seriously emphasize on the important role of PR department in shaping the CEOs image.

Limitations of the study

The current study is merely descriptive especially on the attempt to establish whether CEOs image contributes to positive organization performance. It may have been more appropriate to conduct a regression analysis that may demonstrate the sensitivity of organization performance to CEO image. That way, one can say that an increase in CEO image by this much affect organization performance by this much. Furthermore, there was weak conceptualization of the concept of organization performance. In addition, there may be selection bias after only considering COYA Award Nominees. It may be likely that COYA award nominees are more likely to use PR departments and are also more likely to take seriously the issue of CEOs image. It is therefore recommended that a sampling frame such as the firms listed on the Nairobi Securities Exchange or the tax payers list from KRA may have less selection bias.

Suggested areas of further research

The current study recommends a regression analysis that may demonstrate the sensitivity of organization performance to CEO image. The study also recommends the adoption of the balance score card concept to organizational performance in a bid to test the relationship between CEOs image and organization performance. The current study should also be replicated across different sampling frames such as the firms listed on the Nairobi securities exchange and the Kenya association of manufacturers list.

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Determinants Of Growth Of Micro And Small Petroleum Enterprises In Kenya; A Case Of Nairobi County

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ABSTRACT

MSEs and SME's have always been the backbone and impetus for growth of an economy. To ensure their continued vitality in an increasingly competitive and globalized world, their growth must be ensured. This study therefore set out to evaluate the determinants of firm growth in an integrated way, and to identify the most important determinants of firm growth., The study adopted descriptive research design. A sample size of 134 respondents out of a target population of 7 corporate members listed by PIEA was drawn. The study used primary data which was largely quantitative and descriptive in nature. Both descriptive and inferential analyses were conducted. Findings reveal that whereas a majority of MSEs have considerably grown over the last five years in all respects including the number of employees, number of stations, gross sales and net profit, the growth has been largely slow and unstable characterized by declines in between the years, as regards gross sales and net profits. It was also found that a majority of the MSEs surveyed are driven by entrepreneurship skills among their management. The study also found that franchise holding significantly influences firm growth through a variety of attributes including earning the firm competitive advantage; increasing the respective firms' business opportunities. Profit margin was further found to have considerably influenced the established firm growth across a majority of the MSEs surveyed, most notably through increased profitability, increased return on investment and increased sales among others. Finally, it was found that cost of capital moderately influences growth across a majority of MSEs reached most notably through service tax, irregular cash flows, interest charges, prepayment charges, loan size, asset base and mismatch of funds. The impact of the rising petrol price study on the cash flow and profitability of service stations must be addressed as an urgent matter; otherwise it might lead to some service stations being closed in the near future. It will be advisable in future to form one unity body for service station retailers. The Kenyan government should look into the possibility of introducing deregulation of the petrol price.

Keywords: Entrepreneurial Skills, Franchising Agreement Terms, Profit Margins, Cost of Capital

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1.0 INTRODUCTION

The present study attempts to provide an integrated analysis on the determinants of growth of petroleum Middle Sized Enterprises (MSEs) in Kenya. The study is anchored on the recognition that Small and Medium Enterprises (SMEs) play a major role in economic development in every country, including African countries and that growth is an important performance element and success measure in entrepreneurship. Hence, insight into the determinants of firm growth is important from a policy perspective. Over the last two decades, these determinants have been studied in various disciplines, such as economics, strategy, psychology, network theory and innovation, albeit in a highly fragmented manner. For instance, research from a psychological perspective focuses on the behavior of the entrepreneur (Begley & Boyd, 2013); research from a strategy point of view concentrates on the relationship between environment, business strategy and growth (McDougall *et al.,* 2014); while research on economics focuses on the relation between growth and firm size (Audretsch *et al.*, 2012). Thus, there exist diverse views, with none of them explaining the determinants of firm growth in a holistic manner, an aspect this study sets out to address.

Most SMEs in Kenya die within their first five years of existence, a smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent survive, thrive and grow to maturity (Aremu & Adeyemi, 2012). Many factors have been identified contributing to this premature death of SMEs. Key among them include: insufficient capital, irregular market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right caliber of staff, cut-throat competition (Basil, 2005).

According to the Petroleum Institute of East Africa (PIEA) Total Kenya, Shell, Kenol Kobil and Oilibya's combined retail market share stood at 80.1 per cent in the three months ended June 2015. The retail business for service station is modelled in three platforms that is, Dealer Owned Dealer Operated (DODO), Company Owned Dealer Operated (CODO) and Company Owned Company Operated. The majority of stations (80pc) within the largest four players are operated under the CODO model.

Although micro and small enterprises SMEs are seen as veritable and viable engines of economic development, the growth and development of MSEs in the Kenyan petroleum industry have been slow and in some cases even stunted, due to a number of problems and challenges confronting this all-important sub-sector of the economy. Some of the problems highlighted in the body of literature as being responsible for their slow growth and development include: deplorable infrastructural facilities; funding and financing challenges; inadequate managerial and entrepreneurial skills; limited capacity for research and development as well as innovations; limited demand for their products and services; burden of multiple taxes; and overbearing actions of government functionaries and agents (Mburu et al., 2007). Others according to World Bank (2009) include difficulties associated with complying with regulatory requirements in the specific areas of operations of the SMEs; problems of under-capitalization and difficulty with access to bank credits; bureaucratic bottlenecks; corruption and lack of transparency arising from government regulation and regulators; as well as government's lack of interest or focus in addressing the specific factors responsible for the abysmal performance of the sub-sector (Onugu, 2005).

There is a significant body of academic research for other sectors and especially for manufacturing. While this may provide some insights applicable to the petroleum industry, there are substantial sectoral differences that may limit the usefulness of analogies (Evans, 2013). Compared to manufacturing, oil and gas activity generally has a higher capital and knowledge intensity, greater production, market/ price and regulatory/policy risks and a greater requirement of high levels of ongoing investment in order to maintain production levels. The oil and gas sector is highly dynamic, embodying a strong element of continual change as new companies are formed, companies merge, companies exit, companies grow and some graduate to the next highest category (Fagbenle *et al.*, 2014). Although recent studies attempt to link determinants of MSEs growth from different perspectives or dimensions (Baum, Locke & Smith, 2012; Covin & Slevin, 2012; Lumpkin & Dess, 2013), their explanatory power is low due to the relatively small number of variables (Davidsson *et al.*, 2014).

Beckman (2012) contend that most of the problems of SMEs are external to it, among them bare those related to capital shortage, taxation and regulations, product liability patent and franchising abuses. The internal problems of SMEs in Nigeria include: inadequate working capital, stiff competition from larger companies, difficulties in sourcing raw materials, low capacity utilization, lack of management strategies, poor educational background of operators, and huge financial problems while the external problems include: policy inconsistencies, multiple taxation, harsh regulatory requirements and trade groups (Sidika, 2012). It is also important to note that Petroleum sector SMEs in Nairobi County are not immune from the aforementioned challenges in their day to day operations hence it was necessary to embark on a study that classifies the determinants of firm growth into four dimensions: number of employees, number of branches, profit margins and revenue determinants. Occasioned by the aforementioned gap in local literature, the present study set out to evaluate the determinants of firm growth in an integrated way, and to identify the most important determinants of firm growth. More specifically the study sought to assess the entrepreneurial skills as a determinant of growth of petroleum sector MSEs in Nairobi County, Kenya, evaluate franchising agreement terms as a determinant of growth of petroleum sector MSEs in Nairobi County, examine profit margins as a determinant of growth of petroleum sector MSEs in Nairobi County and evaluate cost of capital as a determinant of growth of petroleum sector MSEs in Nairobi County. This study takes the descriptive research design.

Petroleum Micro and Small Enterprises

The oil and gas sector represents the primary engine of economic activity and prosperity in both developed and developing countries, and increasingly it has become an important driver of the economy in these countries (Bekele & Zeleke, 2013). In developing countries, when the direct and indirect linkages are taken into account, this sector typically accounts for about one-half of total value added (or Gross Domestic Product), about 40 percent of employment and around 50 percent of revenues for the regional governments. At the national level, the oil and gas sector now accounts for over one-half of all exports of goods and services most countries; it is the dominant factor in the favorable trade balance; it accounts for about one quarter of all business profits and one-third of total business investment (Brown et al., 2014).

In spite of the overall importance of this sector, relatively little quantitative information is available concerning the structure, behavior and performance of the various components measured in terms of firm size. Commonly, the sector is portrayed simplistically as monolithic big oil and gas, when in fact there is huge variation in the size and roles of firms (Chandler, 2012). Contrary to common perception, it is a highly complex and dynamic industry given the intricacies and sophistication associated with exploration, development and production. Generalities and folklore tend to grow up around oil and gas, and it is often difficult to separate myth from reality in terms of behavior and performance (Bigsten et al., 2012).

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An Overview of the Kenyan Petroleum Industry

Petroleum fuels constitute the main source of commercial energy in Kenya. Kenya is a net importer of petroleum products and has a refinery owned and managed by the Kenya Petroleum Refineries Ltd (KPRL), an 800 km cross country oil pipeline from Mombasa to Nairobi and Western Kenya with terminals in Nairobi, Nakuru, Eldoret and Kisumu, run by the Kenya Pipeline Company (KPC). The sector also boasts of over 30 oil importing and marketing companies comprising of four major companies namely Shell, Total, Kenol/Kobil, Oil Libya and other emerging oil companies which include the Government owned National Oil Corporation of Kenya (Daily Nation, May, 4, 2011).

The sector, which was liberalized in 1994, has since seen a lot of growth and improvements in quality and level of service. However, without an appropriate regulatory environment being in place at the time of liberalization (the existing legislation at the time was the Petroleum Act Cap 116 of 1948 with latest revision of 1972), several challenges face the sector which include proliferation of substandard petroleum dispensing and storage sites which pose environment health and safety risks; diversion of petroleum products destined for export into the local market by unscrupulous business people to evade tax and a dominance of the market by a few companies among others. The Government noted these challenges in its energy policy contained in Session Paper No. 4 of 2004 on Energy and recommended review of the Petroleum Act Cap 116 and other energy sector statutes and the introduction of a new energy sector legislation to cover petroleum, electricity and renewable energy. It also recommended the formation of a single energy sector regulator to regulate electricity, downstream petroleum, renewable energy and other forms of energy (Daily Nation, May, 4, 2011).

2.0 LITERATURE REVIEW

Theoretical Review

Various theories address the growth of petroleum sector Middle Sized Enterprises and have been advanced by a number of authors. This section will review four major theoretical perspectives of boards and governance mechanisms that are considered relevant for this study, including Resource based theory, The Game theory, The Agency theory and the Stewardship theory.

Resource Based Theory

Resource dependence theorists argue that organizations attempt to obtain stability and legitimacy, which is achieved through interdependencies and the exercise of power and control (Pfeffer & Salancik, 1978). The effectiveness of organizations depends on their ability to acquire the resources needed for survival. According to Pfeffer and Salancik (1978), organizations can select one of four strategic choices or a combination of the four to balance their dependencies. Firstly, they may adapt to constraints. Secondly, they may alter interdependencies by merger or diversification. Thirdly, they may negotiate their environment by interlocking directorships/control or joint ventures. Fourthly, they may attempt, by political action, to change the legality of its environment. The importance of the resource-based view (RBV) of strategic management is manifest in its rapid diffusion throughout the strategy literature (e.g., Wernerfelt, 1984; Rumelt, 1984; Barney, 1986, 1991; Dierickx & Cool, 1989; Mahoney & Pandian, 1992). Unlike big business and corporations in which the RBV normally applies, SMEs are constrained by resource, which calls for strategic management approaches to optimize the limited resources available to them in order to grow.

Game Theory

Game theory is the study of the ways in which strategic interactions among rational players produce outcomes with respect to the preferences (or utilities) of those players, none of which might have been intended by any of them. Game Theory models the interaction between two or more players (Binmore, 2005). The theory attempts to create a model and to predict the outcome of a conflict between rational individuals, often with uncertainty and information asymmetry. We assume that the players are rational and that they all want to maximize their own expected utility. In game theory, each individual knows the strategies and payoffs available to everyone. However, they do not know the other players' choices of strategy. The outcome of one player affects all the other players (McMillan, 1991).

Agency Theory

Separation of regulation from possession infers that qualified managers manage a firm on behalf of the corporation's proprietors (Kiel & Nicholson, 2003). It is apparent that as soon as a firm's owners observe the professional managers not to be handling the business in the best interests of the owners, encounters begin. According to Eisenhardt (1989), complications arising in the affiliation between possessors or stockholders and their proxies or highest organization are scrutinized and fixed by the agency theory which relies on the postulation that the role of organizations is to make the most of the fortune of their owners or shareholders (Blair, 1995).

Stewardship Theory

The theory, also commonly referred to as the stakeholders' theory, on the other hand, argues contrary to the agency theory. The theory is premised on the fundamental supposition that businesses provide a broader social reason than only making the most of the wealth of shareholders. Agreeing to this, Donaldson & Preston (1995) and Freeman (1984) examine that businesses are social establishments that affect the interests of many stakeholders. Flourishing businesses are determined by their capacity to add worth for all their stakeholders. Some researchers consider the natural environment as a key stakeholder (Starik & Rands, 1995; Dunphy et al., 2003). Ulrich (2008) concurs that stakeholders can be influential to corporate achievement and have ethical and legal privileges. When stakeholders realize their expectations from a company, they return to the company for more (Freaman & McVea, 2001). As such, corporate managers have to reflect on the interests of stakeholders when taking decisions and conduct production sensibly towards the stakeholders (White, 2009). Contribution of stakeholders in corporate supervisory can augment competence (Turnbull, 1994) and diminish conflicts (Rothman & Friedman,

Conceptual Framework

Firm growth

Success and failure of SMEs is not only related to business environment aspect. It also depends on the firm internal factors and many more key strategic factors Entrepreneur characteristics have been extensively studied, with mixed results on his impact on small firm growth. Several studies convincingly confirmed that some characteristics have positive and significant relationships with small firm growth while other studies find insignificant relationships (Sidika, 2012). Some authors have approached their studies from the perspective of the mindset and personality of the entrepreneur (Wijewardena, et al., 2008), while others have looked at it from the perspective of the entrepreneur's education, family background, and capability (Brown, 2007; Kor, 2003). A third group of scholars has considered the personal role of the entrepreneur and his growth aspirations (Pasanan, 2007; Wasserman, 2008). Ciavarella et al. (2004) noted that the entrepreneurs' stable and inherent characters influence how they manage their businesses. In addition, they will tend to conduct their business based on the strengths of their specific characteristics (Sidika, 2012). Many aspects have been examined regarding the characteristics of entrepreneurs, such age, gender, motivation, experience, educational background, risk taking propensity, and preference for innovation ((Pasanan, 2007; Sidika, 2012).

Entrepreneurial Skills

The body of entrepreneurship theories is stratified, eclectic, and divergent (Gartner et al., 2013). Analysis of published entrepreneurship researches (Aldrich & Baker, 2012) show that the field generates many theories and frameworks; multiple but disconnected themes reflecting the disciplinary training and lens of their authors (Gartner et al., 2013) and there exists no powerful unifying paradigm (Busenitz et al., 2011). In its increasing complexities of its own, the concept of entrepreneurship skill is intertwined with a complex set of contiguous and overlapping constructs such as management of change, innovation, value creation, small business management, technological and environmental turbulence, and industry evolution. Furthermore, the phenomenon can be productively investigated from disciplines as varied as economics, sociology, finance, history, psychology, and anthropology, each of which uses its own concepts and operates within its own terms of preference (Cornelius et al. 2009; Low & MacMillan, 2012).

Franchising Agreement Terms

The International Franchise Association (IFA) (2009) has defined franchising as a contractual relationship between the franchisor and franchisee in which the franchisor offers or is obliged to maintain a continuing interest in the business of the franchise in such areas as know-how and training; wherein the franchisee operates under a common trade name, format or procedure owned by or controlled by the franchisor and in which the franchisee has made or will make substantial capital investments in his/her business from his/her own resources. The European Union commission (2010) gave one of the most compassing definitions of a franchise concept and a franchise contract in their regulations. According to this a franchise is an assembly of rights of industrial or intellectual property, concerning brands, firms, industrial designs and models, copyright, know-how or patents meant to be exploited for selling products and performing services by final users'. The same European Union community regulation defines a franchise contract to be an agreement by which the franchisor grants another person called the franchisee the right to exploit a franchise in exchange for a direct or indirect financial compensation.

Profit Margins

Becchetti and Trovato (2012) opine that profit margin is not only a difference between turnover and cost it is also an indication of how efficiently the firm management extracts values from each dollar spent as cost and how it utilizes firm resources. Firms recording high profit margins are more profitable and are assumed to grow, whilst firms with lower profit margins are less successful are assumed to lose market share. Agent-based simulation modeling has since remained a dominant tool in the evolutionary literature, the backbone of which is undeniably the mechanism of 'replicator dynamics', by which growth is imputed according to profitability.

Different types of profit margins are identified in literature. Operating profit margin, according to (Hobbes, 2010), is a measure of a company's earning power from ongoing operations equal to earning before the deduction of interest payment and income taxes. Optimum profit margin; this is the right amount of profit a business can achieve. In business, this figure takes account of marketing strategy and other methods of increasing returns the competitive rate (Glancey, 2013).

Cost of Capital

Ang (2010) indicates that theories of capital structure were not developed with thinking SMEs in first place so they may not be directly appropriate for them. However, the validity of trade-off theory and pecking order theory for SMEs are tested empirically in many countries. In addition to size, there are two main factors that differentiate SMEs from large firms (Bhaird and Lucey, 2010). The first one is the SME owners' desire for keeping their independence and control. The second one is the fact that SMEs are having more severe information asymmetry problems in financing decisions. These differences affect capital structure decisions of SMEs mainly in the following ways: In order to keep control, SME managers tend to reject external finance, even for projects with positive net present values (Holmes & Kent, 2011).

Empirical Review

Empirical studies on factors affecting the growth of SMEs can be roughly divided into two groups:

internal factors of the firm and external factors that are beyond the SMEs' control. In order to summarize the determinants from a wide range of perspectives, I investigate the same based on four dimensions, namely, entrepreneurial skills, franchising agreement terms, profit margins and cost of capital. These are hereby reviewed based on previous scholars' findings.

Firm Growth

Different approaches to explain the factors affecting the growth of SMEs. Some of them have considered environmental and external factors to have a big impact on the performance and growth of small firm's (Lumpkin & Dess, 1996). According to Lumpkin and Dess, (1996) the growth of SMEs are affected by its business climate. Clement *et al.*, (2004) noted that an unfavorable business climate has negative effect on small firm growth. Brown (2007) identified competition as one of the major hindrances to the growth of small firm. Davidsson (1989) noted that an unfavorable tax system, complicated rules and regulations can heavily hamper small firms' growth. Krasniqi (2007) showed that corruption is a major source of the rise in unfair competition. He further emphasized that the cost of complying with regulations and increased tax rates increases small firms' expenses while limiting their growth. Likewise, St-Jean et al. (2008) noted that unfair competition from the informal sector, cumbersome regulations, and tax rates are the main obstacles on small business growth.

Entrepreneurial Skills

Lichtenstein and Lyons (2011) argued that it is important for service providers to recognize that entrepreneurs come to entrepreneurship with different levels of skills and therefore each entrepreneur requires a different 'game plan' for developing his or her skills. Furthermore, they suggested that skill development is a qualitative, not quantitative, change which demands some level of transformation on the part of the entrepreneur. Kutzhanova *et al.* (2009) examined an Entrepreneurial Development System located in the Appalachian region of USA and identified four main dimensions of skill: Technical Skills - which are those skills necessary to produce the business's product or service; managerial Skills, which are essential to the day-to-day management and administration of the company; entrepreneurial Skills - which involve recognizing economic opportunities and acting effectively on them; personal Maturity Skills - which include self-awareness, accountability, emotional skills, and creative skills.

In examining the key skills required of entrepreneurs, O'Hara (2011) identified a number of key elements which he believed featured prominently in entrepreneurship: the ability to identify and exploit a business opportunity; the human creative effort of developing a business or building something of value; a willingness to undertake risk; and competence to organise the necessary resources to respond to the opportunity.

Franchising Agreement Terms

An argument that speaks for the concept is the positive relationship between GDP per capita and franchising. Magleby (2013) stated that there is a direct relationship between the degree of penetration of the franchise business model and the level of economic prosperity in that country. Magleby collected his statistics from the National Franchise Associations of the respective countries and compared them to the GDP per capita. He stated that in the United States with a GDP per capita of $41,800 has 15000 franchise operations, Spain with $25,100 ; 2500, and Malawi $600 ; 5 all have GDP per capita and franchise operations respectively. His argument was debunked by Welsch (2012) admitted that though there could be a relevant correlation between GDP per capita and franchise operations, he felt the correlation could be more appropriate by comparing the number of franchised operations with purchasing power parity (PPP). He further added that it would be more important to use GDP per capita PPP when "considering an emerging' market in order to analyze the real cost of living.

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Profit Margins

Norton (2012) proposes that if the definition of entrepreneurship is taken as the creation of rents through innovation where rents are defined as average earnings relative to competitors, then profit margin measures are particularly appealing. This also implies that economic success is required by high performance firms. Alternative views are given by Delmar *et al.* (2013), who point out that while profit margins are an important indicator of success, the relationship of profits to size is only evident in aggregate of firms or over long periods for individual firms. Marris (2009) considered the relationship between these measures and suggests that there is an identifiable growth profit trade-off, where in order to finance growth, the firm must forego profits. Cowling (2012) investigated this relationship between growth and profitability and found little evidence of the growth versus profit trade-off. He suggested that there is potential for a cumulative type effect whereby profits engender growth and growth engenders future profit that allows some firms to continually face increasing returns to scale.

Cost of Capital

SME capital structure and particularly the concept of cost of capital have over the years received immense scholarly attention. Coluzzi *et al.*., (2011), found that young and/or small firms in principle grow faster than larger and older firms. At the same time, they also face considerably more severe financing restrictions than other firms, most severe of which, high cost of capital. Also, firms of the manufacturing and construction sectors are more likely to feel financing constraints, which may be attributable to the high capital intensity of these sectors. As could be expected, increased sales which reflect better success of the chosen business model – lessen financing constraints. Huyghebaert (2010) argues that higher cost of capital creates incentives for an entrepreneur to maximize short-term earnings in order to reduce the risk of adverse credit decisions by lenders and possibly resulting liquidation of the firm, since firm survival is a crucial consideration for entrepreneurs who typically hold a largely undiversified investment portfolio and enjoy sizeable private benefits from control. The positive effect of higher leverage on profitability is empirically confirmed for start-up firms in Belgium. This positive effect of leverage is also found to persist, albeit growing at a declining rate, as firms age.

3.0 METHODOLOGY

This study took the descriptive research design. The target population for the study was all the MSEs in the Kenyan petroleum sector, based in Nairobi County. To narrow down the scope however, the study drew respondents from senior corporate members listed by the Petroleum Institute of East Africa (PIEA). PEIA currently lists 7 senior corporate members; from whose petrol station outlets the study generated a desired sample size. The researcher used stratified random sampling to select the respondents. The strata in this case are the 7 members listed by PIEA as well as the three management levels from which individual respondents were drawn, that is, top, middle and lower cadre. The sample size was 134 respondents calculated using the formula.

$$\mathrm{nf} = \frac{\mathrm{n}}{1+{}^{\mathrm{n}}/_{\mathrm{N}}}$$

n_f is the desired sample size when population is less than 10,000

n is the desired sample size when population is more than 10,000

$$\mathrm{nf} = \frac{384}{1 + {}^{384}/_{206}} = 134$$

Structured questionnaires were used in data collection. The questionnaires were administered through a drop and pick later method because of the busy schedule of the target respondents. This reduced the level of interference with the daily duties and operations of the organization. Content validity which was employed by this study as a measure of the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept.

The content validity of the research instrument was evaluated through the actual administration of the pilot group. The study used both face and content validity to ascertain the validity of the questionnaires. Face validity is actually validity at face value. As a check on face validity, test/survey items were sent to the pilot group to obtain suggestions for modification. The survey instruments were subjected to overall reliability analysis. To this end, a 0.7 Cronbach alpha level of reliability was deemed reliable (Cronbach, 2001).

After data collection, the filled-in and returned questionnaires were edited for completeness, coded and entries made into Statistical package for social sciences (SPSS version 22). This ensured that the data are accurate, consistent with other information, uniformly entered, complete and arranged to simplify coding and tabulation. With data entry, the data collected was captured and stored. Both descriptive and inferential statistics were further conducted. Descriptive analysis involved the use of frequencies in their absolute and relative forms (percentage). Mean and standard deviations were also used as measures of central tendencies and dispersion respectively. Inferential statistics were on the other hand be done to show the nature and magnitude of relationships established between the independent and dependent variables using regression analysis to make inferences from the data collected to more generalized conditions.

4.0 DATA ANALYSIS AND PRESENTATION

Response Rate

The study achieved a response rate of 83.6% with 112 respondents reached, out of the 134 targeted. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The study therefore attained an excellent response rate as presented in table 1.

Table 1 Response rate

Questionnaires	Frequency	Percent (%)
Returned	112	83.6
Unreturned	22	16.4
Distributed	134	100.0

Reliability Test Results

A pilot study was carried out in order to determine reliability of the questionnaires. Reliability of the questionnaires was then evaluated through Cronbach's Alpha which measures the internal consistency. The Alpha measures internal consistency by establishing if certain item measures the same construct. Nunnally (1978) established the Alpha value threshold at 0.7 which the study benchmarked against. Cronbach Alpha was established for every objective in order to determine if each scale (objective) would produce consistent results should the research be done later on. Table 2 presents the findings.

Table 2 Reliability Coefficients

Scale	Cronbach's Alpha	Number of Items
Entrepreneurial skills	0.811	10
Franchising agreement terms	0.778	10
Profit margins	0.819	10
Cost of capital	0.833	10
Growth	0.792	4

The reliability test results in table 2 shows that all the scales were significant, having an alpha prescribed threshold of 0.7. Cost of capital had the highest reliability (α=0.833) followed by Profit margins (α=0.819), then Entrepreneurial skills (α=0.811), while Growth and Franchising agreement terms had the lowest, albeit significant, at 0.792 and 0.778 respectively. The study thus found that the analysis was reliable and could be used for further investigation.

MSE Growth

This section presents findings to survey questions asked with a view to establish the level of growth among petroleum sector MSEs experienced over the last 5 years. In this regard, respondents were further asked to provide the actual figures averages of which are presented in table 3.

Table 3 MSE Growth

Growth Area	Period				
	2011	2012	2013	2014	2015
Number of employees	12	12	12	13	14
Number of stations	2	2	2	2	2
Gross sales	225,270,550	229,762,628	237,784,880	236,398,200	244,885,600
Net profit	92,367,150	108,249,700	114,202,800	123,506,120	131,184,920

As illustrated in table 3, on average, a majority of MSEs surveyed have grown over the last 5 years, with respect to the number of employees, gross sales and net profit. On the number of employees, a majority of MSEs were found to exhibit slow growth, stagnating at an of average of 12 employees from the year 2011 and 2013 to an average of 13 in the year 2014 and peaking at 14 in 2015. It was also established that the average number of stations remained 2 across the 5 year period while a steady growth was further generally exhibited in gross sales, increasing from an average of Kshs225,270,550 in 2011 to Kshs229,762,628 in 2012 then to Kshs237,784,880 in 2013. A slight drop was however experienced in 2014 at Kshs236,398,200 then peaked at Kshs244,885,600 in 2015. There was also an exponential growth in net profit from Kshs92,367,150 in 2011 to peak at Kshs131,184,920 in the year ending, 2015. It can be deduced from the finding that whereas a majority of MSEs have considerably grown over the last five years in all respects including the number of employees, number of stations, gross sales and net profit, the growth has been largely slow and unstable characterized by declines in between the years, as regards gross sales and net profits. This may be attributed to among other factors, regularly changing oil prices and therefore operating costs as well as inadequate business strategy.

Entrepreneurial Skills

As presented in table 4, with a composite mean of 3.665, a majority of respondents highly agreed with most of the statements posed.

A majority particularly agreed that in their firms, the management believes that becoming successful is a matter of hard work not luck (3.934); hires employees based on their ability (3.815); exhibits aggression for business opportunities (3.786); encourages creativity among employees (3.757); emphasizes on accountability for underperformance (3.754); can spot a good opportunity long before others can (3.699); exhibits support for new ideas (3.692); excels at identifying opportunities (3.657); greatly invests in new ventures (3.534); and reviews mistakes made and takes notes to a avoid a repeat (3.519). As such, it can be deduced that a majority of the MSEs surveyed are driven by entrepreneurship skills among their management. This can be noted in among other attributes, that the managements believe that becoming successful is a matter of hard work not luck; hire employees based on their ability; exhibit aggression for business opportunities; encourage creativity among employees; and emphasize on accountability for underperformance.

Table 4 Descriptive Statistics for Entrepreneurial Skills

In this firm, the management:	N	Mean	Std. Dev
Believes that becoming successful is a matter of hard work not luck	324	3.934	.9915
Hires employees based on their ability	324	3.815	1.1936
Emphasizes on accountability for underperformance	324	3.754	.7026
Reviews mistakes made and takes notes to a avoid a repeat	324	3.519	.9607
Exhibits aggression for business opportunities	324	3.786	.6580
Can spot a good opportunity long before others can	324	3.699	.6108
Excels at identifying opportunities	324	3.657	.8762
Exhibits support for new ideas	324	3.692	.6436
Greatly invests in new ventures	324	3.534	.9915
Encourages creativity among employees	324	3.757	.8762
Composite mean		**3.665**	

Franchising Agreement Terms

With a composite mean of 3.683, a majority of respondents were found to highly agree with most of the statements posed. A majority particularly highly agreed that in their respective firms, franchise holding earns the firm competitive advantage (3.992); increases the firm's business opportunities (3.901); helps the firm cut on marketing costs (3.848); increases opportunities for financing (3.770); enhances the firm's access to established standard procedures (3.732); enhances the firm's network (3.644); reduces risk of failure (3.642); and enhances the firm's negotiation capacity (3.611). A majority however only moderately agreed that franchise holding enhances the firm's profitability through royalties (3.215); and that it improves employee development through training (3.028). From the findings, it can be deduced that franchise holding significantly influences firm growth through a variety of attributes including earning the firm competitive advantage; increasing the respective firms' business opportunities; helping the firm cut on marketing costs; increasing financing opportunities; enhancing firms' access to established standard procedures; enhancing firms' network; reducing risk of failure and enhancing firms' negotiation capacity. Results are presented in table 5.

Table 5 Descriptive Statistics for Franchising Agreement Terms

In this firm, franchise holding:	N	Mean	Std. Dev
Reduces risk of failure	324	3.642	.6895
Helps the firm cut on marketing costs	324	3.848	.8457
Increases opportunities for financing	324	3.770	.7554
Enhances the firm's profitability through royalties	324	3.215	.9660
Enhances the firm's network	324	3.644	.9703
Earns the firm competitive advantage	324	3.992	.7225
Improves employee development through training	324	3.028	1.2549
Increases the firm's business opportunities	324	3.901	1.2371
Enhances the firm's access to established standard procedures	324	3.732	1.2944
Enhances the firm's negotiation capacity	324	3.611	1.2637
Composite mean		**3.638**	

Profit Margin

A majority of respondents were found to affirm to a great extent (3.541) to most statements posed with regard to profit margin and the influence thereof on respective MSE growth.

Table 6 Descriptive Statistics for Profit Margin

	N	Mean	Std. Dev
Increase in sales	324	3.892	.7965
Increase in return on investment	324	3.923	.6632
Increase in stock levels	324	3.235	.9267
Increase in retained earnings	324	3.076	.5923
Increase in profitability	324	3.955	2.8633
Increase in inventory turnover rate	324	3.839	1.3229
Revenue earnings	324	3.812	1.2192
Reduced operating costs	324	3.191	1.1927
Reduced cost of goods sold	324	2.730	1.0652
Net income	324	3.754	1.3282
Composite mean		**3.541**	

Further, a majority of respondents were particularly found to affirm to a great extent, increase in profitability (3.955); increase in return on investment (3.923); increase in sales (3.892); increase in inventory turnover rate (3.839); revenue earnings (3.812); and net income (3.754). A majority of respondents however only affirm to a moderate extent, to increase in stock levels (3.235); reduced operating costs (3.191); increase in retained earnings (3.076); and reduced cost of goods sold (2.730).

It follows then from the findings that profit margin has considerably influenced the established firm growth across a majority of the MSEs surveyed, most notably through increased profitability, increased return on investment, increased sales, increased inventory turnover rate and revenue earnings as well as net income.

Cost of Capital

With a composite mean of 3.660, a majority of respondents were found to affirm to a great extent to most statements posed, as regards the effect of cost of capital on the growth of petroleum sector MSEs in Nairobi County. More particularly, a majority of respondents affirmed to a great extent, service tax (3.929); interest charges (3.923); irregular cash flows (3.898); uncertainty about capital amount (3.854); prepayment charges (3.719); mismatch of funds (3.701) and loan size (3.661). A majority however affirmed to a moderate extent, loan processing charges (3.354); asset base (3.451); appraisal costs (3.426); and term to maturity (3.348). It can be deduced from the findings that cost of capital moderately influences growth across a majority of MSEs reached most notably through service tax, irregular cash flows, interest charges, prepayment charges, loan size, asset base and mismatch of funds.

Table 7 Descriptive Statistics for Cost of Capital

	N	Mean	Std. Dev
Interest charges	324	3.923	.8923
Loan processing charges	324	3.354	.7460
Term to maturity	324	3.348	.7614
Appraisal costs	324	3.426	.8898
Uncertainty about capital amount	324	3.854	.7460
Irregular cash flows	324	3.898	.7614
Mismatch of funds	324	3.701	.9062
Loan size	324	3.661	.7430
Asset base	324	3.451	.7579
Prepayment Charges	324	3.719	.8878
Service tax	324	3.929	.7819
Composite mean		**3.660**	

Pearson Correlation Analysis

Table 8 presents the Pearson correlations for the relationships between the determinants and MSE growth in Kenya's petroleum sector.

Table 8 Pearson Correlation Matrix

	MSE growth	Profit margin	Cost capital	Franchising of agreement terms	Entrepreneurial skills
MSE growth	1				
Entrepreneurial skills	.798**	1			
	.000				
Franchising agreement terms	.636	.650**	1		
	.004	.000			
Profit margin	.708	-.485**	-.115	1	
	.000	.001	.474		
Cost of capital	.716**	-.724**	-.300	.692**	1
	.000	.000	.057	.000	

*Correlation is significant at the 0.01 level (2-tailed)

From the findings, a positive correlation is seen between each determinant and MSE growth. The strongest correlation was obtained between entrepreneurial skills and MSE growth (r = .798) and the weaker relationship found between Franchising agreement terms and MSE growth (r = .636). Cost of capital and Profit margin are also strongly and positively correlated with MSE growth at correlation coefficient of .716 and .708 respectively. All the independent variables were found to have a statistically significant association with the dependent variable at 0.01 level of confidence.

Regression Analysis

To establish the degree of influence of the various determinants and MSE growth in Kenya's petroleum sector, regression analyses were conducted among the variables, with the assumption that: variables are normally distributed to avoid distortion of associations and significance tests, which was achieved as outliers were not identified; a linear relationship between the independent and dependent variables for accuracy of estimation, which was achieved as the standardized coefficients were used in interpretation.

Regression analyses produced the coefficients of determination and Analysis Of Variance (ANOVA). Analysis of variance was done to show whether there is a significant mean difference between dependent and independent variables. The ANOVA was conducted at 95% confidence level. Table 9 presents the findings.

Table 9 Regression Analysis Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.865[a]	.748	.720	1.94285

a. Predictors: (Constant), Entrepreneurial skills, Franchising agreement terms, Profit margin, Cost of capital

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	402.892	4	100.723	26.684	.000[a]
	Residual	135.888	36	3.775		
	Total	538.780	40			

a. Predictors: (Constant), Entrepreneurial skills, Franchising agreement terms, Profit margin, Cost of capital

b. Dependent Variable: MSE growth

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	8.001	.084		94.878	.000
	Entrepreneurial skills	2.435	.867	.421	2.809	.008
	Franchising agreement terms	.336	.112	.353	3.011	.005
	Profit margin	.610	.998	.099	.611	.007
	Cost of capital	1.576	.905	.205	1.742	.015

a. Dependent Variable: MSE growth

The result showed a coefficient of determination value (R) of .865a which depicts that a strong linear dependence between all the influencing strategies and MSE growth. With an adjusted R-squared of .720, the model shows that Entrepreneurial skills, Franchising agreement terms, Profit margin and Cost of capital collectively explain 72.0% of the variations in the MSE growth while 28.0% is explained by other factors not included in the model. The P-value of 0.000 implies that the MSE growth has a significant joint relationship with Entrepreneurial skills, Franchising agreement terms, Profit margin and Cost of capital which is significant at 90% confidence level. This is implies that the regression model is significant and can thus be used to assess the association between the dependent and independent variables. The optimal model was;

MSE growth = 8.001 + 2.435 (Entrepreneurial skills) + .336 (Franchising agreement terms) + .610 (Profit margin) + 1.576 (Cost of capital) + .084 A unit change in the increase of Entrepreneurial skills, Franchising agreement terms, Profit margin and Cost of capital would lead to a unit change of MSE growth by the units indicated against them.

5.0 STUDY CONCLUSION AND RECOMMENDATIONS

Conclusions

From the foregoing results and discussions thereof, the following conclusions can be drawn. The study first hereby deduces that whereas a majority of MSEs have considerably grown over the last five years in all respects including the number of employees, number of stations, gross sales and net profit, the growth has been largely slow and unstable characterized by declines in between the years, as regards gross sales and net profits. This may be attributed to among other factors, regularly changing oil prices and therefore operating costs as well as inadequate business strategy.

It is also deduced that a majority of the MSEs surveyed are driven by entrepreneurship skills among their management. This can be noted in among other attributes, that the managements believe that becoming successful is a matter of hard work not luck; hire employees based on their ability; exhibit aggression for business opportunities; encourage creativity among employees; and emphasize on accountability for underperformance.

The study further deduces that franchise holding significantly influences firm growth through a variety of attributes including earning the firm competitive advantage; increasing the respective firms' business opportunities; helping the firm cut on marketing costs; increasing financing opportunities; enhancing firms' access to established standard procedures; enhancing firms' network; reducing risk of failure and enhancing firms' negotiation capacity.

The study also concludes that profit margin has considerably influenced the established firm growth across a majority of the MSEs surveyed, most notably through increased profitability, increased return on investment, increased sales, increased inventory turnover rate and revenue earnings as well as net income. Finally, it is hereby deduced that cost of capital moderately influences growth across a majority of MSEs reached most notably through service tax, irregular cash flows, interest charges, prepayment charges, loan size, asset base and mismatch of funds.

Recommendations

The research recommendations are as follows: The impact of the rising petrol price study on the cash flow and profitability of service stations must be addressed as an urgent matter; otherwise it might lead to some service stations being closed in the near future. It will be advisable in future to form one unity body for service station retailers. This national body which will represent all retailers from all petroleum companies will give them a platform and voice and negotiation power on issues like retailer margins.

In future, all service station retailers may need to undergo similar training programmes irrespective of the background. This should be viewed as entry qualification to operate a service station, which will ultimately result in improved quality and standardised service level. The retailer margin should be standard percentage of the final price, not a fixed amount which diminishes as the percentage of the pump petrol when price increases. This ultimately results in service station retailers financing the difference until the motorists purchase the petrol. The Kenyan government should examine the taxes on the petrol price to ascertain if some are still relevant today.

The Kenyan government should look into the possibility of introducing deregulation of the petrol price. It can be done in the following matter to protect job losses of petrol attendants: Petrol price cap for a particular zone; and Zone price difference to be small for sites in areas between zone boundaries. This will allow minimal competition between the retailers, and customers will have a choice to compare. Issues like service will add value to the customer prepositions before deciding which service station to fill-up. Retailer service station will be able to secure bulk customers in account like fleet vehicles which will boost their profitability levels in the long run.

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