INFLUENCE OF STRATEGIC ORGANIZATIONAL CONTROLS ON THE DEVELOPMENT OF HUMAN CAPITAL IN SERVICE STATE CORPORATION IN KAKAMEGA COUNTY

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ABSTRACT
The main aim of this study was to determine the influence of strategic organizational controls on human capital focusing of the state corporations in Kakamega County. The study employed a descriptive survey research design. The study targeted a population of 160 persons comprising of managers and seniors’ staffs in the state corporations in Kakamega County, and from these, a sample size of 110 was drawn using a purposive sampling method. Questionnaires were used to collect data after being subjected to Cronbach test for reliability and judgmental test for validity. Data were analyzed using SPSS version 24 and were analyzed using descriptive statistics and inferential statistics such as Pearson product-moment correlation and multiple linear regression analysis. The findings revealed that strategic organizational controls significantly influenced human capital development in service state corporations in Kakamega County. The study recommended that state corporations need to ensure that all control objectives were well communicated to the departmental members so as to ensure high compliance.

Key Words: Strategic Organizational, Human Capital, State Corporations

INTRODUCTION
The employee is a vital element of the organization (Champathes, 2006) and the success or failure of the organization is a function of its employee performance. Therefore, organizations are investing vast amounts of money on employee development (Antonacopoulou, 2000) as among other things employees are increasingly showing much dissatisfaction in the workplace evidenced by their performance and behavior in the workplace. Employee performance will ultimately affect organizational effectiveness in the achievement of overall organizational goals (Milkovich et al., 2004).

Organizations with significant proportions of underdeveloped employees often experience low productivity often resulting from sub-optimal employee performance and hence are less competitive (Cole, 2003). Developing employees improve their confidence at work and their levels of satisfaction. Organizational behavior research has revealed that individuals who express high satisfaction in their jobs are likely to be more productive, have higher involvement and are less likely to resign than employees with less satisfaction (Qasim, Cheema & Syed, 2012). Consequently, managers are turning their attention on human capital development as a way of improving performance, employee satisfaction and commitment to the organization.

Whenever an organization formulates its strategy, it requires organizational leaders to identify, analyze and balance its internal capabilities and external threats and opportunities (Stone, 2008). Many researchers who support RBV agrees that much attention should be given to internal resources and particularly human capital. (Greer, 1995) Argue that human factors serve as driving forces in the strategic formulation, the organization needs to build their strategies on human-based capabilities for the competitive advantage. Sharma and Khanedkar (2006) describe the vitality of the human factor in environmental scanning and providing information about the internal strength and weaknesses.

Human capital is indeed an important source of competitive advantage that can complement a firm’s competitive advantage via cost leadership and differentiation strategies. Porter (1980) believe in focusing on the innovation, quality enhancement and cost reduction in the human capital to gain competitive advantage. Terpstra and Rozell (1993) found a positive relationship between human resources practices and higher levels of annual profits, growth and overall performance Pfeffer (1994) recognized 16 human resources practices that can enhance an organization's competitive advantage. Richard and Johnson (2001) in a study suggested that strategic effectiveness significantly reduces employee turnover and increase overall market performance. They also recommended that strategic HR effectiveness affected both productivities and returned on equity”.

Leadership plays a vital role in determining employees' commitment. Researchers have found that employees who are pleased with their supervisors/leaders and feel that they are being treated with respect and are valued by their management feel more attachment with their organizations (Stup, 2006). There are many different styles of leadership according to Mosadeghard (2003), they include; autocratic, bureaucratic, laissez-fair leadership together with charismatic, democratic, participative, situational, transactional, and transformational leadership. However, strategic leadership is emerging as a potential paradigm of organization leadership gradually gaining acceptance within management circles globally. This study will focus on strategic leadership.
Quite understandably, managing employee expectations and enlisting their commitment to the organization in an ever-changing internal and external environment is proving to be an uphill task for many managers. Such situations demand strategic leadership to ensure that there is sufficient communication, direction, and resources to all concerned and ultimately lead to satisfaction among employees (Odunga, 2013). Limited research in the field of strategic leadership considers the sector in which leadership occurs. As a result, most of the theory developed in strategic leadership has assumed that it occurs in the for-profit sector. Thus, strategic leadership has not been explicitly linked to human capital development at least even as an intervention within the public sector, and, therefore, this needs to be carefully examined.

State Corporations were set up chiefly implement government policies and programmes in order to achieve the desired socio-economic development. The underlying belief for their establishment was that they would possess operational autonomy, flexibility and be results-orientated. These government departments were to provide value for money and have greater accountability and transparency which is difficult to realize in mainstream government bureaucracy. So, they may be may partially, or even fully funded by government or they may be financially independent regarding profits, commissions, fees, and other internally created funds (The Republic of Kenya, 2008).

**Statement of the Problem**

Investment in human capital, for example, in education remains a controversial issue. Attempts to measure the rate of return to investment in education have been attacked by critics who argue that education does not increase the productive capacity of workers but acts as a "screening device" which enables employers to identify individuals with higher innate ability or personal characteristics which make them more productive. The increasing global competition requires that the modern organization be sensitive to the demands of human capital and be ready to invest in it for their survival. Failure to respond effectively to these demands sees a drop in or stagnant productivity, reduced employee commitment and the overall drop in organizational performance. Strategic leadership is key to the sustainable development of human capital in the organization. Leaders continue to face challenges in meeting the expectations of those who placed them there or the organization's goals in an atmosphere of competition and uncertainties in resourcing and employee commitment (Beatty and Quinn, 2010). Strategic decisions and actions are needed to address these challenges. In state corporations in the country, staff development and retention remain a crucial issue as qualified employees are in demand within the private sector and abroad. Recruiting, developing and retaining staff presents significant challenges to the management, and inadequate response to address recruitment challenges has seen the sector lose a considerable number of employees to the private sector and non-governmental organizations (NGOs). It has also led to an often-unsatisfactory state of service provision that has resulted in clients opting to seek services in facilities outside the public sector. Studies have not explored the aspect of strategic leadership in the development of human capital in this sector, therefore, motivated the need for this study which sought to assess the influence of strategic organizational controls on the development of human capital in the state corporations in Kakamega County.
Objectives of the Study

The objective of this study was to determine the influence of strategic organizational controls on the development of human capital in service state corporations in Kakamega County

Research Hypotheses

H01: Strategic organizational controls have a significant relationship with human capital development in service state corporations in Kakamega County

LITERATURE REVIEW

Theoretical Review

Theory of Reasoned Action

An employees’ Strategic behavior in an organization, “Theory of Reasoned Action” (TRA), (Ajzen, 2002) which suggests that their intention to perform the behavior determines a person's behavior and that this intention is, in turn, a function of their attitude toward the behavior and their subjective norm. The best predictor of behavior is intention which is the cognitive representation of a person's readiness to perform a given behavior and also considered to be the immediate antecedent of behavior. The intention is determined three things; attitude towards a specific behavior, subjective norms, and perceived behavior control.

The TPB avers that only specific attitudes toward the behavior in question can be expected to predict that behavior. Besides, attitudes can also be used to measure people's subjective norms, their beliefs about how people they care about will view the behavior in question. To predict someone's intentions, one must know their beliefs and attitudes. Perceived behavioral control influences intentions. PBC refers to people's perceptions of their ability to perform a given behavior. These predictors lead to intention. Which means the more favorable the attitude and the subjective norm, the higher the perceived control, and the stronger the person's intention to perform the behavior in question (Ajzens, 2002). According to Porter (1980), organizational strategic plan objectives do not independently enhance employee's performance, but rather employee’s performance is determined by their behavior at work that is aligned to the objective of the organization. The reasoned action theory may be used to explain the influence of the strategic plan’s objectives on employee behavior, where the strategic plan objectives are viewed as the reasoned action whose influence on behavior was studied.

Review of Variables

Strategic organizational controls on the development of human capital

Controls are necessary aid firms achieve their desired outcomes (Redding, 2002). These are formal information-based procedures used by managers to maintain or modify patterns in organizational activities. Controls systems help strategic leaders build credibility and demonstrate the value of strategies to the firm's stakeholders in promoting and supporting strategic change (Shields, Deng, and Kato, 2000). Hitt & Hoskisson (1996) observe that the organization's capacity to control, monitor and track progress for programmes need to be well established. Organizational leaders are therefore responsible for the development and effective use of two types of internal controls, namely strategic controls and financial controls.

Jaworski (1988) identifies two basic forms of control, namely, formal and informal control mechanisms. Formal control mechanisms consist of written, management-initiated mechanisms seeking to influence the behaviors of employees in ways that promote organizational performance (Merchant, 1988; Jaworski, 1988, Lusch and
Jaworski, 1991). Similar to other studies (e.g. Atuahene-Gima and Li, 2006; Jaworski and MacInnis, 1989; Mellewigt et al., 2011; Rijsdijk and Ende, 2011), two types of formal controls termed "processor behavior-based" and “output” controls are examined here.

Processor behavior-based control refers to the extent to which managers seek to influence employees way to perform their jobs (Jaworski and MacInnis, 1989; Snell,1992), namely, by monitoring, evaluating and compensating the behaviors and/or activities implemented by employees to attain desired goals (Atuahene-Gima and Li, 2006; Hartline and Ferrell, 1996). Thus, “behavior control encourages salesperson input to the selling process, such as sales call planning and customer relationship building” (Piercy et al., 2004, p. 30). Accordingly, employees’ compensation relies on a fixed salary to a greater extent (Piercy et al., 2012). As to output control, it refers to the specification of outputs sought by the organization, with the employees being responsible for their achievement (Mellewigt et al., 2011).

Strategic controls in firms require information exchanges among the top leadership members, and employees. To practice effective strategic control, leaders must acquire a deep understanding of the competitive dynamics of each of the units for which they are responsible. Exchange of information occurs through both informal and unplanned meetings/ interactions scheduled on a routine formal basis. The effectiveness of strategic controls is increased substantially when strategic leaders are able to monitor and evaluate disparate sets of information intergratively to yield competitively relevant insights (Hitt & Hoskisson, 1996). Financial controls focus on short-term financial outcomes (Laverty, 2006).

Accordingly, rewards are contingent on reaching output standards (Rijsdijk and Ende, 2011), with compensation relying to a greater extent on incentives (Cravens et al., 1993; Piercy et al., 2012). Informal controls are unwritten control mechanisms, usually initiated by employees, with the purpose of influencing employee behavior (Jaworski, 1988). However, as Jaworski points out, these controls are not necessarily congruent with the firm’s objectives. Jaworski (1988) considers three types of informal control, namely, self, professional and cultural controls. Self-control characterizes individuals who establish personal objectives, monitor the extent to which these are achieved and adjust their behavior accordingly (Jaworski, 1988).

Professional controls take place when cooperation, mutual trust, collegial interaction and informal evaluation of a unit’s employees are fostered (Jaworski & MacInnis, 1989). Under this system, the work unit establishes standards, monitors their application and takes action in case of deviations (Jaworski, 1988). Finally, cultural control refers to an institutionalized mechanism that seeks to influence employee behavior through the gradual accumulation of an organization’s norms, rituals, and values (Jaworski, 1988). Both formal and informal control mechanisms tend to coexist in organizations (Jaworski and MacInnis, 1989; Joshi and Randall, 2001).

**Conceptual Framework**

![Conceptual Framework](image-url)

**Source:** Author (2019)
Empirical Review
Junquiera (2016) examined how generic strategic choices and management control systems (MCS) affects the organizational performance of large and medium-sized companies located in Espírito Santo in Brazil. The study found that the firms that opt for the differentiation strategy apply contemporary management control practices, unlike those that opt for the costs strategy who predominantly employ traditional practices. These findings suggest that firms that opt for differentiation strategies require MCS tools with wider scopes and focused on planning (Van der Stede, 2000; Chenhall, 2003). One of the potential explanations for this result is the fact that the differentiation strategy characteristics require a more flexible structure of control and processes (Chenhall, 2003), implying that companies that operate based on this strategic positioning have an MCS mainly composed of modern tools, given the characteristics of this group of tools.

Lin, Chen, and Lin (2017) sought to investigate the impact of strategic control and operational control on new venture performance in China. The results of the study showed that strategic control has a significantly negative relationship with new venture performance; operational control has a significantly positive relationship with new venture performance; industry relatedness between the corporate investor and the new venture and the new venture’s political ties moderate the relationships between the two types of control and new venture performance. The results are robust to alternative measurements of new venture performance. Practical implications the management control that the corporate investor exercises over the new venture are a significant determinant of the new venture success. Managers have to distinguish between strategic control and operational control and understand their impacts on new ventures.

Ndegwa (2013) examined strategic control systems in strategy implementation and financial performance of Bamburi Cement Limited, Kenya. The study found that control systems are anchored on timely, consistent, accurate and accessible information flow. A supportive organization structure and internal processes was also found to influence control systems. The systems are managed by senior managers from the control and strategy department whose mandate is to monitor and report strategic breakthroughs of the company.

It was noted that the intensity of strategic control systems application was influenced by internal perceptions of management as well as external situations like industry trends and macro-economic factors. The findings also ascertained that that the cost of instituting these controls is minimal. Through descriptive and inferential statistical techniques, the inquiry established that there exists a significant correlation between strategic control systems and the company's financial performance. Nthini (2013) examined the effect of strategic leadership on the performance of commercial and financial state corporations in Kenya. The study found that the balanced organizational controls manifested a repugnant strong relationship with returns on investment as shown by a correlation coefficient of -0.805. Additionally, the balanced organizational controls showed a positive strong relationship with annual employee turnover and a positive, moderate relationship with high corporation’s market share demonstrated by correlation coefficients (0.727 and 0.448) respectively. The correlation of balanced organization controls was significant.
METHODOLOGY
This study adopted a descriptive survey design. This type of design is appropriate for gathering information, summarizing, presenting and interpreting it for clarification (Orodho & Njeru 2004). The population of interest of this study comprised of members of management and in various departments in the state corporations in Kakamega County. The study selected ten members; 5 management members (Including Departmental Heads) and five senior staff from each corporation, therefore, bringing the total accessible population to 160 persons. This population was chosen because it was highly accessible given that most have their offices within Kakamega County and its suburbs and can give more reliable information on the status of the variables. The study used questionnaires as data collecting instruments. Both closed and open-ended items were used in the questionnaire. The study used both qualitative and quantitative methods of data collection to give adequate insights into the topic.

FINDINGS
Strategic Organizational Controls in the state corporations in Kakamega County
The objective of the study was to establish the influence of strategic organizational controls on the development of human capital in service state corporations in Kakamega County. The objective was examined using several indicators namely; Information Flow, Internal processes alignment and Performance Contracting. The replies were rated on a 5-point Likert scale ranging from; 1 = strongly disagree to 5 = strongly agree. The results were summarized in Table 1.

Table 1: Strategic Organizational Controls in the state corporations in Kakamega County

<table>
<thead>
<tr>
<th>Statement</th>
<th>SA Freq(%)</th>
<th>A Freq(%)</th>
<th>N Freq(%)</th>
<th>D Freq(%)</th>
<th>SD Freq(%)</th>
<th>Mean</th>
<th>Dev</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>We do carry out regular performance checks to ensure that the department activities are on track according to the set objectives</td>
<td>16(20)</td>
<td>36(46)</td>
<td>4(5)</td>
<td>11(14)</td>
<td>12(15)</td>
<td>3.65</td>
<td>0.62</td>
<td>1</td>
</tr>
<tr>
<td>We have set up well-defined structures for information flow in our organization</td>
<td>9(11)</td>
<td>42(53)</td>
<td>9(11)</td>
<td>19(24)</td>
<td>0</td>
<td>3.62</td>
<td>0.82</td>
<td></td>
</tr>
<tr>
<td>We do carry out strategic reviews of our organization and departments</td>
<td>16(20)</td>
<td>45(57)</td>
<td>16(20)</td>
<td>2(3)</td>
<td>0</td>
<td>3.7</td>
<td>0.99</td>
<td>5</td>
</tr>
<tr>
<td>Strategic reviews help us to align our internal processes to our objectives</td>
<td>1(1)</td>
<td>44(56)</td>
<td>13(16)</td>
<td>21(26)</td>
<td>0</td>
<td>3.5</td>
<td>0.84</td>
<td>7</td>
</tr>
<tr>
<td>We prefer to have internal controls other than external controls as these enable us to handle our departmental matters conveniently</td>
<td>3(4)</td>
<td>39(49)</td>
<td>8(10)</td>
<td>28(35)</td>
<td>1(1)</td>
<td>3.49</td>
<td>0.83</td>
<td></td>
</tr>
<tr>
<td>Most of our departmental operations are controlled through careful planning</td>
<td>2(3)</td>
<td>45(57)</td>
<td>6(8)</td>
<td>26(33)</td>
<td>0</td>
<td>3.63</td>
<td>0.96</td>
<td></td>
</tr>
<tr>
<td>We use performance contracting to evaluate our internal processes</td>
<td>15(19)</td>
<td>30(38)</td>
<td>6(8)</td>
<td>14(18)</td>
<td>14(18)</td>
<td>3.52</td>
<td>0.82</td>
<td></td>
</tr>
<tr>
<td>The balanced scorecard approach enables us to have effective strategic controls</td>
<td>2(3)</td>
<td>46(58)</td>
<td>13(17)</td>
<td>17(22)</td>
<td>1(1)</td>
<td>3.12</td>
<td>0.78</td>
<td>4</td>
</tr>
</tbody>
</table>
The results in Table 1 suggested that regular performance checks were carried out in most departments to ensure that the departmental activities were on track according to the set objectives (66%). Most departments had set up well-defined structures for information flow in our organization (64%) and carried out strategic reviews of their organization and departments (77%). The strategic reviews helped them to align their internal processes to their objectives (57%). The results also suggested that most departments preferred to have internal controls other than external controls as they enabled them to handle their departmental matters conveniently (53%). Most of the departmental operations were controlled through careful planning (60%). Performance contracting was to evaluate internal processes (57%). Also, most departments had adopted a balanced scorecard approach to enable them to have effective strategic controls (61%).

**Development of Human Capital in the state corporations in Kakamega County**

Finally, the study sought to determine the implementation status of development of human capital focusing on the service state corporations in Kakamega County. This was the dependent variable and was measured by asking the respondents to respond to various statements describing the development status along specific constructs namely; Value Creation, Innovation and Emotional Intelligence. A 5-point Likert scale ranging from; 1 = strongly agree to 5 = strongly disagree was used to measure the responses to the statements posted. These results are presented in Table 2.

**Table 2: Development of Human Capital in the state corporations in Kakamega County**

<table>
<thead>
<tr>
<th>Statement</th>
<th>SA Freq(%)</th>
<th>A Freq(%)</th>
<th>N Freq(%)</th>
<th>D Freq(%)</th>
<th>SD Freq(%)</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our staff are resourceful and offer valuable services to our clients</td>
<td>8(10)</td>
<td>21(27)</td>
<td>2(3)</td>
<td>48(61)</td>
<td>0</td>
<td>2.95</td>
<td>0.657</td>
</tr>
<tr>
<td>Our staff are experienced in, and this improves their service output</td>
<td>15(18)</td>
<td>15(19)</td>
<td>5(6)</td>
<td>40(51)</td>
<td>4(5)</td>
<td>2.91</td>
<td>0.679</td>
</tr>
<tr>
<td>We can provide competitive services both at the departmental and organizational levels</td>
<td>9(11)</td>
<td>21(27)</td>
<td>6(8)</td>
<td>41(52)</td>
<td>2(3)</td>
<td>2.93</td>
<td>0.799</td>
</tr>
<tr>
<td>Our sister organizations often look towards us for assistance when facing technical issues</td>
<td>14(18)</td>
<td>15(19)</td>
<td>6(8)</td>
<td>30(38)</td>
<td>14(18)</td>
<td>3.02</td>
<td>0.82</td>
</tr>
<tr>
<td>There is more consultation in the workplace on problem-solving leading to improved performance</td>
<td>11(14)</td>
<td>43(54)</td>
<td>4(5)</td>
<td>20(25)</td>
<td>1(1)</td>
<td>3.48</td>
<td>0.925</td>
</tr>
<tr>
<td>We have seen our efficiency in terms of output increased considerably in the recent past</td>
<td>10(13)</td>
<td>37(45)</td>
<td>3(4)</td>
<td>28(35)</td>
<td>1(1)</td>
<td>3.51</td>
<td>0.51</td>
</tr>
<tr>
<td>Our support staffs often surpass the terms of their performance contracts</td>
<td>11(14)</td>
<td>25(32)</td>
<td>2(3)</td>
<td>32(41)</td>
<td>9(11)</td>
<td>3.05</td>
<td>0.657</td>
</tr>
<tr>
<td>We do have regular departmental meetings where all issues regarding our performance are resolved</td>
<td>9(11)</td>
<td>34(43)</td>
<td>7(9)</td>
<td>22(28)</td>
<td>7(9)</td>
<td>3.62</td>
<td>0.679</td>
</tr>
</tbody>
</table>

The results in Table 2 suggested that most departmental staff were not resourceful and were not offering valuable services to their clients (61%). Most staff were not experienced in, and
this affected their service output (56%). Most departments were not able to provide competitive services both at the departmental and organizational levels (55%). Their sister organizations did not often look towards each other for assistance when facing technical issues (56%). Most respondents were of the view that there was more consultation in the workplace on problem-solving and this improved performance (55%). Most departments recorded and increased output efficiency (58%). The respondents were also of the opinion that most of their support staffs did not often surpass the terms of their performance contracts (52%). The findings also indicate that most departments held regular departmental meetings where all issues regarding their performance were resolved (54%).

Hypothesis Testing

**H0:** Strategic organizational controls have a significant relationship with human capital development in service state corporations in Kakamega County

From the results, it was deduced that the relationship between Strategic organizational controls had a significant relationship with human capital development in service state corporations in Kakamega County was indeed significant ($\beta = 0.186, p < 0.05$). Subsequently, the null hypothesis was rejected and, as a result, the view adopted that Strategic organizational controls have a significant relationship with human capital development in service state corporations in Kakamega County. The findings agreed with Ndegwa (2013) whose examination of strategic control systems in strategy implementation and financial performance of Bamburi Cement Limited, Kenya found that control systems are significantly anchored on timely, consistent, accurate and accessible information flow.

**SUMMARY**

The results of this objective indicated that Strategic organizational controls had a significant relationship with human capital development in service state corporations in Kakamega County. Other results further suggested that regular performance checks were carried out in most departments to ensure that the departmental activities were on track according to the set objectives. Most departments had set up well-defined structures for information flow in our organization and carried out strategic reviews of their organization and departments. The strategic reviews helped them to align their internal processes to their objectives. The results also suggested that most departments preferred to have internal controls other than external controls as they enabled them to handle their departmental matters conveniently. Most of the departmental operations were controlled through careful planning. Performance contracting was to evaluate internal processes. Also, most departments had adopted a balanced scorecard approach to enable them to have effective strategic controls.

**CONCLUSIONS**

From the summary of the findings, strategic organizational controls had a significant relationship with human capital development in service state corporations in Kakamega County. Most departments had set up well-defined structures for information flow in our organization and carried out strategic reviews of their organization and departments to align their internal processes to their objectives.

**RECOMMENDATIONS**

This study recommended state corporations need to ensure that all control objectives were well communicated to the departmental members to ensure high compliance. This would encourage
better information flow in the organization and ensure objectivity in employee actions.

**Recommendation for Further Studies**

The study made the following recommendations for further studies; the study recommended a further study on the effect of strategic sense-making on human capital management in state corporations. This study would help to shed more light on strategic leadership in public sector organizations. Also, since this study was done within Kakamega County which limited the generalization of study findings to other parts of the country, further research can be done on other parts of the country to ascertain if the results would be comparable.

**REFERENCES**


