

**FACTORS AFFECTING THE IMPLEMENTATION OF STRATEGIC PERFORMANCE
MEASUREMENT SYSTEM OF PARASTATALS IN KENYA: A CASE STUDY OF THE
KENYA RURAL ROADS AUTHORITY**

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ABSTRACT

Strategic performance measurement system helps us monitor the implementation and effectiveness of an organization's strategies, determine the gap between actual and targeted performance. However, impact of strategic performance measurement remains untapped in many institutions with a number of empirical studies alluding to nullity of strategic performance measurement on performance. Owing to this contradiction and lack of empirical study, this study sought to establish whether strategic performance measurement influences performance of Kenya Rural Roads Authority.

Key words: *Strategic performance, Performance Measurements Systems, Parastatals, Kenya Rural Roads Authority*

Introduction

Over the last couple of decades in particular, many organizations worldwide have experienced significant change in their organizational design, competitive environments and information technologies (Johnson and Kaplan, 2007). The change has largely been driven by globalization which has profoundly changed the world's political, socio-cultural and economic landscape and created a turbulent environment of change. To adapt to the changing environment, innovative organizations not only changed their strategic priorities, but also implemented new technologies and management practices (Banker et al., 2000).

Statement of the Problem

The first Performance Measurement Systems to be used in Kenya was the performance contract which was a hybrid system that was borrowed from international best practices and the Balance Score Card. The Performance Contracting and Evaluation system best practices were drawn from: South Korea, USA, United Kingdom, Malaysia and Morocco but domesticated to suit the local context (World Bank, 2004).

The performance contract was introduced in two government agencies: Kenya Railway Corporation and National Cereals and Produce Board on a pilot basis through the Parastatal Reform Strategy Paper in 1991. The results achieved from these two agencies indicated that there was no adequate linkage between performance contracting and budgeting systems. The matrices of performance contract were too many thus hindering the effective implementation of the performance contract. Recommendation that followed the announcement of these results

included; development and adoption of a comprehensive performance measurement system that will incorporate other tools such as balance score card, performance index (GOK, 2007).

One of the most important items on senior executives' change agenda needs to be keeping the organization's performance measures and measurement systems relevant to today's business needs. Failure to do so will invariably lead to a diminution of the company's reputation; to customer defections; and to breakdowns in relations with other key stakeholders (GOK, 2007).

However, much of the research conducted on SPM systems implementation in the past decade focused on identifying and measuring the organizational characteristics which appear to be particularly conducive to either success or failure of SPM development efforts. While such research is useful in providing insight about SPM implementation challenges, it provides little guidance for the management of ongoing implementation efforts and they do not address SPM Implementation challenges more specifically to state parastatal (Wambugu, 2007).

Locally, a few studies have been done on strategic performance measurement practice these include; Njanja (2005) who carried out a study on strategic management practices in the agricultural sector of Kenya on the case of Statutory Boards, Mangi (2009) strategic management practices adopted by local authorities in Kenya. This study is therefore motivated to explore on the factors that affect the implementation of strategic performance measurement system in state corporations in Kenya.

Objectives of the Study

The general objective of this study is to investigate whether Strategic performance measurement influences the overall performance of operations at KeRRA.

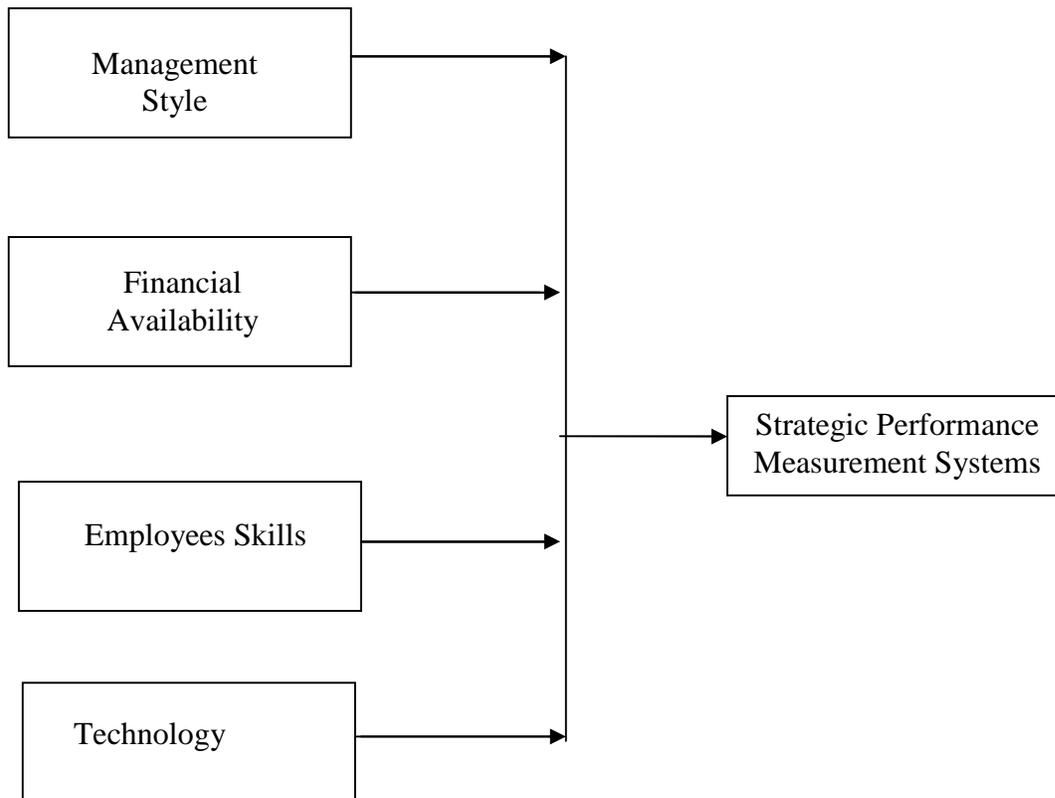
Specific Objectives

- i. To establish whether availability of finance influences the implementation of SPM at KeRRA.
- ii. To determine whether management commitment influences implementation of strategic performance measurement at KeRRA.
- iii. To establish whether employee capacity influences implementation of SPM at KeRRA
- iv. To establish whether technology influences implementation of SPM at KeRRA?

Literature Review

Expectancy Theory

The Expectancy theory states that employee's motivation is an outcome of how much an individual wants a reward (Valence), the assessment that the likelihood that the effort will lead to expected performance (Expectancy) and the belief that the performance will lead to reward (Instrumentality). In short, Valence is the significance associated by an individual about the expected outcome. It is an expected and not the actual satisfaction that an employee expects to receive after achieving the goals (Salaman, 2005).

Conceptual Framework**Independent Variable****Dependent Variable****Critique of Existing Literature**

There are a few empirical studies linking the use of strategic performance measurement to better decision making or improved financial performance of companies, but some work has been done in these areas. However, broadcast surveys of usage have difficulties in this respect, due to the wide variations in definition of 'what constitutes strategic performance measurement' (Adams, 2002). Single organization case studies suffer from the 'lack of a control' issue common to any study of organizational change - you don't know what the organization would have achieved if the change had not been made, so it is difficult to attribute changes observed over time to a single

intervention (such as introducing a strategic performance measurement). However, such studies as have been done have typically found strategic performance measurement to be useful, (Adam, 2002).

Research Gaps

Chenhall and Morris (2001) examine the association between SPM and the perceived usefulness of four management accounting system attributes: scope, timeliness, aggregation, and integration of set targets. They find significant positive associations between SPM and preferences for broader scope and more timely information, but no associations with aggregation and integration preferences. None of these studies investigates performance consequences. More recent studies directly examine the effects of organizational strategy on performance measurement choices, and the relation between these choices and organizational performance (Mentzas, 2006).

Research Methodology

The study adopted a descriptive research design. The study population was made up of middle level managers of KeRRA, this is because KeRRA is among the various parastatals found in Kenya. Simple random sampling technique was applied in selecting the sample for this study. Data was gathered through self administered questionnaires.

Research Findings and Discussion

The study findings revealed that most of the managers view SPMS as a very important tool of management in the organizations whilst strongly agreed that managers influenced the operations of the parastatal. These findings are in agreement with Anderson and Merrill (2003) views that performance system is core in an organization. Moreover, the study established that the works of KeRRA were coordinated by the managers and their absence would lead to the collapse of the organization.

The management is an important factor in the organization and performance of a firm. Sarker (2001) urged that the influence on management is a factor that plays a major role in a firms' success. The success of a firm largely depends on the management style and the ability of the management to create processes which add value and keep the organization an upper hand relative to the competitors. The findings of the study indicate that most of the managers were of the view that senior managers were involved in the designing and implementation of SPMS in KeRRA.

This study found that the organizations SPMS measures are aligned to the operations of the KeRRA so as enhance efficiency in performance and delivery of services in the organization.

The study also found that most of the operating managers in the organization formulate strategies for the organization and thus they worked towards achieving a harmonizable performance structure in their firms.

According to Porter (2000), the strategic performance measurement implementation involves introduction of change to an organization. He stated that management spend time (months or years) to evaluate alternative and select a strategy which works well in all functional units of an organization. Thus the performance systems should be in such a way that the managers can

understand the roles they should play in the implementation of the same. According to the study findings, implementation of SPMS at KeRRA is helpful to the management. Majority of the respondents agreed that the implementation had helped the managers to understand the operational link between the activities and the functionality of the organizations. This findings confirms the earlier assertion of Porter (2000).

This study found that the performance system at KeRRA has different qualities and characteristics; these include the system goals which act a guide to the process, metrics of measurements, and the end targets. These help define and prevents process from spilling over to other commitments which could be unimportant to the process. According to the findings, the managers are concerned about lack of action plans in the processes of SPMS. This is a major issue which needs urgent priority.

Contributions of the Performance Systems to Kerra

The responses were rated on ANOVA analysis was done using descriptive statistics from the findings, SPMS was rated to enhance working relationships with the employee (Mean =11.080) majority of the respondents agreed that training needed assessment conducted on employees in relation to SPMS (Mean=12.77) so as to improve on the general performance of the systems goals.

There was also a general believe that training enhanced development of effective communication in business (Mean=11.25). These findings are similar to those found out after a study conducted by Quazi in 2007 on seven companies identified perceived employee resistance and poor training as a barrier to proper implementation of SPMS.

A performance system has various benefits to an organization. Scott and Tiessen's (2001) contented that management that updates and reviews semiannual performance measures in three or more of their six primary performance categories, and where senior management designs measurable criteria for determining strategic success mostly achieve statistically higher self-reported industry standing and financial performance relative to competitors, and progress in managing change efforts than firms that are not "measurement managed".

Contribution of Strategic Performance Management Systems to the organization with reference to employee capacities - ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	659.3	3	185.456	29.813	.000
Within Groups	589.231	93	6.232		
Total	1248.531	96			

The ANOVA results as given in table above illustrates that {F=29.813; DF=3; 93; 96; P=0.000} this indicates that there was a significant contribution of SPMS to the organization at 0.05 level of significance. This means that according to the respondents, SPMS is a contribution to organizational excellence.

Extent to which factors have affected implementation of SPMS in KeRRA – ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	256.56	3	79.828	4.661	.004
Within Groups	1575.505	92	17.125		
Total	1832.065	95			

The ANOVA results as illustrated in table above { $F=4.661$; $df=3$; 92 ; 95 ; $P=0.004$ } indicate that there was a significant influence of the variables on the implementation of SPMS in KeRRA at 0.05 level of significance. This means that according to the respondents, management commitment, financial availability, employee skills and technology are factors affecting implementation of SPMS in KeRRA.

There are many influences today which affect the adoption and use of strategic performance practices in organizations. Lyons, (2005) argued that performance systems are influence by globalization, deregulations, information technology, competitive pressures, consumerism, changing work attitudes and the emergence of a knowledge-based economy.

Conclusions

The general objective of this study was to investigate whether Strategic performance measurement influences the overall performance of operations at KeRRA. From the research findings, the study made the following conclusions. Objective 1 was to establish whether the availability of the finance influences the implementation of SPM at KeRRA. The research

findings indicate that inadequate finances for implementation of performance system affect the implementation process to a great extent. Moreover, the provision of funds will improve the implementation of performance measurements systems to a great extent. These findings implies that the availability of finances affect the implementation of performance systems in an organization.

Objective 2 was to determine whether the commitment of the management influences the implementation of strategic performance at KeRRA. The study findings, indicate that commitment of the managers in the process of implementing the performance system affects the process of implementing the performance systems in an organization to a great extent. The study also established that managerial commitment speeds up the process of implementation. From the above findings, the study notes that the level of commitment of the managers affects the speed and the effectiveness of the process implementation.

Objective 3 was to establish whether employee capacity influences implementation of SPM at KeRRA. The findings of this study showed that the skills of the employees affect the process. The study too established that training on the employees influenced the process to a great extent. These findings indicate that the capacity of the employees is key in the implementation of strategic performance systems in an organization.

Objective 4 was to establish whether technology influences implementation of SPM at KeRRA. The research results indicated that technology could improve the process greatly and increase the efficiency of implementation to a great extent. The study therefore deduces that technology influences the degree and efficiency of implementation of the performance systems.

Recommendations

Given that strategic performance systems is paramount to any organizations performance. The study recommends that the government enforces SPMS in public organizations and other government related Agencies so as to improve on the efficiency of the organizations.

The involvement of employees in the implementation of performance systems is a core factor. The study recommends that employees at public organizations be sensitized on the need to adopt the SPMS in their places of work. They should also be trained so as to be able to understand and carry out the implementation process well and effectively.

The study has established that a sound strategic system which fits well into the operational system of the organizational activities of the firm as a key factor in adoption of a SPMS. This study thus recommends that SPMS be well integrated to the working system of the parastatals so as to increase the efficiency of the processes. This should ensure that SPMS are formulated and action plans clearly defined to guide the activities and works of implementing the SPMS.

The commitment of the management has been found to have profound effects on the speed and the extent of implementation of SPMS. This study recommends that the various levels of management be fully engaged in the implementation efforts of SPMS so as to make the systems more effective.

The availability of funds has been found to influence the rate at of the process of implementing the SPMS. The study therefore, recommends that the government directs more funds towards implementation of the SPMS in public corporations so as make the process a success and avoid undue delays which are occasioned by inadequacy of funds.

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