

INFLUENCE OF RESTRUCTURING STRATEGY ON ORGANIZATIONAL PERFORMANCE OF COUNTY GOVERNMENTS IN KENYA

^{1*} **Irene Mwendu Mutie**
mwendei@kebs.org

^{2**} **Paul Kariuki**
paulmuturikariuki@gmail.com

^{3***} **Gregory Namusonge**
gnamusonge@gmail.com

^{1,2,3} *Jomo Kenyatta University of Agriculture and Technology, Kenya*

Abstract: *This study sought to establish the influence of turnaround strategies on organizational performance of county governments in Kenya. The specific objectives are to determine the influence of restructuring strategy on organizational performance of county governments in Kenya and to examine the influence of collaboration strategy and organizational performance of county governments in Kenya.*

Theories: *This study was anchored on agency theory. The agency theory stresses the underlying important relationship between the shareholders (or company owners) and the agents (or company managers) in ensuring the success of the organizations. This theory explains how restructuring strategy may improve the organizational performance at county governments in Kenya.*

Methodology: *It adopted descriptive and quantitative research design. The study was conducted in the 47 counties in Kenya. The target population was 1,128 respondents. The total sample size was 470 respondents. Primary data was collected using structured questionnaires, while data was analysed using SPSS version 22. The study conducted various tests including normality test, multicollinearity, stationarity, heteroscedasticity and autocorrelation tests. Test of hypothesis was done at 95% confidence interval. This study conducted correlation and regression to weigh the influence of the independent on the dependent variables.*

Findings: *The study found that restructuring strategy positively influences organizational performance of county governments in Kenya. Counties in Kenya should embrace more the use of restructuring strategy; this would form the basis to adoption of other turnaround strategies. County governments should ensure that they incorporate value creation competency and activities in the organization strategies. This study recommends policy formulation on turnaround strategies and the procedures that should be followed when implementing these strategies.*

Keywords: *Turnaround Strategy, Organization Performance, Restructuring Strategy*

Restructuring Strategy

Restructuring is a prerequisite to other turnaround strategies such as strategic repositioning, revenue enhancement, cost reduction or asset reduction (Barker & Schmitt, 2017). Depending on the turnaround situation, restructuring can be limited to leadership alignment and better management systems for planning and control of an organization. Often, however, the extent of restructuring required goes as far as changes in top management and in the organizational structure (Bartlett, 2015). Restructuring should guarantee better decision-making capabilities and strategy execution. This may require new and fresh leadership altogether,

since top level management is more likely to effect change in attitudes, behaviors and programs. Top management initiatives are more likely to result in bigger and impactful steps of change (Greaves, 2017).

It has been established that strategies aimed at cost reduction, resizing and discarding of nonproductive assets are more successful than operational strategies such as reshaping internal procedures. Another restructuring strategy is to outsource certain functions to specialist organization that is more adept at those particular tasks and relied upon to deliver excellent results (Odula, 2015). Successful restructuring and reorganization of an organization requires sound preparation: good planning, an inclusive consultation process, support services, a committed workforce and seamless communication among and across all organizational levels. Organizational restructuring strategies should align with the organizational structure, reduce complexity and focus on improved, value productive activities (Laitinen, 2013). Organizational restructuring strategies include outsourcing, networking and de-layering.

Restructuring is the act of reorganizing the legal, ownership, operational or other structures of a company for the purpose of making it more profitable and better organized for its present needs (Lozano & Vallés, 2015). Other reasons for restructuring include a change of ownership or ownership structure, demerger, a response to a crisis or major change in the business such as bankruptcy, repositioning or buyout. Chiter (2012) states that resource mobilization strategies do not only mean use of money but it extensiveness denotes the process that achieves the mission of the organization through the mobilization of knowledge in human, use of skills, equipment and services.

Kenya is endowed with a vibrant population, natural resources, and a stable infrastructure, all which possesses massive potential for optimal performance, but only if it's (performance) continuously improved at all levels, including at the planning, operational and delivery levels. In the same vein, each county must endeavor to churn out timely and reliable information - in all departments, which would enable accelerated and quality decision-making. This is attainable with the benefit of a reliable performance management tool.

There are 47 county governments in Kenya. The decentralization of public services to the County governments was to bring decision making closer to the people, enhance participation and representation of ordinary people at the grassroots in politics, increase accountability and transparency, make the government more responsive to public demands and improve service delivery (Abass, Munga & Were, 2017). However, organizational performance of the county governments has been met with dissatisfaction and criticism.

Statement of the Problem

County Governments have witnessed poor performance and citizens have expressed their dissatisfaction with substandard service delivery (Abass, Munga & Were, 2017). For example, Nairobi County, the capital of Kenya, has continually grappled with challenges on performance in infrastructure, security, proper drainage, traffic among others. Absence of or poor turnaround strategies may have contributed to the poor performance (Odula, 2015).

Locally, there is dearth of empirical literature on the influence of turnaround strategies on organizational performance. For instance, Inyange (2014) established that turnaround strategies adopted in the oil corporation in Kenya was top management change, efficiency and operating strategy, expansion of retail outlets and employee retrenchment. Mutie (2013) study established that top management teams, customer relationships, prompt delivery and after sales service are thus important factors that should be addressed during turnaround in order to establish a market niche and fulfil customer needs. Kamunde (2010) established that the bank adopted top management change, stakeholder's involvement and increased efficiency. Saigilu (2010) found that

the turnaround strategies employed by KRA were highly effective in meeting organizational goals. Mwakida (2013) identified that the KCC company pursued two distinctive strategies namely decline stemming that reverse the decline and recovery strategies that yield a defensible competitive position to the firm. The current study adopted technology advancement strategy, capacity building strategy, restructuring strategy and collaboration strategy turnaround strategies.

The studies reviewed used different variables from the current study, hence conceptual gap. They were also conducted on different institution with the current study hence the contextual gap. From the above discussions, it can be seen that limited research has been done on the influence of turnaround strategies on organizational performance of county government in Kenya. It is hence against this background that this study was undertaken to fill the missing knowledge gap by holistically establishing the influence of turnaround strategies on organizational performance of county governments in Kenya.

Research Objective

The general objective of the study was to establish the influence of turnaround strategies on organizational performance of county governments in Kenya.

This study was guided by the specific objective: To explore the influence of restructuring strategy on organizational performance of county governments in Kenya.

Research Hypothesis

The study sought to test the following null hypothesis

1. Restructuring strategy has no significant influence on organizational performance of county governments in Kenya

Theoretical Framework

Agency Theory

Agency theory fundamentally involved with the relationship of managers and stockholders (Jenson and Meckling, 1976). In addition to this managers should make decisions that are linked with the objective of maximizing shareholder wealth. According to the Ross (1973) an agency is defined as on in which one or more persons (the principal (s) engages another person (the agent) to perform some service on their behalf which involve delegating some decision making authority to the agent. Moreover Eisenhardt (1985) and Kosnik (1987) linked the development of agency theory with organization behavior and strategic management.

Strategic management therefore attempts to bring some governance mechanism through a board of directors to see that agents would not take decisions in their self-interest. The boards of directors would ensure that that the interests of both the principal and agents are aligned for the benefit of the organization. The agency theory stresses the underlying important relationship between the shareholders (or company owners) and the agents (or company managers) in ensuring the success of the organizations. This theory explains how restructuring strategy may improve the organizational performance at county governments in Kenya.

Research Findings and Discussion

From the selected sample of 210 respondents, the study was able to collect 187 questionnaires having been dully filled. The returned questionnaires formed a response rate of 89.05%.

Descriptive Analysis

Respondents indicated their level of agreement with the following statement relating to restructuring strategy in their County. Table 1 presents the findings obtained.

Table 1: Restructuring Strategy

Statement	1	2	3	4	5	Mean	Std. Dev.
Outsourcing							
Our county usually outsource some services to access skilled expertise	6	4	6	138	33	4.007	1.251
In our county outsourcing helps to minimize operations costs	9	9	16	129	25	3.817	1.142
In our county outsourcing helps in increasing efficiency	6	6	12	138	25	3.902	1.235
Networking							
Networking has helps the county to acquire valuable information needed to improve county operations	9	4	9	129	37	3.975	1.169
Networking helps the count to acquire new ideas to improve service delivery	6	6	12	138	25	3.902	1.235
Networking helps the county to acquire new resources to enhance its operations	6	6	16	144	15	3.830	1.300
De-layering							
De-layering helps the county to reduce the size of hierarchy	6	9	4	147	21	3.902	1.345
De-layering helps the county to boost operational efficiency	11	6	18	131	20	3.764	1.168
De-layering helps the county to provides senior leaders easier reach over the organization as a whole	9	4	18	135	21	3.836	1.207

The findings in Table 1 shows that the respondents were in agreement on outsourcing that their county usually outsource some services to access skilled expertise (M=4.007, SD=1.251); in their county outsourcing helps in increasing efficiency (M=3.902, SD=1.235); and that their county outsourcing helps to minimize operations costs (M=3.817, SD=1.142). This agrees with Haojie and Hangyu (2015) that reorganizational strategies has proven to be helpful in a number of ways, including ensuring low costs of operation and advanced strategies formulation and implementation.

On networking, the respondents agreed that networking has helped the county to acquire valuable information needed to improve county operations (M=3.975, SD=1.169); networking helps the count to acquire new ideas to improve service delivery (M=3.902, SD=1.235); and that networking helps the county to acquire new resources to enhance its operations (M=3.830, SD=1.300). This concurs with Odula (2015) that in order to have a successful restructuring and reorganization of an organization requires sound preparation: good planning, an inclusive consultation process, support services, a committed workforce and seamless communication among and across all organizational levels.

On de-layering, the respondents were in agreement that de-layering helps the county to reduce the size of hierarchy (M=3.902, SD=1.345); de-layering helps the county to provides senior leaders easier reach over the organization as a whole (M=3.836, SD=1.207); and that de-layering helps the county to boost operational efficiency (M=3.764, SD=1.168). This concurs with Bartlett (2015) that restructuring should guarantee better decision-making capabilities and strategy execution. Therefore, counties might require new and fresh leadership altogether, since top level management is more likely to effect change in attitudes, behaviors and

programs. The initiatives that are taken by the top management are more likely to result in bigger and impactful steps of change.

Respondents also indicated that restructuring is a common thing in the county government. They explained that it has helped guarantee better decision-making capabilities and strategy execution. Change in leadership in the county government results in change in attitudes, behaviors and programs. Most of the time, restructuring is done to resize, discharge non-performing assets and reducing cost. Outsourcing of certain functions of specialist organization that is more adept at those particular tasks and relied upon to deliver excellent results.

Organizational Performance

Respondents indicated the level to which they agreement with the following statement relating to organizational performance in their County. Table 2 presents the findings obtained.

Table 2: Organizational Performance

Statement	1	2	3	4	5	Mean	Std. Dev.
Customer satisfaction							
In our county citizens can get services form an online system	6	9	2	149	21	3.909	1.359
Our county there is increase in customer satisfaction	5	5	16	146	15	3.863	1.326
In our county citizens can get services at the shortest time possible	9	2	20	136	20	3.836	1.220

From the findings, the respondents were in agreement on customer satisfaction in their county, citizens can get services form an online system (M=3.909, SD=1.359); in their county there is increase in customer satisfaction (M=3.863, SD=1.326); and that in their county, citizens can get services at the shortest time possible (M=3.836, SD=1.220).

Inferential Results

The study computed inferential statistics to test the relationship between the dependent and the independent variables. The study specifically computed correlation and multiple regression analysis.

Correlation Results

Correlational analysis was used to determine the relationship between the study variables. Pearson R correlation was used to measure strength and the direction of linear relationship between variables. The association was considered to be: small if $\pm 0.1 < r < \pm 0.29$; medium if $\pm 0.3 < r < \pm 0.49$; and strong if $r > \pm 0.5$.

Table 3: Correlation Matrix

Variables		Organizational Performance	Restructuring
Organizational Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	187	
Restructuring Strategy	Pearson Correlation	.837**	1
	Sig. (2-tailed)	.000	
	N	187	187
Collaboration Strategy	Pearson Correlation	.867**	.125
	Sig. (2-tailed)	.000	.098
	N	187	187

Restructuring strategy and organizational performance of county governments are seen to have a significant relationship ($p=0.000<0.05$). In addition, the relationship between these two variables is strong ($r=.837$). This suggests that the level of organizational performance in county governments is dependent on their restructuring strategies. This concurs with Bartlett (2015) that restructuring guarantees better decision-making capabilities and strategy execution.

Beta Coefficients of the Study Variables

The study used the coefficients findings to test the research hypothesis. If the p value is less than 0.05, we reject the H_0 but if it is more than 0.05, the H_0 is not rejected.

Table 4: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
1 (Constant)	1.506	.173		8.705	.000
1 Restructuring Strategy	.327	.114	.277	2.874	.005

a. Dependent Variable: organizational Performance

From the findings in Table 4, the following regression equation was fitted:

$$Y = 1.506 + 0.327 X_1$$

Where: Y= Organizational Performance; X_1 = Restructuring Strategy; ϵ = error term

From the regression equation, it can be observed that when the variables collaboration strategy, and restructuring strategy are held to a constant zero, they would influence organizational performance of county governments as indicated by beta value 1.506.

The research hypothesis tested was that restructuring strategy has no significant influence on the organizational performance of county governments in Kenya. The findings showed that restructuring strategy has positive influence on organizational performance of county governments ($\beta=0.327$). The influence was further found to be significant since the p-value (0.005) was less than the selected level of significance (0.05). Since the p-value is less than 0.05 we reject the null hypothesis (restructuring strategy has no significant influence on the organizational performance of county governments in Kenya) and accept the alternative that restructuring strategy has significant influence on the organizational performance of county governments in Kenya. This agrees with Cameron (2014) who revealed in his study a positive impact of reorganization strategy on the organizational performance of organizations.

Conclusions

The study found that restructuring strategy has positive influence on organizational performance of county governments. This suggests that increasing restructuring strategy would result to an increase in organizational performance of county governments. The study also established that the influence of restructuring strategy on organizational performance was significant. From the findings of the study, the study concludes that restructuring strategy has positive significant influence on the organizational performance of county governments in Kenya.

Recommendations

There is need for county government to consider outsourcing of certain functions to specialist organization that is more adept at those particular tasks and relied upon to deliver excellent results; this would ensure the services provided are efficient and also reduces on cost. Also when restructuring is done, it is important to ensure that organizational restructuring strategies should align with the organizational structure. Increase in collaboration strategy would result to increase in organizational performance of county governments. County governments should ensure that they incorporate value creation competency and activities in the organization strategies. While focusing on value creation the county government should also put emphasis on work performance and service delivery to meet the demand of its customers.

The study found that turnaround strategies in terms of collaboration strategy, capacity building strategy, technology advancement strategy, and restructuring strategy affects the organizational performance of county governments. This study recommends policy formulation on turnaround strategies and the procedures that should be followed when implementing these strategies. Besides setting policy framework for turnaround strategies, more policies should be formulated on resource mobilization. This study recommends county government policy formulators to look into ways of boosting organizational performance of county government through the implementation of turnaround strategies. This would boost the capacity of county government to provide quality services to its citizens and utilize its resources effectively and efficiently.

References

Agyepong, I. A., Lehmann, U., Rutembemberwa, E., Babich, S. M., Frimpong, E., Kwamie, A., & Gilson, L. (2018). *Strategic leadership capacity building for Sub-Saharan African health systems and public health governance: a multi-country assessment of essential competencies and optimal design for a Pan African DrPH*. *Health policy and planning*, 33(2), 35-49.

- Ahmad, T., Farrukh, F., & Nazir, S. (2015). *Capacity building boosts employees' performance. Industrial and Commercial Training*, 47(2), 61-66.
- Avioli, J. J. (2012). *Chapter 6: The normal distribution. Virginia: Christopher Newport University.*
- Bradbury-Jones, C., Sambrook, S., & Irvine, F. (2007). *The meaning of empowerment for nursing students: a critical incident study. Journal of Advanced Nursing*, 59(4), 342-351.
- Buechler, S. M. (2019). *Social Movements in Advanced Capitalism: The Political Economy and Cultural Construction of Social Activism. New York: Oxford University Press.*
- Burke, W. W. (2017). *Organization change: Theory and practice. USA, Sage Publications.*
- Chitere, P. (2012) *Community Development: Its inception and Practice with Emphasis on Africa, Gideon S. Were Press, Nairobi*
- Cohen, M. A. (2018). *The crime victim's perspective in cost-benefit analysis: The importance of monetizing tangible and intangible crime costs. In Costs and benefits of preventing crime (pp. 23-50). Washington, DC: Routledge.*
- Cole, M. (2016). *Executive and Scrutiny Reforms: The Agenda and its Impact at Devon County Council. Local Government Studies* 27(4), 19-34
- Collis, D. J. & Montgomery, C. A. (2016). *Competing on resources: Strategy in the 1990s", Harvard Business Review* , pp. 118-128.
- Densford, M. O., Rosemary, J., & Ngugi, L. (2018). *Effect of Project resource Mobilization on Performance of Road Infrastructure Projects Constructed by Local Firms in Kenya. International Journal of Economics, Business and Management Research*, 7(2),78-101.
- Derya, F., & Berna, B, (2015). *The Impact of External Collaborations on Firm Innovation Performance: Evidence from Turkey, Procedia - Social and Behavioral Sciences*, 195(5), 1425 – 1434.
- Edward, M. K., & Muturi, W. M. (2016). *Strategic Management Practices in the Government of Kenya Ministries and Their Role on Change Implementation. International Journal of Recent Research in Commerce Economics and Management (IJRRCEM)*, 3(2), 72-84.
- Eisenhardt, K. M. & Schoonhoven, C. B. (1996). *Resource-based view of strategic alliance formation: Strategic and social effects in entrepreneurial firms. Organization Science*,7(2), 136-150
- Ghosal, V. (2015). *Business strategy and firm reorganization: role of changing environmental standards, sustainable business initiatives and global market conditions. Business Strategy and the Environment*, 24(2), 123-144.
- Gibbons, R., & Kaplan, R. S. (2015). *Formal Measures in Informal Management: Can a Balanced Scorecard Change a Culture?. American Economic Review*, 105(5), 447-51.
- Gichuki, C. W. (2014). *Effect of cost cutting strategies on the financial performance of manufacturing companies listed on the Nairobi securities exchange. Unpublished Thesis, University of Nairobi.*
- GOK. (2018). *Government of Kenya. Retrieved from <http://www.nairobi.go.ke>*
- Gorondutse A., H., and Muhammad S., G. (2017). *Cost Cutting Strategy and Performance of Hotels in Nigerian Context. Journal of Applied Structural Equation Modeling*, 1(1), 1-12

- Gowen, C. R., & Tallon, W. J. (2012). *Turnaround strategies of American and Japanese electronics corporations: How do they differ in formulating plans and achieving results?. The Journal of High Technology Management Research*, 13(2), 225-248.
- Huang, L. S., Chen, S. K., & Han, S. B. (2014). *The Effect of Business Reorganization and Technical Innovation on Firm Performance. Journal of Business & Economic Studies*, 17(1), 67-82.
- Hunt, S. D., & Morgan, R. M. (1995). *The comparative advantage theory of competition. The Journal of Marketing*, 2(2), 1-15.
- Ika, L. A., & Donnelly, J. (2017). *Success conditions for international development capacity-*
- Josiah, N. M., & Nyagara, N. I. (2015). *Assessment of the effect of Cost Cutting Strategy on the performance of Liquefied Petroleum Gas Companies in Eldoret town, Uasin Gishu County, Kenya. International Journal of Business and Management Invention*, 4(4), 35-41.
- Kabii, F., Okello, M. M., & Kipruto, N. (2017). *Effects of Tour Guides Training on Their Performance in Kenya. Journal of Tourism and Hospitality Management*, 5(6), 233-250.
- Laitinen, E. (2015). *Financial and non-financial variables in predicting failure of small business reorganization: comparison of logistic regression analysis and survival analysis. International Journal of Accounting and Finance*, 4(1), 1-34.
- Lawrence, C. N., & Lester, J. A. (2018). *Evaluating the Effectiveness of Adopting Open Educational Resources in an Introductory American Government Course. Journal of Political Science Education*, 1-12.
- Mahdzur, S. I., & Salim, J. (2016). *Conceptualizing IS Sustainability Benefits in Transforming Government Services. Journal of Advances in Information Technology* 7(4), 52-62.
- Makheti, R., & Nyakweba, O. B. (2016). *Assessment of Turnaround Strategy on Organizational Performance: A Case of Kenya Industrial Estates, Kenya. Unpublished Thesis, University of Nairobi.*
- Msanjila, S.S., & Afsarmanesh, H. (2016). *Trust analysis and assessment in virtual organization breeding environments. International Journal of Production Research*, 45(5), 1253-1295.
- Muchai, D. N., & Kimuyu, P. (2017). *Prospects for information and communications technology-enabled services in Kenya. Unpublished Thesis, University of Nairobi.*
- Opiyo, N. (2017). *Effects of Integrated Financial Management Information System (IFMIS) on Cash Management in Kenya: Case of Kisumu County Government, Unpublished Doctoral dissertation, University of Nairobi.*
- Osborne, S. P., & McLaughlin, K. (2014). *The cross-cutting review of the voluntary sector: where next for local government–voluntary sector relationships? Regional studies*, 38(5), 571-580.
- Pamuk, H., Bulte, E., & Adegunle, A. A. (2014). *Do decentralized innovation systems promote agricultural technology adoption? Experimental evidence from Africa. Food Policy*, 44(2), 227-236.
- Pandit, N. R. (2010). *Some recommendations for improved research on corporate turnaround. Management*, 3(2), 31-41.
- Park, N. K. & Meziaris, J. M. (2005). *Before and After the Technology Sector Crash: The Effect of Environmental Munificence on Stock Market Response to Alliances. Strategic Management Journal*, 26: 987-1007