



**INFLUENCE OF SERVICE DIVERSIFICATION PLAN ON OPERATIONAL RECOVERY OF POSTAL CORPORATION OF KENYA**

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## INFLUENCE OF SERVICE DIVERSIFICATION PLAN ON OPERATIONAL RECOVERY OF POSTAL CORPORATION OF KENYA

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### ABSTRACT

All the companies, business units and state owned corporation have in place the plans that drives their operations, the plans differs from one organizations to the other and strategies normally leads to either prosperity or failure of the organization Most government owned corporations in most countries are not doing well including the Postal corporation of Kenya calling for the study to be conducted on how they can be restructured for operational recovery. This study was to shade light on how the grand strategic plan can lead to operational recovery of the organization that are on operational death bed. The data collection tool was questionnaire, the scope of the study was the Postal Corporation of Kenya, the target population was 638 employees with the sample size being 246, the model for analysis was Multiple linear Regression model, tool for analysis was SPSS version 24.0. The study found out that all the variables significantly influence the operational recovery of the Postal corporation of Kenya since the have the P value less than 0.05, and conclude that Being in the digital error, digital transformations should be encouraged by Postal Corporation of Kenya since various technology adoptions will improve their services and services delivery, Company needs to prepare effectively for any financial challenges and if they face negative cash flows, declining sales, or operational inefficiencies, there is a need to employ retrenchment strategies as a part of its corporate-level strategy hence the Postal corporation should check the areas, resource or service that are not viable and retrench where appropriate and Company needs to prepare effectively for any financial challenges and if they face negative cash flows, declining sales, or operational inefficiencies, there is a need to employ retrenchment strategies as a part of its corporate-level strategy hence the Postal corporation should check the areas, resource or service that are not viable and retrench where appropriate. The study further suggested that a study should be conducted on more strategies which include the shift from the postal address to physical address as a strategy for operational recovery and registering the courier services to the postal corporation of Kenya to act as watch dog on what they are doing in ensuring the customers safety hence the researcher suggesting a further study on the shift and diversification of the portfolio for the operational recovery of the State corporations that are in the verge of collapsing.

**Key Words:** Service Diversification Plan, Operational recovery, Postal Corporation of Kenya

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## INTRODUCTION

Strategy is a serious, exciting and often bizarre game that managers play every day (Majerus, 2019). Enterprises often change overtime, and when they do, the strategies that worked so well in the early days no longer fit. Markets mature with time, competition intensifies, the quality of business alters and the value of resource shifts. Most of all, changes in the environment make the previous strategy pursued by an organization obsolete. Thus, a new strategy becomes a requisite for continued success; indeed it can lead to failure. Managers fail to think strategically and employ new superior strategies in the face of increased competition and environmental turbulence (Rowe, 2014). Consequently, managers' greatest challenge is planning strategically that will ensure continued success in the future and which gives the firm a sustainable competitive edge over its competitors (Jones & Jenne, 2022).

Planning is the basic function of management. Porter (2010), posits that every organization wants to survive and grow in a constantly changing and competitive environment. To do so, it must respond and adjust to the social, economic and political environmental changes that occur. This can only be possible, when an organization is involved in strategic planning. Strategic planning consists of a set of underlying processes that are intended to create or manipulate a situation to create a more favorable outcome for a company (Hopkins, 2012). It is a process of using systematic criteria and rigorous investigation to formulate, implement and control strategy and formally document organizational expectations. Borgwardt, Nichols and Preston (2021), posits that the importance of strategic planning for managers and organization cannot be over emphasized. Research evidence has shown that firms that use formalized strategic planning attain superior results than those that do not. Thompson and Sudo (2019), asserts that managers found out that by defining the missions of their organizations in specific terms, they were able to give their organizations, direction and purpose.

Organizations function better and as a result become more responsive to a changing environment. Strategy planning, therefore, improves the functioning of organizations by enabling managers to prepare for and deal with the rapidly changing environment in which today's organizations operate.

### Statement of the Problem

Strategic planning has long been used as a tool for transforming and revitalizing corporations, government agencies and nonprofit organizations (Milevski, 2019). It stimulates thinking for organizations to make better use of their resources; assigns responsibility and schedules work; coordinates and unifies efforts; facilitates control and evaluation of organizational activities (accountability) (Balzacq, Dombrowski & Reich, 2019). Strategic planning also helps to create awareness of obstacles to overcome; identifies opportunities and threats; avoids the trap of linear thinking and facilitates progressive advancement of the organizational goals.

The dynamic nature of the business environment indicates that in order for an organization to survive or remain competitive, it must constantly rethink its plans. A strategic issue could arise if the organization is unable to successfully adjust (Ansoff, 2006). A mismatch between what the organization offers and what is currently on the market will show that there is an issue. According to Pearce and Robinson (2003), these businesses must adapt to their surroundings by strategically responding to market situations in order to fulfill their aims and objectives. Kenya's capacity to accomplish its Vision 2030 goals, for example, depends not just on its own efforts but also on how it anticipates and prepares for changes in the operational environment, both local and international.

Organizations are supposed to develop strategies that are sensitive to the performance to maximize profitability in the current challenging business environment (Machuki & Aosa, 2011). However, grand strategic plan require that businesses adapt their plans to the environment and redesign their

internal resources to fit these plans. Due to liberalization, government assistance, and innovative goods and services, the telecommunications sector in Kenya is constantly growing. Managers at Postal Corporations in Kenya must identify resource gaps and fill them in order to manage the development and implementation of competitive strategy and ensure that the firm's current strategy is competitive.

Kairu (2013) studied on the “effect of strategic planning on Kenya Ports Authority (KPA) operational performance” and the study established that KPA required to align its strategic alliance in accordance to the objective it needs to. Nakhumwa (2015) study investigated the strategic responses to the business environment and performance of Old Mutual Kenya and established that Old Mutual Kenya Limited had adopted strategies similar to those adopted by other players in the financial services sector although it has been more aggressive in some aspects. Although these studies focused on strategic planning on organizational performance they focused on different study contexts. Various studies have also been conducted on strategic plans, however, those studies shade very little light on how the grand strategic plan can lead to operational recovery of the organization that are on operational death bed prompted the researcher to conduct a study on influence of grand strategic plans on operational recovery of Postal Corporation of Kenya with emphasis on Digital Transformation Strategy, Service diversification plan and Retrenchment Strategy

### **Research Objective**

This study assessed the influence of Service diversification plan on operational recovery of Postal Corporation of Kenya.

## **LITERATURE REVIEW**

### **Theoretical Framework**

### **Portfolio Theory**

Portfolio Theory, also known as Modern Portfolio Theory (MPT), was first developed by Harry Markowitz in 1959. The theory provides a framework for optimizing investment decisions by considering the trade-off between risk and return. While originally developed in the context of financial investments, the principles of Portfolio Theory can be applied to strategic planning as well. The common sense behind the portfolio theory is based on the adage ‘do not put all your eggs in one basket’. This explains the risk-reducing effect of spreading investment across a range of assets, that in a portfolio unexpected bad news concerning one company will be compensated for to some extent by an expected good news about another. Markowitz (1959) has given the tools for identifying portfolios that give the highest return for a particular level of risk.

Portfolio Theory emphasizes the importance of diversification to manage risk. In grand strategic planning, organizations can apply this principle by diversifying their portfolio of strategic initiatives. By pursuing a mix of initiatives across different markets, products, or services, organizations can mitigate the risks associated with relying heavily on a single strategy or market segment. Diversification allows organizations to spread their risk and enhance their ability to recover from setbacks. This theory will enhance understanding on service diversification strategy.

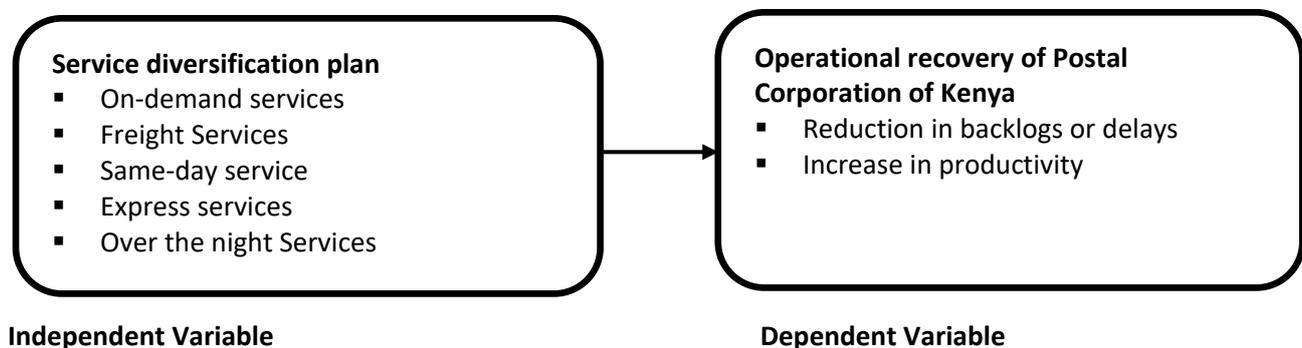
Portfolio Theory provides insights into resource allocation decisions in grand strategic planning. Just as investors allocate their financial resources across a portfolio of assets, organizations allocate their resources (capital, talent, time) across a portfolio of strategic initiatives. By considering the potential risk and return of each initiative, organizations can make informed decisions about how to allocate their resources effectively. This helps ensure that resources are allocated to initiatives that have the potential to deliver the desired outcomes and generate value.

Portfolio Theory provides techniques for optimizing the composition of a portfolio to maximize return or minimize risk. In the context of strategic planning, organizations can apply optimization methods to select and prioritize strategic initiatives that collectively deliver the desired outcomes while managing risk. By considering the potential synergies, dependencies, and resource requirements of different initiatives, organizations can optimize their strategic portfolio to enhance the

likelihood of success. The theory also emphasizes the importance of continuous monitoring and adjustment of investment portfolios. Similarly, in grand strategic planning, organizations need to regularly review and assess the performance of their strategic initiatives. This allows them to identify underperforming initiatives, reallocate resources, and make necessary adjustments to ensure the overall portfolio remains aligned with the organization's goals and market conditions.

### Conceptual Framework

The study adopted the following conceptual framework:



**Figure 1: Conceptual Framework**

Source: Author 2024

### Service diversification plans

Diversification is a type of corporate level strategy that organizations adopt to maintain their competitiveness and enhance their profitability (Reza, Reza & Banafsheh, 2015). It is a specified actions taken by organizations to achieve value creation through economic of scope, financial economies, or market power (Chen & Yu, 2012). In totality, diversification strategy enable organization adopt new strategic positions expected to increase organization's value.

Ansoff pointed out that diversification strategy is distinct from the other three strategies because it requires companies to acquire new skills, new technique and facilities unlike other three strategies that use the same technical, financial and existing resources to create a new product line. The purpose of diversification is to allow organizations to enter lines of businesses that are different from

its current operation (Manyuru, Wachira & Amata, 2017).

Faulkenberry (2011) defined diversification as a portfolio strategy which combines variety of assets to reduce the overall risk on investment portfolio. Kotler and Armstrong (2006) viewed diversification as a strategy for company growth through starting up or acquiring businesses outside the company's current products and markets. That is an organization identifies opportunities for expansion into companies whose technologies and product complements its present business, diversification takes place.

Kheng (2017) explained that diversification strategies can be approached in three ways – Related or Concentric diversification, Unrelated or Conglomerate, and mixture or Hybrid diversification strategies. In the related or concentric diversification, new ventures are strategically related to the existing product line while unrelated

or conglomerate strategy occurs when there is no common trend of strategic fit or relationship between the new and old lines of business or products. The new and old may be unrelated but the new product may appeal to new group of customers or users. The hybrid strategy is when a company combines or operates on both strategies. Also when an organization decides to diversify, the first criteria and major decision needed to be made is whether to diversify into related business, unrelated business or mixture of both strategies.

Thompson, Stickland and Gamble (2010) asserted that related businesses are those who value chain possesses competitively valuable cross-business relationship that present opportunities for the businesses to perform better under the same corporate umbrella than they could be operating as standalone entities. Unrelated on the contrary, are those businesses whose value chain activities are dissimilar that no competitively value cross-business relationships are present. The hybrid strategy is when companies diversify into both related and unrelated businesses.

## **METHODOLOGY**

The study adopted a descriptive method for the collection of information demonstrating the relationship that exists between variables and the unit of analysis was all the employees from Postal Corporation of Kenya. The population for this study was drawn from 638 employees working at Postal Corporation of Kenya. The process of sampling takes into account various issues and depends on the organization type, purpose, complexity, time constraints and previous research in the area. The sampling frame of the study was drawn from strategic management officers from the zonal areas of the postal corporation of Kenya. The sampling frame totalled to 31 (246/8) members from each and every postal service Zone initially known as the eight (8) provinces offices

The study used purposive sampling technique. This type of sampling technique refers to the process by which a researcher selects a sample basing on the

experience or knowledge of the group that is to be sampled. The Yamane (1967) formula was used to draw the sample size which were then grouped into the 8 postal service zones. Sample size was therefore, 246 employees of postal corporation of Kenya. The instrument for data collection was questionnaire which was administered to the respondents. The structure of the instrument included both closed-ended and open-ended questions which revolved around the independent and dependent variables. The researcher recruited research assistants who assisted in data collection and entry and other logistical assignments. A pilot study was carried out from a representative sample to determine and improve the validity and reliability of the questionnaires. A pilot study was carried out on 25 respondents who were randomly selected and considered in the strata distribution across the companies. This formed 10% of the targeted sample size (10% of 246 sample population) according to Mugenda and Mugenda (2013). On receipt of the completed questionnaires, the collected data was checked for errors in responses, omissions, exaggerations and biases. The researcher used both the qualitative and the quantitative analysis of the data obtained from the study. Quantitative data is analysed by the use of the Statistical Package for Social Sciences (SPSS version 22). The analysis involves loadings of various items of the main variables of the research including, data on mean, standard deviation, variance, skewness and kurtosis. The analysis also involve the Kruskal-Wallis rank sum that is tested to assess the effect of categories on particular responses and correlation analysis to examine the relationship between various responses. A multivariate regression model,  $Y = \alpha + \beta_1X_1 + e$ , was used to link both the independent and dependent variables.

## **RESULTS**

This study returned a 88 % response rate which was enough representation according to Orodho (2009). 49% (n=106) of the respondents were female while majority 51% (n=110) were male which implies that most of the most of the employees working at the

Postal Corporation of Kenya are male. The findings show that most of the respondents were between 20 and 50 years old with 34.3% (n=74) of the respondents having worked in the organization for a period between 6-8 years.

The study findings in Table 1 indicate that all the variables under study had a score above 0.5 hence the data collection instruments can be relied upon for the purposes of this research work provided none of the results is below 0.5 which is the rejected level of reliability.

**Table 1: Cronbach's Alpha**

	Cronbach's Alpha	No. of Items
Service diversification plan	.726	5

The factor loading as given by Table 2 indicate that the Eigenvalues % of variance is greater than 1 hence valid.

**Table 2: KMO and Bartlett's Test for Service diversification plan**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.533
Bartlett's Test of Sphericity	Approx. Chi-Square	185.275
	Df	91
	Sig.	.000

a. Based on correlations

The study findings in the table above gives the Kaiser-Meyer-Olkin (KMO) value of 0.555 is greater than the acceptable value of 0.5 as given by Kaiser & Rice (1974) which is an indication that the data is able to produce a valid factor analysis results. The

Bartlett's Test of Sphericity significance level of 0.000 is less than 0.05 which indicates that the researcher accepts the alternative hypothesis that all the factors do correlate with each other which is a requirement for factor analysis.

**Table 3: Factor Loading for Service diversification plan**

	Raw
	Initial
On-demand services have revolutionized the way we access goods and services by providing convenient, immediate assistance at the tap of a button.	3.272
Freight services play a crucial role in global commerce, facilitating the efficient movement of goods across vast distances to meet the demands of businesses and consumers	3.190
Same day service has become increasingly popular as consumers seek immediate gratification and businesses strive to meet their demands by delivering products or services within a few hours of purchase	2.574
Express services are designed to provide rapid and efficient delivery solutions, ensuring that packages and documents reach their destinations quickly, making them ideal for time-sensitive situations	2.128
Overnight services offer the convenience of having goods or documents delivered by the next morning, allowing businesses and individuals to meet urgent deadlines and save valuable time	3.269

The study results obtained from the face validity test indicate that the data collection instruments are very comprehensive, they are clear and appropriate for the study. The researcher also conducted a construct validity test that involved factor analysis to assess multi-dimensionality and

uni-dimensionality of the study constructs. Construct validity was established through the test for convergent and discriminant validity as provided for by Fornell-Larcker (1981). On the statements on questions relating to service diversification plans, the findings were as below:

**Table 4: Statements on Service diversification plans**

Statement	1	2	3	4	5
On-demand services have revolutionized the way we access goods and services by providing convenient, immediate assistance at tap of a button.	4%	11%	13%	35%	37%
Freight services play a crucial role in global commerce, facilitating the efficient movement of goods across vast distances to meet the demands of businesses and consumers.	5%	6%	15%	34%	40%
Same day service has become increasingly popular as consumers seek immediate gratification and businesses strive to meet their demands by delivering products or services within a few hours of purchase.	5%	6%	20%	34%	34%
Express services are designed to provide rapid and efficient delivery solutions, ensuring that packages and documents reach their destinations quickly, making them ideal for time-sensitive situations.	8%	10%	19%	31%	32%
Overnight services offer the convenience of having goods or documents delivered by the next morning, allowing businesses and individuals to meet urgent deadlines and save valuable time	9%	9%	15%	32%	35%

The model summary shows that, R-square = 0.72. This means that, 72% of the variation in operational

recovery of Postal Corporation of Kenya is explained by Service diversification plan.

**Table 5: Model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.269 <sup>a</sup>	.72	.63	16.07151

a. Predictors: (Constant), Service diversification plan

From the ANOVA output, F(1)=7.717, p-value=0.007. Since the p-value is <less than 0.05,

we concluded that the overall model is statistically significant.

**Table 6: Model of ANOVA output**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1993.153	1	1993.153	7.717	.007 <sup>b</sup>
	Residual	25571.050	99	258.293		
	Total	27564.203	100			

a. Dependent Variable: Operational recovery

b. Predictors: (Constant), Service diversification plan

The coefficient table shows that, B=0.413, p-values=0.007. Since the p-value is <less than 0.05, we reject the null hypothesis and conclude that, Service diversification plan has a significant positive impact on operational recovery of Postal

Corporation of Kenya. This means that, a unit increases in Service diversification plan leads to an improvement on operational recovery of Postal Corporation of Kenya by 0.413 units.

**Table 7: Model of coefficient table**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	12.401	11.661		1.063	.290
	Service diversification plan	.413	.149	.269	2.778	.007

a. Dependent Variable: Operational recovery

## CONCLUSIONS AND RECOMMENDATIONS

A good number of the respondents agreed that On-demand services have revolutionized the way we access goods and services by providing convenient, immediate assistance at the tap of a few were adamant to share their opinion while a few other disagreed.

On the freight services play a crucial role in global commerce, facilitating the efficient movement of goods across vast distances to meet the demands of businesses and consumers a good percentage of the respondents supported the idea; a few did not. It is worth noting that same day service has become increasingly popular as consumers seek immediate gratification and businesses strive to meet their demands by delivering products or services within a few hours of purchase an ideology that most of the respondents unanimously agreed with.

On the other hand ,majority of the respondents were of the opinion that express services are designed to provide rapid and efficient delivery solutions, ensuring that packages and documents reach their destinations quickly, making them ideal for time-sensitive situations, others were indecisive, while the few others opposed the findings . Finally, a good number of the respondents concurred that overnight services offer the convenience of having goods or documents delivered by the next morning, allowing businesses and individuals to meet urgent deadlines and save valuable time.

Diversification is basically the process of spreading investments across different asset classes,

industries, and geographic regions and to reduce risk of any investments service diversification is deemed to be the right tool. The idea is that by holding a variety of investments, the poor performance of any one investment potentially can be offset by the better performance of another, leading to a more consistent overall return. Diversification should be considered and should include assets that are not highly correlated with one another. It is worth noting that On-demand services have revolutionized the way we access goods and services by providing convenient, immediate assistance at the tap.

Company needs to prepare effectively for any financial challenges and if they face negative cash flows, declining sales, or operational inefficiencies, there is a need to employ retrenchment strategies as a part of its corporate-level strategy hence the Postal corporation should check the areas, resource or service that are not viable and retrench where appropriate.

### Suggestions for further research

This study did not attempt to look at some of the strategies which include the shift from the postal address to physical address as a strategy for operational recovery and registering the courier services to the postal corporation of Kenya to act as watch dog on what they are doing in ensuring the customers safety hence the researcher suggesting a further study on the shift and diversification of the portfolio for the operational recovery of the State corporations that are in the verge of collapsing.

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