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DETERMINING THE EFFECTS OF RESOURCE ALLOCATION ON THE PERFORMANCE OF SOUTH NYANZA SUGAR COMPANY LIMITED, KENYA

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Abstract

Resource allocation plays an important role on the performance of an organisation. For companies to remain competitive, there has to be a clearly formulated strategic plan and ways of implementing it. Several companies in Kenya experience difficulties in implementing strategic plans. In light of this, therefore, the study sought to fill the gap by determining the effects of resource allocation on the performance of south nyanza sugar company limited, Kenya. The focus of the study was on resource allocation as the independent variable and performance of Sony sugar as the dependent variable. The research employed descriptive research design. The target population of the study was the 994 employees of Sony sugar. A sample of 329 employees was utilized. A questionnaire was used to collect data. The data collected were analyzed both qualitatively and quantitatively. Data were analyzed according to the objective of the study. The results were presented on tables and graphs. The findings of this study were useful because they enabled the organisation to reorganize its strategy in the implementation process and equally strengthened the existing resource allocation programs. Additionally, the findings guided the organisation in checking and controlling external influence on the allocation of resources.

Keywords: Resource Allocation, Strategic Plan, Performance

1. Introduction

A strategic plan is viewed by Thompson and Strickland (2003) as a comprehensive statement about the organization's mission and visions and long-term performance targets and how management intends to produce the anticipated outcomes to accomplish the mission based on the organization's state.

Studies done in Boston by Pearce and Robinson (2008) shows that strategic plans could be documented or not documented. Strategic planning is defined by Thompson and Strickland (2003) as the process by which an organization defines its strategies and also make decisions on allocating its resources to chase the strategies. A statement by McNamara (2005) shows that strategic planning determines where an organization is going over the next one year or more, how to get there, and how to know if it has gotten there or not. It is posited by Robert and Duncan (2007) that strategic planning gives an overall direction to areas like finance, marketing, and human resources departments to perform better.

A study in New York by Fidler (2002) indicates that implementation is the process that turns strategic plans into actions in order to accomplish strategic objectives and goals. It further shows that implementing a strategic plan is important than the strategic plan itself. Other studies done in the United States of America by Decker and Höppner (2006) show that strategic plan implementation has an important role in the organizational performance. A balanced scorecard developed by Kaplan and Norton (2009) was established to create, implement, and communicate strategic plans. The balanced scorecard approach measures the implementation of the strategic plan across all the departments of an organisation.

Other studies in Africa agree, as indicated by Kibachia, Iravo, and Luvanda (2014) that despite early recognition that success in implementing strategic plans is indispensable to the accomplishment of an organisation, there has been a recent evidence in parts Africa that the subject remains a neglected and ill-conceived topic.

In Kenya, drawing a strategic plan and its proper implementation is a legal requirement for public organisations. South Nyanza Sugar Company Limited is no exception. According to Nyamboga and Gongera (2014), organizations are currently engaged in strategic management processes. The processes involve strategy formulation, implementation, and review. Organisations also monitor their performance to achieve effective implementation of strategic plans. Kibachia et al., (2014) supports that Strategic plans are often accompanied by parallel implementation plans, which outline tasks, timelines, resource, and operational changes essential in order to deliver on the strategic plan initiatives.

1.1. Statement of the problem

The implementation of strategic plans involves translation of chosen strategy into organizational action. Proper implementation of strategic plans should lead to success in achieving set objectives of the organisation. South Nyanza Sugar Company Limited has a set of goals and targets to achieve at the end of every strategic plan period. Kenya Sugar Industry (KSI) 2010 review report indicates that, the sugar industry in Kenya is far from realizing its set goals, and also lagging behind in implementation of their set strategic plans. Furthermore, KSI review of the outgoing (2004 - 2009) Plan revealed that the level of implementation of strategic plans was only about thirty percent of what was intended and many of the activities were work-in progress. Despite South Nyanza Sugar Company Limited having strategic plans in place and allocations of annual funds by the government of Kenya, there has been lack of proper implementation of strategic plans leading to low performance. Moreover, Hrebiniak (2005) states that implementation of strategic plan is still a new field of management which has not been completely understood likened to formulation. It has therefore generated the need to add to the existing knowledge. Additionally, Nyamboga and Gongera (2014) states that the current literature is biased towards developed nations, creating a further gap in the emerging economies and their unique needs. Again, most of the studies done have concentrated on other manufacturing industries apart from the sugar manufacturers therefore necessitating the need to carry out research on the sugar industry of Kenya. The purpose of this study therefore, was to determine the effects of strategic plan implementation on the performance of South Nyanza Sugar Company Limited, Kenya.

1.2. Objective of the study

The main objective of the study was to determine the effects of resource allocation on the performance of South Nyanza Sugar Company Limited, Kenya.

1.3. Significance of the study

The study aimed at enhancing the understanding and knowledge of resource allocation and its effects on the performance of an organization. Furthermore, the study enlightened the organization on the effects of strategic plan implementation on its performance.

2. Research methodology

2.1. Research design

The study used descriptive research design. The research design was chosen because it allowed gathering of data from a large population on their attitudes and opinions in relation to resource allocation as a factor affecting implementation of strategic plans in organisations.

2.2. Study area

The study was undertaken at South Nyanza Sugar Company Limited located in Awendo town, Migori County, coordinates: $-0^{0}53'37''$N and $34^{0}31'56''$E. This area was easily accessed by the researcher. It was also appropriate in providing relevant information useful for this study.

2.3. Target population

The study targeted 994 employees in the seven departments of South Nyanza Sugar Company Limited (Sony sugar, 2016). Both the managers and subordinates were involved in the study. The managers were used because by virtue of their positions, they had information on policy areas, while the subordinates shed light on the implementation of strategic plans.

2.4. Sample design

The study used stratified random sampling and purposive sampling techniques. Stratified random sampling technique was used to cluster samples with similar characteristics in strata to attain a more representative sample of the respondents. The respondents were stratified on the basis of their departments. In this study 30%, as supported by Best and Kahn (2014) and Kothari (2014), was sampled from manufacturing, agriculture, human resource, administration, and logistic departments. Whereas, also a purposive sampling was done on accounting and finance, and sales and marketing department. 100% of the respondents in these two departments were picked for the study due to their few numbers. The accessible population constituted a sample size of 329 respondents.

Table 1: Distribution of sample size

Department	Target Population	Sample Size	Percentage
Manufacturing	360	108	30%
Agriculture	360	108	30%
Human Resource	120	36	30%
Administration	60	18	30%
Logistics	50	15	30%
Accounting and Finance	35	35	100%
Sales and Marketing	9	9	100%
Total	**994**	**329**	

2.5. Data collection instrument

The researcher used a self-administered questionnaire as data collection instrument. The questionnaire contained closed and open-ended questions which allowed for the collection of both quantitative and qualitative data. A questionnaire was preferred, as indicated by Mugenda and Mugenda (2013), because the study was concerned with the collection of views of individuals. The questionnaire was pre-tested to determine its validity and reliability.

2.6. Data collection procedure

The questionnaires were administered to the respondents at their duty stations during working hours by the researcher. The respondents were then allowed a period of one week to fill the questionnaires and thereafter collected promptly and examined to ensure their completeness.

2.7. Data analysis procedure

Data from the questionnaires were edited, coded, tabulated and analysed. Editing was done to improve the quality of data for coding. Data were analysed using descriptive statistics. Inferential statistics was also used to analyze the relationship between the variables. Multiple regression method was used to show the correlations between independent variable and dependent variable.

3. Findings

The study achieved a response rate of 91.2%. Resource allocation had very significant implications on the ability and pace of strategic plan implementation. Respondents expressed their views on the extent to which resource allocation at South Nyanza Sugar Company Limited was associated with the achievement of strategic plan implementation. Majority of the respondents were of the opinion that resource allocation had influence on the success of strategic plan implementation in South Nyanza Sugar Company Limited.

3.1.Awareness of the existence of strategic plans within the organisation

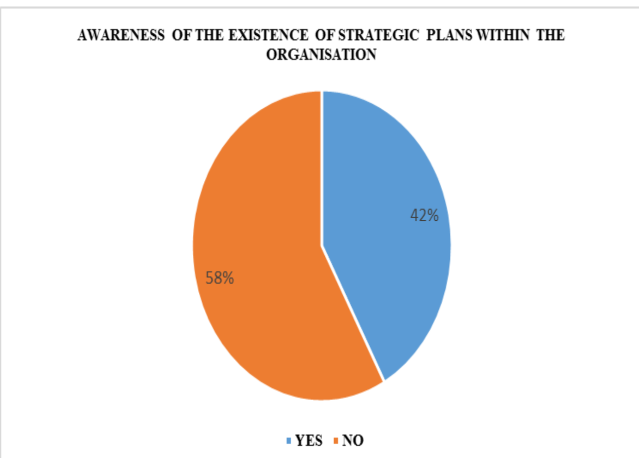

Figure 1: Awareness of the existence of strategic plans within the organisation

The findings on the awareness of respondents on the existence of strategic plans within the organisation indicated that 42% are aware of its existence, while 58% are not aware of the existence of strategic plans within South Nyanza Sugar Company Limited.

3.1.1. Aspects of resource allocation in the firm

Table 2 shows that the aspects of resource allocation that scored a mode of 5 were; monitoring and auditing of all the resources allocated by the government, possession of trained personnel to support strategic plan implementation, and adaption of Information Technology the day to day operations of Sony Sugar Company Limited. The aspects of resource allocation that scored a mode 4 were; allocation of sufficient financial resources for strategic plan implementation and provision of proper utilization of physical resources available by Sony Sugar Company Limited.

Table 2: Aspects of resource allocation in the firm

Aspects of resource allocation	n	Mean	Median	Mode	Standard Deviation
Allocation of sufficient financial resources for strategic plan implementation	300	3.58	4	4	1.307
Provides for proper utilization of physical resources available.	300	3.14	3	4	1.411
Monitors and audits all the resources allocated by the government	300	3.47	4	5	1.367
Equipped with trained personnel to support strategic plan implementation	300	3.2	3	5	1.408
Adapted Information Technology in its day to day operations	300	3.56	4	5	1.383

3.1.2. Other aspects of resource allocation affecting performance

Figure 2 shows that majority, which is 90% of the respondents contacted during the study commented that policies and procedures of Sony Sugar Company Limited affected its performance. Whereas 10% were not sure on the other aspects of resource allocation that could affect the performance of Sony Sugar Company Limited. McConnell, Brue, and Flynn. (2011) indicates that resources are sources or supplies from which benefits are produced. Resources are materials, money, staff, and other assets necessary for effective operation of an organisation. Furthermore, the results of the study gave an impression that policies and techniques of Sony Sugar Company Limited limit its workers from instigating resource allocation models. It is therefore the reason resource allocation appears to make insignificant contribution to the overall strategic plan implementation performance. Though, enhanced resource allocation may lead to improved strategic plan implementation in an organisation.

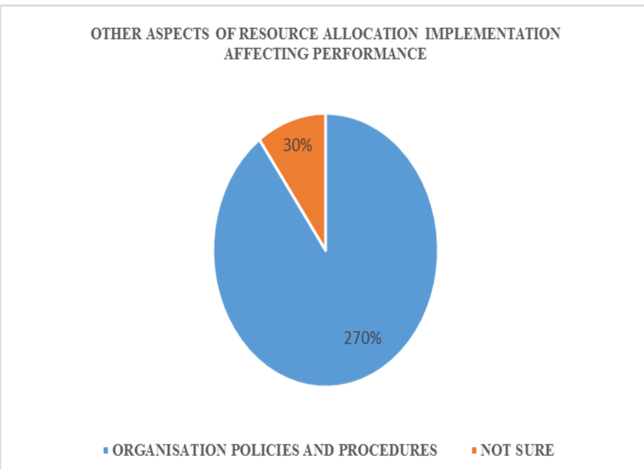

Figure 2: Other aspects of resource allocation affecting performance

3.1.3. Take on the level of utilization of resources allocated as per the set goals

Figure 3 illustrates that 47% of the respondents who were contacted during the study consented that the level of utilization of resources allocated to Sony Sugar Company Limited as per the set goals were low, 23% agreed that it was moderate, and the rest of the respondents, 30% approved it was high.

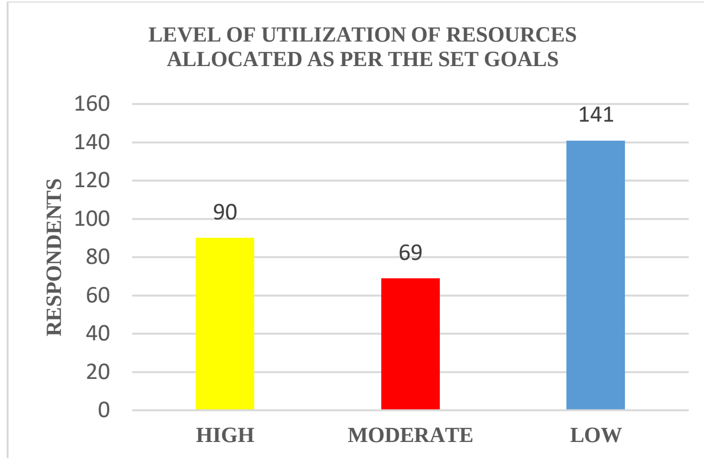

Figure 3: Level of utilization of resources allocated as per the set goals

Table 3: Relationship between resource allocation and performance of South Nyanza Sugar Company Limited

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.333a	0.111	0.101	2.8492

a. Predictors: (Constant), Resource allocation

Coefficients(a)

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	12.715	1.599	7.954	0	
	Resource allocation	0.282	0.085	0.333	3.309	0.001

a. Dependent Variable: Performance of South Nyanza Sugar Company limited

Further analysis indicated that resource allocation accounted only for approximately 10.1% of the variation in performance of South Nyanza Sugar Company Limited. However, improved resource allocation, and more targeted and aligned resource allocation leads to improved strategic implementation performance (b0=12.715, b1=0.282 both of which were significant)

4. Conclusion and Recommendations

The study sought to determine the effects of resource allocation on the performance of South Nyanza Sugar Company Limited, Kenya. The factor was found to have high effects on the performance. Perfection in it could lead to better performance. It was important for the organisation to modifying its way of allocating resources so as to enable the implementation of strategic plans successfully. Government policies and regulations as moderating variables, played a significant role in the implementation of strategic plans. For example, a reduction in taxes on farm inputs and refined sugar significantly increase the competitiveness of sugar factories in both the domestic and foreign markets. Allowing sugar companies utilize the cess fund paid to local authorities to improve the road infrastructure in cane growing areas. Currently, local authorities in cane growing areas do not utilize funds obtained from sugar factories to maintain access roads. Speedy divestiture of government from the management of sugar companies and the inclusion of cane growers as shareholders in sugar companies. Devolving the power to set cane producer prices from the sugar board to committees composed of out-grower organizations and sugar company management, to ensure that prices for produce are relevant and fair to all. Developing a government policy on research and development in productive sugar cane varieties and husbandry practices and contributing resources towards the achievement of the above. Alternatively, government can offer tax concessions to sugar companies that engage in research and development of sugar cane varieties or cane husbandry and finally, enforcement of sugar quotas and imposition of taxes and duties on imported sugar, to enable local sugar factories reduce their inventories and acquire a breathing space to implement necessary changes to improve their performance.

From the findings of the study, the following recommendations were made, South Nyanza Sugar Company Limited needs to provide strict accountability measures for its staff so that all resource allocation decisions are thoroughly vetted, and that there is monitoring system for all allocations. This would also ensure that all resource allocation decisions serve the best interest of the organization.

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