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Influence of Strategic Direction on Organizational Performance of Commercial-Based Parastatals in Kenya

[1]Solomon Eramram Lerai, [2]Dr. Nancy Rintari, PhD, [3]Abel Moguche
[1,2,3]Department of Strategic Management, Kenya Methodist University
Corresponding Email: eramram10@gmail.com

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Abstract

To investigate the influence of strategic direction on the organizational performance of commercial-based parastatals in Kenya. The study used a descriptive research design to collect data on a target population of six (6) commercial-based parastatals. The respondents were 45 departmental managers and 151 administrative staff. Data was analyzed using descriptive and inferential statistics. Of the questionnaire respondents who were 56(52%) agreed and 51(48%) strongly agreed on a mean of 4.48 (SD of 0.50), that there was adequate involvement in decision-making among the departmental heads. This was closely followed by 60(56%) respondents agreeing and 19(18%) strongly agreeing on a mean score of 3.70 (SD of 1.01), that innovation and customer satisfaction were supported by their parastatal. However, 39(36%) respondents strongly disagreed while another 42(39%) disagreed on a mean score of 2.55 (SD of 1.33), that the organization's budget was aligned to the strategic goals with the strategic goals. Additionally, 48 (45%) strongly disagreed and 50 (47%) disagreed on a mean score of 2.18 (SD of 1.22), that the management managed the organizations' resources effectively. The Pearson correlation coefficient was r=0.706** at $\alpha < 0.000$ and 99% significance level indicating a positive correlation between strategic direction and performance. The management diverted the organization's resources to unscheduled things hence ending up misusing the resources and causing ineffectiveness in the operations. It was rather sad that the strategic goals were not being achieved because some members of the management thought it wise to divert the resources meant for that purpose to either other areas or their projects amounting to embezzlement of funds. Additionally, the findings revealed that some organizations were unwilling to change when strategies demanded change but stick to old methods to serve their interests. Therefore, there should be implementation of tough regulations by the government agencies like EACC of various legal punishments to any staff irrespective of their job group found guilty of embezzlement of funds must face. Further, ow cadre staff should be involved in the strategic direction exercise which can be done by seeking the views and opinions of the staff on the strategies to develop to improve organizational direction to foster implementation and make the staff to be part of the progress of the organization. There is a need to build the competency of the leaders to assume a strategic approach while directing other activities.

Keywords: *Strategic Direction, Organizational Performance, Commercial-Based Parastatals, Kenya*

1.0 Introduction

Strategic direction includes various operational levels of commercial parastatals organizations that are employed to implement specific programs (Xanthopoulou et al., 2022). Setting the path of a company through the creation of a vision, mission, core values, and objectives/goals is one of the main duties of strategic leaders (Ng'ang'a, 2023). Additionally, the management could motivate the employees to follow the mission; make viable decisions to support the vision; prepare and align budgets to attain goals; and offer resource management to improve the financial performance of the organization (Xanthopoulou et al., 2022).

The various concerns that have engulfed government organizations in developed nations such as America are that there have been low resources to facilitate the implementation of planned strategies (United Nations [UN], 2020). In a state such as Arizona, parastatals have been engulfed with excess bureaucracy in decision-making whereby the chain of command must come from the management to be deemed as viable and no any other way. In California, there has been political interference whereby inexperienced board members are appointed to head the parastatals as a way of rewarding loyalists (Hartnell et al., 2019). The management of parastatals has also been accused of coming up with unrealistic control strategies which end up becoming ineffective (Simon, 2019). In Asia, there has been a lack of commitment to implement directional strategies.

In developed nations, there have been low strategic directions on innovations among the parastatals in Ghana such that manual documentation takes ages before a task is done (Olson et al., 2019). In East African nations such as Uganda, there has been a lack of clear objectives of what each party in the parastatal is supposed to achieve and when. The Kenyan government institutions have experienced performance-related challenges due to unqualified staff and misappropriation of funds (UNCATD, 2018). This is because the qualified staff takes advantage of the ignorance of other staff in understanding strategies hence ending up stealing from the public institutions' coffers.

1.2 Problem Statement

A leader should always consciously improve performance by creating strategies that give direction to an idea that unifies the activities, attitudes, and values of stakeholders, management, and staff in support of the organizational objectives (Odita & Bello, 2015). This involves the active involvement of all human resources toward the operationalization of the invested resources within the legal business parameters. Therefore, doing so would not only improve performance but also bring about job satisfaction in a government institution.

That notwithstanding, there has been poor planning and implementation of strategies hence ending up with costly and abrupt decisions that tend to attract losses such as the high provision of debtors of the institutions (Kibos, 2019). A study by Umar et al. (2020) pointed out that most organizations develop strategies to improve performance but have no necessary actions that should be taken in case strategies fail. Therefore, this results in abrupt decision making which leads the organization to debt.

1.3 Purpose of the Study

To investigate the influence of strategic direction on the organizational performance of commercial-based parastatals in Kenya

1.4 Hypothesis of the Study

Ho1: Strategic direction has no significant influence on the organizational performance of commercial-based parastatals in Kenya.

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2.0 Literature Review

2.1 Theoretical Review

Classical theory was introduced by Chandler (1962) and advanced further by Ansoff and Sloan in 1965 and 1966 respectively. It states that the overall goal of any organization is to have rational planning and productivity. Chandler (1962) and other contributors (Ansoff, 1966 & Sloan, 1965) indicated that under classical theory there is always a need to have rationality in strategizing whereby there should be differentiation and direction between a strategic concept, its execution, and obligation towards ensuring productivity in the area of application. The strategic concept should begin with the business model and domain transformation.

2.2 Empirical Review

A study by Umar (2020) reviewed how strategic alliances affected the performance of organizations. To achieve this, the study reviewed five theories such as resource based-view, transaction theory, knowledge-based view, resource dependency theory, and social capital theory. According to Umar (2020), as long as an organization's management provided a clear strategy on a direction on a course of action, the staff and other stakeholders automatically followed suit with less resistance hence leading to increased productivity. The only challenge came when every stakeholder was required to provide suitable strategic directions on a course of action. Additionally, Umar (2020) indicated that as long as the trust was cultivated in a well-coordinated system and resources provided, it led to excellence, team spirit, open communication, and agreements. Nevertheless, Umar (2020) did not examine the weaknesses of the five theories reviewed.

In Nairobi, Mailu and Kariuki (2022) explored how non-governmental institutions' performance was affected by the strategies implemented by the leadership. Among the objectives examined strategic direction was one of them. Further, the target population was 636 finance departmental heads of 159 NGOs. They were sampled using a stratified method to obtain 244 respondents who were issued with questionnaires. According to Mailu and Kariuki (2022), the strategic direction offered by the leadership had a positive influence on performance. However, innovation and customer satisfaction were minimally supported.

Additionally, Ng'ang'a et al. (2023) examine how the performance of Kenyan tourism agencies was affected by strategic direction. The study targeted to collect data from management and operations staff who comprised 420. The respondents who took part in the study were 328. Therefore, Ng'ang'a et al. (2023) established that strategic direction had a significant effect on performance whereby the operations staff were involved in process formulation while the managers set the direction. However, it was established that there was less training offered to improve strategic direction implementation among the operations staff.

Additionally, Munyao et al. (2020) looked at how strategic direction affected the success of Kenyan theological training schools run by the Africa Inland Church. Data were gathered from management, staff, and third-year students at A.I.C. theological training schools in Kenya using both open-ended and closed-ended questionnaires. Therefore, Munyao et al. (2020) found that A.I.C theological training institutions in Kenya performed better when given a strategic direction. The performance of theological training institutions in Kenya is unknown, making this study vital. The report made a recommendation for top administrators of Africa Inland Church theological training institutes to be strategic as they lead their businesses into a challenging economic climate. Nevertheless, Munyao et al. (2020) did not include first-year, second year and fourth-year students who could have been instrumental in the topic.

3.0 Methodology

The study used a descriptive research design to collect data on a target population of six (6) commercial-based parastatals. The respondents were 45 departmental managers and 151 administrative staff. The study obtained a sample size of 40 departmental managers and 110 administrative staff using a simple random method. They were issued with closed and open-ended. Additionally, descriptive analysis, frequency tables, and explanations were used to illustrate the results. Further, inferential statistics were examined using correlation analysis.

4.0 Results and Discussion

4.1 Response Rate

The sampled population of this study was 6 commercial-based parastatals in Kenya. The targeted respondents were 40 departmental managers and 110 administrative staff in the commercial-based parastatals in Kenya. One hundred and seven (107) out of the 150 questionnaires administered were properly answered and submitted, giving it a desirable score of 71.3% as the response rate. These were 28 managers and 79 administrative staff and notably, Mugenda and Mugenda (2003) advised that as long as the response rate was above 70% it was deemed to be excellent results.

4.2 Descriptive Statistics of Strategic Direction and Organization Performance

The strategic direction was an independent variable and had indicators such as employee motivation to follow the mission, decision-making to support the vision, budget alignment to attain goals, and resource management to improve the value of the organization. The study measured the variable using questionnaires. The questionnaires had a five-point Ordinal Likert Scale where; strongly agree was represented by 5; agreed was represented by 4; neutral was represented by 3; agreed was represented by 2; and strongly disagree was represented by 1. Participants were required to state their affirmation levels based on the question about the impact of strategic direction on organizational performance. The findings are detailed in Table 1.

Table 1: Descriptive Statistics of Strategic Direction

Statements N=107	1	2	3	4	5	Mean	SD
The management manages the organizations' resources effectively	48 (45%)	50 (47%)	9 (8%)	0 (0%)	0 (0%)	2.18	1.22
Employees are motivated to work by the organization's vision and mission statements	0 (0%)	20 (19%)	30 (28%)	31 (29%)	26 (24%)	3.59	1.05
The is adequate involvement in decision-making among the departmental heads	0 (0%)	0 (0%)	0 (0%)	56 (52%)	51 (48%)	4.48	0.50
The organization's budget is aligned with the strategic goals.	39 (36%)	42 (39%)	23 (22%)	3 (3%)	0 (0%)	2.55	1.33

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There is training offered to improve strategic direction implementation among the operations staff	0 (0%)	37 (35%)	25 (23%)	34 (32%)	11 (10%)	3.18	1.03
Innovation and customer satisfaction are supported by your parastatal	0 (0%)	24 (22%)	4 (4%)	60 (56%)	19 (18%)	3.70	1.01

The findings from Table 1 indicate that 56(52%) respondents agreed and 51(48%) strongly agreed on a mean of 4.48 (SD of 0.50), that there was adequate involvement in decision-making among the departmental heads. This was closely followed by 60(56%) respondents agreeing and 19(18%) strongly agreeing on a mean score of 3.70 (SD of 1.01), that innovation and customer satisfaction were supported by their parastatal. However, 39(36%) respondents strongly disagreed while another 42(39%) disagreed on a mean score of 2.55 (SD of 1.33), that the organization's budget was aligned to the strategic goals with the strategic goals. Additionally, 48 (45%) strongly disagreed and 50 (47%) disagreed on a mean score of 2.18 (SD of 1.22), that the management managed the organizations' resources effectively.

These results meant that departmental heads actively consulted with lower rank staff before making decisions such as innovation and aspects related to customer satisfaction. However, there was a problem where the management diverted the organization's resources to un-strategized things hence ending up misusing the resources and causing ineffectiveness in the operations. It was rather sad that the strategic goals were not being achieved because some members of the management thought it wise to divert the resources meant for that purpose to either other areas or their projects amounting to embezzlement of funds. Additionally, the findings revealed that some organizations were unwilling to change when strategies demanded change but stick to old methods to serve their interests. Similarly, Han and Hong (2019) also named the diversion and misappropriation of public funds to serve personal interests as one of the hindrances of accountability in American government institutions.

4.3 Hypothesis Testing Using Pearson Correlation Analysis

The study had a research hypothesis that indicated that strategic direction had no significant influence on organizational performance among commercial-based parastatals in Kenya. To determine whether to accept or reject the null hypothesis, the study tested them using Pearson Correlation analysis as described in Table 2.

Table 2: Pearson Correlation Analysis of Strategic Direction

		Strategic Direction	Organization performance
Strategic Direction	Pearson Correlation	1	.706**
	Sig. (2-tailed)		.000
	N	107	107
Organization performance	Pearson Correlation	.706**	1
	Sig. (2-tailed)	.000	
	N	107	107

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

Table 2 indicates that the Pearson correlation coefficient was r=0.706** at $\alpha < 0.000$ and a 99% significance level for strategic direction. These findings reveal that there was a positive correlation between strategic direction and organizational performance because the p-value was above 0.05.

5.0 Summary

Of the questionnaire respondents who were 56(52%) agreed and 51(48%) strongly agreed on a mean of 4.48 (SD of 0.50), that there was adequate involvement in decision-making among the departmental heads. This was closely followed by 60(56%) respondents agreeing and 19(18%) strongly agreeing on a mean score of 3.70 (SD of 1.01), that innovation and customer satisfaction were supported by their parastatal. However, 39(36%) respondents strongly disagreed while another 42(39%) disagreed on a mean score of 2.55 (SD of 1.33), that the organization's budget was aligned to the strategic goals with the strategic goals. Additionally, 48 (45%) strongly disagreed and 50 (47%) disagreed on a mean score of 2.18 (SD of 1.22), that the management managed the organizations' resources effectively. The Pearson correlation coefficient was r=0.706** at $\alpha < 0.000$ and 99% significance level indicating a positive correlation between strategic direction and performance.

6.0 Conclusion

The management diverted the organization's resources to unscheduled things hence ending up misusing the resources and causing ineffectiveness in the operations. It was rather sad that the strategic goals were not being achieved because some members of the management thought it wise to divert the resources meant for that purpose to either other areas or their projects amounting to embezzlement of funds. Additionally, the findings revealed that some organizations were unwilling to change when strategies demanded change but stick to old methods to serve their interests.

7.0 Recommendations and Contributions of the Study

There should be implementation of tough regulations by the government agencies like EACC of various legal punishments to any staff irrespective of their job group found guilty of embezzlement of funds must face. Further, ow cadre staff should be involved in the strategic direction exercise which can be done by seeking the views and opinions of the staff on the strategies to develop to improve organizational direction to foster implementation and make the staff to be part of the progress of the organization. There is a need to build the competency of the leaders to assume a strategic approach while directing other activities.

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