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STRATEGY IMPLEMENTATION AND ORGANIZATIONAL EFFECTIVENESS OF COMMERCIAL BANKS IN MAKUENI COUNTY

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Abstract

Banking sector worldwide is undergoing many challenges and limited researches have been done on effect of strategy implementation on organizational effectiveness of commercial banks in Makueni County. This was adopted as the main objective of this research. Explanatory research design was adopted, target population was 15 branches of commercial banks in Makueni County where a total of 10 branches were selected. A total of 80 respondents were randomly selected. Primary data was collected by use of semi-structured questionnaire consisting of closed- ended questions. Data was analysed through descriptive and inferential statistics by using standard deviations, measures of central tendency and SPSS. Multiple regression model was used to assess the extent on which independent variables predicted the dependent variable. Data presentation was done using frequency tables and percentage used to analyse the proportions. The findings indicated that communication systems insignificantly effected on organizational effectiveness. Resource allocation insignificantly effected on organizational effectiveness. Leadership significantly and positively correlated with organizational effectiveness and monitoring was significantly and positively correlated with organizational effectiveness. Thus commercial banks management should consider this outcome for improvement organization effectiveness.

Keywords: Strategy implementation, organizational effectiveness, communication systems, resource allocation, leadership, monitoring

Introduction

Commercial banks play an important role in aiding economic and social progress at the global stage. Banking sector of every nation necessitates transactions, aids in saving and gives loans to help investors. Innocent (2015) argued that the health of nation's economy depends significantly on the wellbeing of its banking sector as a provider of oil for engines that drive economic growth and development vehicles. Globally, commercial banks have been struggling to attain high levels of organizational effectiveness and if they attain it, they do not maintain.

Globally, commercial banks play a vital role in the growth of economy which depend on banks effectiveness and attainment of goals in banking sector. The efficiency or inefficiency of commercial banks and the ineffectiveness or effectiveness always affect the economy. Worldwide banks contribute to growth of GDP of a country thus helping in increasing the productivity of economy. A study done in China by Chang (2017) shows that banks operate on a competitive environment and profitability of most banks is reduced meaning cost reduction through efficiency improvement is key.

Regionally, commercial banks act has an important source of capital although its inefficiency leads to poor effectiveness and performance. Environmental challenges have cultivated for banks to apply strategies to outweigh their competitors regionally hence becoming more effective and efficiency (Raphael, 2013). Banks are facing competitive threats, government regulatory within which banks operate it's a challenge. This has geared for innovative ways to achieve desired goals of the organizations.

In Kenya, commercial banks have been helping small and medium sized firms to raise enough capital for their start up by giving them affordable loans and providing easy payment services for customers such as mobile payments and mobile banking services (Muchira, 2013). According to study by Mbugua and Omagwa (2017), commercial banks in the county fail due to lack of good ways of implementing strategies that work in such a semi-arid area with poverty level of 64.1%.(Makueni). Odongo and Owuor (2015) assert that many organizations worldwide aim at good and successful implementation of strategies for proper organizational effectiveness. To ensure success in this process, firms must develop capabilities to manage threats and exploit new opportunities promptly.

Statement of the Problem

Business environment is coupled with rapid and continuous change on which business operates, this also applies in banking industry meaning strategy implementation is required to enable organizational effectiveness. Outdated monitoring and evaluation styles affects the process of implementation hence failure to attain set goals which need to be addressed (Musyoki, 2017). These challenges have led to ineffectiveness of commercial banks in Makueni County hence need to address these challenges. These challenges include poor communication systems, leadership, resource allocation and monitoring which have posed a threat in organizational effectiveness. Effective strategy implementation addresses the challenges hence organization effectiveness which is key (Namusonge, 2018, Gbow,2015).

Through a review of the existing literature, it was noted that less empirical work had been done to give a worthy solution to emerging challenges affecting organizational effectiveness. Therefore, it's important to prove whether strategy implementation effect on organizational effectiveness.

Research Objective

The general objective of the study was to investigate the effects of strategy implementation on organizational effectiveness of commercial banks in Makueni County.

Theoretical Literature

Balance Scorecard Model

Schneiderman of Analog Devices suggested the idea of balance scorecard in 1987 and was later expanded by two Harvard University faculty members, Kaplan and Norton (1990). The model was an idea of evaluating employees in order to improve organizational effectiveness and measure effectiveness in areas like the number of defects in production.

The improved model had evaluation categories: customer, learning and growth, financial and internal perspective that maps the objectives of organization's strategies. Balance scorecard model helps management to get appropriate feedback and monitor strategy implementation process to determine its strengths and weaknesses. It's also used by managers to communicate their strategies to employees to ensure that the set strategy initiatives are aligned with organization's business units (*Hossain et al.2017*). Firms are expected to use balance scorecard to measure current results of organizational effectiveness in contrast to other measurements which use past results to evaluate effectiveness such as past financial statements.

Awadallah and Allam (2015) criticizes the theory by stating that it does not support KPI's performance indicators which managers must use but concentrates on performance measures only. Critics believe BCS is unclear on how its measurements perspectives are related to organizational effectiveness.

Resource Based View

Resource based view was first introduced by Wernerfelt back in 1984, it was later improved by Barney (1990). The theory is based on the fact the firm's basis of competitive advantage over other firms producing similar products lies in its ability to apply valuable resources at its disposal. The resources considered in the theory must be scarce, valuable, strategically irreplaceable and imperfectly imitable. The resources are either tangible or intangible and key inputs for the firm which leads to effectiveness (*Wright et al.,2021*).

Resource that are difficult to imitate give competitors hard time when they try to duplicate them (Edward, 2014). The theory acts as a link between the organization and strategy implementation hence achievement of organization effectiveness. So firms should use the theory to evaluate whether the resources are uniformly distributed and controlled to allow effective and efficiency of resource allocation. The theory argues that firm's effectiveness often articulates on unique resources that cannot be easily substituted or imitated.

Critics of the theory argue that since it basis its application on the theory of competitive advantage over competitors, it's not technically applicable.

Higgins 8s Model

The model was developed in 2005 by Dr. Higgins which was an improvement of Mckinsey 7s framework. The model is used by firms to choose the most appropriate element that aligns with the firm's objectives to ensure organizational effectiveness.

The model is vital during strategy implementation process because it helps a firm adjust to improve effectiveness by use of the 8s's (Kagume & Njuguna, 2016). Huggins 8s model uses SWOT analysis techniques to evaluate the success of strategy implementation process and guides in evaluation process whereby the model aims at determining the most appropriate structure that firm should adopt (Chepkwei,2020). 8s model allows managers to monitor, in strategy execution and when aligned well during implementation enables organizational effectiveness.

Empirical reviews

Strategy Implementation and Organizational Effectiveness

Lu *et al*., (2018) describes strategy implementation as the process of executing plan and strategies with an aim of attaining organization's long-term goals with an aim of gaining competitive advantage over competing firms. Organizational effectiveness (OE) is how a firm can meet its set objectives and the way in which organization measures its productivity or profits at the same time attaining its goals. Abston and Stoult (2006) assert that it's the achievement of set goals within the organization. The two elements are very critical in any business environment since the enable achievement of goals.

Mucheke and Phiri (2021) researched on effects of effective communication on organizational performance based on the systems theory in Zambia. Quantitative approach was used to describe and analyse data collected with an aid of a questionnaire. Descriptive analysis and Pearson correlation were used to analyse the results where findings showed statistically significant relationship between management and channels of communication used. It was noted that effective communication has a positive effect on organization performance. Communication is essential to an organization and its growth because it aids in achieving objectives when implementing activities which are of great importance in achieving organizational effectiveness. Effective communication helps organization to meet its aims and objectives during strategy implementation process.

A study by Gitau, Abayo and Kibuine (2020) on influence of organization resource allocation and strategy communication on organizational performance of supermarkets in Nairobi County, Kenya. Multiple regression model was used. Results showed that resource allocation has positive and significant effect on organizational performance and most of the supermarkets embraces resource allocation as aspect of strategy implementation. Resource allocation supported this study because it is key in organizational achievement of objectives since it acts as a link between all activities. Financial and human resources, technology resources was important in strategy implementation so there is need to allocate resources well if good strategies are to be implemented.

Omollo, Christopher and Onyango (2017) Carried a study on determining the effects of resource allocation on the performance of South Nyanza Sugar Company ltd, Kenya. Design used was descriptive research and stratified random sampling & purposive sampling techniques were applied. Findings showed that resource allocation had very significant implications on the ability and pace of strategic plan implementation where majority had opinion that resource allocation had influenced on success of the process. The researcher achieved a response rate of 91.2%. The findings are useful because they enable the organization to reorganize its strategy in the implementation process and strengthened the existing resource allocation programs to attain organizational effectiveness.

A study conducted by Dubow and Kilika (2017) sought to determine the relationship between leadership/management styles on strategy implementation on SMEs in Nairobi City County, Kenya. Design employed was descriptive research, sampling was done through stratified/ random sampling procedures.

According to study results, it was established that SMEs had suitable management styles which registered successful strategy implementation. Increased operational efficiency helps a bank to increase its market share and profits so commercial banks need to adopt suitable management styles during strategy implementation for better organizational effectiveness. Leadership impacts a lot on organizational effectiveness and proper leadership increases employee's morale. So managers need to embrace good leadership during strategy implementation in order to achieve organizational effectiveness.

Marion and Atambo (2019) conducted a study to determine the effect of monitoring and evaluation practices on organizational effectiveness of Sugar Companies in Kenya. The researchers used case study research design, the study established that regression model had a significance level of 0.1% thus it was concluded that OE was highly dependent on proper monitoring and evaluation. The study revealed that monitoring practices affect organizational effectiveness implying it's crucial in OE. This implies that proper monitoring procedures need to be applied during strategy implementation for better organizational effectiveness which leads to profitability.

Research by Muthinja and Chipeta (2018) asserts that, the most important elements of strategy implementation include organizational leadership, resources allocation, monitoring and communication systems. This study asserts that organizational leadership leads a company towards better implementation of strategies through allocating resources to every activity and minimizing risks in the strategy implementation process. The management must monitor the effectiveness of the implementation plan at very stage and evaluate the projected effect of the implementation on the overall organization effectiveness of the firm.

Organizational effectiveness occurs when customers are satisfied and the bank gets profits from its operations. Most banks measure their organizational effectiveness by customer satisfaction surveys and profitability growth data (McDonald & Mouncy, 2011). Profitability and organizational effectiveness depend on the ability to mobilize sufficient resources towards implementing strategy which all management of commercial banks must engage on to embrace organizational effectiveness.

Conceptual Framework

Conceptual framework is a set of broad ideas taken from the most appropriate fields of enquiry and used to structure a subsequent presentation of the research variables. The study used the conceptual framework to answer the research questions. The independent variable was strategy implementation measured by communication systems, resources allocation, leadership and monitoring. The dependent variable was organizational effectiveness measured by technology adoption, profitability growth and customer satisfaction.

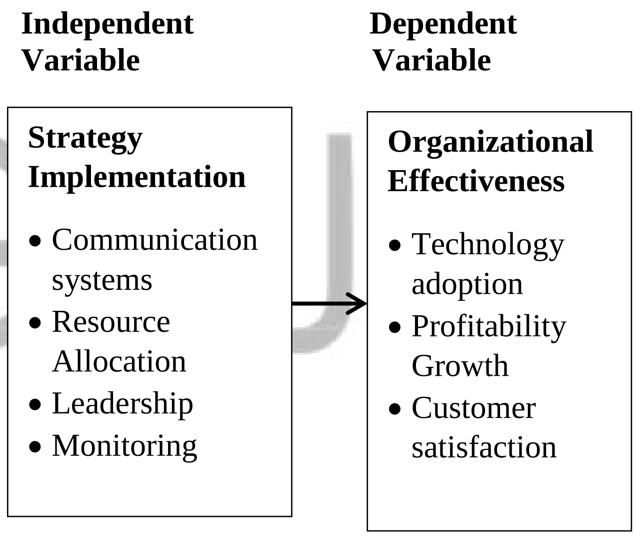

Figure 2.1 Conceptual Framework

Source: Researcher, (2022)

Research Methodology

Research design is the overall strategy used by the researcher to integrate different study component logically (Jilcha,2019). Descriptive cross-sectional design was adopted in this study. The research design was adopted to investigate the relationship between variables in order to understand the current phenomenon. The target population was 10 branches of commercial banks where 101 employees were targeted. Yamane (1967) formula was used to determine the sample size where 80 respondents were selected using simple random sampling method. Primary data was collected through administering semi-structured questionnaires. The study adopted descriptive and inferential statistics to analyse data in order to determine the relationship between the study variables. Multiple regression model was adopted to show the variance between the two variables.

The regression model applied was as follows:

$$Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where :-

Y= Organizational effectiveness in commercial banks in Makueni County

β_0 = constant

β_1 , β_2,β_3 and β_4 = regression coefficients

X_1 = Communication

X_2= Resource allocation

X_3= leadership

X_4= Monitoring

e = Error Term

Research Findings and Interpretation

Descriptive Statistics

Strategy Implementation

The study sought to ascertain from the participants in a scale of 1 – 5, the extent to which numerous statements relating to strategy implementation were applicable in their organization. The findings were as shown in Table below

Strategy Implementation

Categories	**Mean**	**SD**
The level of feedback given by respondents in regard to communication systems	2.09	0.52
The average score given by respondents on resource allocation	2.52	0.68
Respondents response regarding leadership in regard to strategy implementation	1.96	0.55
Feedback of respondents on how monitoring is undertaken in their firm.	2.49	0.73
Average Score	**1.64**	**0.60**

Source: Researcher (2022)

The attributes with the least average score under strategy implementation measurement was the attributes describing leadership (M = 1.96, SD = 0.55) which is the lowered compared to other attributes. This signifies that respondents agreed that leadership had an effect on organizational effectiveness. The statement with highest average score was the resources allocation attributes which exceeded the composite score in strategy implementation (M = 2.52, SD = 0.68). This indicates that strategy implementation is vital because the evidence is majority of respondents agreed.

Organizational Effectiveness

The empirical inquiry sought to establish from the participants, in a scale of 1 – 5, the extent to which numerous attributes relating to organizational effectiveness were applicable in their firms. The responses were as documented in the Table below.

Organizational Effectiveness

Categories	**Mean**	**SD**
Technology adoption metric average score for the four statement/attributes	1.80	0.72
Level of feedback regarding customer satisfaction in regard to organizational effectiveness	2.04	0.69
Level of profitability growth attributes outcome	1.89	0.67
Average Score	**1.91**	**0.69**

Source: Researcher (2022)

The attributes with the least average score under the organizational effectiveness measurement was the attributes of technology adoption which had (M = 1.80, SD = 0.72) which was less than the composite score (M = 1.91, SD = 0.69) meaning that participants agreed that technology was largely influenced by strategy implementation. The uppermost average score was the attributes of customer satisfaction (M = 2.04, SD = 0.69) implying that the attribute was greatly influenced by strategy implementation.

Inferential Statistics

The principal objective of the study was to examine the influence of strategy implementation on organizational effectiveness of commercial banks in Makueni. The predictor variables under study were communication systems, resource allocation, leadership and monitoring. The response variable is organizational effectiveness which was measured in terms of technology adoption, customer satisfaction and profitability growth.

Strategy Implementation and Organizational Effectiveness

Table below tabulates the model summary estimation process carried out based on the specific objectives of the study.

Summary of the Model

Model	**R**	**R^2**	**Adj. R^2**	**MSE**
1	0.55	0.73	0.72	0.32

Source: Researcher (2022)

Predictor: (Constant), CS = customer satisfaction, RA = resource allocation, LD = leadership, MON = monitoring

Table 4.11, Based on the tabulation, the adjusted coefficient of determination (R^2) indicate that 72% of disparity in organizational effectiveness is jointly described by communication system, resource allocation, leadership and monitoring while 28% is explained by other factors overlooked in this study.

Analysis of Variance (ANOVA)

Source	**SS**	**df**	**MS**	N = 76
Model	20.49	4	5.12	F (4, 71) = 48.59
Residual	7.49	71	0.10	Prob> F=000
Total	27.99	75	0.38	

Source: Researcher (2022)

Dependent Variable: Organizational Effectiveness

Predictor: customer satisfaction, RA = resource allocation, LD = leadership, MON = monitoring

The findings indicated that, the overall regression model produced is statistically significant in predicting the link between the two variables {F (4,71) = 48.59, p< 0.05}. This means that the empirical data employed was perfect for the conclusions obtained.

Regression Coefficients

OE	**Coefficient**	**SE**	**t**	**p**
Constant	-0.25	0.17	-1.46	0.15
CS	0.08	0.11	0.70	0.48
RA	0.14	0.09	1.50	0.14
LD	0.47	0.10	4.86	0.00
MON	0.29	0.09	3.38	0.00

Source: Research Findings (2022)

Dependent variable: Organizational Effectiveness

Predictor: CS = customer satisfaction, RA = resource allocation, LD = leadership, MON = monitoring

Table 4.11, The findings suggest there was an insignificant influence of communication systems and organizational effectiveness ($\beta = 0.08$, $t = 0.70$, $p = > 0.05$). Organizational effectiveness was insignificantly predicted by resource allocation ($\beta = 0.14$, $t = 1.50$, $p = > 0.05$). Leadership was a significant predictor of organizational effectiveness ($\beta = 0.29$, $t = 3.38$, $p = < 0.05$).

Finally, it was confirmed that monitoring positively and significantly influenced organizational effectiveness ($\beta = 0.29$, $t = 3.38$ $p = < 0.05$). This suggests that a unit increase in communication systems, resource allocation, leadership and monitoring contributes to an equivalent improvement in organizational effectiveness.

The final predictive model is as stated below;

$$\mathbf{Y= -0.25 + 0.08X_1+ 0.14X_2 +0.47X_3 + 0.29X_4}$$

The findings of the current study largely coincide with those of Dubow and Kilika (2017) who established that exceptional leadership approach usually leads to enhanced customer satisfaction as well as notable improvement in firm efficiency, The upshots of this agree with those of Nathur *et al*. (2010) who reported that leadership style plays a significant role in enhancing organizational effectiveness.

The current study resonates well with those of Marion and Atambo (2019) who concluded that monitoring practices have a great significant influence on organizational effectiveness.

The outcome of this study concur with those of Kaberia (2019) who documented that monitoring and evaluation positively impacts the organizational effectiveness.

The outcome of this study reflect those of Wachamba (2013) who reported that monitoring and evaluation positively influences organizational effectiveness.

The findings of the study contradict with those of Sadiq (2019) who confirmed a positive linkage between financial resources and organizational effectiveness.

Conclusion and Recommendation

The main findings from this study established that, the adjusted coefficient of determination (R^2) indicate that 72% of disparity in organizational effectiveness is jointly described by communication system, resource allocation, leadership and monitoring while the remaining 28% is explained for by other factors overlooked in this study.

The results further confirmed that the overall regression model produced is statistically significant in predicting the nexus between strategy implementation and organizational effectiveness.

The study concludes that communication systems in form of chain of command, technology and innovation had no influence on the organizational effectiveness. Also resource allocation is not an important predictor of organizational effectiveness since the results indicated that organizational effectiveness was insignificantly predicted by resource allocation.

The study concluded that leadership is vital in enhancing organizational effectiveness and monitoring in form of evaluation, control and feedback is essential in determining organizational effectiveness.

The study makes an array of noteworthy recommendations in regard to theory enrichment, management practice and policy implication. Also academician, scholars and other practitioners in strategic management field should adequately consider the empirical evidence offered by the present study to further their research interests.

The study recommends that the management of the commercial banks should utilize the results for guidance in strategy implementation process and its potential effect on organizational effectiveness.

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