CHALLENGES INFLUENCING THE IMPLEMENTATION OF BUSINESS STRATEGIES IN PUBLIC SECTOR FIRMS IN KENYA: A SURVEY OF PARASTATALS IN THE MINISTRY OF AGRICULTURE

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ABSTRACT

The purpose of this study is to investigate the challenges influencing the implementation of business strategies in public sector firms in Kenya through a survey of parastatals in the Ministry of Agriculture. The study adopted a descriptive research design and involved a sample size of eight (8) parastatals. Data was collected through a questionnaire from a sample size of sixty five (65) respondents that was obtained using census procedure.

Key words: *Human Resource Skills, Finance, Technology, Government Regulation*

Introduction

According to Sum & Chorlian (2013) public-sector executives in countries such as Finland, Denmark, Sweden, Malaysia, Mexico and the US acknowledged that borrowing business strategies from the private sector is among the top three ways that their organizations will change. As public-sector organizations transform their delivery channels and working practices so as to satisfy greater customer demands and cost-efficiency, many turn to business strategies to meet these specific goals and general organizational objectives (Holl, Oh, Yoo, Amsden, & Min-Woong, 2012).).

In Kenya, the public service sector has experienced redundancies, cost cutting, closure of operations and challenges to the quality of their services. In fact the public sector has shifted away from the guaranteed-job status to the introduction of pay-for-performance models, while stereotypical public-sector roles are already changing (Ng'ethe, Musambayi & Gareth, 2004). These factors have encouraged and forced public sector organizations to formulate and implement effective business strategies as they are viewed as enabler of organization growth as it streamlines internal operations and stimulate access to business opportunities and markets; enhance business-related efficiencies, increase productivity and profitability (Costa, Rozenfeld, Amaral, Marcacinit, & Rezende, 2013).). In fact business strategies in all the sectors of public service have been undertaken since 2002 with the goal of improving service delivery, increasing efficiency, expanding service and channel offering and meeting the demands of citizens for quality services in a manner that is consistent with their range of financial, environmental, and social concerns.

However, the implementation of business strategies is a challenge for most of the parastatals in the Ministry as there are various soft, hard and mixed factors that have negatively influenced the strategy implementation resulting in poor implementation process (Murithi, 2009). These challenges have caused some organizations to implement these strategies inappropriately, not fully implement them or abandon them all together (Heracleous, 2000). This has had devastating negative effects on their performance as it has resulted in poor service delivery, increased internal inefficiencies and negative bottom line. This is because a variety of internal and external operations and the overall organization performance critically depends on the effective implementation of business strategy (Baldwin & Sabourin, 2002).

According to Agricultural Sector Coordination Unit (ASCU) (2010) about (32%) of the parastatals in Ministry of Agriculture have implemented business strategies, (11%) are in the process of implementing business strategies, while, (57%) have not implemented business strategies altogether. Failure by some of the parastatals in the Ministry of Agriculture to effectively implement business strategies have negatively impacted on the operations of these organizations and the country as a whole in terms of reduced foreign direct investment, shortage of food production; reduced contribution to the gross domestic product (GDP), government revenues, industrial raw materials and foreign exchange earnings. This situation has also adversely affects the creation of job opportunities within the sector and other linked sectors and more so the livelihoods of the rural population (Wanjama 2009). Therefore, it is against this background that this study seeks to explore the challenges influencing the implementation of business strategies in public sector firms in Kenya with special reference to the parastatals in the Ministry of Agriculture.

Literature Review

Human Resource Skills

Schmidt & keil (2013) suggest that competent employees and their capabilities is essential ingredient for successful strategy implementation. They are important for the organization to develop human resource competencies. The organization need to attract employees with necessary experience, technical skills and other soft skills (Badri, Bashiri, & Hejazi, 2013).). The skills need to vary depending on the type of strategy the firm is planning to implement. Johnson & Scholes (1999) further suggest that a strong management team with the right skills that works closely is important in strategy implementation. Firms need to challenge their employees to innovate and be creative, and motive them to upgrade their skills continuously (Kaifeng, Lepak, Jia, & Baer, 2012).

In the implementation of strategy hiring and retaining competent employees helps to develop core competencies. However the organization's core competency emerges incrementally as the firm goes about business. It is prudent to be proactive about what implementation of strategy entails and build competencies and capabilities that are scalable. Building core competencies is an inter-departmental effort. Each department performs complementary activities across the organization's value chain. In the implementation of strategy the management team's role is to concentrate enough resources and management attention on activities that strengthen employees' core competencies (Johnson & Scholes, 1999).

Badri, Bashiri, & Hejazi, (2013) also acknowledged that the effectiveness of strategy implementation is, at least in part, affected by the quality of people involved in the process. Peng & Litteljohn (2001) defined quality as capabilities, skills, attitudes, experiences and other distinctiveness of people that a specific task or position requires. Prahalad and Hamel (1990) and Barney (1991) core capabilities as complex bundles of skills and collective learning, knowledge and technological know-how exercised through organizational processes that ensure co-ordination of functional activities and give a special advantage which in turn enhance the implementation of strategy and firms performance, creates synergy and competitive advantage.

Finance

Finance and the way that it is managed is the key determinant of strategic success. For the public sector this primarily concerns to deliver the best value within financial limits (Kenya Producers Coalition, 2010). Johnson et al. (2006) define three issues that organizations face in terms of the relation between strategy and finance: Managing for value, whether this is concerned with creating value for shareholders or ensuring the best use of public money (budgets); Funding strategic developments and financial expectations of stakeholders will vary, both between different stakeholders and in relation to different strategies (Jabareen, 2013).

The cost of implementing the strategy is shared between the Government and the development partners and the private sector. The principle enshrined in the sharing reflects the Government's deep commitment, on the one hand, to increase the operation and management of the productive sectors to those best placed to do so and, on the other hand, increase the control of economic affairs to the citizenry. This will increase efficiency of operations, reduce costs and improve distribution mechanisms for the resultant wealth. Therefore, the costing of this strategy will be part and parcel of the medium-term plan, Medium Term Investment plan from which the medium-term expenditure framework will be derived. Development of a detailed and realistic budget for allocating the capital is necessary to affect the internal changes of strategic plan implementation, and closely monitoring and evaluation of the spending process is equally important to the achievement of the objective of the strategy (Badri, Bashiri, & Hejazi, 2013).

Strategy implementation cost includes: determining what resources (people, equipment, materials) and what quantities of each should be used to perform organization activities; developing an approximation (estimate) of the costs of the resources needed to complete the strategy activities; allocating the overall cost estimate to individual work items; and controlling and management changes to the implementation budget (Hrebiniak, 2006). In developing the initial budget, the finance manager must be able to provide the supporting detail for the cost justifications and the timing for project fund expenditures. When the finance manager finds that the cost schedule is not being followed, he/she must be able to take the necessary action to maintain the agreed-upon cost schedule and document all cost changes that occur during the project (Nyoro, Wanjala, Awour, 2001).

In addition, several competencies are related to keeping the strategy implementation within budget, including the ability to perform resource planning, cost estimation, and cost control (Savio, & Nikolopoulos, 2013). Cost to implement strategy depends on several variables including (chiefly): resource costs, labor rates, material rates, risk management, plant (buildings, machines, etc.), equipment, cost escalation, indirect costs.

Finance is necessary for procurement of services, equipment and facilities necessary for the implementation of the business strategy (Mascarenhas, 2013). The procurement processes include: determining what to procure and when; documenting product requirements and identifying potential sources; obtaining quotations, bids, offers, or proposals as appropriate; choosing from among potential sellers; managing the relationship with the seller; and completing and settling the contract, including resolution of any open items (Brenes, Mena & Molina, 2007). Strategy implementation cost includes the process required to ensure that the implementation is completed within the approved budget, and includes the following: resource planning-determining what resources (people, equipment, materials) and what quantities of each should be used to implement business strategy.

Thus, financial resource issues frequently arise not because implementation is inherently expensive or time consuming but because existing issues within the organisation impede it (Govindarajan & Fisher, 1990). The big costs tend to be in systems change to support change. This is an issue he has addressed in part by moving from in-house systems with more flexibility (Zheng, 2013). Underlying many of these constraints is attitude. Roll-out expenses typically revolve around retraining people, changing processes, and any necessary new tools or technology. It uses up resources, he acknowledges (Almandoz, 2012). If a policy change falls short in implementation, a host of problems can arise beyond cost, such as increased reputational and regulatory risk, and even reduced employee morale. Obtaining sufficient financial resources, then, flows from a proper understanding of what is at stake (Gramm & Schnell, 2013).

Technology

Arvanitis & Loukis, 2009 referred technology as products, processes, knowledge, instruments, procedures and systems which facilitate the production of goods and services. Technology gives organizations valuable assistance in implementing new policies, procedures and initiatives. Byrd, Lewis & Bryan (2006) suggest that technology enhances and maintains communication and accountability for the managers involved in implementation process throughout the strategy implementation process, and facilitate keeping track of implementation and performance goals and their achievement. However, organizations may be required to add new systems and infrastructure and ensure that all systems function reliably. Kenworthy (2012) state that training all relevant staff to use new systems and programs is relevant for successful implementation of strategies.

Avison, Jones, Powell, Wilson (2004) suggest that technology is at the center of systems considered for finding customers needs and satisfaction. Successful implementation of strategies entails the integration and coordination of technologic innovations, production processes, marketing, financing and personnel. Through this, defined goals are achieved.

Heide & Grønhaug & Johannessen (2002) states that information is the blood which flow into the organization's vessels and brings it to life therefore, during the implementing process information technology ensures there is internal circulation of information.

In most public sector organizations some managers are still attempting to implement their strategies predominantly using the MS office suite (ASCU, 2010). Unfortunately this is totally inadequate for medium to large organisations and even with the most creative use of Excel organizations quickly hit limitations. Likewise an information management system is not a strategy implementation system; it may provide information essential for planning purposes however it is unlikely to assist in the development and reporting on the numerous activities that need to take place as part of strategy implementation (Economist Intelligence Unit, 2010).

Government Regulation

Okums (2003) define regulation as a legal provision that creates, limits, or constrains a right, or allocates a responsibility, creates or limits a duty. Further, Okums (2003) indicate that it be a legal restrictions promulgated by a government authority or a contractual obligations that bind many parties. Regulation can be considered as actions of conduct imposing sanctions, such as a fine, to the extent permitted by the law of the land (ASCU, 2010). Better regulation initiatives establish simpler, more appropriate, sustainable regulatory environments for businesses to implement their business strategies successfully. The quality and quantity of regulation influence the way business, develop, implement and evaluate their business strategies at whatever organization level. Thus effective regulatory initiatives encompass both regulatory quality improvements and elimination of unnecessary regulations, and as such involve an emphasis on the creation of a business friendly environment that promotes business efficiency (Costa, Rozenfeld, Amaral, Marcacinit, & Rezende, 2013).).

There are many areas of business strategy implementation that are influenced by governments' regulations such as taxation, procurement, employment and even the environment. Also important influences are government policies on ownership by foreign firms, on labor union rules, on hiring and remuneration practices, on patent and copyright protection, and so on

(Heide, Grønhaug & Johannessen, 2002). For the most part, however, if the corporation's managers have done their homework, all these factors are known beforehand and are part of the location and entry strategy decisions (Marvel, 2013). Regulation mandated by a government attempts to produce outcomes which might not otherwise occur, produce or prevent outcomes in different places to what might otherwise occur, or produce or prevent outcomes in different timescales than would otherwise occur (Ng'ethe, Musambayi and Gareth, 2004).

Research Methodology

The study adopted a descriptive research design and used questionnaires to obtain data. The target population consisted of parastatals under the Ministry of Agriculture, while the respondents consisted of Managers and planning staff drawn from these parastatals as contained in the population frame provided by the Ministry of Agriculture. The study used purposive sampling procedure to select a sample that represents the entire population. The study therefore purposively selected the following firms: Kenya Agriculture Research Institute, Agricultural Finance Corporation, Agriculture Development Corporation and Sugar Board of Kenya in Nairobi, Kenya Seed in Kitale, Pyrethrum Board of Kenya located in Nakuru, Nzoia Sugar Company in Western Kenya and Kenya Coconut Development Authority in Mombasa. From the sample size of eight (8) parastatals a sample size of sixty five (65) respondents will be obtained using census procedure which involves taking the total population as a sample.

Discussion and Results

Regression model summary of the effect of independent variables on the dependent variable

From the results shown in table 4.8, the model shows a goodness of fit as indicated by the coefficient of determination r^2 with value of .605. This implies that independent variables human resource, finance, technology and regulation explain 60.5% of the variations as a result of the factors affecting the implementation of business strategies in public sector firms in Kenya. 39.5% of variations are brought about by factors not captured in the objectives. Durbin Watson value of 2.220 was established illustrating lack of auto correlation in the model residuals.

Table 4. 1: Regression model summary of the effect of independent variables on the dependent variable

R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Durbin-Watson
			F Change	df1	df2	Sig. F Change	
.6053	.52	.65554	2.761	3	23	.022	2.220

Table 4. 2: Regression Coefficient of Determination of the effect of independent variables on the dependent variable

	Unstandardized Coefficients		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	1.448	.560		2.584	.001
Human resource	.191	.058	.313	3.329	.002
Finance	.466	.123	.312	3.779	.000
Technology	.063	.116	.052	.544	.013
Regulation	.233	.077	.322	3.016	.004

a. Dependent Variable: the implementation of business strategies in public sector firms

The study conducted a multiple regression analysis so as to determine the relationship between the factors affecting the implementation of business strategies and the implementation of business strategies.

The regression equation ($Y = \beta0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \alpha$) was:

$Y = 1.448 + 0.191X_1 + 0.466X_2 + 0.063X_3 + 0.233X_4 + 0$

Whereby Y = implementation of business strategies, X1 = Human resource skills; X_2 = Finance; X_3 = Technology and X_4 = Regulation

According to the regression equation established, taking all factors (Human resource skills, Finance, Technology and Regulation) constant at zero, the implementation of business strategies in public organization as a result of these independent factors will be 1.448. The data findings considered also shows that taking all other independent variables at zero, a unit increase in human resource skills will lead to a 0.191 increase in effect on implementation of business strategies. A unit increase in finance will lead to a 0.466 increase in effect on implementation of business strategies; a unit increase in technology will lead to a 0.063 increase in effect on implementation of business strategies while a unit increase in regulation will lead to a 0.233 increase in effect on implementation of business strategies.

This therefore implies that all the four variables have a positive relationship with finance contributing more in effect on implementation of business strategies, while technology contributes the least in effect on implementation of business strategies.

Implication

As far as human resource skills influence on the implementation of business strategies in Public Sector Firms in Kenya is concerned, organizations need to attract employees with necessary experience, technical skills and other soft skills (Cox, 1999). The skills need to vary depending on the type of strategy the firm is planning to implement.

Lack of skilled personnel result to failure in business strategy implementation in public sector organizations and the management team needs to take the effort to screen and evaluate potential employees and make sure these recruits can work within the organization's work environment and culture (Govindarajan, 1989).

Further, finance availability influences the implementation of business strategies in public sector, and therefore should be properly managed to enhance the implementation process. Formulation of a realistic and detailed budget ensures successful implementation of business strategy since it is the key determinant of strategic success. Schaap (2006) for successful implementation of business strategies several competencies are related to keeping the strategy implementation within budget, including the ability to perform resource planning, cost estimation, and cost control.

Availability of technology in the public sector organizations facilitates strategy implementation process. According to Byrd, Lewis & Bryan (2006) technology gives organizations valuable assistance in implementing new policies, procedures and initiatives.

Lastly, governments' regulations influences business strategy implementation in areas such as taxation, procurement, employment and even the environment and result in increased business strategies implementation cost. According to Economist Intelligence Unit (2010) better regulation initiatives establish simpler, more appropriate, sustainable regulatory environments for businesses to implement their business strategies successfully.

Limitation and Future work

In the present study, Human resource skills, finance, technology and regulations have been investigated without addressing of wide array of other factors that affect the implementation of business strategies in public sector organizations and in particular the agricultural sector. Future research can be done on different factors affecting the implementation of business strategies in organizations in private sector.

Also, the role of managerial and leadership factors in the implementation of business strategies is also of unique importance and thus requires to be investigated because a good manager or leader affect implementation of strategies in organizations.

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