

## **Influence of Operational Processes on Strategy Implementation among Cooperative Societies in Nairobi County, Kenya**

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### **Abstract**

*Strategy implementation is an important part of strategic management and of management in general. Research has shown that many firms are keen to come up with elaborate corporate strategic plans, yet most of them (up to 70%) fail to implement the plans so carefully prepared. This study sought to determine the influence of operational process on strategy implementation by cooperative societies in Kenya. The study adopted a quantitative research approach; a survey research design to collect data. The study covered a sample of 291 primary cooperative societies selected using a random stratified sampling method from a population of 2,149 societies. Data was analyzed using descriptive and inferential statistics. Two hundred and ninety-one sets of research instruments were distributed and 200 were completed and returned; representing a significant response rate of 68.73%. Out of the 200 respondents, only 180 responding societies had formulated strategic plans and these were the only ones covered by the analysis. The study found a strong positive correlation between organizational process and strategy implementation ( $r = .684, n=180, p = .000$ ). Therefore, the study concludes that successful implementation of strategic plans in cooperative societies requires its operational plans to be aligned and derived from the strategic plan, adequate resources allocated as per the strategic plan requirements, the right people with the required skills and training, motivated by rewarding them based on achievements of strategic plan milestones. Two-way communication is more helpful for strategy implementation than a one-way channel. There must be regular reviews to ensure implementation is progressing as planned. The study concludes that in this study the major milestones of strategy implementation had been moderately achieved in most societies.*

**Keywords:** Operational Process, Operational Planning, Resources, Communication, People, Control, and strategy implementation

### **Introduction**

Operational processes of an organization denote all those factors that come together to enable an organization meet its objectives. Okumus (2003) defines operational processes as ‘factors primarily used on a continuous basis to implement the strategy and manipulate the internal context, they include the operational plans, resources, communication channels, people and control. The implication is that they together form an important part, together with other factors in facilitating/enabling strategy implementation.

For operational planning to be successful, the output of the planning must include key environmental assumptions made, strategic objectives in terms of key financial indicators, the quantity and nature of resources likely to be available and the strategy and policies to be adopted in various functional areas (Camillus & Grant, 1980). Aaltonen & Ikavalko (2001) state that the amount of strategic communication in most of the organizations is large, both written and oral communication is used, mostly in form of top down communications. However, a great amount of information does not guarantee understanding and there is still much to be done on the field of communicating strategies. Resource insufficiency is another common strategy implementation challenge. David (2003) argues that allocating resources to particular divisions and departments does not mean that strategies will be successfully implemented. Managers must make a deliberate and concerted effort to bring front line employees into the loop so that they understand the new direction and have a chance to participate in decisions about how it will be executed (Richard, Kendrick and Vershinina, 2010). However, obtaining employees involvement and commitment is a difficult task since employees will resist the changes.

Many organizations operate in an uncertain, dynamic and turbulent environment where pressures are continuous and changing (Thompson, 2001). While acknowledging that cooperatives have been hailed as one of the few forms of organization that meet all dimensions of poverty by the United Nations (UN), Internal Labour Organization (ILO), the ICA and the European Union (EU), Wanyama et al (2009), at the same time decried the fact that suitability of cooperatives for poverty alleviation in Africa tends to be based on expectations rather than empirical functioning of these organizations. This is due to a long history of mismanagement of primary cooperative societies by those charged with its management. Mitchlitsch (2000) argues that a well-formulated and implemented strategy will in the long run give rise to attractive financial returns. In spite of this, very few studies have focused on the effect of the organizational operational processes of strategy implementation, (Bantel, 1997; Homburg, Krohmer & Workman 2004) and surprisingly few researchers have focused on the implementation of corporate level strategies (Schmidt & keil, 2012) especially in Kenya. Where a study is carried out it will be on one or two components of operational process such as resources or communication. Therefore, this study was designed to address paucity of empirical evidence regarding the influence of operational process on strategy implementation in cooperative societies.

### ***Purpose of the Study***

The purpose of this study was to determine the influence of operational processes on strategy implementation among cooperative societies in Nairobi City County, Kenya. The study was guided by the following objectives;

- i. To establish the influence of operational planning on strategy implementation among cooperative societies
- ii. To establish the influence of resources on strategy implementation among cooperative societies
- iii. To determine how communication affects strategy implementation among cooperative societies
- iv. To assess the influence of people resources on strategy implementation among cooperative societies
- v. To determine how organizational control affects strategy implementation among cooperative societies

### ***Materials and Methods***

The study was conducted in Nairobi County; one of the 47 counties in the Republic of Kenya. It borders Kiambu County to the North and West, Kajiado to the South and Machakos to the East. Among the three neighboring counties, Kiambu County shares the longest boundary with Nairobi County. The County has a total area of 696.1 Km<sup>2</sup> and is located between longitudes 36° 45' East and latitudes 1° 18' South. It lies at an altitude of 1,798 metres above sea level. The study used a descriptive survey design. Descriptive survey designs are used to allow for the gathering of information, summarize, present and interpret it for the purpose of clarification. According to Mugenda and Mugenda (2008) descriptive studies are formalized and typically structured with clearly stated hypotheses or investigative questions. This serves not only to describe the variables of interest but also to bring out any association between the variables and in particular between the dependent variable and each independent variable. The population for this study was obtained from a comprehensive list of registered cooperatives operating under the County Cooperative Commissioner (CCC) Nairobi. The study population was 2,149 primary cooperative societies. From this population a sample of 291 cooperative societies was selected using stratified random sampling method. Quantitative data will be analyzed using the Statistical Package for Social Science (SPSS). Descriptive and inferential statistical techniques will be used. Confidence intervals and tests for statistical significance will be set at the .05 level.

The study used a structured questionnaire to collect data directly from respondents at their work stations. The questionnaires were left with the respondents and later collected after they had been filled in. The survey utilized a Likert-type Scale with five options of response, ranging from “Strongly Disagree, Disagree, Neutral, Agree and Strongly Agree”. A panel of experts composed of experts in the graduate committee and specialists reviewed the questions for validity. Cronbach’s Alpha was used to test the reliability of the research instrument. Data analysis was done using both descriptive and inferential statistics. Pearson’s Product Moment Correlation was used to test the relationship between operational process and strategy implementation.

## Results and Discussions

### Survey Participant’s Characteristics

A total of 291 sets of research instruments were distributed to the selected cooperative societies’ leadership who included supervisors and managers during the data collection exercise. Two hundred sets of questionnaires were filled and returned; representing a response rate of 68.73%. Richardson (2005) indicates that the response rates of 60% or more are both desirable and achievable for a survey research. Of the 200 respondents, only 180 were useable, the rest did not have strategic plans. Majority (46.5%) of the respondents were supervisors and almost half (48%) had served for more than 5 years and thus they had the adequate work experience to implement their organization’s strategic plans. Regarding the characteristics of the societies, 55.6% had been in existence for a period of less than 10 years, 90% had designed a strategic plan and they were in the process of implementing it, and 65% had a capital base more than 50 million Kenyan shillings. The majority of the societies (72.5%) had more than 50 employees and thus capable of implementing their plans.

The Likert scale has been defined as follows; Strongly Disagree 1.0-1.80; Disagree 1.80-2.60; Neutral 2.60-3.40; Agree 3.40-4.20 and Strongly Agree 4.20-5.00

### Operational process & Strategy Implementation

The study sought to establish the influence of organizational operational process on strategy implementation among the primary cooperative societies in Nairobi, Kenya. The influence of organizational operational process on strategy implementation was evaluated in five main parts namely; operational planning, resources, communication, people and control.

### Influence of Operational Planning on Strategy Implementation

To examine the relationship between operational planning and strategy implementation the respondents were given a set of statements and asked to rate them on a scale of 1 to 5, where 1 meant strongly disagree and 5, strongly agree as shown in Table 1. The results show that the respondents were agreed that the operational annual plans of the societies were derived from its strategic plan (Mean=3.57). The respondents were also agreed that the annual plans had not been converted into deliverable actions (Mean=3.41) to support strategy implementation. The respondents were neutral on whether the management had developed ways of measuring progress of implementation (Mean=2.84) and on whether the deliverable actions that support strategy were unsuccessfully undertaken (Mean=2.87).

**Table 1: Relationship between operational planning and strategy implementation**

Statement/ item	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean
	Fq	%	Fq	%	Fq	%	Fq	%	Fq	%	
The annual plans have not been converted into deliverable actions to support strategy implementation	10	5.0	51	25.5	29	14.5	63	31.5	47	23.5	3.41
The management has not developed ways of measuring progress of implementation	31	15.5	61	30.5	24	12.0	70	35.0	14	7.0	2.84
The deliverable actions that support strategy are unsuccessfully undertaken	24	12.0	56	28.0	48	24.0	59	29.5	13	6.5	2.87
The operational annual plans of the society are derived from its strategic plan.	9	4.5	28	14.0	27	13.5	104	52.0	32	16.0	3.57

Source: Research Data, 2016

### Resources and Strategy Implementation

Resource allocation is the process of ensuring that all the necessary, time, financial resources, skills and knowledge, are available when and where they are required (Okumus 2003). Strategy implementation succeeds or fails because resources are acquired or not acquired, and decisively allocated or re-allocated in line with the requirements of strategy implementation. The study also sought to determine the influence of resources on strategy implementation among cooperative societies. Table 2 indicates that the respondents were neutral on all areas related to resources, whether it be adequacy of resources for strategy implementation (Mean=3.24), or the authority given to middle level managers to seek authority to re-allocate resources (Mean=3.37). It also extends to the managers continuously seeking ways of increasing or getting more resources (Mean=2.86) and the resources not being allocated according to strategic plan priorities (Mean=2.83).

**Table 2. Relationship between resources and strategy implementation**

Statement/ item	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean
	Fq	%	Fq	%	Fq	%	Fq	%	Fq	%	
The cooperative society has adequate resources for implementing its strategic plan	15	8.3	43	23.9	33	18.3	60	33.3	29	16.1	3.25
The cooperative society's resource is not allocated according to priorities established in the operational plans	24	13.3	60	33.3	28	15.6	59	32.8	9	5.0	2.83
The cooperative society does not continuously seek for ways to acquire or generate more resources for implementation of its strategic plan	24	13.3	59	32.8	25	13.9	62	34.4	10	5.6	2.86
The middle level managers must seek authority before they can re-deploy resources, even within their areas of operation.	16	8.0	40	22.2	24	13.3	74	41.1	26	14.4	3.30

Source: Research Data, 2016

### Communication and Strategy Implementation

The relationship between communication and strategy implementation was evaluated using a set of statement measured using a five point Likert scale and the results are presented in Table 5. The study revealed that respondents were agreed that the management effectively communicated progress on strategy implementation to its employees (Mean=3.66). Respondents were however neutral on all the other points i.e. convincing staff of the value of the new strategy (Mean=3.13) and the strategic objectives were not well understood by the employees (Mean=3.02). They were also neutral on the existence of a forum for the employees for giving feedback (Mean=2.67). The item standard deviations were small and included; 1.234, 1.107, 0.9907, and 1.241 respectively, meaning there was not much variation in item responses from the mean.

**Table 3: Relationship between Communication and Strategy Implementation**

Statement/ item	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean
	Fq	%	Fq	%	Fq	%	Fq	%	Fq	%	
The management did not communicate or endeavored to convince staff of the value of the strategy	17	9.4	62	34.4	20	11.1	43	23.9	38	21.1	3.13
Strategic objectives were not well understood by the employees	16	8.9	55	30.6	31	17.2	65	36.1	13	7.2	3.02
The employees have no forum where they can give feedback to the management on strategy implementation	26	14.4	69	38.3	33	18.3	42	23.3	10	5.6	2.67
The management effectively communicates progress towards strategy implementation to its employees	8	4.4	16	8.9	32	17.8	97	53.9	27	15.0	3.66

### ***People and Strategy Implementation***

The assessment of the influence of people resources on the implementation of strategic plans in cooperative societies involved a set of statements as shown in Table 4. The results indicate that respondents agreed that through recruitment and/or training, the management of the societies had built adequate skills set and competencies to support their strategies (Mean=3.78) and that employees are motivated to work towards strategy implementation (Mean=3.56). They were neutral on whether the employees understood their role in strategy implementation (Mean= 2.83). Respondents disagreed with the negative statement that the reward system does not recognize success in completing tasks crucial to strategy implementation (Mean=2.39). The item standard deviations (0.99, 1.209, 1.147 and 1.115) were small indicating a slight variation in responses away from the means.

**Table 4: Relationship between people and strategy implementation**

Statement/ item	Strongly Disagree		Disagree		Neutral		Agree		Strong Agree		Mean
	Fq	%	Fq	%	Fq	%	Fq	%	Fq	%	
Through recruitment and/or training, the management has built adequate skills set and competencies to support the strategy	7	3.9	17	9.4	19	10.6	102	56.7	35	19.4	3.78
Most employees do not understand their roles in strategy implementation	25	13.9	58	32.2	28	15.6	60	33.3	9	5.0	2.83
The reward system of the society does not recognize success in completing tasks crucial in strategy implementation	56	31.1	50	27.8	36	20.0	23	12.3	15	8.3	2.39
The employees are motivated to work hard towards strategy implementation	13	7.2	19	10.6	25	13.9	92	51.1	31	17.3	3.58

Source: Research Data, 2016

### ***Control and Strategy Implementation***

The study further sought to examine influence of strategy control on strategy implementation that involved a set statements measured using a five point Likert scale as shown in Table 6. The results show that respondents agreed that the top management of the societies' held regular strategy review meetings (Mean=3.57). They were however neutral to the negative statement that the society does not constantly monitor the environment for changes in plan assumptions (Mean=2.80) as well as on whether their cooperative societies had policies, procedural manuals or annual budgets to ensure implementation proceeded was on course (Mean=2.72). On the question of adequacy of the information system to monitor implementation they disagreed (Mean=2.51). The standard deviations were small (1.115, 1.209, 1.100 and 1.270) implying that the variation in responses was slight.

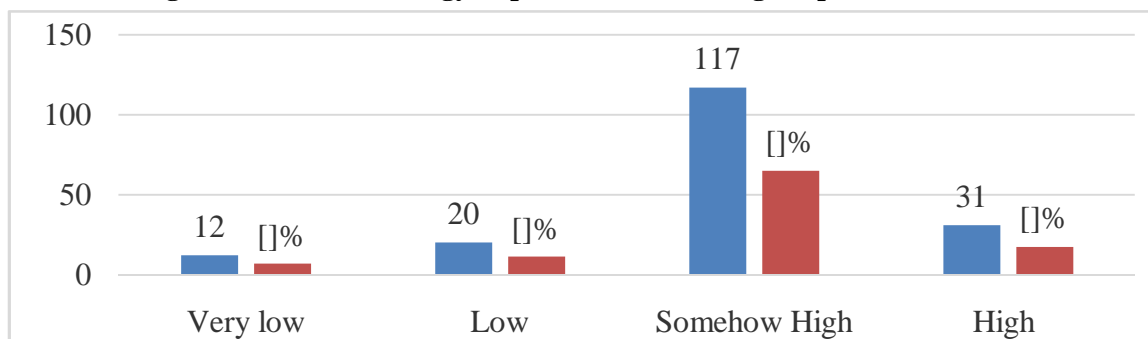
**Table 5: Influence of control on strategy implementation**

Statement/ item	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean
	Fq	%	Fq	%	Fq	%	Fq	%	Fq	%	
The top management of the society holds regular strategy review meetings	11	6.1	22	12.2	24	13.3	94	52.5	29	16.1	3.57
The society has no policies, procedural manuals or annual budgets to ensure implementation proceeds on course	29	16.1	64	35.6	22	12.2	52	28.9	13	7.3	2.72
The information system put in place by management to monitor implementation is inadequate	38	21.1	67	37.2	26	14.4	43	23.9	6	3.3	2.51
The society does not constantly monitors the environment for changes in strategic plan assumptions	30	16.7	48	26.7	33	18.3	49	27.2	20	10.4	2.80

Source: Research Data, 2016

### Strategy Implementation

The results further indicate that 6.7% of the respondents felt that the level of strategy implementation in the cooperative societies was very low, 11.1% rated it low, 65% rated it somehow high (neutral) and 17.2% rated it high as shown in Figure 1. This shows that the level of strategy implementation was fair among cooperative societies.

**Figure 1: Level of strategy implementation among cooperative societies**

**Null Hypothesis:** Operational process has no significant influence on strategy implementation among the primary cooperative societies in Nairobi, Kenya Pearson's product-moment correlation revealed a strong positive correlation between operational process and strategy implementation,  $r = .684$ ,  $n=180$ ,  $p < .001$  as shown in Table 6. This shows that operational process and strategy implementation moved together in the same direction. The correlation results are as shown below.

**Table 6: Correlation between operational process and strategy implementation**

Variable		Operational process	Strategy implementation
Operational process	Pearson Correlation	1	.684**
	Sig. (2-tailed)		.000
	N	180	180
Strategy implementation	Pearson Correlation	.684**	1
	Sig. (2-tailed)	.000	
	N	180	180

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

Source: Research Data, 2016

## Conclusion

Results show that the organizational operational process and strategy implementation are positively correlated, the better the performance of the operational process, the higher the level of implementation. Individually most of the societies' operational plans were derived from their strategic plans although, the level of their operational planning was low as illustrated by inability to convert annual plans into deliverable actions to support strategy implementation, undeveloped progress monitoring tools and unsupported deliverable action. Fortunately, most societies had adequate resources for implementing the strategic plans and their allocation was according to priorities established in the operational plans. Abok (2013) cites Munube who maintains that differences in implementation of strategic plans are due to unique resources possessed by organizations. Such resources can improve or reduce the effect of particular goals in the organization if well utilized or underutilized respectively. Majority of the cooperatives also had a well-developed communication system, which ensured that the strategic objectives were well understood by the employees. Aosa (1992) maintains that poor communication from management and unclear policies are a hindrance to implementing strategic objectives. He further says that one way of improving communication is to have a two way rather than a one-way communication channel. One unique resource is people. The societies had built adequate skill set and competencies to support strategy implementation. Furthermore, the people were motivated to work towards strategy implementation. Rajasekar (2014) quotes Lorange maintaining that human resource are becoming a key factor in strategy implementation and reiterated that people and not financial resources are the key factors in implementation. Regular strategy review meetings were held by the societies and the management provided policies, procedural manuals or annual budgets to ensure implementation proceeded on course.

## Recommendations

Successful implementation of strategies among cooperative societies in Kenya obliges the following measures;

- Management need to prepare operational plans based on the strategic plan. Such operational plans must also be translated into deliverable actions and ways of measuring progress clearly spelt out
- Cooperative societies need to commit more resources (time and funds) towards strategy implementation.
- Greater attention should be paid to the communication as the element of organizational behavior to ensure that strategy is effectively communicated to employees of the societies
- Whenever an organization develops a new strategy, it must recruit, train or deploy people with the requisite skills who will be able to implement that strategy.
- The managers also need to develop quality monitoring tools and technology systems help track the progress of the plan and make it faster to adapt to changes.

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