

INFLUENCE OF STRATEGIC PLANNING PRACTICES ON PERFORMANCE OF GOVERNMENT MANAGED ENTITIES IN KENYA

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Abstract: Strategic planning involves making a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. No single approach to strategy has been universally accepted. Rather than managers being held as prisoners of mathematical models and rational approaches to strategy development, they should have freedom of action and a wide range of options to choose from.

Objectives: The general objective of the study is to establish the influence of strategic management practices on performance with a specific objective to examine the influence of strategic planning practices on performance of government managed entities in Kenya.

Design: The study will target 139 top level managers in government managed entities in Kenya. The study will be undertaken in 3 semesters. In addition, decision makers in the government managed entities, with specific bias to performance will be targeted in this study to give a comprehensive picture of the whole performance. The scope of this study will be limited to government managed entities in Kenya.

Findings: The study found out that strategic planning practices positively and statistically significantly affected performance in Government owned entities in Kenya. From the findings, continuously monitoring grand and strategy were the highest contributors to performance. The key roles of strategic planning practices are to co-ordinate and direct all the resources of a firm towards the attainment of its goals and objectives - it is a statement of strategic action. A strategic planning practices states the means that will be used to achieve long-term objectives.

Keywords: strategic management, strategic planning practices, government managed entities

1. Strategic Planning Practices

Strategic planning involves a making set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives (Pearce & Robinson, 2011). Grant, (2015) posits that strategy is about winning. It has not been disputed that strategy is important, but it has not been expressly stated what exactly is strategy and how to achieve winning through strategy. No single approach to strategy has been universally accepted (Stacey, 2013). Rather than managers being held as prisoners of mathematical models and rational approaches to strategy development, they should have freedom of action and a wide range of options to choose from (Burnes, 2014). He argues that managers can exert some influence over strategic constraints and at least they can select the approach to strategy that best suits their preferences.

To survive a dynamic environment, organizations need strategies to focus on attaining their vision through satisfying customers' needs. According to Mintzberg (2015) strategy is a mediation force between an organization and its environment. Managers understand the firm and its environment and will develop organization decisions that will change the firm's direction and adopt it to its operating environment. Strategy is the direction and scope of an organization over the long term (Johnson & Whittington, 2016).

There are three distinct levels of strategy i.e. the corporate level strategy, the business level strategy and the functional strategy. In the corporate level organizations focus more on industry challenges and how to counter them. Business level strategy sets goals for performance, evaluates the actions of competitors and specifies actions the company must take to maintain and improve its competitive advantages. According to Porter (2016) at this level is where you will find business units putting strategy into action for instance through cost leadership and differentiation strategies. Functional level strategy relates to single functional operational activities within an organization. Decisions at this level are tactical and mainly made by operational staff. Such decisions involve operational decisions that influence functions such as research & development, information systems, finance, marketing, manufacturing & human resources (Porter, 2016).

For a firm to achieve its strategic goals, an assessment of both its internal and external environment must be thoroughly conducted. Such an assessment will lead to a choice of long-term objectives and operating strategies which must be implemented, monitored and controlled (Thompson & Strickland, 2013). Strategy can therefore be perceived as a way of finding the right position in the market and streamlining competences and resources to get the desired position (Hayes & Upton, 2016). According to Hayes, (2015), sound strategy formulation and implementation will only help a company defend of attack competitors successfully and by doing so, the company will survive and prosper in the current dynamic and turbulent environment. Organizations must aim at making their strategies competitive (Porter, 2016). Porter suggests that competitive strategy is about being different and this means choosing a different set of activities to deliver a unique mix of value.

Imposed forces influence strategy by requiring organizational adaptation to changing challenges and constraints in the environment (Miles, 2012). Imposed forces therefore limit the degree of making free choices within an organization as the forces are beyond an organization's control. From a strategic planning point of view, an imposed force created the need to respond to the environment such as responding to competition. An organization can respond by choosing to be offensive or defensive to survive the environment. Imposed forces are therefore external to an organization. Technological forces influence strategy formation to the extent that organizational members adopt and internalize a sense of common purpose that energizes organizational members and leads organizational actors and behaviors towards fulfilling the overall organizational purpose (Miles, 2012). The promotion of organizational vision and mission statements and placing emphasis on personal leadership is done by the management of the organization. This is an internal force to an organization.

Learning forces are experienced when organizational members experiment, self-organize or behave in other self-directed ways resulting to new patterns of action. Norms and behavior emerges from such actions and they are adopted by the organization at large. These norms and behavior affect how people think and influence their orientation to different matters (Proctor, 2016). Strategy tends to be evolutionary under the influence of learning forces where it in most ways arises from feedback from prior experiences. Strategic planning is through this way influenced by accumulating knowledge from different levels within the organization being adopted at different times.

Political forces influence strategy formation when individual or sub groups of organizational actors pursue their own diverse goals and promote their own interests, which are at least partially conflicting in nature.

Decision outcomes and organizational strategy then reflects on the actor's relative degree of power within an organization along with their power playing games. Political forces are internal to an organization, but they tend to influence strategic planning from outside the set legitimate and institutionalized systems for setting strategy. Not allowing politics to influence strategic decisions would be worse because the interpretations and preferences of managers would go unquestioned (Salanick and Pfeffer, 2015).

These are the assumptions, mental models and cognitive simplifications of organizational decision makers result in distinctive heuristic approaches that influence how managers perceive an organization's situation, frame problems to be dealt with, identify relevant options and choose relevant solutions through strategy formulation (Sanchez, 2016). The way managers perceive an organization influences how they formulate and implement strategy. If they believe in the strength of the company, they are likely to adopt very aggressive strategy as opposed to managers who may fear competition and take very low risk strategic courses. Pearce (2011) stresses that social forces are brought around by shared assumptions, beliefs and mental schemes that lead to common behavior patterns. They create a common world view in developing an organization's strategy. Such behavioral patterns are likely to influence strategy as they are likely to be considered in determining the capacity of the organization more especially when it comes to human capital.

Over the past two decades, there is evidence manifesting that researchers have attempted to investigate the effects of strategic planning and organizational performance. Many have concluded that there is an association between strategic planning and performance (Greenly, 2016). Strategic planning consists of processes undertaken by firms to develop strategies that might contribute to performance (Starkey, 2014). A strategic plan can contribute to the performance of an organization through generation of relevant information, creating a better understanding of the important environment and by reducing uncertainty (Schwenk & Shrader, 2015).

Each organization is set in a particular environment that is not necessarily the same as that of its competitor even within the same industry. The environment provides multiple contexts that affect the organization and its performance, what it produces and how it operates (Nabli & Nugent, 2015). For an organization to be successful, it must develop strategies that will maneuver it through the environmental context in which it operates. Strategic planning practices enable organizations to perceive issues related to their performance in a competitive advantage dimension. Porter (2014) explains that the business environment is complex, dynamic and competitive. To survive such an environment and attain competitive advantage to perform better than competitors, businesses need formal action plans that are found in strategic planning. Porter (2014) argues that organizational performance is determined by an organization's ability to find a unique position and strategic planning practices provide the tools for enabling an organization acquire competitive advantage.

Strategic planning provides employees with clear objectives and thus guides them towards one direction. When activities are synchronized towards one direction, it is easier to attain set goals as opposed to haphazard operations where different employees push and pull independently thus creating a chaos and disunion. Strong incentives, unified opinions, minimum conflicts are among the effects of strategic planning (Loasby, 2017).

2. Statement of the problem

Government managed entities struggle to operate, manage and improve their businesses efficiently in order to deliver quality products and services consistently and on time. This is because in most government managed entities the application of business strategies requires a host of expensive and time-consuming changes both in the organizational culture and structure hence many managers have had to overlook some necessary and critical business strategies. This has had a devastating negative effect on their performance as it has resulted in poor service delivery, increased internal inefficiencies and negative bottom line; and most importantly reduced

contribution to the gross domestic product (GDP), creation of job opportunities and also the overall individual organization performance.

Muthoka, Oloko and Obonyo, (2017) examine the role of strategic management drivers and performance of the Kenya owned tourism state corporation. Kavale, Mugambi and Namusonge, (2017) examine the effects of strategic management determinants of performance in Micro-finance institutions in Kenya. Gure and Karugu (2018) evaluate strategic management practices and performance of small and micro enterprises in Nairobi City County. Ultimately, research on strategic management practices on performance of government managed entities in Kenya has not been investigated (Pretorius and Schurink, 2017). It is against this backdrop that this research was undertaken to fill the gap.

3. Objectives

The general objective of the study is to establish the influence of strategic management practices on performance of government managed entities in Kenya with a specific objective to examine the influence of strategic planning practices on performance of government managed entities in Kenya.

4. Research Hypotheses

HO₁: Strategic planning has no significant effect on performance of government managed entities in Kenya

5. Conceptual Framework

A conceptual framework is a graphical representation of the theorized interrelationships of the variables of a study Kothari and Gang, (2014). In this study, the independent variable will be the conceptualized performance of government managed entities in Kenya.

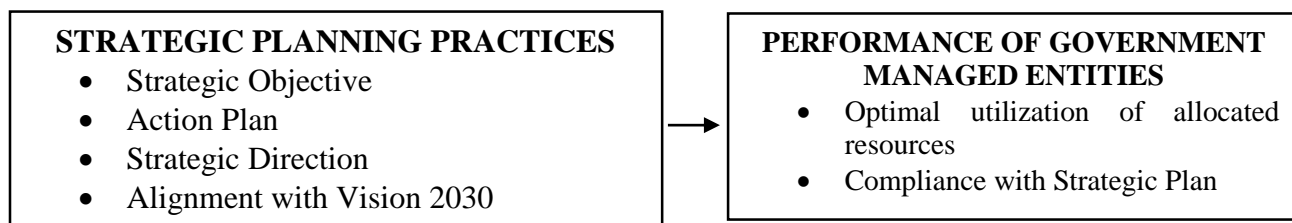


Figure 1: conceptual framework

6. Research Methodology

The study will show a diagrammatic representation of the relationship between the independent variables and the dependent variable. The target population was 139 employees of the government managed entities. The sample size was 103 employees of the government managed entities. A modified Likert scale questionnaire will be developed divided into three parts. A pilot study was carried out to refine the instrument. The quality and consistency of the study was assessed using Cronbach's alpha. Data analysis was performed on a PC computer using Statistical Package for Social Science (SPSS Version 23) for Windows. Analysis was done using frequency counts, percentages, means and standard deviation, regression, correlation and the information generated was presented in form of graphs, charts and tables. Data was analyzed using SPSS version 25.

7. Data Analysis and Discussion

Factor Results for Strategic Planning Practices

A Principal Component Analysis with varimax rotation was performed on seven grand strategy measures in order to examine the dimensionality of strategic planning practices and performance and also to find out if all the variables were significant in performance of government managed entities. The other objective was to group the common factors and to retain a small number of factors which had the highest influence on performance of government managed entities. The results of factor analysis of strategic planning practices were shown in tables 1.

Table 1: KMO and Bartlett’s Test Results for Strategic Planning Practices

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Adequacy.	Measure of Sampling	.798
Bartlett's Test of Sphericity	Approx. Chi-Square	522.083
	Df	10
	Sig.	.000

A value close to one (1.0) indicates that patterns of correlations are compact and hence the Factor Analysis is reliable and appropriate for the study. KMO measures score on strategic planning practices was 0.798 which represented great acceptability of the use of factor analysis and sufficient inter correlations. Bartlett’s test checks if the observed correlation matrix diverges significantly from the identity matrix. Bartlett’s test of Sphericity is significant (chi-square=522.083, p<0.000). The total variance explained in the strategic planning practice constructs was explained in Table 2.

Table 2: Total Variance Results Explained for Strategic Planning Practice

Component	Initial Eigen Values			Rotation Sums of Squared Loadings		
	Total variance	% of variance	% Cumulative	Total Variance	% of Variance	% Cumulative
1	3.554	50.775	50.775	2.930	41.859	41.859
2	1.309	18.694	69.468	1.933	27.611	69.469
3	0.829	11.839	81.309			
4	0.596	8.517	89.826			
5	0.455	6.507	96.333			
6	0.181	2.591	98.924			
7	0.075	1.076	100.000			

Extraction Method: Principal Component Analysis

The analysis of variance identified the Eigen values which indicate the variance of each factor or component in comparison with the total variance of all the items in the construct. The percentage of variance and the

cumulative percentages which were explained by the extracted factors before and after the rotation were also calculated. Principal component analysis with a Varimax rotation was used to factor analyze the seven items related to strategic planning practice. The correlation matrices among the items revealed a number of correlations in excess of 2 which meant that all responses were suitable for factorization. From the Variance matrix, there were two variables that had Eigen values of more than 1.0. This meant that these were the strategic planning practices variables that had the highest influence on performance of government managed entities in Kenya. Component one had the highest variance of 2.930 which accounted for 41.859 % of the variance. Component two had the least variance of 1.933 and accounted for 27.611 % of the variance. The cumulative results showed that there were two critical factors driving the use of Strategic planning practices which accounted for 69.469 % of the total variance in this construct. The other five factors also explained the variance at less than 29.531% which meant that some variance had been explained by latent variables. In order to specify the number of factors that were influencing grand strategy and evaluate what variables to retain, factor loadings were considered and the minimum factor loadings of 0.798 were considered to be moderately high. The factors affecting everyone variable was all loaded up together and given a name so that the factors were reduced to a minimum of two. The researcher, however, chose to delete one variable (presence of grand strategy) in grand strategy which did not relate to either factor 1 or 2 in order to continue working out for further relationships as shown in Table 3.

Table 3: Rotated Component Matrix for Strategic Planning Practices

Strategic Planning Practice Measure	Component 1	Component 2
Strategic Objective	0.863	
Action Plan		0.945
Strategic Direction	0.893	
Alignment with Vision 2030		0.664

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 3 iterations

From the rotation matrix in Table 3 a two-factor solution was obtained explaining 69.469 % of the total variance in grand strategy. These two factors were grouped as SPP1 and SPP2. SPP1 had four items namely, strategic objective, action plan, strategic direction and alignment with Vision 2030. This factor was named strategic planning practice. SPP had two items namely; institutionalization of grand strategy and effectiveness of grand strategy and this factor was named institutionalization of grand strategy. The results meant that the six constructs in grand strategy were correlated to the two factors or they could be grouped into two. Using the two factors a scale was created using the average means of each construct. A scale of 1-5 was created and all the means of the entire items in each component were analyzed. Factor one which was named monitoring of grand strategy which had an average mean of 3.773 while institutionalization of strategic planning practice had a mean of 3.96. One construct namely presence of strategic planning practice was excluded from further analysis because it was deemed to have a low mean and as such much of its influence could be explained by the other factors.

Strategic Planning Practices

Table 4: Strategic Planning Practices

Descriptive Statistics

	N	Mean	Std. Deviation
Strategic planning practice has helped government managed entities to set out its strategic objectives.	90	4.24	.940
Strategic planning practices helps government managed entities to outline its action plans to achieve the set-out objectives thus improving performance.	90	3.72	1.438
Strategic planning practices helps government managed entities to set-out its strategic direction.	90	4.18	.931
Strategic planning practices assist government managed entities staff to participate in the strategic planning process.	90	3.79	1.241
Strategic planning is directly controlled by the senior management	90	3.66	1.317
Senior management of government owned entities evaluate and monitors the implementation of strategic plans	90	3.78	1.270
Valid N (listwise)	90		

The statement that Strategic planning practice has helped government managed entities to set out its strategic objectives had a mean score of 4.24 and a standard deviation of .940. The statement that Strategic planning practices helps government managed entities to outline its action plans to achieve the set-out objectives thus improving performance had a mean score of 3.72 and a standard deviation of 1.438. The statement that Strategic planning practices helps government managed entities to set-out its strategic direction had a mean score of 4.18 and a standard deviation of .931. The statement that Strategic planning practices assist government managed entities staff to participate in the strategic planning process had a mean score of 3.79 and a standard deviation of 1.241. The statement that Strategic planning is directly controlled by the senior management had a mean score of 3.66 and a standard deviation of 1.317. The statement that Senior management of government owned entities evaluate and monitors the implementation of strategic plans had a mean score of 3.78 and a standard deviation of 1.270.

Performance

Table 5: Descriptive Statistics

	N	Mean	Std. Deviation
There is increased optimal utilization of allocated resources	90	3.54	1.559
Government managed entities comply with their set strategic plan thus increasing efficiency	90	3.59	1.557
Valid N (listwise)	90		

The statement that Strategic planning practice has helped government managed entities increased optimal utilization of allocated resources had a mean score of 3.54 and a standard deviation of 1.559. The statement that Strategic planning practices helps government managed entities to set-out its strategic direction had a mean score of 3.59 and a standard deviation of 1.557.

Correlation Analysis

To establish the relationship between the independent variables and the dependent variable the study conducted correlation analysis which involved coefficient of correlation and coefficient of determination.

Table 6: Pearson Correlation

		Performance	SPP
Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	90	
SPP	Pearson Correlation	.612**	1
	Sig. (2-tailed)	.000	
	N	90	90

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

Correlation refers to a technique used to measure the relationship between two or more variables. When two variables are correlated, it means that they vary together. Positive correlation means that high values on one variable are associated with high values on the other, and that low values on one are associated with low values scores on the other (Struwig & Stead, 2013).

8. Summary of the Findings

The study found out that strategic planning practices positively and statistically significantly affected performance in Government owned entities in Kenya. From the findings, continuously monitoring grand and strategy were the highest contributors to performance. The key roles of strategic planning practices are to coordinate and direct all the resources of a firm towards the attainment of its goals and objectives - it is a statement of strategic action. A strategic planning practices states the means that will be used to achieve long-term objectives. Grand strategies provide basic direction for strategic actions. They are the basis of coordinated and sustained efforts directed toward achieving long-term business objectives. Basically, apart from just having grand strategies, managers must make sure that grand strategies are effectively and efficiently communicated and closely and continuously monitored in the course of the Government owned entities operations.

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