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Influence of Organizational Resources on Performance of Financial Services Associations in Makueni and Kitui Counties of Kenya

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ABSTRACT

Many organizations talk of strategic formulation whereby they develop strategies and put them into practice. However, many organizations fail to actualize these strategies due to a lack of proper implementation strategy. Many firms face challenges in strategic implementation due to a lack of resources. This study sought to examine the influence of organizational resources on the performance of financial services associations (FSAs) in Makueni and Kitui Counties of Kenya. This study followed a cross-section survey method to collect primary data by using questionnaires that were administered online and through the drop-and-pick method. The study found that FSAs in Kitui and Makueni counties utilized internal resources more in strategy implementation. Practices on resource allocation included technology, financial resources, and human resources. The study revealed an Exp(B) of 0.107 which was associated with a p-value of 0.001. The study concluded that the use of internal resources over external resources significantly increased the odds of high performance of FSAs in Kitui and Makueni counties. The study recommends Financial Service Associations (FSAs) in Kitui and Makueni counties utilize internal resources, including management expertise and financial strength, to capitalize on opportunities for improved performance. Additionally, FSAs should diversify revenue streams by introducing new products, prioritizing hiring and retaining skilled employees, investing in robust information security, adopting cutting-edge technology, and strategically allocating resources to optimize performance and cope with emerging demands during strategy implementation. The study emphasizes the importance of leveraging internal capabilities and proactive resource management for the success of FSAs.

Key Words: Organizational Resource, Financial Services Associations, Makueni and Kitui Counties, Performance.

INTRODUCTION

Strategic implementation refers to the process by which organizations construe their plans to achieve the desired results. Strategic implementation requires firms to break down the strategic plans into manageable daily tasks and assign duties to the team members (Sabina, 2022). An effective strategic implementation is critical in ensuring firms survive in the highly competitive environment. However, the mere existence of a good strategy does not imply that an organization will succeed; the strategy must align with the organization's resources. The availability of adequate resources implies that an organization can execute its strategy and achieve the desired results (Alshurideh, Al Kurdi, Alzoubi, & Alshurideh, 2022). Resource availability enables an organization to expand into new markets, train its employees, and invest in distribution channels that create value for customers.

Organizational resources play a crucial role in enabling firms to implement their strategies and create a superior value proposition in the market. These resources may include financial, technological, human, and information resources. An organization can utilize these resources to implement strategies that align with its strategic goals (Chang, Eggers, & Keum, 2022). These resources ought to be distributed effectively to the various strategic initiatives within the organization. Firms have limited resources implying that they have to allocate them judiciously to enable them to compete effectively. Firms have utilized different models in their resource allocation to achieve the desired goals. For instance, the use of a balanced scorecard can enable firms to evaluate the impacts of their resource allocation on the firm's strategy (Chang, Eggers, & Keum, 2022). This model measures how the organization's strategy impacts the financial performance, customers, internal processes, and growth perspectives.

While resource availability is crucial for strategic implementation, the efficient utilization of these resources is equally important. Firms must ensure that their resources are optimally utilized to eliminate waste and any inefficiency in the process (Gomathy, 2022). A firm must ensure that its human resources are managed effectively to ensure that the employee's skills align with the organization's strategic goals. Inefficient resource allocation and utilization affect the organization's strategy implementation thus increasing the overall costs and reducing the organization's competitiveness.

Strategic implementation in the financial service associations is critical in ensuring that these organizations compete effectively whilst meeting their strategic goals in the market. Financial service associations (FSA) play a crucial role in enabling people to lead economically healthy lives. FSA helps both small and large companies to create value for the citizens. In the USA, for instance, FSA is crucial in the financial ecosystem whereby they provide financial education, loans, and savings to customers. The FSA in China has helped improve rural agriculture and supported small enterprises thus continuing the country's economic development (Nguyen, et al., 2021). The FSA in Germany is deeply embedded within the local communities and offers a wide range of services such as saving, lending, and financial education (Pazarbasioglu et al., 2020). In Africa and in particular in South Africa, savings and credit cooperatives (SACCOs) play a similar role as the FSA. These SACCOs serve the underserved who have been overlooked by the traditional banking institutions. Nigerian microfinance is similar to FSA whereby they offer financial services to small and medium enterprises (Awaworyi et al., 2020). The FSA in Uganda is mainly found in the rural areas where they help mobilize savings and offer credit to the members. FSA in Kenya, particularly in Kitui and Makueni counties, the FSA serves the underprivileged in society (Obadha, Colbourn, & Seal, 2020). These institutions offer loans to small startups and homes thus reducing poverty through job creation. Despite their huge presence, the FSA's presence is far from being felt across the region where businesses have shut down.

A decline in the profitability among the Financial Service Associations in Kitui and Makueni counties has been at an alarming rate with an average annual profitability decline of 1.5% since 2018 (2018 at 20.5%, 2019 at 19.1%, 2020 at 17.5%, and 2021 at 16.1% (Shale, 2020). Besides, worrying statistics indicated that three FSA closed down their business activities in the region between the years 2019 and 2022 which has negatively affected the accessibility to credit among new start-ups in the region, which has indirectly caused insecurities through loss of jobs and livelihood among the residents (Elzahi, 2022). This study sought to assess the influence of organizational resources on the performance of FSAs in Kitui and Makueni counties.

LITERATURE AND HYPOTHESIS

Resource-Based View Theory

The resource-based view theory was pioneered by Jay Barney and Birger Wernerfelt in the 1980s and has become a fundamental model in explaining how firms can create and sustain a competitive edge in the market. According to Lubis (2022), firms can use their resources to ensure they generate value in the market. These resources should be inimitable to ensure that the competitors cannot copy what an organization is doing. An organization should ensure that its resources are not like that of its competitors. Having unique resources helps an organization offer unique value to its customers.

The RBV theory also proposes the need for organizations to ensure that their resources are immobile. Immobile resources are hard to replicate in other areas thus making an organization to maintain its position in the industry. Lack of immobility and resources implies that other firms can easily copy what an organization is doing thus impacting its competitive position (Valaei et al., 2022). Organizations must also ensure that whatever gives them an advantage aligns with their goals and mission. Firms achieve resource-based competitive advantage of their resources and value, rare, inimitable, and non-substitutable. The resource-based competitive advantage enables an organization to outperform its competitors in the market.

Organizations need to ensure that they understand what is happening in the market and ensure that they keep up with these changes. The inability to keep up with these changes makes an organization's processes obsolete thus robbing it of its unique competitive position in the market. Organizations must renew their resources to respond to the changing market conditions and opportunities. An organization can sustain its competitive advantage through innovation and optimal resource allocation to maintain its competitiveness.

The resource-based view theory offers valuable insights in this study as it identifies the need for resource identification in creating a competitive edge in an organization. Resource identification can allow the FSA to leverage both tangible assets like land and machinery to create a competitive advantage (Assensoh-Kodua, 2019). Besides, the resource-based view theory explains the importance of intangible assets like local market knowledge to create a competitive edge. The theory also explains the importance of resource allocation to create a competitive advantage. FSA can leverage optimal resource allocation to maximize its competitive edge in the market (Assensoh-Kodua, 2019). Besides, FSA can use the insights from the resource-based view theory to determine whether they have achieved a sustainable competitive advantage in Makueni and Kitui County.

Lastly, the theory offers important insights into how FSA can use the dynamic capability concept to adapt its resource allocation over time along with the changes in the market. FSA can use innovation and flexibility to sustain its competitiveness in the market. Some of the criticisms of this theory include Mansour et al. (2022) who argue that the theory can be tautological whereby it confuses competitive advantage with resource possession. The model does not explain how factors such as politics, economic environment, and others affect an organization's competitive position.

Empirical Literature Review

Alshurideh, Al Kurdi, Alzoubi, and Alshurideh (2022) examined whether service strategies have any impact on the organization's operations. The authors focused on service strategy and service quality and their impacts on operations. The study found that innovations enable firms to have better services for their customers. Innovations enable firms to communicate more effectively with their partners thus creating unique value propositions. The authors explained that firms should consider investing their resources in acquiring the best employees in the labor market. Acquiring new employees helps an organization keep up with new trends in the market while identifying new services that keep customers satisfied.

Chang, Eggers, and Keum (2022) studied some of the challenges affecting an organization's performance in terms of its preparedness in the market. The authors were interested in understanding some of the challenges that may affect firms that seek to establish themselves in new markets. This research used information from the portfolios of the organizations that were involved in the research. The researchers collected the data from cross-industry patterns to identify any relationship between the firm's growth and the various challenges in the market. This research showed that firms need to put their resources together to be able to survive some of the challenges that face new firms in the market. Importantly, leaders must seek to ensure that their organizations acquire market-related information to understand what happens in the market. Organizations should not just understand the resources required to enter the market; they must also ensure that they can keep up with the market dynamics.

Research by Gomathy (2022) examined whether human resource planning can enable organizations to achieve their goals. The study focused on how human resources affect the achievement of organizational goals and the importance of planning in achieving these goals. Gomathy used a mixed research approach to gather the data for the study. The study findings revealed that human resource planning is important for organizational growth and competitive advantage. Lack of proper planning in the government leads to conflicts in human resources, slow growth, and lower productivity. Lack of proper planning also leads to reduced profits thus affecting an organization's ability to meet their goals effectively. The research also noted that many organizations do not prioritize human resource planning because it is deemed as adding unnecessary costs to an organization. The inability to plan effectively hinders the organization's long-term goals thus affecting its survival in the industry.

Heimonen and Takala (2019) studied the impacts of resource optimization on enabling an organization to achieve sustainable competitive advantage in project development. This research focused on how a company in Southern Finland uses its resources effectively to create a competitive advantage for its residential projects. This study used a mixed research approach to examine the organization's resource allocation and its impacts on operational efficiency. The study aimed to identify areas where the organization can make improvements to achieve its strategic goals. Ensuring that firms can continuously improve their strategies enables them to keep up with any changes in the market.

Kabeyi (2019) studied the influence of strategic planning on performance whereby profitability was identified as the variable of focus. Some of the elements that were considered in this study include planning, implementation, and evaluation and how these affect the profit generation capability of the firm. The authors used a literature review to understand whether strategic planning influences the profitability of the organization. While the authors recommended that all firms need to have a good strategy, having these strategies is not enough. Firms need to ensure that they can put the strategies into practice, otherwise, the strategies will be useless. A lack of resources to ensure the strategies are implemented can also impact the organization's ability to reach the next level. This research also notes that strategic implementation needs huge resources, but this does not always guarantee success. Firms ought to invest in market research, budgeting, employee training, and motivation to realize the benefits of strategic implementation.

Olthaar, Dolfsma, Lutz, and Noseleit (2019) examined the impacts of strategic resources on the performance of smallholder firms. This study focused on small farmers and how these farms can leverage strategic resources to create a competitive edge in the market. This study used the resource-based model to explore the study subject. The research findings indicate that small farms may seem similar but they use resources differently. The researchers employed a mixed method specifically surveys in their data collection. According to this research, the strategic resources in small farms may include good quality workers, storage facilities, and knowing the market dynamics. The study concluded that farmers at the bottom of the pyramid can do better if they utilize their resources wisely.

Mohamed (2023) explored whether resources in the organization can help firms achieve their goals. The authors examined how the availability of resources can help or hinder a firm from moving to the next level as far as strategy implementation is concerned. This research collected the data using questionnaires and in-depth interviews in the field. Both qualitative and quantitative data were collected using these methods to give a full summary of the organization's operations. Lack of resources is a major challenge in new firms whereby they get overwhelmed by the requirements to succeed in the market. The authors explain that if a firm can hire the right employees, it can create a good environment that is required to maintain its position in the market.

DATA AND METHODS

The study applied a cross-sectional research design, and a targeted population of 37 FSAs in Kitui and Makueni counties of Kenya as the unit of analysis, the unit of observation was 938 middle-level managers, who served as financial managers (130), marketing and sales managers (174), Human Resources managers (174), Risk and liaison managers (480, Corporate service managers (142), ICT and technical managers (170). Stratified-random sampling techniques were applied in sampling 280 participants through the application of the Taro Yamane formula,= N/[1+N(e2)]… ....equation (i). The study applied a questionnaire to collect primary data through online and physical administration of the questionnaire. Data was analyzed through both descriptive and binary regression analysis.

$Logit\ (P)\ =\eta\ +\ \beta j$ … .... Equation (ii).

Where logit P represented, the odds of performance being high whereas the odds of performance being low was logit (1-p), β represented the coefficient for organizational resources, and j represented organizational resources (internal resources=1 or external resources=2).

RESULTS AND DISCUSSIONS

Response Rate

The study administered 280 questionnaires. The researcher collected data from 264 respondents which represented a response of 94.28%.

Descriptive Statistics

Major Source of Resources for Strategy Implementation

The study sought from respondents whether they relied more on external or internal resources to implement strategies. Table 1 shows that the majority of the respondents indicated that they relied on internal resources to implement strategies.

Table: Source of Resources in Strategy Implementation

Source of Resources	Frequency	Percent
External Resources	67	25.4
Internal Resources	197	74.6
Total	**264**	**100.0**

The study sought to rank the extent to which respondents agreed with statements on organizational resource practices as a driver of strategy implementation. Table 2 revealed that on the first sub-variable, 'we have enough human resources for every task' with a mean score of 3.88, respondents agreed that the organization has allocated enough resources for them to complete their tasks effectively. In the second sub-variable, 'the top management ensures that financial resources are available at the right time' a mean score of 3.91 was obtained, which suggested that respondents agreed that top management ensures that financial resources are available at the right time. This indicates that the organization has a sound financial management system in place that ensures funds are available when required. The third sub-variable under organizational resources indicates that indicated that respondents agreed that proper budgeting is done before actual financial commitment, with a mean score of 3.88. This suggests that the organization has a robust budgeting process that ensures that financial resources are allocated appropriately and efficiently. The fourth sub-variable under organizational resources shows that respondents agreed that technology has been made accessible in all departments, with a mean score of 3.91. This suggests that organizations have invested in technology to streamline their operations and increase efficiency. Finally, the last sub-variable under organizational resources indicates that the respondents agreed that the organization has competent staff with good experience in handling the requirements of the company, with a mean score of 3.98. This suggests that the organizations have a competent workforce that is capable of meeting the organization's needs and requirements. Overall through a composite mean of 3.91, the study results suggest that the organization is performing well in terms of resource allocation. The organization has allocated enough human resources, financial resources are available when needed, proper budgeting is in place, and technology has been made accessible. Additionally, the organization is committed to continuous improvement and has a competent workforce to handle its requirements. Similarly, Valaei et al. (2022), revealed that working capital, personnel, and capabilities are major rare and valuable resources within an organization.

Table 2: Descriptive Statistics on Organizational Resources

Indicators of Resource Resources	**SD**	**D**	**N**	**A**	**SA**	**Mean**	**Std. dev**
We have enough human resources for every task	7 (2.7%)	26 (9.8%)	23 (8.7%)	143 (54.2%)	65 (24.6%)	3.88	0.978
The top management ensures that financial resources are available at the right time	8 (3.0%)	23 (8.7%)	24 (9.1%)	140 (53.0%)	69 (26.1%)	3.91	0.984
Proper budgeting is done before actual financial commitment	11 (4.2%)	28 (10.6%)	27 (10.2%)	114 (43.2%)	84 (31.8%)	3.88	1.100
Technology has been made accessible in all department	14 (5.3%)	20 (7.6%)	23 (8.7%)	127 (48.1%)	80 (30.3%)	3.91	1.080
We have very competent staff with good experience to handle the requirements of the company	11 (4.2%)	25 (9.5%)	19 (7.2%)	113 (42.8%)	96 (36.4%)	3.98	1.092

Descriptive statistics on Performance of Financial service Associations in Kenya.

Table 3 shows that the respondents agreed that the company has realized an improvement in its market share over the past three years through a mean of 3.96, indicating that the products offered by the FSAs were more preferred in the market than its competitors. The respondents also agreed that the company's sales revenue has been consistently increasing over the past three years as shown by a mean of 3.91. The findings suggested that the company has been generating more revenue from its sales activities.

In the third measure, the respondents agreed that the net profits of the company have increased in the past three years as shown by a mean of 3.98. The respondents also agreed that the company has been serving more clients compared to three years ago as shown by a mean of 4.00, the findings therefore suggested that the customer base had expanded over the period given.

The fifth statement of the study revealed that respondents agreed that the company's capital and asset base have been growing over the given period as shown by a mean of 3.90. Overall, with a composite mean of 3.95, the findings indicated that FSA has been performing well in the past three years, with more room needed for better improvements.

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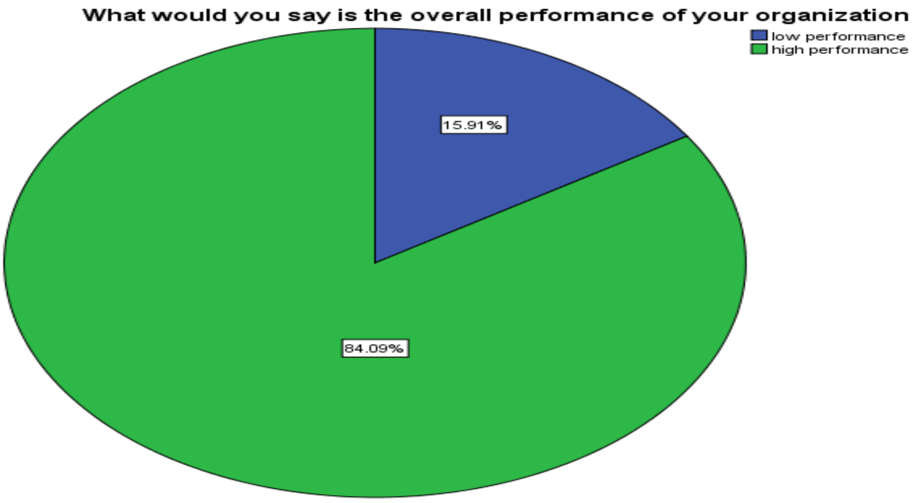
Table 3: Descriptive Statistics on the Performance of FSA

Indicators of Performance of FSAs	**SD**	**D**	**N**	**A**	**SA**	**Mean**	**Std. dev**
We have realized an improvement in the market share in the last three years	9 (3.4%)	22 (8.3%)	20 (7.6%)	133 (50.4%)	80 (30.3%)	3.96	1.010
Our sales revenue has been rising in the past three years	13 (4.9%)	26 (9.8%)	24 (9.1%)	110 (41.7%)	91 (34.5%)	3.91	1.127
Our net profits have increased in the past three years	14 (5.3%)	19 (7.2%)	31 (11.7%)	95 (36.0%)	105 (39.8%)	3.98	1.133
We are serving more clients compared to three years ago	13 (4.9%)	26 (9.8%)	15 (5.7%)	103 (39.0%)	107 (40.5%)	4.00	1.142
We have a greater capital and asset base for the organization	22 (8.3%)	15 (5.7%)	17 (6.4%)	124 (47.0%)	86 (32.6%)	3.90	1.167

Figure 1, shows that the majority of the respondents indicated that the performance of their organization was high as shown by 84.09%, and only 15.91% of the respondents indicated that the performance of their organizations was low.



Binary Logistic Regression

Table 4 revealed an R-square of 0.237 as shown by Nagelkerke R Square which implied that 23.7% of the changes in the organizational performance can be explained by organizational resources. Other factors that were not included in the model represented 76.3%.

Table 4: Model Summary

Step	**-2 Log likelihood**	**Cox & Snell R Square**	**Nagelkerke R Square**
1	192.084[a]	.138	.237

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Table 4.5 revealed an Exp(B) of 0.107 which was associated with a p-value of 0.001, which suggested that the use of internal resources over external resources increased the odds of performance of financial service

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associations in Kenya by a factor of 0.107.

Table 5: Regression Odds

		B	S.E.	Wald	df	Sig.	Exp(B)
	Constant	2.570	.277	85.926	1	.000	13.071
	External Resources	–	–	–	–	–	0
Step 1 a	Internal Resource (1)	2.239	.372	36.264	1	.000	.107

a. Variable(s) entered on step 1: Organizational Resource

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that the use of internal resources over external resources significantly increased the odds of improvement in the performance of FSAs in Kitui and Makueni counties. The study recommended that FSAs in Kitui and Makueni counties leverage internal resources such as management expertise and financial muscles in seizing opportunities to enhance performance. FSAs should also diversify their revenue streams by creating new products to maintain a strong capital base. The FSAs should also strive to hire and retain talented and experienced employees as well as develop them through training. Besides, FSAs should invest in robust information security and also adopt cutting edge to enhance the operations of the organization which also can help in seizing opportunities. FSA also needs to allocate its resources strategically such as through resource-leveling by using the right procedures in allocating resources optimally because they have an impact on performance. FSA also needs to continuously reassign or adjust resource allocation schedules to enhance coping with emerging demands for resources during strategy implementation.

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