

# Influence of Strategic Management Process on Trans-Nzoia Teachers Sacco Performance

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**Abstract-** Strategic management is the decision process that aligns the organizations' internal capacity with the opportunities and threats it faces in the environment and is also an approach of specifying an organization's objectives, developing strategies to achieve objectives and allocating resources to implement the strategies. Strategic management can be seen as a combination of strategy formulation, implementation and evaluation. Trans-Nzoia Teachers Sacco has undertaken strategic management process since 2005 with the aim of positioning the Sacco in the ever changing competitive business environment. No study has been done to a certain the effectiveness of the strategic management process on any organization hence the purpose of this study was to establish the influence of strategic management process (comprising of environmental factors, strategy formulation and strategy control and monitoring) on Trans-Nzoia Teachers Sacco performance. The specific objectives of the study were to establish the influence of environment on Trans-Nzoia Teachers Sacco performance, establish the influence of strategy formulation on Trans-Nzoia Teachers Sacco performance, and establish the influence of strategy Control and monitoring on Trans-Nzoia Teachers Sacco performance. The study was based on Trans-Nzoia Teachers Sacco, the theories reviewed were profit maximizing, Competition based, resource based, survival based, contingency and system perspective theories. Descriptive research was carried out simple random sampling method was used. The target population was 3452 consisting of the board, Members and employees of Trans-Nzoia Teachers Sacco Society limited., stratified random sampling method was used to select the sample size of 44 . The questionnaires were used to collect data from the respondents. Stepwise multiple regressions was used to analyze the data and identify predictors of Sacco performance. The main findings of the study were that the research variables of environment, strategy formulation and strategy control and monitoring had positive effect on Sacco performance and directly influence the Sacco performance.

**Keywords-** Strategic Management; Trans-Nzoia Teachers; Descriptive Research

## 1. INTRODUCTION

Strategic management is one of the organization development approaches that is widely used by many business enterprises in Kenya to define their future, it is viewed by many people as the process of formulating and implementing strategies to accomplish their long-term goals and sustain competitive advantage. Strategic management is a systematic approach to a major and increasingly important responsibility of general management to position; and relates the firm to its environment in a way which will ensure its continued success and make it secure from surprises (Ansoff, 1987). In strategic management we are concerned with important aspects that may affect the welfare of the organization in the long run; the business environment is characterized by chaos, complexity, dynamism turbulence and uncertainty. It is the decision process that aligns the organizations' internal capacity with the opportunities and threats it faces in the environment (Needle, 2004). The business owner or manager plays an important and perhaps a crucial role in small and medium-sized firms when it comes to the formulation of a firm's strategy. The business owner/manager is responsible for the strategic decisions of

the company. The owner/manager's competitive development and personal goals determine the understanding and use of strategic management and planning (Postma and Zwart, 2001). The strategy is often strongly influenced by the distinct competencies and unique knowledge of the owner/manager. Strategy and strategic vision create a clear direction for the company and this proves to be an important input for firm policy and operational decisions (Philipsen and Kemp, 2003). Within small and medium-sized firms the strategy remains often implicit, top-down, informal and intuitive (Mintzberg, 1989). This is because of the important role of the business owner/manager. The owner/manager is usually the person who has the vision. Often, this vision is not disseminated throughout the organisation. Nevertheless, small and medium-sized businesses will probably have a better performance if they set up a clear strategy and if that strategy is dispersed throughout the organisation. With a clear and communicated strategy, employees can take decisions with that strategy in mind. Strategic management in co-operatives is necessary for managing the relationship between a co-operative organization and its environment. A good strategy is one that will enable a co-operative society to effectively match its capabilities

with the environment i.e. matching the organizations' strengths and weaknesses to the environmental opportunities and threats. The relationship between the cooperative organization and the environment should therefore, be managed carefully because all organizations, without exception are environment serving or environment dependant (Needle, 2004). They depend on the environment for their survival and prosperity. In order to achieve an effective relationship with the environment, the organization should operate as an open system in which it takes in inputs from the environment, processes them into outputs which it gives back to the environment and from which it should receive feedback to complete the model (Cole, 2004). In Kenya, co-operatives form an integral part of economy. They are democratically controlled enterprise designed to meet the social and economic needs of their members and operate across all sectors of the economy. Co-operatives have proved to be effective tools for mutual self-help by allowing people to work together towards common goals. This in turn helps develop social cohesion by promoting trust and equity among citizens. The cooperative movement has helped thousands of disadvantaged people and communities to create effective solutions to social and economic challenges. In 1990's however, there was a noticeable decline in the overall performance of co-operatives. The decline has been associated partly to the general economic stagnation and partly to the adoption of liberalization policies. As at December 2010 there were 13,256 registered co-operatives in Kenya of which 6,267 are Sacco's, 4,686 are Agricultural, 103 Unions and 8467 non agricultural Co-operatives (Ministry of Co-operatives Annual Report,2010). In Kenya co-operatives are categorized as Agricultural, Financial, Settlement, Investment, Housing ant consumer, each category denotes the purpose of formation. This study focused on Trans-Nzoia Teachers Sacco Society Limited a financial co-operative society.

## **2. STATEMENT OF THE PROBLEM**

Modern competitive and dynamic business world has pressurized organizations irrespective of their orientation, to position themselves in a way that enables them, not only to remain in the market but also achieve their core objectives. According to Peace and Robinson (2007) core areas of an organization involve determination of mission, development of profile that reflects internal conditions and capabilities, understanding the external environment, identification of strategic fit and developing strategies to achieving the organization vision and mission. The Co-operative movement has played an important role in the socio- economic development in Kenya, is estimated that co-operative societies provide a source of livelihood to 63% of Kenyans directly or indirectly (Session paper No.6 of 1986). However, there has been a decline in the overall performance in the sector attributed to the adoption of liberalization policy which affected the way in which co-operatives societies are governed. Co-operatives operate in

a highly changing competitive environment; new products are introduced in the market daily, changing legal framework and rising interest rates which has made co-operatives to experience major governance problems such as inadequate leadership and management capacity, participation of members/ co-operators in the governance of the society, education and training to society stakeholders, human resource capacity, policies and procedures , inadequate returns to shareholder, delayed loans or payments to the members. To survive in such a competitive environment many Co-operatives adopted strategic management process to adjust their strategies. Trans-Nzoia Teachers Sacco Society Limited adopted Strategic management process from 2007 to mitigate against its poor performance due to ever changing business environment. Therefore there is need to carry out research to establish whether the adopted strategic management process has had any influence on Trans-Nzoia Teachers Sacco performance.

## **3. RESEARCH OBJECTIVES**

The General objective of the study was to establish the influence of strategic management process on Trans-Nzoia Teachers Sacco performance. The specific objectives of the study were;

- To establish the influence of environment on Trans-Nzoia Teachers Sacco performance.
- To establish the influence of strategy formulation on Trans-Nzoia Teachers Sacco performance.
- To establish the influence of strategy Control and monitoring on Trans-Nzoia Teachers Sacco performance.

## **4. RESEARCH QUESTIONS**

The following research questions guided the study;

- i. What is the influence of environment on Trans-Nzoia Teachers Sacco performance?
  - What is the influence of strategy formulation on Trans-Nzoia Teachers Sacco performance?
  - What is the influence strategy control and monitoring on Trans-Nzoia Teachers Sacco performance?

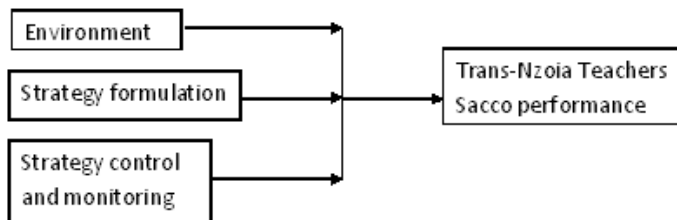
## **5. SIGNIFICANCE OF THE STUDY**

The study sought to establish the influence of strategic management process on Trans-Nzoia Teachers Sacco performance. Strategic management will help Co-operatives to balance the stakeholders interest in resource allocation and therefore develop strategies to enable them achieve their vision and mission. The study was important because it enabled Co-operatives to examine their environmental forces and develop their competitive advantage strategies. The result of the study will be made available and to all Co-operatives in Kenya for improving management and governance issues in Co-operatives. The study report will also help the Government in formulating policies that will guide Co-operatives to go through the changing Business environment.

The findings of this study provides Co-operatives with knowledge that enables them to understand the strategic Management strategies that are effective in the market operations and to use the knowledge as a road map that guides them to survive in a competitive environment. Furthermore scholars can use the information for reference and further research in understanding the competitive scope in the Co-operative movement. Future and current members and stake holders in the Co-operative movement can use this information to understand the forces that govern the movement and prior preparation that could be made before any strategic management process is undertaken.

## 6. CONCEPTUAL FRAMEWORK

The research adopted a conceptual framework where influence of strategic management process was taken as an independent variable while Trans-Nzoia Teachers Sacco performance was itemized as dependent variable. These are illustrated in the figure 1.1.



## 7. RESEARCH DESIGN AND METHODOLOGY

The study employed the descriptive research method. Gay (1981) defines descriptive research as a process of collecting data in order to answer questions concerning the current status of the subjects in the study. The study was descriptive because it adopted a case study involving a combination of qualitative and quantitative research methodology and was relevant in the process of data collection from the Sacco (Cohen and Manion, 1974; Nachmias and Nachmias, 2006; Kerlinger, 2000). Both qualitative and quantitative information was collected so that each supplemented the other to minimize subjectivity and enhance objectivity. Qualitative information includes, design, techniques and measures that do not produce discrete numerical data while quantitative information includes designs, techniques and measures that discrete numerical data (Mugenda & Mugenda ,2006).

## 8. TARGET POPULATION

Researcher focused on influence of strategic management process on Trans-Nzoia Teachers Sacco Society Limited performance. Data from the society showed that there are 3427 members, 9 board members and 16 employees giving a target population of 3452.

Probability sampling technique was employed in this study to target a representative of the target Population. Simple random sampling technique was used to select the sample. According to Kombo and Tromp (2006), the aim of simple random sampling was to yield data that can be generalized to a larger population.

In social science research, the following formula was used to determine the sample size:

$$n = \frac{Z^2 pq}{d^2}$$

$$nf = \frac{n}{1+n/N}$$

Therefore,  $nf = \frac{45}{1 + \frac{45}{3452}} = 44.4 \therefore 44$  Respondents

The researcher used Self-administered questionnaires instrument for data collection.

## 9. DATA ANALYSIS RESULTS

The first research question sought to establish the influence of the environment on Trans-Nzoia Teachers Sacco Performance. To address this question, multiple regression analysis was conducted at the 5% level of significance. Results of this analysis are presented in Table 1 in Annexure. Results of the stepwise multiple regression analysis presented in Table 1 indicate that the four control variables (age, gender, duration of membership, and qualification) were not significant predictors of Trans-Nzoia Teachers Sacco performance and accounted for only 3.7% of the variance in Sacco performance ( $R^2 = 0.037$ ) as further shown in the model summary. On adding the independent variables (environment, strategy formulation, and strategy control and monitoring), the  $R^2$  of Sacco performance increased to 0.362 indicating that the three independent variables contributed an additional 32.5% to the variance in Sacco performance. The three factors, environment ( $\beta = 0.391$ ,  $p=0.022$ ); strategy control and monitoring ( $\beta= 0.438$ ,  $p=0.005$ ); and strategy formulation ( $\beta=0.343$ ,  $p=0.008$ ) were found positively and significantly predict Sacco performance. In addition, the variance inflation factors (VIF) were less than 2.0 which show that there was no threat of multi-collinearity. The study therefore developed the following analytic model for predicting Sacco performance. Sacco performance =  $10.106 + 0.391$  Environment +  $0.343$  Strategy formulation +  $0.438$  Strategy control and monitoring.

## 10. SUMMARY OF FINDINGS

The first research objective sought to establish the influence of environmental factors on Trans-Nzoia Teachers Sacco performance. By first assessing respondent's perceived influence of both the internal and external environments, the study established that the external environment (with particular reference to economic factors as well as regulations put forth by DCO and SASRA) together with the internal environment (with particular reference to employee welfare) had an effect on



Sacco performance. Multiple regression results further revealed that the environment was a positive and significant predictor of Sacco performance. Research objective two sought to establish the influence of strategy formulation on Trans-Nzoia Teachers Sacco performance. Results of an analysis of the extent of strategy formulation at the Sacco revealed that the Sacco formulates strategies in line with the requirements of strategic planning in mind. Besides, through multiple regression analysis, the study further established that strategy formulation directly influenced Sacco performance. The third research objective of the current study sought to establish the influence of strategy control and monitoring on Trans-Nzoia Teachers Sacco performance. An assessment of respondent's perceptions of the extent of strategy control and monitoring at the Sacco revealed that in an effort to control and monitor strategy, the board of management is proactively involved in strategy implementations, development of policies and manuals to guide strategy implementation. The multiple regression analysis further revealed that strategy control and monitoring directly and significantly influences performance of the Sacco.

## 11. CONCLUSIONS

Results of the stepwise multiple regression analysis presented in Table 1 indicate that the four control variables (age, gender, duration of membership, and qualification) were not significant predictors of Trans-Nzoia Teachers Sacco performance and accounted for only 3.7% of the variance in Sacco performance ( $R^2 = 0.037$ ) as further shown in the model summary. On adding the independent variables (environment, strategy formulation, and strategy control and monitoring), the  $R^2$  of Sacco performance increased to 0.362 indicating that the three independent variables contributed an additional 32.5% to the variance in Sacco performance. The three factors, environment ( $\beta = 0.391$ ,  $p=0.022$ ); strategy control and monitoring ( $\beta=0.438$ ,  $p=0.005$ ); and strategy formulation ( $\beta=0.343$ ,  $p=0.008$ ) were found positively and significantly predict Sacco performance. In addition, the variance inflation factors (VIF) were less than 2.0 which show that there was no threat of multi-collinearity. The study therefore developed the following analytic model for predicting Sacco performance. Sacco performance = 10.106 + 0.391 Environment + 0.343 Strategy formulation + 0.438 Strategy control and monitoring. On the basis of the findings reported above, the study drew conclusions that Trans-Nzoia Teachers Sacco like other organizations operates under changing environmental factors that are both internal and external. These factors represent the

Sacco's operational environment and have a direct bearing on the SACCOs performance. The Sacco formulates strategy with strategic planning requirements in mind. Strategy formulation does have a direct influence on the Sacco's performance. The Sacco's board of management is involved in controlling and monitoring strategy formulation and implementation which impacts positively on the Sacco's performance.

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ANNEXURE

TABLE 1

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error				Beta	Tolerance
1 (Constant)	38.197	6.553		5.829	.000		
Age	-.997	1.718	-.125	-.580	.565	.581	1.723
Gender	-.569	1.988	-.047	-.286	.777	.977	1.023
Membership duration	.230	1.429	.035	.161	.873	.581	1.720
Qualification	-1.172	1.118	-.175	-1.049	.301	.958	1.044
2 (Constant)	10.106	10.560		.957	.346		
Age	-2.607	1.543	-.326	-1.689	.101	.520	1.923
Gender	.826	1.738	.069	.476	.638	.925	1.081
Membership duration	.748	1.235	.112	.606	.549	.563	1.775
Qualification	-1.624	.996	-.243	-1.631	.112	.873	1.145
Environment	.239	.099	.391	2.412	.022	.734	1.363
Strategy formulation	.205	.176	.343	2.251	.008	.659	1.517
Strategy Control and monitoring	.332	.193	.438	2.721	.005	.500	2.002

a. Dependent Variable: Sacco Performance