

INFLUENCE OF STRATEGIC RESOURCES ON PERFORMANCE OF GOVERNMENT MANAGED ENTITIES IN KENYA

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Abstract: *Parastatals in Kenya are established under the state corporation act (cap446), which gives them autonomy; their objectives are usually wider concerning both the organization and the country. The Presidential Taskforce on Parastatal Reforms (PTPRs) was tasked with the responsibility of interrogating the policies on the management and governance of Kenya's Parastatals with the aim of determining how best they would contribute to the pursuit of national development aspirations, facilitating the transformation of our country into a great land of prosperity and opportunity for all. This study examines the role of strategic resources on performance of government managed entities in Kenya. This study will be important and essential to the senior managers of the government owned entities in Kenya, policy makers, scholars' researchers, and the community. The target population was 139 employees of the government managed entities. The sample size was 103 employees of the government managed entities. The study found out that pooling strategic resources had a positive statistically significant effect on performance of government owned entities in Kenya. Increased financial capital access, creating strategic resource base, and seeking complementary resources were key contributors to performance of government owned entities in Kenya. Through pooling of strategic resources, strategic partners are able to enter new markets with little investment, be more effective, drive cost benefits or leverage strengths, and be more competitive. As a result, government managers need to encourage partnerships with other players in the industry to help create a pool of strategic resources that benefit all partners.*

Keywords: *strategic management, strategic resources, government managed entities*

Background of the Study

Parastatals in Kenya are established under the state corporation act (cap446), which gives them autonomy; their objectives are usually wider concerning both the organization and the country. According to Grosh (2014) Parastatals are accountable to many stakeholders. Parastatals in Kenya were first established by the colonial government to provide essential services to the white settlers and to facilitate Indigenous Africans participation in economic activities such as trade and cash crop farming. Following independence in 1963, therefore, the independent Kenya government devised strategies to achieve three goals that were considered imperative for development: a fast overall economic growth rate, equitable distribution of development benefits and Kenyanization of the economy. In Kenya, GOEs have been established and played these roles in diverse ways. The experience has been in some cases successful and in others not so. In the recent past Kenya has set itself an ambitious, but achievable development agenda, reflected in Vision 2030. This is further articulated in its Second Medium Term Plan, 2013 – 2017, which is the key implementation instrument. Faced

with a challenging and fluid regional as well as global context, it is clear that it cannot be business as usual, if we are going to quickly and effectively address our development challenges.

Managerial autonomy of Parastatals has been a focal point of public debate in Kenya. Autonomy, to an extent, is explicitly or implicitly recognized when creating Parastatals as independent legal body's. They are expected to relieve government of some of the burden of decision making and overload with technical and specialized issues. Placing enterprise decisions outside politics and ministerial bureaucracy is assumed to promote the efficiency of both enterprises and government. Some government direction and control, on the other hand is inevitable, for government is ultimately responsible for Parastatals performance. It is not at all certain that the many public policy aims pursued by government through Parastatals can be secured by enterprise management alone without some direction and control from the state and its organs Aharoni and Asher, (2015), Garner, (2014), Hafsi and Luc, (2016) and (Zif, 2016).

Performance of State Owned Enterprises in Kenya

The performance of state corporations in Kenya has not been very encouraging and according to a Report by The Presidential Taskforce on Parastatal Reforms (2013). In 2011/12, eleven commercial State Corporations made losses, compared to twelve in 2010/11 and sixteen in 2009/10. This represents 21%, 23% and 31% respectively of all commercial oriented Government Owned Entities. The pattern of stock of publicly guaranteed debt to State Corporations in Kenya shows a decline in 2007 from 2006 but has been on an upward trend since then. The increase in this stock of debt is largely attributed to disbursements for creation of new infrastructure such as the Sondu Miriu Hydropower Project and Kenya Ports Authority under the Mombasa Port Modernization Project. It is also important to note from the Annual Public Debt Report 2011/2012, that of the KES. 961.3 million payments by the Government on Guaranteed Debt in 2011/12, 95.6% was on debt accruing to two State Corporations, pointing to significant defaults in payments. Out of the explicit contingent liabilities, available data shows that guaranteed debt in respect of Kenya Broadcasting Corporation (KBC) and the Tana and Athi River Development Authority (TARDA) has since crystallized and the Government of Kenya (GoK) guarantee called up. For KBC, the GoK has so far repaid KES. 9.29 billion leaving an outstanding amount of Ksh.5.997 billion. The loan in question was an Overseas Economic Cooperation Fund (OECF) [Japan] loan that was contracted in 1989 and guaranteed by GoK, in respect of the KBC Modernization Project. The OECF loan of Japanese Yen 15.441 billion (KES. 8,287,588,398 at the exchange rate at the time) had a moratorium period of 10 years (1989 – 1999) and repayment period of 20 years (1999 – 2019). KBC has not paid GoK any portion of this loan but has continued to accumulate the liability (principal and interest amounts) in its books. As at 30th June 2012, the OECF loan reflected on KBC books as “GoK/OECF Loan” had accumulated to Ksh.28.925 billion, comprising a current (i.e. overdue) portion of Ksh.26.915 billion and a non-current portion of Ksh.2.010 billion. The total amount outstanding as at 30th June 2013 had risen to KES. 32.345 billion. In respect of TARDA, the Government as at 30th June 2013 had repaid KES. 3.44 billion comprising KES. 2.34 billion in principal repayment and Ksh.1.1 billion in interest. Consequently, the amount refundable by TARDA to GoK as at 30th June 2013 was KES. 3.44 billion plus penalties amounting to KES. 7.7 billion. TARDA owed GoK KES. 11.14 billion in respect of this explicitly guaranteed debt as at 30th June 2013.

Statement of the Problem

The public sector has not been left behind by the global sea of change and turbulence as a variety of internal and external forces have converged to make governments more accountable to their stakeholders Jody and Ray, (2004). They further state that Governments are being called upon to demonstrate results since

stakeholders are not interested in activities and outputs, but they are more interested in actual outcomes. In the African economies Parastatals have been used by governments as vehicles of development and their importance cannot be underestimated (Beyene and Otobo, 2014).

Mutemi, Maina and Wanyoike, (2014) examined the effects of strategic management practices on performance of small scale enterprises in Kitui Town in Kenya. Theuri, Mugambi, and Namusonge, (2015) assessed the role of strategic management determinants on value addition of industrial fish processors in the sea food processing sub-chain in Kenya. Anyieni and Kwamboka, (2015) examine the determinants of successful implementation of strategic plans in secondary schools in Kisii County. Sasaka, Namusonge and Sakwa, (2015) evaluated the effects of strategic management practices on the performance of corporate social responsibility of Parastatals in Kenya. Obwogo, (2016) examine the influence of selected determinants on strategic change management practices at Kenya Commercial Bank. Research on strategic resources on performance of government managed entities in Kenya has not been investigated. It is against this backdrop that this research was undertaken to fill the gap.

Research Objectives

This study was guided by both general and specific objectives. The general objective of the study is to establish the influence of strategic management practices on performance of government managed entities in Kenya while the specific objective was to evaluate the influence of strategic resources on performance of government managed entities in Kenya.

Conceptual Framework

The independent variable was conceptualized performance of government managed entities in Kenya.

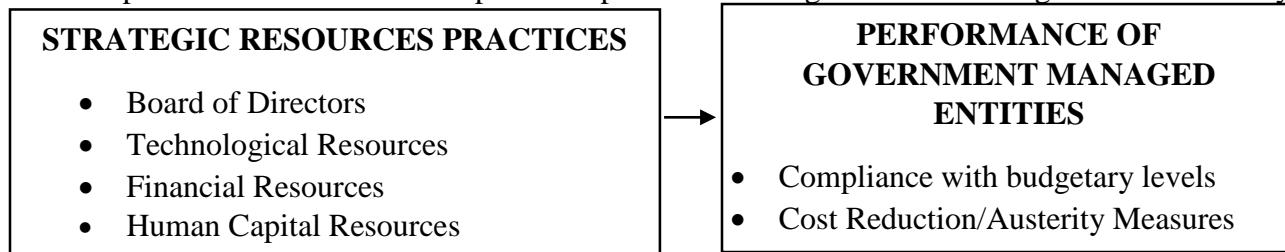


Figure 1: conceptual framework

Research Methodology

This study adopted a cross-sectional survey research design aimed at collecting large number of qualitative and quantitative data at a point in time so as to establish effectiveness of government agencies in Kenya. Stratified random sampling method was used to select relevant respondents from various sectors of government agencies in Kenya. (Bryman & Bell, 2015) argue that stratified random sampling is where a given number of cases are randomly selected from each population sub-group. It thus ensures inclusion in the sample of subgroup which otherwise could be omitted entirely by other sampling methods. The primary research data was collected using a semi-structured questionnaire. Items in the questionnaire were arranged in a logical sequence according to the themes being studied and items that would elicit similar responses being grouped together.

Reliability Analysis

Reliability refers to the ability of the instrument to produce consistent and stable measurements hence its accuracy or lack of accuracy (Bagozzi,2018). The Cronbach’s alpha was used in this study to measure the internal consistency of the variables. The study consists of five independent variables and one dependent variable. The independent variables consist of level of leverage, availability and accessibility of financial information, capital structure, cost of capital and finally prudential regulation and supervision. SPSS version 25 was used to find the reliability of the variables and the results are in table 1.

Table 1: Reliability Test of Construct

Strategic Management Practices	Reliability Cronbach’s Alpha	Comment
Strategic Resources Practices	.888	Accepted
Performance	.862	Accepted

The overall Cronbach's alpha for the six categories which is 0.888. The findings of the pilot study showed that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Bryman & Bell, 2018).

Factor Results for Strategic Resources 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 grand strategy were shown in Tables 2.

Table 2: KMO and Bartlett’s Test Results for Strategic Resources Practices

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Adequacy.	Measure of Sampling	.777
Bartlett's Test of Sphericity	of 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 0.777 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 3 next page.

Table 3: Total Variance Results Explained for Strategic Leadership Practices

	Initial Eigen Values			Rotation Sums of Squared Loadings		
	Component	Total variance	% of % Cumulative	Total % 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 4.

Table 4: Rotated Component Matrix for Strategic Resources Practices

Strategic Planning Practice Measure	Component 1	Component 2
Board of Directors	0.853	
Technological Resources		0.145
Financial Resources	0.753	
Human Capital Resources		0.854

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.
 a Rotation converged in 3 iterations

From the rotation matrix in Table 4 a two-factor solution was obtained explaining 69.469 % of the total variance in grand strategy. These two factors were grouped as GS1 and GS2. GS1 had four items namely, strategic objective, action plan, strategic direction and alignment with Vision 2030. This factor was named strategic planning practice. GS2 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 Resources Practices

Table 5: Strategic Resources Practices

Descriptive Statistics

	N	Mean	Std. Deviation
Government managed entities has sufficient human capital resources with abilities to deliver the objectives	90	3.44	1.103
Government managed entities has managed to use technology to deliver services to the public easily through e-platforms such as e-citizen when increases efficiency in service delivery	90	4.12	1.207
Government managed entities are well financed as per their strategic plans set out in the 5 years strategic plans	90	3.91	1.013
The central government appoints board of directors of government managed entities	90	3.60	1.216
Political interference in allocation of resources and the appointment of chief executive officers and members of the board.	90	3.36	1.327
Allocated resources have enabled government functions to be taken closer to the people and in one place for example the Huduma centres	90	3.23	1.446
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 6: Performance

	N	Mean	Std. Deviation
Government managed entities stick to the allocated budgets by the central government	90	3.51	1.493
Austerity measures employed by central government helps government managed entities to reduce wastage of public resources	90	3.34	1.391
Valid N (listwise)	90		

The statement that Strategic planning practice has helped government managed entities stick to the allocated budgets by the central government had a mean score of 3.51 and a standard deviation of 1.493. The statement that austerity measures employed by central government helps government managed entities to reduce wastage of public resources had a mean score of 3.34 and a standard deviation of 1.391.

Summary of the Findings

The study found out that pooling strategic resources had a positive statistically significant effect on performance of government owned entities in Kenya. Increased financial capital access, creating strategic resource base, and seeking complementary resources were key contributors to performance of government owned entities in Kenya. Through pooling of strategic resources, strategic partners are able to enter new markets with little investment, be more effective, drive cost benefits or leverage strengths, and be more competitive. As a result, government managers need to encourage partnerships with other players in the industry to help create a pool of strategic resources that benefit all partners.

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