

Influence of Strategic Control on Organizational Performance of Commercial-Based Parastatals in Kenya

¹Solomon Eramram Lerai

¹Department of Strategic Management, Kenya Methodist University
Corresponding Email: eramram10@gmail.com

How to cite this article: Lerai, S. E. (2023). Influence of Strategic Control on Organizational Performance of Commercial-Based Parastatals in Kenya. *Journal of Strategic Management*, 3(2), 15-22.

Abstract

To examine the influence of strategic control on the organizational performance of commercial-based parastatals in Kenya. The study used a descriptive research design to collect data on a target population of six (6) commercial-based parastatals. The respondents were 45 departmental managers and 151 administrative staff. The study obtained a sample size of 40 departmental managers and 110 administrative staff using a simple random method. They were issued with closed and open-ended. Additionally, descriptive analysis, frequency tables, and explanations were used to illustrate the results. Further, inferential statistics were examined using multiple regression and correlation analysis. In the questionnaires, 60(56%) respondents strongly agreed and 17(16%) agreed on a mean of 4.11 (SD of 1.16) that, their parastatal's work plans addressed the organization's objectives, targets, indicators, strategies, timelines, monitoring, and budget. Additionally, 21(20%) strongly agreed and 56(52%) agreed on a mean of 3.69 (SD of 1.03) that, they had developed a series of actions to manage risks and issues in the project/ organization. However, 35(33%) strongly disagreed and 36(34%) disagreed on a mean of 2.49 (SD of 1.26) that, the resources required by the staff to complete their assigned tasks were always available. The Pearson correlation coefficient was $r=0.725^{**}$ at $\alpha < 0.000$ and 99% significance level indicating a positive correlation between strategic control and performance. There was a lack of support from the government and inadequate funding of the strategies due to poor resource provision by the government. This meant that in as much as strategies would be formulated, their implementation would be tough since resources were not fully provided hence the projects were implemented in phases. Therefore, the study recommends that the various parastatal managers should lobby for more funds through other legal ways such as fundraising and competitions such as marathons among others within their jurisdiction. This would improve the funding of their operations to acceptable limits. Further, the parastatal management should negotiate aggressively with various key ministry officials for an increase in budget allocation.

Keywords: *Strategic Control, Organizational Performance, Commercial-Based Parastatals, Kenya*

1.0 Introduction

Strategic control is the tool to monitor the development and implementation of key schemes and targets (Mabai & Hove, 2020). The goal of strategic control methods is to influence

managerial behavior and the environment in which business units operate (Johnson & Scholes, 2018). It enhances organizational synergy and provides value when establishing and shaping the overall risk management, defining the guidelines for interaction of the environment evaluation, setting benchmarks on market research, and evaluating the set work plan's performance. When the results of a strategy are several years distant, organizations use strategic control to direct activities. The various concerns that have engulfed government organizations in developed nations such as in Europe are that there has been low work morale among the staff which causes them not to take strategies formulated seriously (Alamri, 2019). In Sweden, there have been cases of low funding to procure reliable systems and networks for communication (Jimoh et al., 2019). In China, many parastatal staff have left employment due to unrealistic targets set by the government as a way of competing with Western nations (Kim, 2019).

In developing nations such as Mali, there have been reported cases of resistance to change by civil servants particularly related to strategic control. Further, in South Africa, there has been poor coordination between management and operations staff due to the formulation of strategies that suppress the staff and are inconsiderate to them such as poor training on assignments. In Kenya, according to Munyi and Atieno (2021), there has been a lack of effective supervision hence the staff starts to underperform and become non-accountable. Additionally, Adilu (2022) suggested that as a result of inflation, the cost of implementing strategies had become costly. Further, Amadu and Anyarayor (2022) also complained that parastatals have been facing a cash crunch and high levels of corruption from both the management and the staff.

1.2 Problem Statement

Commercial-based parastatals are government institutions that provide goods and services at a fee but the majority of their shares are controlled by the state (World Bank 2021). There are forty-six institutions of such nature whose revenue accounts for fourteen percent of the Gross Domestic Product [GDP] in Sub-Sahara Africa and 3.5 percent in Kenya (The National Treasury of Kenya, 2021).

That notwithstanding, there has been neglect of monitoring and control on strategies that require accountability of resources and expenditures (Gachugu et al., 2019). As a result, there has been careless spending which has reduced the profitability of government-affiliated institutions (Orito, 2021).

1.3 Purpose of the Study

To examine the influence of strategic control on the organizational performance of commercial-based parastatals in Kenya.

1.4 Hypothesis of the Study

H₀₁: Strategic control has no significant influence on the organizational performance of commercial-based parastatals in Kenya.

2.0 Literature Review

2.1 Theoretical Review

Balance Score Card Theory was developed by Kaplan and Norton (1993) who revealed that managers had long recognized that financial indicators like operating profit or return on investment were insufficient to accurately gauge an organization's effectiveness. Non-financial measurements had to be included to gain a more comprehensive picture of the performance.

The choice of measures had an impact on managers' actions as well. The chosen actions had to be consistent with the business's plan. Financial metrics had the drawback of reporting on the past without offering suggestions for the future (Kaplan & Norton, 1993). Based on Kaplan and Norton (1993), the indicators had to be picked from the financial, customer, internal process, innovation, and learning dimensions. The management had to stay focused on them and not have too much to follow while simultaneously viewing the company from four different angles by selecting a small number of measurements. The many policies kept the business from being overly blinkered in its pursuit of fast, short-term earnings while overlooking the long-term development (Kaplan & Norton, 1993) The chosen measures had to follow from the firm's strategic objectives, which emanated from the company vision.

2.2 Empirical Review

A study by Han and Hong (2019) evaluated how the Federal government's performance is affected by accountability. The study assessed three areas such as staffing, evaluation of performance, and payment from various past studies. The study found that institutions cultivated accountability on allocated tasks/goals, knowledge sharing, resource provision, and cooperation. Strategic control was enhanced by having performance metrics in place whereby each hired staff was evaluated and if there was satisfaction, a bonus payment was done. If there was low satisfaction, job termination was used. That notwithstanding, the weakness of the study conducted by Han and Hong (2019) was the use of secondary data from articles to make conclusions.

Further in Iran, Nafari and Rezaei (2022) explored how the performance of public hospitals was affected by various strategies implemented particularly on balanced scorecards. The study was cross-sectional whereby 200 hospital staff were included in the study to answer questionnaires. The returned questionnaires were 154 and according to Nafari and Rezaei (2022), the public hospitals ensured that the strategic control measures in place included employee training, reward, and compensation. By doing this, the management was able to gain employee loyalty and able to have control over their staff. However, Nafari and Rezaei (2022) did not investigate various strategic control measures to facilitate employee welfare such that their whereabouts in and out of the hospital were well-known and facilitated.

In Greek, Xanthopoulou et al. (2022) examined how culture could affect strategic control measures and the performance of public institutions. The study used Competing Values Model [CVM] on culture's strength on 424 respondents in the 92 departments in Greek parastatals. The respondents were issued with an online questionnaire that they were required to answer. The results revealed that culture does not necessarily affect the control and performance of a public institution. However, the findings could be challenged due to the methodology used to collect data. Probably using observation, focus groups or one on one interviews could give different results. This is because, in the assessment of culture, words alone could not be used but also how the respondents conduct their day-to-day activities.

In South Africa, Mabai and Hove (2020) assessed elements that cause an increase or a decrease in the performance of the Human Settlement Department [HSD]. The study's piloting was conducted on 89 respondents who were not included in the main study with a 0.83 Cronbach Alpha Coefficient value. Later on, the main study distributed 72 questionnaires where 45 were returned by randomly selected representatives of the Eastern Cape department. According to Mabai and Hove (2020), elements relating to the environment, culture of the institution, and leadership affected performance. The results on culture affecting performance contradicted Xanthopoulou et al. (2022) in Greek. Additionally, the HSD had developed Specific,

Measurable, Attainable, Realistic, and agreed Timeframe [SMART] objectives that enabled the management to see to it that the staff delivered their assigned tasks without fail which led to appropriate control. Nevertheless, Mabai and Hove (2020) discovered that the availability of resources was low which most times pushed the staff into poor delivery of their mandates. That notwithstanding, Mabai and Hove (2020) did not reveal the name of the software used to sample respondents to 72 hence the choice to use it was not justified in comparison with the established and peer-reviewed sampling methods in place such as Krejcie and Morgan (1970).

Further in Kenya, Jemesunde and Ng'eno (2022) examined the elements that would cause an employee to be committed to their jobs and how that affected the performance of Huduma centers. The study posed the social exchange theory as the main anchorage and it was descriptive. Sixty Huduma center staff who included both supervisors and operations personnel in Baringo, were selected using census, and questionnaires were administered to them. According to Jemesunde and Ng'eno (2022), when the staff was committed to their jobs, performance improved, and vice versa. Therefore, the study suggested that the management of Huduma centers should motivate and create a friendly working environment as a means of ensuring that the staff remain committed which would eventually see to it that strategic control measures have borne fruits. Nevertheless, Jemesunde and Ng'eno (2022) conducted a study on only one government institution and hence did not have a chance to have a comparative type of study.

3.0 Methodology

The study used a descriptive research design to collect data on a target population of six (6) commercial-based parastatals. The respondents were 45 departmental managers and 151 administrative staff. The study obtained a sample size of 40 departmental managers and 110 administrative staff using a simple random method. They were issued with closed and open-ended. Additionally, descriptive analysis, frequency tables, and explanations were used to illustrate the results. Further, inferential statistics were examined using multiple regression and correlation analysis.

4.0 Results and Discussion

4.1 Response Rate

The sampled population of this study was 6 commercial-based parastatals in Kenya. The targeted respondents were 40 departmental managers and 110 administrative staff in the commercial-based parastatals in Kenya. One hundred and seven (107) out of the 150 questionnaires administered were properly answered and submitted, giving it a desirable score of 71.3% as the response rate. These were 28 managers and 79 administrative staff and notably, Mugenda and Mugenda (2003) advised that as long as the response rate was above 70% it was deemed to be excellent results.

4.2 Descriptive Statistics of Strategic Control and Organization Performance

Strategic control was an independent variable and had indicators such as risk management, environment evaluation, market research, and work plans. The study measured the variable using questionnaires. The questionnaires had a five-point Ordinal Likert Scale where; strongly agree was represented by 5; agreed was represented by 4; neutral was represented by 3; agreed was represented by 2; and strongly disagree was represented by 1. Participants were required to state their affirmation levels based on the question about the impact of strategic control on organizational performance. The findings are detailed in Table 1.

Table 1: Descriptive Statistics of Strategic Control

Statements N=107	1	2	3	4	5	Mea n	SD
Project definition is guided by evaluation of the internal as well as external environment.	0 (0%)	41 (38%)	18 (17%)	36 (34%)	12 (11%)	3.18	1.07
We develop high-quality project environmental information for the early identification of strategic risks and their potential impact.	0 (0%)	42 (39%)	8 (8%)	44 (41%)	13 (12%)	3.26	1.11
Work plans address the organization's objectives, targets, indicators, strategies, timelines, monitoring, and budget.	0 (0%)	18 (17%)	12 (11%)	17 (16%)	60 (56%)	4.11	1.16
We develop a series of actions to manage risks and issues in the project/ organization.	0 (0%)	24 (22%)	6 (6%)	56 (52%)	21 (20%)	3.69	1.03
The resources required by the staff to complete their assigned tasks are always available	35 (33%)	36 (34%)	19 (18%)	17 (16%)	0 (0%)	2.49	1.26
The voice of the staff in the parastatal is not considered during decision-making by the management	0 (0%)	32 (30%)	9 (8%)	28 (26%)	38 (36%)	3.67	1.24

The findings from Table 1 indicate that 60 (56%) respondents strongly agreed and 17(16%) agreed on a mean of 4.11 (SD of 1.16) that, their parastatal's work plans addressed the organization's objectives, targets, indicators, strategies, timelines, monitoring and budget. Additionally, 21(20%) strongly agreed and 56(52%) agreed on a mean of 3.69 (SD of 1.03) that, they had developed a series of actions to manage risks and issues in the project/ organization. However, 35(33%) strongly disagreed and 36(34%) disagreed on a mean of 2.49 (SD of 1.26) that, the resources required by the staff to complete their assigned tasks were always available. The results revealed that there were clear strategies formulated, the timelines, budgets and how they were to be monitored. Further, the parastatals had also incorporated adequate risk management systems.

Nevertheless, the major issue was in support and inadequate funding of the strategies due to poor resource provision by the government. This meant that in as much as strategies would be formulated, their implementation would be tough since resources were not fully provided hence

the projects were implemented in phases. According to Johnson & Scholes (2018), the goal of strategic control methods is to influence managerial behavior and the environment in which business units operate. It enhances organizational synergy and provides value when establishing and shaping the overall strategy. However, this requires adequate resources such that major parts of the strategies are factored in when implementing them.

4.3 Hypothesis Testing Using Pearson Correlation Analysis

The study had a research hypothesis that indicated that strategic control had no significant influence on organizational performance among commercial-based parastatals in Kenya. To determine whether to accept or reject the null hypothesis, the study tested them using Pearson Correlation analysis as described in Table 2.

Table 2: Pearson Correlation Analysis of Strategic Control

		Strategic Control	Organization performance
Strategic Control	Pearson Correlation	1	.725**
	Sig. (2-tailed)		.000
	N	107	107
Organization performance	Pearson Correlation	.725**	1
	Sig. (2-tailed)	.000	
	N	107	107

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

Table 2 indicates that the Pearson correlation coefficient was $r=0.725^{**}$ at $\alpha < 0.000$ and 99% significance level for strategic planning. These findings reveal that there was a positive correlation between strategic control and organizational performance because the p-value was above 0.05.

5.0 Summary

In the questionnaires, 60(56%) respondents strongly agreed and 17(16%) agreed on a mean of 4.11 (SD of 1.16) that, their parastatal's work plans addressed the organization's objectives, targets, indicators, strategies, timelines, monitoring, and budget. Additionally, 21(20%) strongly agreed and 56(52%) agreed on a mean of 3.69 (SD of 1.03) that, they had developed a series of actions to manage risks and issues in the project/ organization. However, 35(33%) strongly disagreed and 36(34%) disagreed on a mean of 2.49 (SD of 1.26) that, the resources required by the staff to complete their assigned tasks were always available. The Pearson correlation coefficient was $r=0.725^{**}$ at $\alpha < 0.000$ and 99% significance level indicating a positive correlation between strategic control and performance.

6.0 Conclusion

There was a lack of support from the government and inadequate funding of the strategies due to poor resource provision by the government. This meant that in as much as strategies would be formulated, their implementation would be tough since resources were not fully provided hence the projects were implemented in phases.

7.0 Recommendations and Contributions of the Study

The various parastatal managers should lobby for more funds through other legal ways such as fundraising and competitions such as marathons among others within their jurisdiction. This would improve the funding of their operations to acceptable limits. Further, the parastatal

management should negotiate aggressively with various key ministry officials for an increase in budget allocation.

References

- Adilu, M.S. (2022). Internal communications and organization performance in Zanzibar public institutions. *Asian Journal of Economics, Business, and Accounting*, 22(20), 1-15. https://www.researchgate.net/publication/361988089_Internal_Communications_and_Organization_Performance_in_Zanzibar_Public_Institutions
- Alamri, A.M. (2019) Association between strategic management accounting facets and organizational performance. *Baltic Journal of Management*, 14(2), 212–234. <https://doi.org/10.1108/BJM-12-2017-0411>
- Amadu, M.F., & Anyarayer, B.K. (2022). Understanding the influence of communication on employee work satisfaction: Perspectives from decentralized government institutions in the Oti Region, Ghana. *Education Research International*, 3(2), 1-11. <https://doi.org/10.1155/2022/5024703>
- Han, Y., & Hong, S. (2019). The impact of accountability on organizational performance in the U.S. Federal Government: The moderating role of autonomy. *Review of Public Personnel Administration*, 39(1) 3–23. <https://doi.org/10.1177/0734371X16682816>
- Jemesunde, L., & Ng'eno, W. (2022). Effects of employee job commitment on organizational performance in Kenya: A case of Huduma Centre – Baringo. *East African Journal of Interdisciplinary Studies*, 5(1), 161-169. <https://doi.org/10.37284/eajis.5.1.762>
- Jimoh, R., Oyewobi, L., Isa, R., & Waziri, I. (2019). Total quality management practices and organizational performance: The mediating roles of strategies for continuous improvement. *International Journal of Construction Management*, 19(2), 162-177. <https://doi.org/10.1080/15623599.2017.1411456>
- Kaplan, R.S., & Norton, D.P. (1993). *Putting the balanced scorecard to work*. http://www.simonfoucher.com/MBA/MBA%20622%20-%20Strategy%202/Week%203/Putting_the_Balance_Scorecard_to_Work_Kaplan_Norton.pdf
- Kim, A. (2019). Human resource strategies for organizational ambidexterity. *Employee Relations: The International Journal*, 41(4), 678-693. <https://doi.org/10.1108/ER-09-2017-0228>
- Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and Psychological Measurement*, 30(3), 607–610. [https://www.scirp.org/\(S\(351jmbntvnsjt1aadkposzje\)\)/reference/ReferencesPapers.aspx?ReferenceID=1809246](https://www.scirp.org/(S(351jmbntvnsjt1aadkposzje))/reference/ReferencesPapers.aspx?ReferenceID=1809246)
- Mabai, Z. and Hove, G. (2020) Factors affecting organizational performance: A case of a human settlement department in South Africa. *Open Journal of Business and Management*, 8(1), 2671-2686. <https://doi.org/10.4236/ojbm.2020.86165>
- Munyi, J.M., & Atieno, C.P. (2021). Challenges facing corporate communication in public universities in Kenya. *IOSR Journal of Humanities and Social Science (IOSR-JHSS)*, 26(3), 46-64. <https://doi.org/10.9790/0837-2603074664>
- Nafari, E., & Rezaei, B. (2022). Relationship between human resources strategies and organizational performance based on the balanced scorecard in a public hospital in Iran:

- a cross-sectional study. *BMC Health Service Research*, 22(1), 363-374. <https://doi.org/10.1186/s12913-022-07767-z>
- Orito, M.O. (2021). *Investigating strategic leadership and performance of state corporations and departments in the ministry of transport, infrastructure, housing, urban development, and public works-Kenya* (Master's Thesis), University of Nairobi, Kenya. <http://erepository.uonbi.ac.ke/bitstream/handle/11295/155722/Moses%20Omolo%20Orito%20-Projec%20t.pdf?sequence=1>
- The National Treasury of Kenya (2021). *Consolidated national government investment report for the Year 2019/20*. <http://parliament.go.ke/sites/default/files/2021-11/The%20Consolidated%20National%20Government%20Investment%20Report%20for%20the%20financial%20Year%202020-2021.pdf>
- World Bank (2021). *Kenya state corporations review Corporate governance and fiscal risks of state corporations*. <https://openknowledge.worldbank.org/server/api/core/bitstreams/3768929f-d448-5349-877a-f33b8781d336/content>
- Xanthopoulou, P., Sahinidis, A., & Bakaki, Z. (2022). The impact of strong cultures on organizational performance in public organizations: The case of the Greek public administration. *Social Sciences*, 11(10), 1-15. <https://doi.org/10.3390/socsci11100486>