

Effect of Strategic Plan Implementation on the Performance of Deposit Taking SACCOs in Laikipia County

¹PETER THEURI, ²DR. SAMSON NYANGA`U

Abstract: This study sought to establish the effect of strategic plan implementation on the performance of deposit taking SACCOs in Laikipia County. The study was guided by these specific objectives; to analyze to what extent leadership influence the performance of deposit taking SACCOs, to examine the extent to which organization structure influence the performance of the deposit taking SACCOs, to investigate the extent to which policies and procedures influence the performance of the deposit taking SACCOs and to establish the extent to which resources allocation influence the performance of the deposit taking SACCOs. The study was anchored in the stewardship theory, contingency theory institutional theory and resource based view theory. This study adopted a descriptive survey research design. The target population of this study was the management staff and the board of management of the deposit taking SACCOs in Laikipia County The sample size of the study was 110 respondents. Information was sorted, coded and input into the statistical package for social sciences (SPSS) version 21.0 for generation of descriptive statistics as well as inferential statistics. The study concluded that that leadership is directly and positively associated with performance of performance of deposit taking Saccos. The study concluded further that there is a positive relationship between organizational structure and performance of deposit taking Sacco. Furthermore, the results of the regression model show that there is a positive relationship between Policies & procedures and performance of Sacco. The study concluded that there is a positive relationship between Resources allocation and performance of deposit taking Sacco

Keywords: Strategy, Strategic plan, Organization Structure and Deposit Taking SACCOs.

1. INTRODUCTION

An organization must have the right strategies in order to achieve the desired objectives. Strategic management goes beyond the development of a strategic plan, which includes the pre-planning and strategic planning processes. Strategic management is the deployment and implementation of the strategic plan and measurement and evaluation of the results. Implementation involves resourcing the plan, putting it into action, and managing those actions. Measurement and evaluation consists not only of tracking implementation actions, but, more importantly, assessing how the organization is changing as a result of those actions and using that information to update the plan (Wells, 2003).

Statement of the problem:

It is evident that firms which implement strategic planning achieve better performances than those without such planning (O'Regan & Ghobadian, 2002). SACCO's in Kenya endeavour to achieve some competitive advantage over their competitors in such a stormy environment by using different strategic plans.

The Ministry of Co-operative and marketing estimates that about 80% of the Kenyan population derives their income either directly or indirectly through SACCO initiatives. It is estimated that a significant 24.6 million people (63%) participate either directly or indirectly in SACCO enterprises. The government has made a significant initiative to support co-operative movements through legislation so as to achieve the millennium development goals and vision 2030 objectives of increasing financial inclusion.

In Kenya, 6,727 SACCOs were registered and employed directly 303,455 people as at December 2010 (GOK 2011). However, despite the significant government initiative, a significant 3457 (51%) of the SACCOs were not operational. This high failure rate of SACCOs continues to frustrate millennium development goals and vision 2030 objectives of increasing financial inclusion.

Unique to the high 51% failure rate of SACCOs in Kenya, none of the SACCOs in the banking sector has failed (GOK 2011). This poses the question, why the SACCOs in the banking sector continue to thrive and flourish in an environment and economy which at the same time has a 51% failure rate of SACCOs. Literature evidence shows that the factors contributing to success or failure of co-operatives are multifaceted and depends on the operating environment of the specific SACCO. In Kenya, there is paucity of empirical studies on the strategic management of SACCOs in the Banking sector. This study therefore sought to fill this research gap by analysing the effects of implementation of strategic plan on the performance of deposit taking SACCOs in Laikipia County

Objectives:

1. To analyze the extent to which leadership has influenced the performance of deposit taking SACCOs.
2. To examine the extent to which organizational structures has influenced the performance of deposit taking SACCOs.
3. To investigate the extent to which policies and procedures has influenced the performance of deposit taking SACCOs.
4. To establish the extent to which resources allocation has influenced the performance of deposit taking SACCOs.

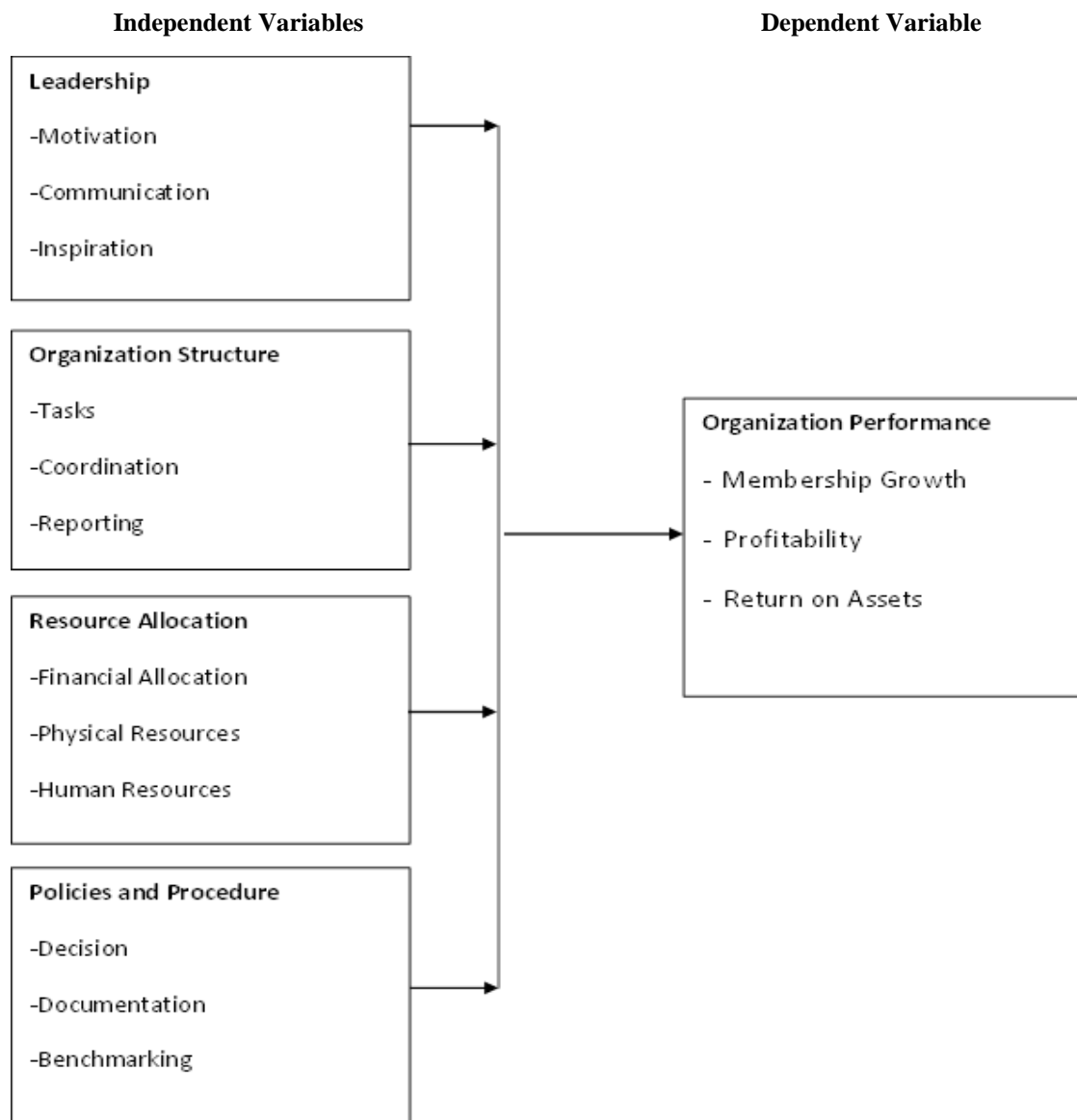
2. THEORETICAL REVIEW

Stewardship theory:

The theory has thus been framed as the organizational behavior counterweight to rational action theories of management since it holds that there is no conflict of interest between managers and owners, and that the goal of governance is, precisely, to find the mechanisms and structure that facilitate the most effective coordination between the two parties (Wells 2002). It also holds that there is no inherent problem of executive control, meaning that organizational managers tend to be benign in their actions (Pastoriza & Arinio 2006). The theory thus proposes that effective structures will assist the stewards to attain superior performance by their corporations to the extent that the CEO exercises complete authority over the corporation and that their role is unambiguous and unchallenged.

Contingency Theory:

The contingency approach to management has its roots in general systems theory and the open systems perspective. This open systems perspective views the complex organization as a set of interdependent parts that, together, constitute a whole which, in turn, is interdependent with the larger environment. The interactive nature of the elements within the organization and between the organization and the environment result in at least two open system characteristics that is central to the contingency approach. The principle of adaptation asserts that the elements within the system adapt to one another to preserve the basic character of the system. In addition, the principle of equifinality holds that a system can reach the same final state from differing initial conditions and by a variety of paths (Hahn, 2007).

Conceptual Framework:**Figure 2.1 Conceptual framework****Research gaps:**

Majority of studies on implementation of strategic plans in organizations have focused on public institutions such as secondary schools and local authorities. Empirical evidence of on implementation of strategic plans in financial institutions and especially in Saccos is scanty. This study is therefore necessary to enable understanding of implementation of strategic plans since Saccos are very important in the financial sector and economic growth. The study will therefore evaluate the effects of strategic plan implementation on the performance of deposit taking Saccos in Laikipia County.

3. RESEARCH METHODOLOGY

The research design used in this study was descriptive research design. The target population was all management and staff within deposit Saccos in Laikipia County. This included top managers, middle level managers and junior staffs with population of 155 employees. The sample size was 110 respondents out of a target population of 155 which was selected using stratified random sampling. The researcher used questionnaires as the research instrument to gather the relevant information needed related to the study.

Model:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where:

Y = Performance,

β = Beta

X_2 = Structure,

a = the constant ,

X_3 = Policies and procedures

X_1 = Leadership,

X_4 = Resources and e = error

4. RESULTS AND DISCUSSION

Regression Analysis:

Table 4.1: Regression coefficients of the relationship between performance of deposit taking SACCOs and the five predictive variables

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig
1	(Constant)	1.053	0.217		4.85	0.000273
	Leadership	0.682	0.149	0.613	4.58	0.000903
	Organizational structures	0.701	0.181	0.149	3.87	0.000153
	Policies & procedures	0.599	0.196	0.234	3.06	0.00026
	Resources allocation	0.763	0.091	0.138	8.39	0.000182

As per Table 4.1, the equation ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$) becomes:

$$Y = 1.053 + 0.682X_1 + 0.701X_2 + 0.599X_3 + 0.763X_4$$

Where Y is the dependent variable the performance of deposit taking SACCOs

X_1 – Leadership

X_2 - Organizational structures

X_3 - Policies & procedures

X_4 - Resources allocation

The regression equation above has established that taking all factors into account (leadership, organizational structures, policies & procedures and resources allocation) constant at zero performance of deposit taking SACCOs in Laikipia County will be 1.053. The findings presented also show that taking all other independent variables at zero, a unit increase in the Leadership would lead to a 0.682 increase in the scores of performance of deposit taking SACCOs and a unit increase in the scores of organizational structures would lead to a 0.701 increase in the scores of performance of deposit taking SACCOs. Further, the findings shows that a unit increases in the scores of Policies & procedures would lead to a 0.599 increase in the scores of performance of deposit taking SACCOs. The study also found that a unit increase in the scores of resources allocation would lead to a 0.763 increase in the scores of performance of deposit taking SACCOs in Laikipia County. Overall; Resources allocation had the greatest effect on the performance of deposit taking SACCOs, followed by organizational structures then leadership, while policies & procedures had the least effect to the performance of deposit taking SACCOs. All the variables were significant ($p < 0.05$).

5. CONCLUSION

The study concluded that that leadership is directly and positively associated with performance of performance of deposit taking Saccos. The study further concluded that there is a positive relationship between organizational structure and performance of deposit taking Sacco. Furthermore, the results of the regression model show that there is a positive relationship between Policies & procedures and performance of Sacco. Finally, the study concluded that there is a positive relationship between Resources allocation and performance of deposit taking Sacco.

6. RECOMMENDATION

- 1) Organizational communication plays an important role in training, knowledge dissemination and learning during the process of strategy implementation. To ensure success in strategy implementation and great performance of the organization, the study recommends a conducive environment to be created where all employees interact and share information freely
- 2) Policies and procedures help strategic leaders build credibility, demonstrate the value of strategies to the firm's stakeholders and promote and support strategic change. From this study well documented procedures on how employees in the organization are supposed to operate have not been highly emphasized and therefore it is highly recommended that deposit taking Saccos should effectively apply documented procedures to realize good performance
- 3) The study also recommend that deposit taking Saccos should develop and organize constant seminars and workshops to train and educate their employees on matters pertaining proper strategic implementation of policies and procedures to enhance their skills and expertise in their practice as professionals.

7. SUGGESTIONS FOR FURTHER RESEARCH

The study has investigated the effects of strategic plan implementation on the performance of deposit taking SACCOs in Laikipia County. The researcher suggests that it would be worth a study to identify if findings from this study are applicable to other Industries for instance manufacturing in Kenya to identify how they implement strategic plan in relation to performance.

REFERENCES

- [1] Adrian, T. Lewis, M. & Saunders, L. (2003). *Research Methods for Business studies*. (4th Edition). Hallow: Prentice Hall.
- [2] Al-Ghambi, S. A. (2005). *A software quality assurance tool. CSMR 190-191 Exploring Corporate Strategy*. (5th ed.). Harlow: Prentice Hall.
- [3] Amulyoto, C. N. (2004). *Strategy as Vehicle for Change in Organizational Training*. University of Nairobi, Nairobi: Unpublished PhD thesis.
- [4] Aosa, E. (1992). Management involvement, training and company effectiveness in an African context. *Journal of African Finance and Economic Development* 1(2). Fall.

- [5] Aosa, E. (1992). An Empirical Investigation of Aspects of Strategy Formulation and Implementation within Large Private Manufacturing Firms in Kenya. (Unpublished Doctoral Dissertation) University of Strathclade, Scotland - Great Britain.
- [6] Atkinson, E. (1997). Bringing income Distribution in from the cold. *Economic Journal, Royal Economic Society*, 107(441), 297-321
- [7] Avolio, B.J (2005). Organization behaviour, human resource management and strategy implementation system (AMCS).*Harvard Business Review*, 152-161.
- [8] Azhar, A., Ikram, S., Rashid, S., &Saqib, S. (2010). The Role of Leadership in Strategy Formulation and Implementation. *Society of Management and Human Resource Development 1(2)*.
- [9] Berkeley, A. (2005). Research skills for management studies. London, 2005.
- [10] Berman, E. A. (1999). Cortical networks sub serving per suit and saccadic eye movements in human: an *FMRI* study. *Human Brain mapping 8(4)*, 209-25.
- [11] Borvaird, A. H. (2009). Public Management and Governance: (2nd Edition). New York: Rutledge.
- [12] Bryman, A. & Bell, E. (2003) *Business Research Methods*, Oxford: Eng: Oxford University Press.
- [13] Byars, K. A. (1998-2-25). *The evolutionary origins of play revisited*. Cambridge: Cambridge University Press
- [14] Cassidy, A. (2006)*A Practical Guide to Information Systems Strategic Planning*.(2nd ed). Boca Raton, Florida: Auerbach Publications.
- [15] Chan, K & Renee, M. (2006).Strategy innovation and wealth. *America journal*, 5(2).
- [16] Chandler, A. D. (1962. Strategy and Structure. Garden City, N.Y: Doubleday. *Journal of Economic Studies*, 32(3), 20 – 24.
- [17] Collis, D. & Montgomery, C. (1998).Creating Corporate Advantage. *Harvard Business Review*,76(3), 71-83.
- [18] Daft, R. L. &Marcic, D. (2004).Understanding Management. Fort Worth: Harcourt College Publishers. *Journal of Economic Studies*, 36(3), 250 – 264.