



**DETERMINANTS OF FORMULATION AND IMPLEMENTATION OF STRATEGIC PLANS IN CHURCH BASED SACCOS IN NAIROBI METROPOLITAN**

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**ABSTRACT**

*The study was on the determinants of strategic plan formulation and implementation by church based SACCOS in Nairobi metropolitan. It reviewed the literature on the factors influencing the implementation of strategic plans in organizations. The study was guided by a specific objective which was; to determine the role of organization structure on formulation and implementation of strategic plans in church based SACCOS in Nairobi metropolitan. This research study adopted a descriptive survey approach on a target population of 95 management staff in church based SACCOS in Nairobi. Primary data was gathered directly from respondents and for this study; a semi-structured questionnaire was utilized. Quantitative data was collected using questionnaires and was analyzed by the use of descriptive statistics using SPSS (Statistical Package for Social Sciences) and presented through percentages, means and frequencies. The information was also presented by use of frequency tables and charts. Analyzed data were presented descriptively in the form of tables. Findings revealed that the influence of organization structure was found to have a correlation coefficient of ( $r=0.322$ ). These findings were majorly consistent with most previous studies. It was concluded that strategy formulation practices at deposit taking SACCOS were not up to expectations and there was much to be done in this regard to facilitate the enhancement of organizational performance. Recommendations suggested the inclusion of more operational members in strategy formulation, the adoption of a more objective formula in resource allocation, and preempting terminal underperformance through rigorous formative evaluations.*

**Key Words:** *Organization Structure, Leadership, Human Resource Management*

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## INTRODUCTION

A strategic plan is a set of processes undertaken in order to develop a range of strategies that will contribute to achieving the organizational direction (Tapinos, Dyson and Meadows, 2005). This therefore calls for the formulation of a coherent document which will guide the efforts of all the stakeholders, outline what the organization is trying to achieve and how it intends to achieve it. Strategies can be 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 (Yabs, 2010).

Strategy formulation is the process of providing a sense of direction for an organization by seeking to set a long-term and short-term goals and objectives that can help an organization capitalize on its strengths and taking advantage of its strengths in its immediate environment. Every organization usually has a dire need to try and focus its goals on what it can do better in order to foster success. Once a straight forward and achievable long-term plan is properly defined an organization is able to focus its resource and effort towards improving its operations.

In most cases formulation and implementation of strategic plans that are best suited for an organization consumes time energy and resources, therefore this process requires a careful approach. Once formulated, strategies must ensure a best fit between goals and resources put in by employees of an organization. Strategy formulation at a functional level is done by first line managers or supervisors (Sababu, 2007). The overall goal of every strategy that is formulated should be to deliver utmost value to beneficiaries at all times.

Cater and Pucko (2010) argue that poor leadership is among the major hindrances to successful strategy implementation. A leader's commitment drives the organization towards success by making

efficient decisions for strategy formulation and implementation (Gordon, 2002). A strategic leader directs the organization by ensuring that long-term objectives and strategies have been determined, understood and supported by managers within the organization who will be responsible for implementing them (Thompson, 1997). Rajasekar (2014) argues that ensuring employees' buy-in and directing their capabilities and business understanding toward the new strategy is a key challenge in successful strategy implementation.

### Statement of the Problem

Church based Sacco's first and foremost are governed by church doctrines such as sincerity and honesty in addition to SASRA rules and guidelines. This is opposed to traditional Sacco's which only adhere to SASRA guidelines. Despite the aforementioned doctrines and further guidance as provided by the SASRA on how to run their operations, church based SACCOs just like those operating under SASRA rules and regulations in Kenya are collapsing due to poor strategy formulation and implantation.

Strategy formulation and implementation incorporates relationship of the organization's benefits and motivation of the staff to achieve goals. The common conditions going up against various associations have changed rapidly. The present overall forceful condition is mind boggling, dynamic, and, all things considered, unordinary. To deal with this unique level of advance, a remarkable degree of thinking has gone into the issue of how procedures are best categorized. Essential organization is tied in with managing that is yet to come, whereby convincing approach enumerating is critical, as it facilitates the thought and exercises of an affiliation. This is so, even in cases where actual implemented strategy can be very different from what was initially intended, planned or thought (Olson, Zanetti, & Cunningham, 2005).

Mintzberg (2014) in his research observed that strategy formulation is typically not a regular, continuous process. He further found that strategy formulation and implementation are an irregular,

non-systematic and discontinuous process. His study concluded that there are periods of stability in formulation and implantation, but in other cases there are instances of instability and serial challenges as a result of poor management. Lack of proper planning has and always leads to poor performance and failure of organizations and in this case both church based Sacco's and non-church based Sacco's.

Cases of church based Sacco's that have failed before due to poor management have been recorded in literature. According to Mkala (2015) La Nyavu Sacco which was operated by CITAM church and Good life Sacco which as operated by Good life shepherded ministries are good examples of church based Sacco's that have previously collapsed as a result of poor management. This problem has not only affected church based Sacco's but also non-church based Sacco's. For examples Tena and Ulinzi SACCO which was put under liquidation due to bad governance and Isiolo Teachers SACCO and Ogembo Tea SACCO which collapsed due to non-compliance with SASRA regulatory requirements (SASRA, 2012). Mbaka and Mugambi (2014) identified implementing tactics, consensus, commitment, organization structure, employees and inadequate resources among others as reasons behind poor performance in Sacco's.

While these studies provide insight on Sacco's, both church based and non-church based Sacco's, the conclusions are only generalized on poor management and poor governance and are too broad. Many factors do not address the problem of this study which will be to establish the determinants of strategy formulation and implementation in church based Sacco's that are governed by two different types of guidelines that is church doctrines and SASRA rules and regulations. This study therefore seeks to discover the determinants of strategic plan formulation and implementation in church based Sacco's in Nairobi metropolitan.

### **Objectives of the study**

The general objective of the study was to establish the determinants of strategic plan formulation and implementation by church based Sacco's in Nairobi metropolitan. The study was guided by the following specific objectives;

- To explore the influence of organization structure on strategic plan formulation and implementation by church based SACCOs in Nairobi metropolitan.

### **LITERATURE REVIEW**

#### **Theoretical Review**

##### **Resource Based Theory**

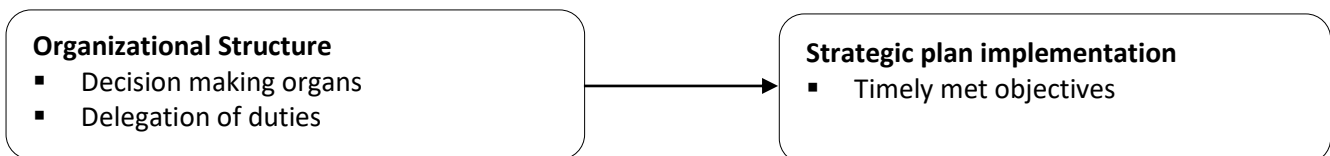
Understanding sources of competitive advantage has become a major area of study in strategic management (Flint and Van Fleet, 2005; King, 2007). The resource-based theory stipulates that the fundamental sources and drivers to firm's competitive advantage and superior performance which are mainly associated with the attributes of their resources and capabilities which are valuable and costly to copy (Mills, Platts and Bourne, 2003; Peteraf and Bergen, 2003). Firm resources include all assets, capabilities, organizational processes, firm attributes, information and knowledge etc. controlled by a firm (Barney, 1991). The resources are regarded as stocks of capabilities, flow of variables and when combined with specific skills allow the bundle of products and sources of market oriented business to be differentiated, in order to achieve and sustain a competitive advantage. In strategic plan, implementation managers have to identify the key resources necessary, such as leadership, positive culture, human resource capabilities and competitiveness among others.

Resource-based theory stems from the principle that the source of firm's competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. That is rather than simply evaluating environmental opportunities and threats in conducting business; competitive advantage depends on the unique

resources and capabilities that a firm possesses (Barney, 1995). The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin et al., 2007).

### Conceptual framework

According to Rogers, (2003), Conceptual framework is an abstract representation connected to research project's goal that directs the collection and analysis of data.



**Figure 1: Conceptual Framework**

### Empirical Review

#### Organizational Structure and Strategic plans implementation

Successful plan implementation needs a mixture of a range of aspects and not a linear and prescriptive type of implementation model because the plan execution is too complex to be analyzed by such a model. In order to identify intricacies in the implementation stage, it is imperative to comprehend the whole strategic planning process. An organization's strategy passes four main stages: environmental scanning, formulation of the strategy, implementation of the strategy and evaluation of the strategy (Wheelen and Hunger, 2012).

Investigating why the best strategies fail, reveals the inconsistencies that exist between formulation and implementation, at first, and later inconsistencies between strategy the implementation and the performance evaluation or measurement. The formulation part focuses on mission, goals, objectives and plan determination while implementation consists of activities, budgeting and other procedures. Understanding the key dimensions to implementation process can help executives control how strategy gets defined and implemented while adjusting to the competitive environment changes. Practicing executives or managers do not have frameworks that guide their dealings during implementation phase that is why implementation fails. Without sufficient models,

they implement the strategies without a superior perception of the numerous factors that should be addressed, simultaneously, to create a successful implementation atmosphere (Okumus, 2013).

There exist several organization as discussed below structures exist.

The vertically integrated functional organization (F-form) grew prominent in the late nineteenth and early twentieth centuries, when firms' competitive advantages were based largely on high volume standardization, low costs, and a production orientation. The multidivisional organizational structure (M-form) rapidly came to replace the F-form for example, in some firms, the increased size and a widening product range strained the functional structure and overloaded top management. The M-form allowed firms to be more market-and product-oriented, which made it much better suited to a business environment characterized by rapidly changing customer preferences. In the 1960s and 1970s, the matrix organization, with its emphasis on lateral relationships and dual lines of responsibility and authority, became popular among diversified firms however this structure was not a particularly successful innovation and most companies such as Dow Chemical, eventually returned to a more conventional structure, with clear lines of responsibility for geographic managers (Furrer, 2011).



Functional organizational structure involves structuring an organization around basic business functions such as production and operations, marketing, and finance. It is mainly used by small to medium-sized businesses and other companies and is relatively straight forward. A corporation with a divisional organizational structure (strategic business units) has various company divisions operating autonomously as businesses under a broad corporate framework. Companies with various distinct products might establish a divisional organizational structure whereby the manufacture and sale of each product is more or less conducted by a separate company under a broad corporate umbrella. As these divisions are centralized at the corporate office, this office serves largely as a capital allocation and control mechanism. The matrix organizational structure involves employees reporting to multiple managers in team project situations. Many companies today are adopting the network organizational structure where the organization contracts out most functions except administration (Gasper et al., 2010).

## **METHODOLOGY**

This research study adopted a descriptive survey approach on determinants of implementing strategic plans in church based Sacco's in Nairobi metropolitan. Target population was all church based SACCOs in Nairobi metropolitan. Top managers, line managers and supervisors were respondents because they were the ones that were responsible for strategic decisions and therefore they were appropriate to be contacted. According to SASRA, (2019), there were a total of thirty church based SACCOs and 95 top managers and supervisors from all the thirty church based SACCOs in Nairobi metropolitan. The primary data was collected using closed ended structured questionnaire. The questionnaire adopted a Likert scale of 5 levels (1 to 5) and was administered through drop and pick. A pilot study was undertaken to check the validity and

reliability of the test items used in primary data collection. The study used both descriptive and inferential statistics in the data analysis. Descriptive statistics was used to describe character of the data. In this case, the researcher used mean and standard deviation as well as charts and graphs. Inferential statistics was used to estimate relationship between study variables as well as for hypothesis testing.

## **FINDINGS AND DISCUSSION**

### **Organizational structure and strategy formulation and implementation in church based SACCOs**

From the table 1 it was shown that the top evaluated statement was that, the way labor was divided within the organization influences how strategic plans are formulated and implemented which scored a mean of 3.400 and therefore interpreted as high. The lowest evaluated statement was that the required framework is the one that emphasizes on flexibility, creativity and participation as its mean was calculated at 2.4 and was interpreted as below average. Furthermore, it was found that the organizational structures matches with strategic change (mean = 3.37, SD = 0.894). On the opinion that, tasks and responsibilities are adequately defined, majority of the respondents were in agreement with a mean of 3.18 and SD 1.11. However, majority of the respondents were undecided on the statement that radical shifts in the organizational design reflect changes happening in the wider social, economic, political and technological environment (mean 2.96, SD 1.116). In general, it was found that organizational structure influences strategic plan formulation and implementation as shown by average mean 3.0667 and standard deviation of 1.04819 which concurs with (Chitale, Mohanty, & Dubey, (2013) which concluded that Managers use Organization structure as a tool to achieve organizational goals.

**Table 1: Opinion on Organizational structure and strategy formulation and implementation in church based SACCOs**

<b>Descriptive Statistics</b>	<b>Mean</b>	<b>Std. Dev</b>
The structure of the organization matches the strategic change	90	3.3778
The way labor is divided within the organization influences how strategies are implemented	90	3.4000
Tasks and responsibilities are adequately defined	90	3.1889
Radical shifts in organizational design reflect changes happening in the wider social, economic, political and technological environment	90	2.9667
The new organizational framework required appears to be one that emphasizes flexibility, creativity and participation	90	2.4000
<b>Average</b>	<b>90</b>	<b>3.0667</b>
Valid N (list wise)	90	

### Regression Analysis

The study intended to establish to what extent organizational structure influences the implementation of strategic plans in the Sacco's. The researcher observes that most of the respondents were of the opinion that organization structure influenced implementation of strategic plans to a great extent. From the analysis of the study it was also established that most of the respondents had a below average opinion when they strongly disagreed that the organization structure of the organization does not match the strategic change. Secondly most of the respondents strongly disagreed that the way labor is divided within the organization influences how strategies are implemented. There was a unanimous agreement that tasks and responsibilities are adequately defined this also applied to the opinion that the new organizational framework required appears to be one that emphasizes flexibility, creativity and participation. Finally, most of the respondents strongly agreed that Radical shifts in organizational design reflect changes happening in the wider social, economic, political and technological environment. (4.4.1)

### CONCLUSION AND RECOMMENDATION

The study found that organization structure was good with some room for improvement. It was also

established that their effect on strategic plans formulation and implementation was significant though moderate. In conclusion, the good strategic implementation is attributed to the way labor is divided within the organization, proper division of labor within the organization and proper definition of tasks and responsibilities in church based SACCOs. However, the new organizational framework did not emphasize on flexibility, creativity and participation which to some extent affected the formulation and implementation of strategic plans. This study attempted to investigate the determinants of formulation and implementation of strategic plans of church based SACCOs. While it has tried to be as comprehensive and possible, some few areas may need further research to substantiate the realities therein. The following are suggested areas for future research.

- The relationships between strategy formulation and implementation processes
- Comparing the magnitude of the effect of strategy formulation, implementation, and evaluation of organizational performance
- The role of strategic management practices on a firm's competitive landscape
- Determinants of formulation and implementation of strategic plans in other organizations other than church based SACCOs.

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