

## ABSTRACT

Strategic change is global-wide and impacts on the content of strategy. The relationship between strategic change and performance reveals an equivocal findings suggesting that the relationship may be affected by factors such as firm characteristics. Kenyan alcohol industry contributes about 5% of government revenues. The alcohol industry's economic ripple effects benefits many other sectors yet financial reports indicate that profits of a firm with 90% market share, declined from Ksh12,568billion to Ksh12,249 billion between the year 2010 and 2011 compared to Ksh.12 316billion and Ksh.11 507 billion for the years 2008 and 2009 respectively. Previous studies on strategic change and performance in Kenya dwelt on few aspects of strategic change such as marketing and foreign entry strategies. Relationship of scope of strategies, resource deployment and competitive advantage on performance of alcohol firms is deficient. Studies on the moderating influence of firm characteristics on the effect of mobile phone services on firm performance in Kenya did not focus on managerial capabilities, product dimensions and brand portfolio. The purpose of the study was to establish the effect of strategic change and firm characteristics on performance of alcohol firms in Kenya. The specific objectives were to: establish effect of scope of strategies on performance, determine the relationship between resource deployment and performance, establish relationship between competitive advantage and performance, and assess the moderating effect of firm characteristics on the relationship between strategic change and performance. The study was underpinned by the Resource-Based Theory. The study adopted a correlation research design to explain the relationship between variables. A population of 28 local alcohol firms registered by Kenya Revenue Authority by 2012 and approved by National Authority for the Campaign Against Alcohol and Drug Abuse by 2015 was used. A saturated sample of the population comprised 100 managers: chief executives, finance and marketing managers considered key resource persons in matters of strategy and performance. Primary data were collected on strategic change, firm characteristics and performance using structured questionnaire. Content validity was achieved by subjecting a pool of questions underlying dimensions of strategic change to six experts. Cronbach's Alpha reliability coefficient was .881 implying a good indicator of internal consistency. Results revealed  $R^2$  of .510 to scope of strategies, .194 to resource deployment and .403 for competitive advantage ( $p < .001$ ) implying that scope of strategies, resource deployment and competitive advantage account for 51%, 19.4% and 40.3% of variation in performance respectively. Regression results show scope of strategies  $B = .461$ ,  $p = .000$  and competitive advantage  $B = .289$ ,  $p = .003$  implying one standard deviation in scope of strategies and competitive advantage will result in a change of .461 and .289 standard units of performance respectively. The  $\Delta R^2$  after incorporating interaction effect was  $\Delta R^2 = .042$ ,  $p = .002$  implying the moderating effect of firm characteristics improve performance by 4.2%. Study concludes: scope of strategies and competitive advantage are significant in performance and firm characteristics moderate the relationship between strategic change and performance. Study recommends: management to focus more on scope of strategies, competitive advantage and firm characteristics for transformed performance. The study is helpful to management to appreciate the significance of a firm's scope of strategies, competitive advantage and firm characteristics to performance. Further research that captures different concepts of strategic change on performance in different sectors should be carried out.