

EFFECT OF STRATEGIC MANAGEMENT PRACTICES ON ORGANIZATIONAL PERFORMANCE OF STATE CORPORATIONS IN KENYA; CASE STUDY OF KENYA POWER

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Abstract: The main aim of this study was to establish the effect of strategic management practices on organizational performance of state corporations in Kenya, using Kenya power as the case study. Basic specific objectives surrounds; strategic human resources management, strategic technology and innovation, strategic leadership management, strategic outsourcing management. The study used descriptive research design where stratified random sampling was considered in drawing the sample size from the main target population which was intended to be 250 employees working in the organization; data was collected through the use questionnaires, after which analysis was done through the use of statistical packages for social sciences, finding was presented in forms of tables, bar graphs and charts. The study concluded that strategic human resource management, leadership, strategic technology and innovation and strategic outsourcing affected organizational performance of Kenya power limited. Furthermore indication of the results showed that strategic human resource management influenced organizational performance to a great extent since this it stipulates high level of professionalism which is the basic requirement of all employees in any organization becomes the first motivating factor in performing jobs assigned to any employee, it also determines whether an employee has the capacity to perform a job hence a significant factor in organizational performance. The study further affirms that strategic leadership has an impact on organizational performance; this has been seen with the influence of the supervisor and the powers bestowed on him or her, supervisors assistance motivates the employees they supervise hence enable them perform well in their work stations but their mistreatment can anger the employees and demoralize them. Strategic technology and innovation has also been found closely related to organizational performance; this because new skills and knowledge and high level of creativity are necessary in the current job market. The study finally concludes that strategic outsourcing affected organizational performance, only that outsourcing should be based on the time, nature of service and product, cost, interest of the organization and policies regarding outsourcing activities. The researcher recommends strategic human resource practices and would require that organization should consider professionals in their hiring for long term performance and development, practice capacity building in regard to strategic human resource management and as well provider a considerate remuneration which is fair and just for all employees in an organization. The study also recommends the use of different leadership skills when handling employees since the exhaustive use of the same leadership type may not help much since they may only apply in different situations. The study finally recommends strong analysis and evaluation on outsourcing business that any organization intends to undertake , it must viable for an organization to venture into, since it takes on a number of dimensions such as going global assessing the risks involved is necessary at all times. Outsourcing should add value to the organization.

Keywords: Strategic human resource management, strategic leadership management, strategic technology and innovation management and strategic outsourcing management.

1. INTRODUCTION

Due to competition over the world today, companies have tried to employ the use of strategic practices in order to survive and remain steady in the market place (Olsen, Ching-Yick Tze and West, 1998). The strategic practices are the results of managers' ideas to identify the forces that determine the changes allowing them to understand the opportunities from the business environment. The ultimate goal of managers is to obtain the best results with minimum effort and lowest investments. All these can be accomplished only if they can choose the best strategies and thus obtain the competitive advantage.

The strategic thinking and the strategic management are seen as the most-important activities of any organization (Evans, Campbell and Stone house, 2006). The way in which these activities are performed can explain the success or a failure on the long run. The majority of managers are eager to develop and implement the best strategy that could sustain an increased level of performance for their organizations. The main aim of strategic management process is to analyze companies' both internal and external environment and to offer a solution for improving their financial results. There isn't sufficient evidence to show that there are consistent differences between the strategic management of Kenya power and the strategic management in practice at other companies, from other business sectors (Okumus, 2002); thus, one can consider that the strategic management is vital for all companies.

Statement of the problem

The business environment in which firms operate is dynamic and turbulent with constant and fast paced changes that often render yester-years strategies irrelevant. Top management and decision makers of firms must constantly think strategically about the future of their organizations. The environmental turbulence necessitates an equal need for rapid recognition of appropriate strengths, opportunities to be exploited, threats to be countered and weakness to be overcome (Pearce and Robinson, 2000).

Strategic management advocates for the determination of the basic long term goals and objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to carry out the goals. (Grant,1998). The use of strategic management enables firms define their strategies which provide a central purpose and direction to its activities to people who work in the firm and often to the outside world. Strategic management practices and implementation of their strategies enables firms to adapt under conditions of external pressure caused by changes in environment. Firms can and often do create their environment besides reacting to it. Strategic planning and management helps firms develop competitive strategies (Johnson and Scholes, 2002).

Strategy is therefore also choosing what not to do. Porter (1980) argues that a firm can achieve a higher level of performance over a rival in one of two ways: either it can supply an identical product or service at a lower cost, or it can supply a product or service that is differentiated in such a way that the customer is willing to pay a price premium that exceeds the additional cost of the differentiation. Leadership plays critical role in determining the success and failure of strategy practice (Gopinath, 2013). Leadership should always begin and end with the organization's strategy and objectives in mind. According to Salob and Greenslade (2005) the best organizations for leaders are those that are consistently executing on the strategies that make for good leadership development and actualization of organizational goals.

The commercial emergence of technologies such as the Internet, mobile telephones and knowledge represents a tremendous opportunity to enhance the practice of human resource management. Unfortunately, much of the potential of knowledge-based systems to leverage expertise and promote organizational learning remains unrealized because of poor management and piecemeal adoption of the technology. With the impending shortage of skilled professionals in many economies, it is imperative to consider this technology in its strategic terms for human resource management process so that the workforce may be effectively used.

Outsourcing may reduce operation costs and free up asset (Harland, Knight et al. 2005). In the early 1980s, companies started outsourcing non-core activities to suppliers for the purpose of securing specialized expertise and lower costs. Firms have moved their internal manufacturing and operations to lower cost countries to seek competitive advantage. Reasons for such outsourcing practices include low cost strategy, proximity to foreign markets and easy access to innovative capabilities. In recent years, outsourcing is associated with attaining firm's competitive advantages.

Strategic management is affected by a number of factors that may require intervention and care full thought if organizations were to improve in their performance, the study however intends to research on some of the suspected and establish their effect on organizational performance, elements identifies which forms the basis of the study objectives include; strategic human resource management, strategic leadership management, strategic technology and innovation and probably strategic outsourcing; there have been studies surrounding some of the factors but which in my view has not been exhausted to thoroughly shed light on them, For instance the Kenya power is deemed to have been using some of the strategies and therefore the study would like to explore on this to asses if any have the effect on their organizational performance.

Objectives

1. To establish the effect of strategic human resource management on the organizational performance of Kenya power
2. To determine the effect of strategic leadership management on the organizational performance of Kenya power
3. To ascertain the effect of strategic technology and innovation management the organizational performance of Kenya power practice
4. To establish the effect of strategic outsourcing management on the organizational performance of Kenya power practice

2. THEORETICAL REVIEW

Resource Based View Theory.

The origin of resource based view can be traced back to earlier research of Seiznick (1957), Penrose, (1959) among other researchers. The emphasis on this school of thought was on the importance of resources and its implication for the firm performance. The resource based-view posits that an organization must be seen as a bundle of resources and capabilities to gain competitive advantage. The RBV's underlying premise is that a firm differs in fundamental ways because each firm possesses a "unique" bundle of resources-tangible and intangible assets and organizational capabilities to make use of those assets, each firm develops competencies from these resources, and when developed especially well, these become the source of the firm's competitive advantage (Pearce & Robinson, 2007).

Innovation diffusion theory

According to Nduati and Moronge (2014) an innovation as any idea, object or practice that is perceived as new by members of the social system and defined the diffusion of innovation as the process by which the innovation is communicated through certain channels over time among members of social systems. Diffusion of innovation theory attempts to explain and describe the mechanisms of how new inventions in this case mobile phone services are adopted and becomes successful (Nduati & Moronge, 2014). The authors argue that not all innovations are adopted even if they are good it may take a long time for an innovation to be adopted. He further stated that resistance to change may be a hindrance to diffusion of innovation although it might not stop the innovation it will slow it down.

Theory of Constraints

The theory of constraints (TOC) has been widely known as a management philosophy coined by Goldratt, (1990) that aims to initiate and implement breakthrough improvement through focusing on a constraint that prevents a system from achieving a higher level of performance. The TOC paradigm essentially states that every firm must have at least one constraint. Goldratt& Cox (1992) define a constraint as any element or factor that limits the system from doing more of what it was designed to accomplish (i.e., achieving its goal).The constraint-based approach recognizes the importance of identifying the constraint(s) that prevent the chain members from satisfying a necessary condition or achieving overall profitability. Agreement about the types and locations of the constraint(s) is crucial for initiating supply chain improvement. The nature of a constraint can be either physical or non-physical and its location can be either internal or external.

Conceptual framework

According to educational researcher Smyth (2004), a conceptual framework is structured from a set of broad ideas and theories that help a researcher to properly identify the problem they are looking at and frame their questions and find suitable literature. A conceptual framework helps the researcher to clarify the research questions and aims. Mugenda (2003) further adds that a conceptual framework gives an explanation of how the researcher perceives the relationship between variables deemed to be important in a study. Below is the conceptual framework showing the independent and dependent variables of the study.

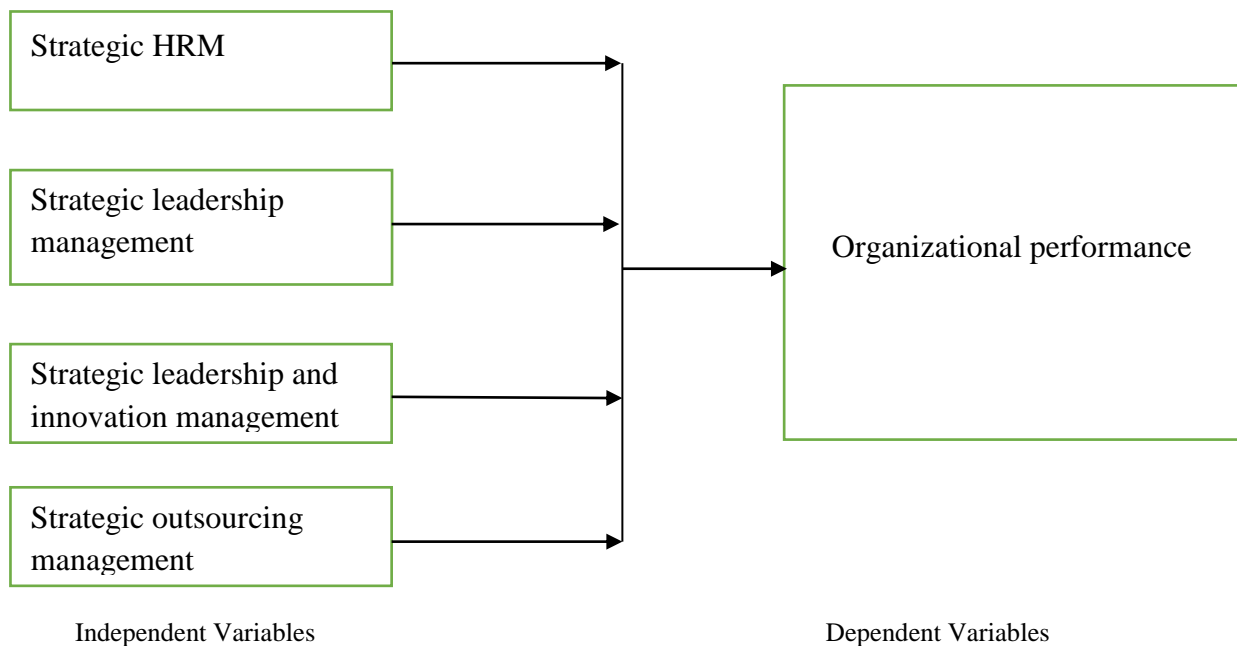


Figure 2.1: conceptual framework

Critique of the existing literature review

Quite a good number of studies have been performed on strategic management practices and have made some common conclusions with other taking different dimensions approach, however this study has picked on a few results in critique form to shed light on. Many scholars agree that a strategic practices ought to count and needs to be simple, realistic and neither too ambitious nor insufficiently demanding (Leggate and Thomas, 1977; Aldehyyat et al., 2011). It should allow some degree of flexibility to fit with the changing environment. Mintzberg, 1994 adds another perspective by highlighting the danger of strategic management practice is that it assumes the world will stop while managers wait to plan and implement strategies. This clearly demonstrates why strategic management practices should be such a way that it is flexible to accommodate environmental changes and other effects that can influence the prevailing situation.

Another approach to the study however revealed that good performance influences the continuation of the firm and can be divided to financial or business performance (Gibcus and Kemp, 2003). Financial performance is at the core of the organizational effectiveness domain. Accounting-based standards such as return on assets (ROA), return on sales (ROS) and return on equity (ROE) measure financial success. Business performance measures market-related items such as market share, growth, diversification, and product development, strategic human resources (Gibcus and Kemp, 2003). The organizational performance measures as indicated by Kaplan and Norton (2004) include excellence in internal business processes and effective timely and accurate data collection, quality workforce, quality strategic outsourcing.

Research gaps

After examining the various literatures from different scholars and noting their results and contributions it has come to my realization that there still exist a research gap that needs to be closed and provide for a solution to. The study considered the following as the objectives of the study which would be used in bridging the existing gap, the study took to the strategic human resource management, strategic leadership management, strategic technology and innovation and strategic

outsourcing management, along with the core objective of the study, which intended to establish the effect of strategic management practices on organizational performance under a case study of Kenya power. The gap exists as a result of the literature review provided and the various criticisms that have been made above. The success of the research purely depends on bridging the existing gap, as per the methodology that will be employed in its direction.

3. RESEARCH METHODOLOGY

The research design used in this study was descriptive research design. The study is targeting 250 employees of Kenya power in the categories of top management, middle level management and low level management staffs. The sample size of this study was 72 employees. The sample was drawn from the population that represented employees in the Kenya power. A survey questionnaire was developed to measure variables. Questionnaires were used to collect data from the respondents. The questionnaires were pre-tested in selected sample of 10 respondents selected from a different sector.

Specification of the regression model

A linear regression model will be used to indicate the extent to which each independent variable affected organizational performance. The model is as shown below;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where Y represents organizational performance and is the dependent variable, β_0 is a constant term, β_1 is the better coefficients, X_1 -strategic human resource management, X_2 -strategic leadership management, X_3 -strategic technology and innovation management and X_4 -strategic outsourcing management and ϵ is the error term.

4. RESULTS

Multivariate Regression Analysis

This section presents the results on the combined effects of all the independent variables which are strategic human resource management, strategic leadership, strategic technology and innovation and strategic outsourcing on the dependent variable that is organizational performance. A multiple linear regression model was used to test the significance of the influence of the independent variables on the dependent variable. Therefore the overall model for the study was;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 \text{ where:}$$

Y = Organizational performance

X_1 = strategic human resource management

X_2 = Strategic leadership

X_3 = Support from the immediate supervisor

X_4 = Strategic outsourcing

Table 4.1 shows the analysis of the fitness of the model used in the study. The results indicate that the overall model was satisfactory as it is supported by coefficient of determination also known as the R-square of 0.746. This means that all the independent variables explain 74.6% of the variations in the dependent variable.

Table 4.1 Overall model fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.864 ^a	.746	.069	.338

a. Predictors: (Constant), Strategic outsourcing, Strategic human resource management, strategic technology and innovations, Strategic leadership

Table 4.2 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. This was supported by an F statistic of 1.976 and the reported p value (0.113) which was slightly higher than the conventional probability of 0.05 significance level. These results suggest that the independent variables are good predictors of organizational performance.

Table 4.2 Analysis of Variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.903	4	.226	1.976	.113 ^b
	Residual	5.601	49	.114		
	Total	6.504	53			

a. Dependent Variable: Organizational performance

b. Predictors: (Constant), Strategic outsourcing, Strategic human resource management, strategic technology and innovations, Strategic leadership

Regression of coefficients results in Table 4.3 shows that there is a positive and significant relationship between organizational performance (dependent variable) and Strategic outsourcing, Strategic human resource management, strategic technology and innovations, Strategic leadership: (explanatory variables). From the finding, the overall model obtained is expressed as:

$$Y = 1.149 + 0.080X_1 + 0.104X_2 + 0.112X_3 + 0.150X_4$$

These were supported by beta coefficients of 0.111, 0.145, 0.136 and 0.228 respectively. This result shows that a change in either of the variables will definitely lead to a positive change in organizational performance.

Table 4.3 Overall Regression coefficient

Model	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
(Constant)	1.149	.340		3.382	.001		
RM	.080	.102	.111	.783	.438	.866	1.155
IT	.104	.107	.145	.978	.333	.803	1.245
SS	.112	.111	.136	1.014	.315	.983	1.017
CP	.150	.091	.228	1.642	.107	.911	1.098

a. Dependent Variable: organizational performance

5. CONCLUSION

The study concluded that strategic human resource management, leadership, strategic technology and innovation and strategic outsourcing affected organizational performance of Kenya power limited. Furthermore indication of the results showed that strategic human resource management influenced organizational performance to a great extent since this it stipulates high level of professionalism which is the basic requirement of all employees in any organization becomes the first motivating factor in performing jobs assigned to any employee, it also determines whether an employee has the capacity to perform a job hence a significant factor in organizational performance. The study further affirms that strategic leadership has an impact on organizational performance; this has been seen with the influence of the supervisor and the powers bestowed on him or her, supervisors assistance motivates the employees they supervise hence enable them perform well in their work stations but their mistreatment can anger the employees and demoralize them. Strategic technology and innovation has also been found closely related to organizational performance; this because new skills and knowledge and high level of creativity are necessary in the current job market. The study finally concludes that strategic

outsourcing affected organizational performance, only that outsourcing should be based on the time, nature of service and product, cost, interest of the organization and policies regarding outsourcing activities.

6. RECOMMENDATIONS

The researcher recommends strategic human resource practices and would require that organization should consider professionals in their hiring for long term performance and development, practice capacity building in regard to strategic human resource management and as well provider a considerate remuneration which is fair and just for all employees in an organization. The study also recommends the use of different leadership skills when handling employees since the exhaustive use of the same leadership type may not help much since they may only apply in different situations. The study finally recommends strong analysis and evaluation on outsourcing business that any organization intends to undertake , it must viable for an organization to venture into, since it takes on a number of dimensions such as going global assessing the risks involved is necessary at all times. Outsourcing should add value to the organization.

Areas for further study

The study narrowed down to strategic management practices within specific dimensions, other areas of strategic concerns are still potential for this same research. Strategic management practices and organizational performance are diverse but must have looked by different person from different angels but this is not exhaustive others studies are necessary to outgrow the factors. Leadership as a factor contains much hidden abilities that might have impact on organizational performance, therefore the role of leadership in organizational performance should be unveiled. Lastly technology and innovation is ever changing and very dynamic that call for consistent research.

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