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Influence of Strategic Direction on Organizational Change in the Petroleum Industries in Kenya

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Abstract
Research advanced that strategic direction has significantly contributed to organizational performance by generating relevant information in a bid to reduce uncertainty while creating a better understanding of the important environment within which organizations operate. It is against this backdrop the current paper investigated the influence of strategic direction on organization change in the petroleum industries in Kenya. Descriptive research design was adopted. Simple random sampling was used to select 234 CEOs and board of directors from whom questionnaires were issued. Descriptive analysis, exploratory factor analysis and inferential statistics were used to analyse the data. The study found positive and significant influence of strategic direction on organization change in the petroleum industries in Kenya.
Keywords: Strategic direction, Strategic leader, organization change, Petroleum industry.

Introduction

Strategic direction is the process of directing and controlling the organization action that leads into achievement of the goal which may involve different degrees of changes hence they must set the activities and process to be followed across all levels, (Serfontein, 2009). Research by Alexander, (2015) advanced that strategic direction has significantly contributed to organizational performance by generating relevant information in a bid to reduce uncertainty while creating a better understanding of the important environment within which organizations operate. Further, researchers revealed that strategic planning as an essential tool which generates greater understanding in the process of planning initiation as an area of interest and importance to both practitioners and theorist (Barney, 2009; Bryson, Berry & Yang, 2010). Strategic direction is a variable that influence organizational processes, business environments and performances of businesses while investigating planning in businesses (French, Kelly & Harrison 2014).

Strategic direction is one of the key strategic leadership actions which plays critical roles in ensuring strategy are executed effectively (Jooste & Fourie, 2009). Strategic direction is an avenue through which top echelon of the institution provide strategic direction to the different department and sections communicate to their staff who eventually implement strategic plans hence offer a control over the strategic processes. Strategic leaders are in-charge of directing and controlling the organization into achievement of the goal which may involve different degrees of changes hence they must set the activities and process to be followed across all levels (Serfontein, 2009). Further, research by Johnson, Scholes, and Whittington, (2008), revealed that strategic decisions should be sustainable, should offer competitive advantage, should develop processes to deliver the strategy, should exploit the linkages between the organization and its environment and should move the organization forward to a significant position. Therefore, the current paper seeks to examine the influence of strategic direction on organizational change in petroleum industries in Kenya.

Theory and Empirical Literature

Upper Echelon Theory

The central premise of upper echelons theory is that executive`s experiences, values, and personalities greatly influence their interpretations of the situations they face which in turn, affect their choices. This theory was originally presented by Hambrick and Mason (1984) which lays several promising avenues for future upper echelons research (Boal & Hooijberg, 2001). Hambrick has expressed ambitious research agenda set out to provide a stronger argument for leadership in the strategic management literature which was labeled the “upper echelons” (Elenkov, Judge and Wright, 2005, Hambrick,2007). The Upper echelons perspective expanded understanding of strategic leadership which has been criticized for not directly studying actual strategic leadership behaviour. Instead, it used demographic proxies and inferred strategic leadership behaviours. The strategic leadership behaviours vary throughout the world is unknown and relatively unexplored (Elenkov *et al*., 2005).

The upper echelons theory has recognized that top managers matter significantly to organizational outcomes, and sometimes which likely to realize their original intentions and vice versa, the upper echelons perspective has provided sound theoretical and a number of empirical arguments for the central role of strategic leadership (Elenkov *et al.,* 2005; Kellett, Humphrey & Sleeth, 2006). The upper echelons and strategic leadership theories emphasized the interpersonal processes between leader and followers. The new leadership theories focus on charismatic, transformational and visionary leadership. Charismatic Theories of leadership emphasized personal identification of the followers with their leader. Charismatic leadership theories tend to focus on individual level outcomes such as effect, loyalty, identity, commitment, motivation and performance. Personal identification with the leader is the key variable in charismatic theories of leadership (Elenkov, *et al.,* 2005, Hambrick, 2007).

Strategic Direction and Organization Change

On the key strategic leadership action is strategic direction which plays a critical role in ensuring strategy are executed effectively (Jooste & Fourie, 2009). The said strategy execution is meant to improve and reorganize the operations of the organization which will further impact the overall performance of the firm. The role of the top corporate executive is to provide strategic direction to the different department and sections in an organization to other leaders (both at the middle and operational level) who eventually implement strategic plans hence offer a control over the strategic processes. This is to say that corporate leaders are in-charge of directing and controlling the organization into achievement of the goal which may involve different degrees of changes hence they must set the activities and process to be followed across all levels (Serfontein, 2009).

However, negative criticism of strategic leadership holds it that leaders have little or no impact on the organization changes (Hannan & Freeman, 1984). An explanation given by Yukl (2010) is that individual leaders such as Chief Executive Officer would have small influence on organization performance due to internal and external limiting factors, namely powerful stakeholders, internal coalitions, scarce resources, strong organizational culture, strong competition and adverse economic conditions. Yukl (2006) echoes the same but emphasis that very few researches have demonstrated leaders with less influence on the organizational success.

Bass (2012) argues that action of the strategic leaders usually spells the direction that employee will follow and plays a major role in determining their commitment and satisfaction to the organization which subsequently impacts the changes and performance. The need to address the ever-changing business environment affecting organizations has forced the strategic leaders to give the appropriate direction at all levels. Bass pinpoints that no single firm can have competitive advantage, achieve goal of wealth maximization and be able to survive in the long run without a strong strategic direction and clear strategic management process which would enable the organization achieve their expectations. Yukl (2010) discovered that effective performance cannot be achieved without the cooperation effort of multiple leaders who directs how the organization should adapt to the rapid and discontinuous changes that emerge and re-emerges as the organization progress into the future.

Research Methodology

Research Design

According to Kombo and Tromp (2006) research design is the schematic guideline that demonstrates systematic ways in which the study will be undertaken. Kothari (2004) adds that a research design provides a detailed blueprint that shapes structure of the study so as to achieve the objectives. The present study adopts a descriptive research design. Descriptive research design was found appropriate since it provides an accurate account of characteristics of a particular event or scope of real life situation (Kothari, 2014).

Target Population

Target population or universe refers to the complete listing of all the items or individuals with at least one common thing in any field of study (Kothari, 2011). Therefore, population is the largest group that the study samples are taken (Sekaran & Bougie, 2013). This study targeted the entire population made up of petroleum companies in Kenya which according to Energy and Regulatory Commission (IEA, 2011) has got a total of 106 companies in Kenya. This made up of the unit of analysis for this study where the sample was taken for as representation of the entire population.

Table 3.3 Target Population

Category	Population size (N)	Proportion per category
CEO	106	0.2
Directors	424	0.8
Total	**530**	

Sample and Sampling Technique

A sample is a set of observations drawn from a population by a defined procedure. According to Cooper and Schindler (2014), a sample is a subset of the population which is a true representative of the entire population to be studied. Sampling is a systematic selection of a representative number of elements out of the specific target population (Kothari, 2011; Cooper & Schindler, 2014). Sampling has also been defined as the process of selecting a suitable sample, or a representative part of a population for the purpose of determining parameters or characteristics of the whole population (Creswell, 2009). For the purpose of this study, sample sizes of the board of directors were determined using the Kothari (2011) formulae as follows;

$$n = \frac{Z^2.\sigma(1-\sigma)}{e^2}$$

Where:

- n is the sample size
- Z is the Z-score and for the purpose of this study were be 1.96 in order to have a 95% confidence level
- σ is the Standard of Deviation and to be safe the decision is to use 0.5 as this is will ensure that the sample will be large enough.
- e is the margin of error and for the purpose of this study one construed to give a confidence interval of +/- 6.4%.

$$n = \frac{1.96^2.0.5(1-0.5)}{0.064^2} = 234$$

Table 3.4 Sample Size per Stratum

Stratum	Proportion per stratum	Sample Size(n)
CEO	0.2	47
Directors	0.8	187
Total		**234**

Data Collection

The paper collected both primary and secondary data from the Petroleum industries in Kenya with the view of achieving the objective of the study. In this study, both quantitative data and qualitative data were used. The questionnaires were composed from questions derived from the research objectives. The result from the qualitative data complemented the findings from the quantitative data. The study employed a structured questionnaire with both open ended and closed questions in relation to the study objectives as a key instrument for primary data collection. The use of questionnaires was informed by degree of confidentiality is upheld, time saved and ease of administration which allowed the researcher to collect qualitative data, which was analyzed qualitatively using descriptive and inferential statistics as proposed by Kothari (2014).

Data Presentation and Analysis

Questionnaires were checked for completeness and errors, before entering data on Statistical Package for Social Science (SPSS). Primary data was collected which used questionnaires and observation were then entered, coded, edited and any data requiring cleaning was carried out before any further analysis took place in accordance to suggestion laid by Sekaran and Bourgie (2013). Since the structured questionnaires were generated both qualitative and quantitative data, entered data were analyzed to generate descriptive and inferential statistics.
Regression analysis was used to show the nature of the influence of strategic direction on organization change and correlation analysis showed the strength of the influence between strategic direction and organization change.
The regression equation was as follows:

$Y = \alpha + \beta X + \acute{\varepsilon}$

Where Y= Organization change X= Strategic Direction, α = Constant, β = Slope coefficient and
έ = Error term

Findings and Discussion

4.1 Factor Analysis for Strategic Direction

The respondents were asked about their view on strategic direction as shown in Table 4.11, all the attributes of strategic direction were retained for subsequent analysis since all of them had factor loading greater than 0.5. Indeed the factor loadings were excellent. Those factors which had very good loadings were presence of clear and compelling picture of organization future and commitment to strategic direction, use of organization strategy as guideline for organization structure, workability of organization tactics towards strategic direction and presence of targets to be met by specific organization. Only one attribute had factor loading of 0.8, and it depicted presence of identifiable capabilities which can be followed to achieve organization desired results.

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Table 4.1 Strategic Direction Component Matrix

Item	Factor Loading
Does your organization have a clear vision and compelling picture of the future that ensure commitment to the strategic direction?	0.7
Does your organization have strategy which links its vision with current reality?	0.7
Does your strategy guide in formulating the organization structure?	0.7
Does your strategy guide in hiring human resource in your organization?	0.7
Does your strategy guide in identifying capabilities that needs to be developed to achieve the desired results?	0.8
Does your tactics work within the current organization structure?	0.7
Does your tactics involve executing capabilities and resources of the company?	0.7
Does the organization develop processes through strategic implementation of the plans of change?	0.7
Does a leader in your company communicate reasons for strategic direction to stakeholders?	0.7
Does your company have targets to be achieved at any given time?	0.7

4.2 Descriptive Analysis of variable Strategic Direction

The main objective of the study was to determine the influence of strategic direction on organizational change in the petroleum industries in Kenya. To achieve this, the study adopted a five point likert scale in which the respondents were requested to indicate the extent to which they supported some attributes in strategic direction. Mean, standard deviation, frequency and percentage were used to summarize the as shown in Table 4.5. Majority 52.7% reported that the presence of a clear vision and compelling picture of the future that ensures commitment to the strategic direction has very large extent on organization change and 36.4% perceived it to have large extent. This finding is in agreement with research by Bass (2012) which indicated that action of the strategic leaders is usually to spells the direction which drives employee to follow and plays a major role in determining their commitment and satisfaction to the organization which subsequently impacts the changes and performance Secondly, majority 61.8% argued that the presence of an organization strategy that links its vision with current reality has very large extent on organization change in which according to Jooste & Fourie, (2009) has revealed that the key strategic leadership action is strategic direction which plays a critical role in ensuring strategy are executed effectively. Thirdly, majority mean = 4.4 and standard deviation reported that to a large extent their organization has a strategy guide in formulating the organization structure.

Further, majority 50.9% reported that they have strategies which guides in identifying capabilities and needs to be developed so as to achieve the desired change. Also majority 48.6% reported that to a very large extent they have specific tactics for achieving organization change. Indeed, majority 55.9% reported that to a large extent the tactics involve executing resources and capabilities within their organization. Moreover, most 51.8% of the organization reported that to a very large extent their organization has developed process through strategic direction to implement change. In fact, majority 56.4% reported that in their organization leadership has a culture of communication strategic direction issues to all stakeholders. Finally, majority 58.2% reported that to a very large extent their organization has targets which ought to be met in regular intervals. On overall strategic direction has large extent on organization change in the petroleum industries in Kenya as accounted for by mean of 4.4 and standard deviation of 0.8.

These findings corroborate with Boal and Hooijberg (2001) suggested supervisory based on the direction given by the leader is what actually set the tasks and behaviours of an organization. They add that strategic direction is responsible of creating a meaning and purpose of the organization. As averred by Jooste and Fourie (2009) strategic leadership can never be doubted to be the critical element in effective execution of changes in firms. As noted with the companies in the South African market the degree of organisation changes varies with the level of exercising not only direction but also the extent of control (Serfontein, 2009).

An opposing study by Yukl (2010) which found that strategic direction has no impact on the changes observable from the companies could be explained in firms where the top leaders are restrained by both the internal and external factor. These factors include powerful stakeholders, competition and turbulent business environment. In such kind of environment extreme dependency on direction may not be possible. However, while Bass (2007) agrees with current study on this, it opposes Yuk'ls (2010) in that without the strategic leaders who spell out direction, employee's commitment and satisfaction not forgetting they are center bolt in organization changes. Bass (2012) further observed that strategic direction would outright fail the company from achieving both their financial and non-financial goals.

Yukl (2008) study confirms these findings by asserting that leadership direction indeed has important role on whether companies achieve success or not. This emanates from the fact that leaders are a major influencer and decision makers in their own company and at different level. According to Upper echelons theory strategic direction vary all over the world however the uniqueness in this, is that they are responsible of decision making and in most cases, they have final say on the operation of the firm. Thus, in case where changes that is likely to pull up the company would receive a majority consideration for implementation. The act of directing is listed as one section that gives a sense charismatic and visionary leadership.

Table 4.2: Descriptive Analysis of variable Strategic Direction

	n=220						
	Not at all	**Small extent**	**Moderate extent**	**Large extent**	**Very large extent**	**Mean**	**Std. Deviation**
Does your organization have a clear vision and compelling picture of the future that ensure commitment to the strategic direction?	2.7	1.8	6.4	36	53	4.4	0.9
Does your organization have strategy which links its vision with current reality?	0.9	2.7	3.6	31	62	4.5	0.8
Does your strategy guide in formulating the organization structure?	0.9	1.8	9.1	36	52	4.4	0.8
Does your strategy guide in hiring human resource in your organization?	0	4.5	5.5	41	49	4.4	0.8
Does your strategy guide in identifying capabilities that needs to be developed to achieve the desired results?	0.9	3.6	7.3	37	51	4.3	0.8
Does your tactics work within the current organization structure?	0	4.5	9.1	38	49	4.3	0.8
Does your tactics involve executing capabilities and resources of the company?	0	1.8	6.4	36	56	4.5	0.7
Does the organization develop processes through strategic implementation of the plans of change?	0	5.5	7.3	36	52	4.3	0.8
Does a leader in your company communicate reasons for strategic direction to stakeholders?	0.9	3.6	3.6	36	56	4.4	0.8
Does your company have targets to be achieved at any given time?	3.6	0.9	3.6	34	58	4.4	0.9
Overall Average						**4.4**	**0.8**

4.3 Correlational Analysis Strategic Forecasting

Results in Table 4.3, shows that strategic forecasting has positive significant influence on organization among petroleum industries in Kenya (rho= 0.853, p value <0.05). This finding supports the report by Draft (2011) who indicated that strategic forecasting drives performance of an organization by establishing agreement between the ambition of the company and long term targets as defined by the mission and vision of the organization. Similarly, Sull (2009) indicated that strategic forecasting entails projection of the organization capability to change to the new conditions. On the other hand, research by Clarke (2013) indicated that environment which characterized by frequent organization changes adopted a proper focus of the future which can be achieved by being sensitive of the core competencies areas. Research by Qiong, *et al* (2012) further reported that organizational changes causes strategic leaders to think strategic values which need forecasting since uncertainty and stability of environment must catered for when it comes to organization performance.

Table 4.3: Correlational Analysis on the Influence of Strategic Forecasting on Organizational Change

		Organization Change	**Strategic Forecasting**
Organization Change	Pearson Correlation	1	.853**
	Sig. (2-tailed)		0.00
	N	220	220
Strategic Forecasting	Pearson Correlation	.853**	1
	Sig. (2-tailed)	0.00	
	N	220	220

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

4.4 H_1: Strategic direction has significant influence on organizational change in the petroleum industries in Kenya

As shown in Figure 4.1 there was a positive linear relationship between strategic direction and organization change in petroleum industries in Kenya.

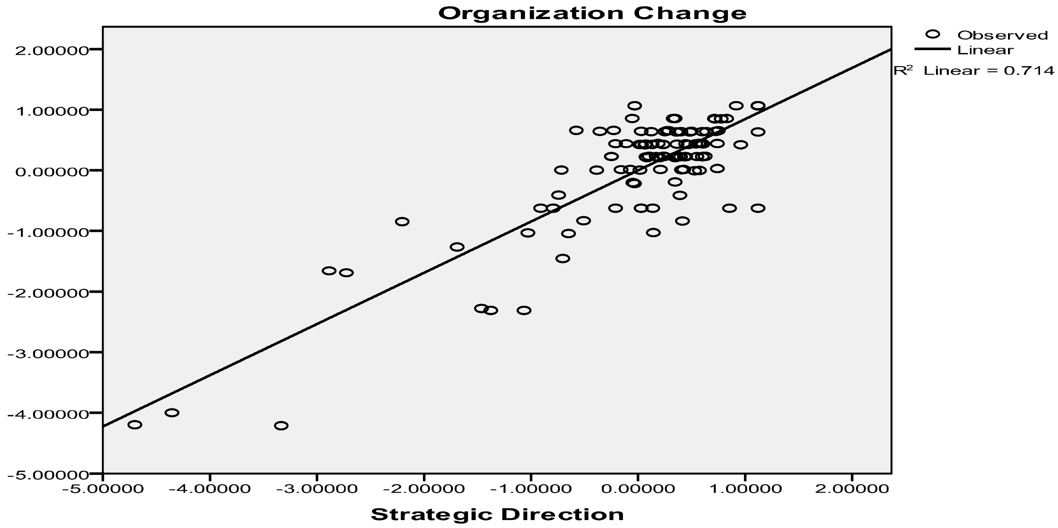

Figure 4.1: Linearity Test on the Influence of Strategic Direction on Organization Change

4.5 Regression Analysis between Strategic Direction and Organization Change

As shown in Table 4.4 there 71% of the changes in organization change in petroleum industries in Kenya can be explained by strategic direction while the remaining percentage can be accounted for by other factors excluded in the model.

Table 4.4: Model Summary on the Influence of Strategic Direction on Organizational Change

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.845a	0.71	0.714	0.54	1.80

a. Predictors: (Constant), Strategic Direction
b. Dependent Variable: Organization Change

As shown in Table 4.5 strategic direction had significant influence on organization change in petroleum industries since the p value was less than 0.05, F = 543.945 and p value <0.05. This implies that there is a liner relationship between strategic direction and organizational change.

Table 4.5: Analysis of Variance on the Influence of Strategic Direction on Organizational Change

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	156.342	1	156.342	543.945	.000a
	Residual	62.658	220	0.287		
	Total	**219**	**220**			

a. Predictors: (Constant), Strategic Direction
b. Dependent Variable: Organization Change

Regression coefficients in Table 4.6 showed a positive and significant influence between strategic direction and organization change within petroleum industries in Kenya (β= 0.845, p value <0.05). This study documents the importance of the strategic direction in helping identifying capabilities that needs to be developed so as to achieve the desired results in a company to a very large extent. This is backed by Bass (2007) who also observed that direction give a clear vision and compelling picture of the future that ensure commitment to the strategic direction. These in itself aids in organization to make and adapt to change that they would wish to achieve.

Table 4.6: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-5.66E-17	0.036		0.00	1
	Strategic Direction	0.845	0.036	0.845	23.323	0.00

a. Dependent Variable: Organization Change

Conclusion and Recommendations

The study investigated the influence of strategic leadership on organizational change in the petroleum industries in Kenya. Based on the findings, it was concluded that it's important for petroleum industries to strive to have

clearly drafted vision and employee's commitment towards attainment of organization change. Moreover, all firms must strive to link their visions with reality, formulate strategies geared towards aligning organizational structure to its intended visions. This confirms the research finding by Gopalan et al (2017), Stensaker (2014) who established that strategic capability affecting organizational performance around the world is leadership and businesses operating in the gas and oil industry are also subject to mode of operation and governing rules.
The findings for this study indicated most of the petroleum industries reported that their organization changes were dependent on strategic direction. Therefore, there is need clearly stipulated policies which will ensure all petroleum has put in place measures to ensure that they can achieve their vision and goals upon optimal utilization of the available resources. There is need to embrace the culture of top down and bottom up communication of Petroleum Company strategic direction to ensure that all company's target was met within the stipulated time frame.

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