



RELATIONSHIP BETWEEN STRATEGY FORMULATION AND PERFORMANCE OF PUBLIC ORGANIZATION IN ISIOLO COUNTY GOVERNMENT

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Abstract:

Strategic formulation is a management tool for measuring negotiated performance targets. It is a freely negotiated performance agreement between the government, acting as the owner of public agency on one hand, and the management of the agency on the other hand. The County government strategies are anchored on the Kenya Vision 2030. In revising their strategies, the County government needs to employ participatory approach, relying on the consensus of stakeholder groups, including civil society, the private sector and donor partners. The study focused on Isiolo county government. This is because the county government has been formulating and implements their strategies for the period of 3 years. The study involved all the management employees who include head of department of the county government. There were 63 managerial staff who were involved in the study. The study adopted descriptive research design. The study adopted a census sample design since the target population was manageable and the respondents were within systems that can be accessed easily hence the sample size which was 63 respondents. The questionnaire was used to collect the data from the sample. Descriptive statistics which includes frequencies and percentages were used. Pearson correlation was used in hypothesis testing. The analyzed data was thereafter be presented for better comparison using tables. The study concludes that successful formulation of strategic plan has taken root among the County governments. The study concluded that there no leadership training that equips leaders on strategic plans formulation. The study recommends that the leadership should provide the required

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support to ensure that strategic plans formulated influences the county government performance.

JEL: D73, H83, J88

Keywords: relationship, strategy formulation, performance, public organization, county government

1. Background of the Study

According to Hilmer (2011), strategic formulation is a management tool for measuring negotiated performance targets. It is a freely negotiated performance agreement between the government, acting as the owner of public agency on one hand, and the management of the agency on the other hand. The strategic formulation specifies the mutual performance obligations, intentions and the responsibilities of the two parties. Similarly, it also addresses economic/social and other tasks to be discharged for economic or other gain. It organizes and defines tasks so that management could perform them systematically, purposefully and with reasonable probability of achievement.

According to a study done by Yabs (2010) on strategy formulation in Indian public organizations found that well developed strategy has led to increased performance in the organization. The study also found that strategies in public organizations are formulated in three levels that is; corporate, business and functional level. At corporate level, strategies are formulated by the top level management or the board of directors. At business level strategies are formulated by middle level managers for example; human resource manager, marketing manager, production manager among others (Tapinos et al., 2005).

2. Statement of the Problem

The strategy in County governments is guideline for ensuring development effectiveness and it is aimed at aligning the County government development priorities, expected outcomes and general results, with budget levels. The County government strategies are anchored on the Kenya Vision 2030. In revising their strategies, the County government needs to employ participatory approach, relying on the consensus of stakeholder groups, including civil society, the private sector and donor partners. As a County government requirement, strategies have to be linked to the medium term

expenditure framework's budget process; as well as to human resource planning. This will ensure both financial sustainability and human capacity to facilitate successful adoption and implementation of strategies formulated by County government. The County government strategies are developed as a means of enhancing results based performance management and efficiency in their operations. Ideally, these strategies should provide direction in regard to resource targeting and program implementation (GoK, 2012).

However, there have been concerns expressed by the stakeholders and a big proportion of the public and the ministry of devolution over the relationship between the strategies and performance in County government. (Ministry of Devolution, 2014). This gap between the strategy formulation and the performance of county government has been exemplified by low delivery of services in the County government and slow implementation of government policies and programs leading to hue and cry from the stakeholders both internal and external. Despite the Isiolo County government having formulated strategies, the county performance is still below the public expectations. It is in line with this statement, the study wants to evaluate the relationship between strategies formulation and performance in County government.

2.1 Specific Objectives

The specific objectives were:

1. To determine the influence of leadership support on performance in Isiolo County government.
2. To determine the influence of government policies on performance in Isiolo County government.
3. To find out the influence of employee skills on performance in Isiolo County government.
4. To establish the influence of organization structure performance in Isiolo County government.

2.2 Research Hypothesis

The study was guided by the following hypothesis;

H₁: There is a relationship between leadership support and the performance of public organization.

H₁: There is a relationship between government policies and the performance of public organization.

H₁: There is a relationship between employee skills and the performance of public organization.

H₁: There is a relationship between organization structures and the performance of public organization.

2.3 Scope of the Study

The study focused on Isiolo county government. This is because the county government has been formulating and implemented their strategies for the period of 3 years. The study involved all the management employees who include head of department of the county government. There were 63 managerial staff who were involved in the study.

3. Resource Allocation Theory for Strategy Formulation

According to Fry (2005), resource has been defined as assets tied semi-permanently to firms and includes tangibles and intangibles. The central proposition is that the way the resources are allocated in the firm shapes the realized strategy of the firm. Understanding the resource allocation process allows one to understand how strategy is made. The processes that lead to strategic outcomes are remarkably stable even as environments change. Despite the complexity of the process, many of the forces can be managed if they are understood. The process of resource allocation is intimately connected to strategy.

Kamau (2006) argues that resource allocation process is a complex, simultaneous, dynamic, multilevel and multirole phenomenon. Capital allocation decisions were made as a part of this complex process by managers who may have conflicting roles and often are at the middle level of the organizational hierarchy. It also showed that structural context shaped the strategy. The process of resource allocation is also influenced by the strategic context. Resource allocation is an iterative process and is a bottom up process. Bounded rationality prevents any single individual from collecting and processing all relevant knowledge for an optimal decision. Bottom up process relieves the top management of the need to collect all information and processing it to make a decision. This is done by distributing the decision rights to managers who possess the relevant specific knowledge. Further, these managers have the incentive to define and support successful projects to the extent they are in line with their incentives and rewards

4. Review of Related Literature

Jonminerich (2008) found that in public organization there is leadership support which is a set of behavior that enforces the people to formulate the organizational goals and

then motivate them to jointly contribute in order to achieve organization's goals. Basically, leaders play a vital role in the decision making to ensure efficacy and success of the organization. According to study done by Ashim (2008) on strategy formulation and implementation in public organization, it was recommended that a leader should be supportive in order to guide subordinates and treat everyone equally without any discrimination, appreciate every one's involvement in the formulation of strategy.

Qamar & Khalid (2011) in their study on leadership and management equip with training and to build strong relationships within the whole organization in both vertically and horizontally for the success of strategy formulation. This study found that many failures in the strategy formulation occur due to poor leadership styles. The study recommended that leaders should involve everyone in the strategic management process because it is positively related with overall performance. Loren and Matthew (2008) argue that commitment of the leader that helps to achieve the strategic vision in every organization. Most importantly, leaders' objectives should be integrated with the organization's strategic goals and objectives to be champion. Leadership should have a clear mental approach about the need of change and organization's capabilities.

Mbue (2009), policies issued by the government may not necessarily support the implementation of strategic plan implementation. Ouma (2011) argued that it was found there is rigidity in public organization policy formulation and this resulted to delay in the implementation of strategic plans. Most public organizations rely much on policies cascaded from the top authority in order to implement the strategic plans. According to Wong (2010), the county governments are a creation of the constitution and are guided by an Act enacted in parliament with the prime responsibility to county affairs in Kenya.

Zarruk (2008), delays in formulating friendly and supportive strategies will always make strategies implementation to fail. In his study, he recommended that the government should give authority to managers in the ground to formulate policies that they consider necessary for strategic implementations. However, all these policies have to be in line with the legal framework set by the government and help in realizing the mandate of the organization as provided by the Act or by any other written law.

Employee's know-how is useful in formulation of strategic plans and where an organization does not have qualified manpower, she will be forced to outsource. Drucker (2009), states that the first managerial skill is the making of effective decisions. These decisions help one to know what strategic plan should contain. Dandira (2011) is of the opinion that the firm must appoint an executive committee which have a vision and a dream beyond everybody in the organization, and which is driven by results. For the organization to be able to formulate strategies effectively, it must have the necessary

manpower that possess effective communication skills, interpersonal skills, professional skills and ability to scan an environment in order to be able to predict future events.

Dandira (2011) is of the opinion that communication should cascade from top to bottom of the firm so that all employees are kept in the light on how the strategic plan is being conceived and what is required of them. This means that managers should not hold back any information in their possession which can be helpful in strategic planning. The professional skills are necessary in strategic planning. Effective communication skills are necessary tools for the leader to pass down the vision to all the employees and relevant stake holders. Continuous learning is very important for any person who wishes to get the skills to scan the environment.

5. Conceptual Frame Work

The conceptual framework below shows the existing relationship between independent variables and dependent variable.

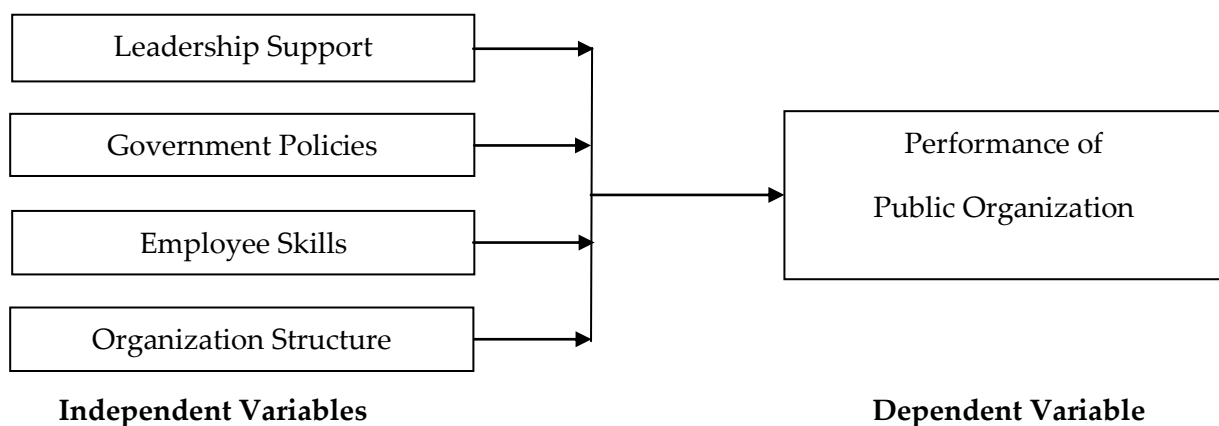


Figure 1: Conceptual Frame Work

6. Research Methodology

The study adopted descriptive research design. According to Kothari (2009), descriptive research is used when the problem has been well designed. In choosing the members who participated, the study focused on the management and heads of sections. This is because they are the major players in ensuring performance of the Isiolo county is achieved hence they reflect the face of Isiolo County Government. There are 63 management employees of Isiolo county government and they were the study respondent's. The study adopted a census sample design since the target population was manageable and the respondents were within systems that can be accessed easily. It is presumed that in a census inquiry, all the respondents are covered and there is no

element of chance which is left and the highest accuracy is obtained especially when the population is small as it is evident in this study hence the sample size which was 63 respondents. The questionnaire was used to collect the data from the sample. Descriptive statistics which includes frequencies and percentages were used. Pearson correlation test was used in hypothesis testing. The analyzed data was thereafter be presented for better comparison using tables, pie charts and bar graphs.

6.1 Data Analysis, Presentation and Interpretation

In this section, Pearson correlation was used in order to ascertain whether there was any relationship that exists between the leadership support, employee skills, government policies organization structures and County government performance.

Table 1: Correlations of the Independent and Dependent Variables

Independent Variables		Leadership Support	Employee Skills	Government Policies	Organization Structures
Performance of County governments (Y)	Pearson Correlation (r)	.696*	.638*	.551*	.325*
	Sig. (2-tailed)	.001	.001	.003	.002

6.2 Test of Hypothesis of Leadership Support

There is a strong positive relationship between leadership support and performance of County governments as indicated by correlation of 0.696. The p-Value of 0.001 is less than the acceptable significance level (α), hence the alternative hypothesis that there is relationship between leadership support and performance of County governments is accepted. This shows that the sampled data can be applied to the general population at 95% confidence level since the acceptable significance level is 0.05% hence we accept that there is a relationship between leadership support and performance of County governments.

6.3 Test of hypothesis of Employee skills

There is a weak positive relationship between source of finance and formulation of strategic plans in County governments as indicated by correlation of 0.325. The p-Value of 0.002 is less than the acceptable significance level (α), hence the alternative hypothesis that there is relationship between employee skills and performance of County governments is accepted. This shows that the sampled data can be applied to the general population at 95% confidence level since the acceptable significance level is

0.05% hence we accept that there is a relationship between employee skills and performance of County governments.

6.4 Test of hypothesis of Government Policies

There is a strong positive relationship between government policies and performance of County governments as indicated by correlation of 0.551. The p-Value of 0.003 is less than the acceptable significance level (α), hence the alternative hypothesis that there is relationship between government policies and performance of County governments is accepted. This shows that the sampled data can be applied to the general population at 95% confidence level since the acceptable significance level is 0.05% hence we accept that there is a relationship between government policies and performance of County governments.

6.5 Test of hypothesis of Organization Structures

There is a strong positive relationship between organization structures and performance of County governments as indicated by correlation of 0.696. The p-Value of 0.002 is less than the acceptable significance level (α), hence the alternative hypothesis that there is relationship between organization structures and performance of County governments is accepted. This shows that the sampled data can be applied to the general population at 95% confidence level since the acceptable significance level is 0.05% hence we accept that there is a relationship between organization structures and performance of County governments.

7. Conclusion

This study concludes that successful formulation of strategic plan has taken root among the County governments. It is also concluded that county leaders engage employees fully in formulation of strategies. The study concluded that there is no leadership training that equips leaders on strategic plans formulation. However, there are communication channels well established to facilitate County government performance. This has resulted due to County government having in place policies that support communication channels in County governments. It was also concluded that there is no department for monitoring and evaluation of performance in the County government. Kenya public organization and found that strategy formulation is in a state of crisis and has hit on hard times, mainly because executives do not have knowledge in strategic management and organizations make assumptions that when executives are employed, they are strategists. The assumption that when executives are employed they can think

and act strategically has been refuted by this study since executives have shown lack of knowledge of strategic issues.

8. Recommendations

The study recommends that;

1. The leadership should provide the required support to ensure that strategic plans formulated influences the county government performance.
2. The governments should ensure that employees are regularly trained on strategic management to enhance their skills for effective formulation of strategic plans.
3. The County government should come up with policies on County government management that supports the formulation of strategic plans.
4. The County government should come up with an organization structures that covers the areas of focus as identified in the key strategic issues.

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