The Joint Influence of Organizational Autonomy, Positioning and Competitive Strategies on Performance of Kenyan State Corporations

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Abstract

The main objective of the study was to determine the joint effect of organizational autonomy, strategic positioning and competitive strategies on performance of Kenyan State Corporations. This study was guided by positivist philosophy and adopted a descriptive cross-sectional census survey on a population of 147 Kenyan state corporations. The study used primary data collected by questionnaires which were administered to the Chief Executive Officers of the State Corporations. The study also used secondary data in respect of performance which was collected from annual performance contract reports for State corporations for the five performance contracting cycles of 2009/2010, 2010/2011, 2011/2012, 2012/2013 and 2013/2014 from the department of performance contracting in the ministry of Planning and Devolution. Data analysis entailed inferential statistics namely regression analysis. The results of the joint effect of competitive strategies, organizational autonomy and positioning were statistically significant, implying that they jointly influenced performance. The regression coefficients statistically revealed that competitive strategies, organizational autonomy and positioning influenced performance. The combined influence of the three variables (competitive strategies, organizational autonomy and positioning) was greater than the predictor influence of the variables on the performance of Kenyan State Corporations. The study concluded that the state corporations stand a better chance of achieving good performance if they pay attention to all predictors than when they focus on one or a pair.

Introduction

Organizational autonomy is explicitly or implicitly recognized when creating state owned corporations or enterprises as an independent legal body. It is expected to relieve government of some of the burden of decision making and overload with technical and specialized issues (Boyne, 2001). Organizational Autonomy or discretion of State-Owned Enterprises (SOE) management vis-à-vis supervising state authorities is a function of the bargaining power of the two sides, which depends on several factors for each side. The state as an owner has formal or regulatory power; it also has resource-based power or power stemming from SOEs output dependence (sales to public sector). Likewise, SOE management may gain power from their past performance, competition, international sales, personal reputation and connections (Baulcomb, 2003).

Positioning relates to strategy, in the specific or tactical development phases of carrying out an objective to achieve a business' or organization's goals, such as increasing sales volume, brand recognition, or reach in advertising (Roger, 2009). Positioning is outward-focused, recognizes market environment and defines specific niche. With strong positioning, the organization achieves sustainability and competitive advantage (Hendrick, 2003). Positioning is a useful approach when an organization needs to more clearly distinguish itself or to have a greater impact. It is imperative when an organization has outgrown the market or has the capacity to expand.

Positioning is a systematic objective process based on perceived quality of products and service delivery, perceived level of innovation, corporate image and responsiveness to customer expectations (Ries & Trout, 2000). According to Porter (1985) competitive strategy refers to how a firm intends to compete in a given business.

Further, Porter (1985) contends that competitive strategy is a plan that establishes a profitable and sustainable competitive position against the five forces that drive industry competition: threat of new entrants, bargaining power of suppliers, bargaining power of buyers, rivalry among competitors and threat of new substitutes. It is concerned with how a company can gain a competitive advantage through a distinctive and different way of competing (Porter, 1980). Porter (1980, 1985) identified three generic competitive strategy typologies namely; low cost leadership, differentiation and focus. From the differentiation and low cost perspective, Porter (1980) contends that firms can view their product-market decisions in terms of how the organization creates or add value to customers. From the focus perspective, this may depend on how firms define their scope of operations that is, the scope of market coverage. He however, contends that a firm that pursues one of these strategies of either low-cost or differentiation should achieve above-average returns but, firms that pursue low cost and differentiation simultaneously will be stuck-in-the-middle and end up with poor performance. Porter (1980) however, argues that implementation of low cost and a differentiation strategy requires different investments in resources, control procedure, leadership, culture, and organization structure and incentive systems.

Fundamental purpose of every organization is to consistently outperform the competition and deliver sustained, superior returns to the owners while satisfying other stakeholders. Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (Ongeti, 2014). According to Richard, Devinney, Yip and Johnson (2009), organizational performance encompasses three specific areas of firm outcomes: Financial and stewardship: which includes utilization of allocated resources, appropriation in aid, cost reduction, development index service delivery, Non-Financial which includes compliance with strategic plan, disposal of idle assets, ISO certification, statutory obligations, competency development and service delivery which includes customer satisfaction, compliance with statutory obligations, IT, ISO 9001 certification. Performance has been defined as organizational effectiveness, efficiency, financial viability and relevance (Javier, 2002; IDRC, 1999).

The Parastatals reform initiatives which have been and continue being implemented by the Gok, is a testimony of the importance of the Kenyan state corporations especially because their failure to implement competitive strategies, lack of autonomy and non-positioning has resulted in some of them being a burden to the ex-chequer. The study will therefore envisage to guide the Kenyan state corporations in applying private sector business management with anticipation of recording the anticipated performance in line with their mission and vision which is the very essence of their establishment in the first place (Awino & Mutua, 2014).

Literature Review

Competitive Strategies and Organizational Performance

A creative and distinctive strategy that sets a company apart from its rivals and yields a competitive advantage is the company’s most reliable ticket for earning above average performance. Thompson et al. (2007) stresses that without this, a company risks being out competed by stronger rivals and/or being locked into the mediocre financial performance. Organizations around the globe are bracing themselves for stiffer competition emerging in the market place fuelled by increasingly uncertain environments. As such there is need for establishing clear organizational strategy, focused on narrow objectives of what is at stake in the current moment, and aligning those strategies with the entire organization. Despite much debate in the strategy, there is little consensus as to whether organizational capabilities or market competition are more important in shaping firms’ actions and performance. According to Huber (2004), reciprocal interactions at multiple levels of analysis between the market environment and firm capabilities shape business strategy and performance, while interactions between strategy and performance, in turn; shape both organizational capabilities and competitive environments.

Kotler et al. (2006) noted that the quest for improved performance often leads managers to consider market entry opportunities. Such opportunities involve either pioneering a market or entering a market that is already occupied by others. High and comprehensive knowledge of the market is needed because there are many crucial factors to consider including whether a first move can create a competitive advantage. It is however noted by Thompson et al. (2007) that this does not create sustainable competitive advantage because second comers often perfect the product and erode the advantage earlier enjoyed by the pioneers.

Specifically, sales and profits are enjoyed at an average period of 5 years, which is the reason why firm executives should develop thorough strategies that enhance performance of the firm in the competitive environment. Porter (1980) suggested that there are three types of competitive advantages through strategic positioning a company can own: low cost, differentiation and focus. The domination through costs strategy is specific to organizations which produce and sell standardized products. The aimed market is vast, with numerous segments. Adopting this strategy implies intensifying the investments, which afterwards implies a productivity growth, a better organization of the production processes, rationalizing the products gamut, etc. This strategy is generally used by organizations with a big financial power.

The domination through differentiation strategy is adopted by organizations which offer strongly individualized products. This strategy gives the organization a domination power exactly because of the uniqueness of the product's characteristics or services. It also implies a growing attention to maintain this advantage in front of the competitors (Boyne, 2001). The focusing strategy implies the firm to concentrate over a narrow market segment on which they will try to obtain superior advantages from the ones obtained by the industry in its ensemble, by optimizing the differentiating cost. This strategy is generally adopted by small and medium companies, in order to avoid direct confrontation with stronger competitors.

Organizational Autonomy and Performance

Gongera (2007) concluded that organizations with autonomy were more likely to be effective than those with little or no autonomy. In general, government agencies tend to have defensive strategies in implementing their works. Proactive strategy is related to organizational awareness of environmental changes and searching new ideas or ways of achieving objectives. Since the 1980's, the public sectors around the world have come under intense scrutiny in policy circles due to the bureaucratic complexity of these institutions, the heavy burden they impose on public funds, and the perceived difficulties in ensuring their efficient and effective functioning under centralized government control. One policy option that has found particular favour with governments is granting greater autonomy to these state corporations in running their operation. As a result, autonomy initiatives have been proposed as an integral part of broader public sector reform process (Govindaraj & Chawla, 1996).

Non-routine technology needs innovative thinking which is rare in the public sector since the bureaucracy encourage people to obey orders than question what they are doing. Self-actualization culture is the beliefs that have massive commitments to the works and people are motivated in an organic way. Therefore, a government organization possessing high level of autonomy, proactive strategy, non-routine technology, self-actualization culture, and decentralization will have high performance.

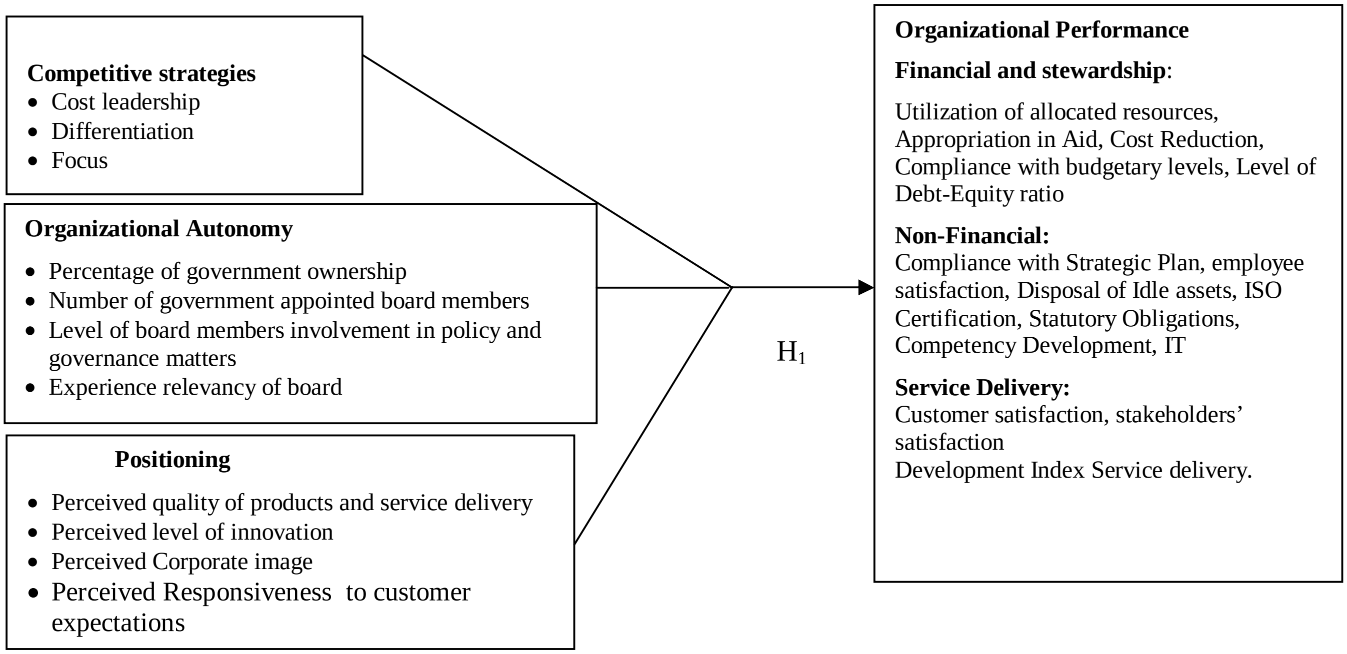
Positioning and Organizational Performance

Positioning is a powerful tool that allows a firm to create an image. It reflects how consumers perceive the product's or organization's performance on specific attributes relative to that of the competitors (Kotler, 1994). Positioning is a competitive marketing tool that goes beyond image-making. For a public corporation to become profitable it must put in place strategies that position itself in market dominance and improve the firm's overall performance. Positioning has been recognized as a vital tool to confront the competitive pressure in the public corporation market environment and also as a tool of improving the performance of these firms (Ries & Trout, 2000). Though the positioning concept and its effect on firm performance have received considerable attention, there is limited empirical literature on its practice and effects on firm performance in the Kenyan context.

Competitive Strategies, Organizational Autonomy, Positioning Strategy and Organizational Performance

Competitive strategies, organizational autonomy and strategic positioning have a strategic impact and contribute to organization performance. The organization is shown as one of a number of competitors in an industry; and to a greater or lesser degree these competitors will be affected by the decisions, competitive strategies and innovation of the others. These inter-dependencies are crucial and consequently strategic decisions should always involve some assessment of their impact on other companies, and their likely reaction (Burnes, 1996). Recent studies have demonstrated (Hodges & Mellett, 2003) that an increase of organizational autonomy has been accompanied with an expansion of regulation and control: public sector organizations received more autonomy. Generally one could say that the more autonomous the organization, the more senior managers can be considered as residual claimants of their organization. The company's positioning strategies are its response to the situation in the competitive environment. These are important, as with the implementation of the right positioning strategies, the company can sustain its positive growth and high rates of return, the two most important value drivers (Kolleret *et al.,* 2010).

Figure 1: Conceptual Framework



H_1 *The joint effect of competitive strategies, organizational autonomy and positioning is greater than the individual predictors on the performance of Kenyan State Corporations*

1 Research Methodology

The study will adopt a descriptive cross-sectional census survey. In such surveys data is collected from the entire population to help answer research questions of interest. This design is considered appropriate because of the purpose of the current study, scope, nature of the data to be collected and the type of analysis to be performed. The study population will be all Kenyan state corporations as at January 30th 2015 there were 147 Kenyan state corporations across all the ministries (Gok, 2015). These corporations are classified into: revenue collection; cultural and social services; development or promotional agencies; commercial; regulatory; educational, professional; and research institutions. The target respondents will be the chief executive officer (CEOs) and with their permission, the chief officer (finance), chief officer (human resource) and chief officer (corporate planning), who depending on the structure of the particular Parastatals, will be in a position to participate in the survey. The study used primary data which was largely qualitative, quantitative and descriptive in nature. A five point likert scale ranging from not at all (1) to a very large extent (5) was used to construct most of the items on the questionnaire.

The questionnaires were administered through drop and pick method. The study also used secondary data. Secondary data on performance was collected from annual performance contract reports for State corporations for the five performance contracting cycles of 2009/2010, 2011/2012 and 2013/2014, from the department of performance contracting in the ministry of Planning and Devolution. Other secondary data reviewed included studies and policy documents of state corporations which were obtained from SCAC and other policy documents obtained from state corporations including performance contracts, human resource manuals, ISO procedure manuals and Board manuals. Descriptive and inferential analysis was conducted. Descriptive analysis involved the use of frequencies in their absolute and relative forms (percentage). Mean and standard deviations were also used as measures of central tendencies and dispersion respectively. Inferential statistics were used to evaluate the hypothesis presented in the study. Multiple regression models were used to evaluate the influence of combination of variables including interactions on performance. Multiple regressions were used to test the nature and magnitude of relationships between the variables in the study which are more than one. An average of performance for the five year period of; 2009/2010; 2010/2011; 2011/2012, 2012/2013 and 2013/2014 was obtained.

2 Analysis of Descriptive Data and Results

Questionnaires were sent to all the 147 corporations out of which one hundred and thirty four (134) were filled and returned, representing a response rate of ninety one (91%).This response rate was considered adequate and therefore representative of the population of study. Sekaran (2000) posits that any values between 0.5 and 0.8 are adequate for inferring internal consistency. This study adopted the lowest alpha of 0.7. The alpha coefficients for all the variables are above the 0.7 threshold with overall value for all the variables being 0.879. From these results, it is inferred that the measurement items for each variable are internally consistent. The researcher also piloted the questionnaire in 10 State Corporations not included in the study which were chosen randomly before commencing data collection. This enabled the researcher to establish if the respondents had no difficulty in completing the questionnaire. Any ambiguous, double edged and unclear questions were identified and modified or replaced. The researcher also used experts to examine and review the instrument for validity. In this study, normality was tested using Kolmogorov-Smirnov Test and significance values were 0.200 for competitive strategies, positioning and organizational autonomy each. This implies that since the p-values are greater than the chosen alpha level 0.05, the hypothesis that the data came from a normally distributed population is confirmed. The results of the tests therefore reflect a normally distributed population. The test for Multicollinearity was conducted to assess whether one or more of the variables of interest is highly correlated with one or more of the other independent variables. The results revealed that there was no problem of multicollinearity. The variance inflation factors for the variables were all below 5 meaning that the variables were not highly correlated.

Tests of Hypotheses, Results and Discussion

This study had one broad objective to determine the effect of organizational autonomy and positioning on the relationship between competitive strategies and performance of Kenyan State Corporations. The following hypothesis was formulated and tested.

H_1: *The joint effect of competitive strategies, organizational autonomy and positioning on the performance of Kenyan State Corporations is greater than the individual predictors on performance of Kenyan State Corporations.*

To test this hypothesis, multiple regression analysis was used. The results are presented in Table 1.

Table 1: Multiple Regression Results of Joint Effect on Competitive Strategies, Organizational Autonomy and Positioning on Performance

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.830	.688	.668	.39410	.005	.688	1	47	.411

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Total	23.416	50			
	Regression	16.116	3	5.372	34.586	.000
	Residual	7.300	47	.155		
	Total	23.416	50			

(c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	-1.656	.596		-2.778	.008		
	Competitive strategies	.741	.188	.383	3.933	.000	.700	1.429
	Organizational autonomy	.888	.125	.774	7.100	.000	.558	1.791
	Positioning	-.120	.145	-.103	-.830	.411	.430	2.326

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Predictors: (Constant), Competitive Strategies, Organizational Autonomy, Positioning
Dependent Variable: Organizational performance

Source: Field Data (2015)

The results indicates that 68.8 percent of variance in performance of Kenyan State Corporations is explained by the joint effect of the three variables (competitive strategies, autonomy and positioning) (R^2=0.688, F=34.586, p<0.05). Organizational autonomy was the highest (β-value 0.774, t- value= 7.100, p-value=0.005), thus the biggest contributor to organizational performance. The regression coefficients also revealed that competitive strategies was statistically significant (β-value 0.383, t- value= 3.933, and p-value=0.000). According to Burnes, (1996), competitive strategies, organizational autonomy and strategic positioning have a strategic impact and contribute to organization performance. The organization is shown as one of a number of competitors in an industry; and to a greater or lesser degree these competitors will be affected by the decisions, competitive strategies and innovation of the others. These inter-dependencies are crucial and consequently strategic decisions should always involve some assessment of their impact on other companies, and their likely reaction.

In order to estimate organizational performance for Kenyan State Corporations, a regression model was used:

$Y = \beta_1 (CS) + \beta_2 (OA) + \beta_3 (P) + \mathcal{E}$

Y= -1.656+0.741 (CS) +0.888 (OA) -0.120 (P), at P <0.05 and P <0.05

Where:

Y= Organizational performance
CS= Competitive Strategies
OA= Organizational Autonomy
P= Positioning
Ɛ = error term

From the findings, it is evident that a unit change in competitive strategies dimensions results in 0.741 changes in organizational performance and a unit change in organizational autonomy results in 0.888 significant changes in organizational performance. However, holding the two factors constant at zero, will results in -0.120 changes in organizational performance. Based on the results, the study accepted the hypothesis that the joint effect of competitive strategies, organizational autonomy and positioning on the performance of Kenyan state corporations is different from the effect of each individual variable on the performance of Kenyan State Corporations.

Discussion of the Results

Joint Effects of Competitive Strategies, Organizational Autonomy and Positioning on Organizational Performance

This study had one broad objective to determine the influence of firm organizational autonomy and positioning on the relationship between competitive strategies and performance of Kenyan State Corporations. A corresponding hypothesis H_4 stating that the joint effect of competitive strategies, organizational autonomy and positioning is not different from the effect of each individual variable on the performance of Kenyan State Corporations was formulated and tested.

The results of the joint effect of competitive strategies, organizational autonomy and positioning were statistically significant implying that the variables jointly influence organizational performance. Organizational autonomy is the highest, thus the biggest contributor to organizational performance (Lewis, 2004). The regression coefficients also revealed that competitive strategies were statistically significant. The results were sufficient to support the influence of individual variables on performance of the Kenyan State Corporations.

3 Summary, Conclusion and Recommendations

The population for the study was all Kenyan State Corporations. Questionnaires were sent to all the one hundred and forty seven (147) out of which one hundred and thirty four (134) questionnaires were filled and returned representing a response rate of ninety one (91%). This response rate was considered adequate for analysis. Data was subjected to various statistical tests for various assumptions about variables during statistical tests. This was to ensure that the findings are worth using in decision making. Cronbach's alpha coefficient which is used to assess the internal consistency among research instrument items was used to test whether the variables were within the acceptable range of between 0 and 1 (Mugenda & Mugenda, 2003). The results for all the variables were above the 0.7. The researcher also piloted the questionnaire in 10 State Corporations not included in the study which were chosen randomly before commencing data collection. This enabled the researcher to establish the respondents' ability to respond without difficulties. Any ambiguous, double edged and unclear questions were identified and rectified. In this study the normality was tested using Kolmogorov-Smirnov Test. As a rule of thumb if any of the VIF are greater than 10 (greater than 5 when conservative) then there is a probability of a problem with Multicollinearity and is harmful to the study (Newbert, 2008). The variance inflation factors for the variables were all below 5 meaning that the variables were not highly correlated.

Joint Effect of Competitive Strategies, Organizational Autonomy and Positioning on Organizational Performance

The results of the joint effect of competitive strategies, organizational autonomy and positioning were statistically significant implying that the variables jointly influence organizational performance. The regression coefficients also revealed that competitive strategies, organizational autonomy and positioning were jointly statistically significant in influencing organizational performance. This supports the findings of Burnes (1996) that competitive strategies, organizational autonomy and strategic positioning have a strategic impact and contribute to organization performance. The organization is shown as one of a number of competitors in an industry; and to a greater or lesser degree these competitors will be affected by the decisions, competitive strategies and innovation of the others. These inter-dependencies are crucial and consequently strategic decisions should always involve some assessment of their impact on other companies, and their likely reaction. The results were sufficient to support the influence of individual variables on performance of the Kenyan state corporations.

The combined effect of competitive strategies on organizational performance was also tested and the results presented. Results of the study showed a relatively moderate or average relationship. Organizational autonomy significantly influenced performance independently. This is a clear indication that the two variables are independent contributors to performance in state corporations and should not be ignored during the decision making process. The joint effect of competitive strategies, organizational autonomy and positioning was greater than the individual effects of the variables on performance. Kenyan state corporations therefore should not ignore these relationships because when the three variables are synchronized to work together they influence performance more than when they work independently. This conclusion is consistent with findings from previous research and supports the argument that organizational performance is influenced by competitive strategies, organizational autonomy and positioning.

Limitations of the Study

Considering that the researcher was self-sponsored for the study the exercise was strained of financial resources. Kenyan State corporations compute a composite of performance by plugging in six raw scores. The raw scores are for the indicators of performance include finance and stewardship, non-financial, operations, dynamic/qualitative, service delivery, corruption eradication, employee satisfaction, customer satisfaction and stakeholder satisfaction. The study used the composite performance indicator only. The raw scores were not available in the individual state corporations or at the State Corporations Advisory Committee (SCAC) or at the Performance Contracting Department. The study would have benefited in establishing the influence of competitive strategies on the each of the performance indicators. Despite all the highlighted limitations the quality, letter and spirit of the study were not compromised.

Suggestions for Further Research

This study used only four variables to test the factors that influence performance in state corporations. Given the fact that there are many other factors that may affect performance, other researchers may seek to unravel the influence of such other factors like corporate governance, resource allocation and so forth on the performance of state corporations. It would be interesting to find out whether the results would be the same when different variables are used.

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