THE INFLUENCE OF PLANNING ON THE ORGANIZATIONAL PERFORMANCE OF AGRICULTURAL STATE OWNED CORPORATIONS IN KENYA

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ABSTRACT

The origin of agricultural state owned corporations in Kenya can be traced back to the colonial period. Despite them being into existence for a long period of time, the performance of these state owned corporations have been faulted as poor. This study therefore sought to find out how planning influenced the performance of these state corporations. The objective of this study was to explore the effects of planning on the organizational performance of agricultural state owned corporations in Kenya. A descriptive research design was used. The target population consisted of 42 agricultural state owned corporations. A simple random sampling technique was used to select a sample of 30 corporations out of the 42 agricultural state owned corporations in Kenya. Data was collected through administration of questionnaires which were administered through the ‘drop and pick later method’. The questionnaire was divided into six sections to cover the objective of the study thoroughly and consisted of structured questions. Data was coded and analyzed using descriptive statistics of frequency, percentage, mean and standard deviation which was achieved by use of Statistical Package for the Social Sciences and Microsoft Excel 2007. Findings were presented in graphs charts, pie charts and tables. They indicated that planning has a bearing on organizational performance of state corporations but according to the data collected, it is inferred that the management of these corporations do not perform this functions of planning appropriately and effectively. The study therefore recommends that effective planning to be made a culture of these corporations if they are to improve on their performance.

Key Words: planning, organizational performance, state corporations

INTRODUCTION

State owned corporations (SOCs) are a worldwide occurrence in the economic structures of both developed and developing nations (Mathenge 2013). They are formed in most nations to hasten social and economic development (Mwaura, 2007). They were established in Kenya during the colonial period (Mwaura 2007) with the intention of providing services of a monopolistic nature, Africanizing the sector, and redistributing regional income. More specifically, the establishment of state owned corporations was propelled by a nationwide aspiration to: accelerate social economic development, amend address regional economic inequalities, accelerate Kenyan citizens’ involvement in the economy, encourage local entrepreneurship, and encourage overseas investment through cooperative projects (Kariuki, 2006).

According to Kipruto, Omwenga and Uzel (2016), government parastatals are important in promoting or accelerating economic growth and development and are critical to building the capability and technical capacity of the state in facilitating and/or promoting national development. Many of the corporations were concentrated in the agricultural sector because the economy of the country is mainly agricultural (Nyangito and Okello, 1998). Linyiru
Many state owned corporations are grappling with management problems which have led to their poor performance outcome. The poor performance outcome of state owned organizations has been blamed on low employee performance, negative employee workplace behavior, job dissatisfaction and workers’ turnover due the pursuit of greener pastures and improved work environs (Budiman, Lin and Singham, 2009). According to Mbuga and Okech (2015), poor performance of SOCs is associated with labor rigidities in the market, sloppy management of the enterprises, government interference, overreliance on government funding, increased fiscal and foreign debt occasioned by huge wage bill, wastages and continuous bailout by the respective government. Thus, mismanagement, bureaucracy, waste, pilferage incompetence and irresponsibility by directors and employees are the main problems that have made SOCs fail to achieve set their objectives.

While expected to graduate away from full government funding, many SOCs have continued to rely heavily upon government funding. To make things worse, many of them such as the Kenya Meat Commission have made huge losses to the point of closure of their business. Even after being bailed out of their debt crisis, such corporations have continued to make losses rather than profits (Republic of Kenya, 2015). Many of the members of management boards have been in the habit of raising their sitting allowances and buying themselves luxurious cars without the approval from relevant bodies (Republic of Kenya, 2015). Proper planning of SOCs is very essential for the achievement of goals, optimum use of resources, reduction of unwanted costs and establishing a sound organization.

PROBLEM STATEMENT

State owned corporations in Kenya have performed poorly due to poor management practices. A myriad of problems facing state corporations include corruption, nepotism, and misinformation (Njiru, 2008). These problems have not only been a concern to the government of Kenya but also to Kenya’s development partners such as the World Bank. This can be evidenced by the many of the reforms which have been proposed both by the government of Kenya and the World Bank have been directed towards improving the management practices of these public bodies. Management of state corporations has displayed laxity in oversight, management and fiduciary control procedures. Parliamentary reports of the Public Investment Committee have put state owned corporations on the spot for misappropriating public funds. Since the 1990s, the government of Kenya has been implementing reforms within state owned corporations with the aim of reversing their bad record. In 2003, in particular, the government revealed its economic rescue policy for employment and wealth making in which it reiterated the plans for improving performance of these public bodies. (Njiru, 2008). As from 2005, the government has been demanding all Boards of state owned organizations to sign performance agreements with the government on one hand and, on the other, pressuring compelling Chief Executive Officers to sign performance contracts with their respective Boards. In spite of these reforms and restricting
processes, research states that State-owned corporations (SOCs) in Kenya often have issues with management in relation to planning, organization, leading and controlling majorly due to political influence in the recruitment of managers. They face a variety of management-based issues that hinder productivity and performance of their employees and the organization as a whole. These issues include undefined goals and strategies, fraudulent transactions by directors, conflict of interest, lack of good leadership qualities and techniques. Other management-based issues include lack of commitment, poor management styles, unaccountability, poor interaction and communication with junior among employees, incompetency, ambiguity in action plans, slow and poor judgment that impacts resource allocation. All these management-based issues translate into low productivity and organizational under performance.

**GENERAL OBJECTIVE**

To explore the influence of planning on the organizational performance of agricultural state owned corporations in Kenya.

**LITERATURE REVIEW**

**Theoretical Framework**

This theory promotes the view that a manager or managers of an organization are the stewards (Donaldson 1990a, 1990b). According to this theory, the executive manager, far from being a resourceful idler, really desires to do a decent job, to be a respectable steward of the company resources. Therefore, stewardship theory embraces the opinion that there isn’t any integral, overall problem with the senior management’s motivation (Barney, 1991).

The absence A lack of an internal motivational problem amidst executives has set an increase to the query as to how far executives can attain good company performance in which they seek (Conyon and He, 2012). Consequently, stewardship theory embraces the assessment that performance discrepancies arise based on the structural conditions in which the executive discovers itself. Therefore, the query which implores solutions is whether or not the business structure helps the executive to articulate and device strategies for great company performance (Donaldson, 1985). Structures which enable the achievement of company objectives and goals are contingent on the degree to which they offer clear, consistent role anticipations and allow and empower high-rank management.

The theory creates two conflicting hypotheses about chief executive officer’s governance: chief executive officer duality which leads to greater revenues to stockholders and progressive outcomes of CEO duality are not due to the spurious effects of long-term reimbursement. Both agency theory and stewardship theory of management have both focused on the leadership philosophies embraced by the owners of a company. It arose out of the influential paper done by Donaldson and Davis in 1991 which was advanced as a model where high-ranking managers act as stewards for the business and in the utmost wellbeing of the owners.
According to Gitongu, Kingi and Uzel (2016), top management needs to offer support to other staff in order to increase the stakes of the organization’s performance. These support services step-up the capability of a business to involve itself in activities, behaviors and attitudes that demonstrate to back successful achievement of actions which add to employee performance. Employees have an intrinsic want of being taken care of and they need to be provided with the essential backing from management in relation to resources, endorsement, associations and associations in order to be encouraged to perform well. Therefore, leadership style is important for employee performance since leaders’ actions are directed towards providing the vital task related direction and moral backing to employees. Leadership style can be evaluated on the foundation of direct and indirect outcomes achieve from the relationship between leadership and employee performance.

The model of manager in stewardship theory is founded on the supposition that managers will come up with judgments to benefit the greatest interest of the business, therefore making collectivist views beyond self-servicing alternatives. This kind of individual is driven by doing what is of benefit to the business, because he/she has faith in that they will eventually benefit when the business succeeds. The steward manager makes the most of the performance of the business, working under the proposition that both the steward (the manager) and the main shareholders profit from a resilient business (Mullins, 2007).

Guided by the steward theory, this study examined the impact of management boards on the performance of state owned corporations in Kenya’s agricultural sector. This is important bearing in mind that management boards are expected to perform the monitoring role of the performance of SOCs in the interests of shareholders against the self-interest of executive managers. The study was intended to determine whether the boards of SOCs had a negative or positive impact on performance of these public bodies.

**Influence of Planning on Organizational Performance**

According to Munive-Hernandez, Dewhurst, Pritchard and Barber (2004), planning involves the plan or pattern of act that adds company main goals, policies and action systems are unified into a whole. Aldehayyat and Khattab (2011) noted that planning methods empower managers to convert data into valued decisions and appropriate actions. Sorel and Pennequin (2008) advocates for planning to involve developing objectives or the organizational strategic plans and looking for resources that would best be suited in achieving the organizational goals as outlined in strategic plans. Each goal should have financial and human resource projections associated with its completion so that it becomes successful. The planning process also creates timelines for when the plans should be achieved. According to Ballou (2007), planning also involves developing the tracking and assessment method that will be used to monitor the project process.

Planning is normally where the direction of the business is made through a multiplicity of activities comprising the making of goals. As such, the planning function of management symbolizes numerous points of decision making (Schraeder, etal. 2015). Daft and Marcic (2016) also identified the third effect of planning on organizational performance as its
pervasiveness. The entire managers starting from the every superintendent to the utmost officer who is the Chief Executive Officer (CEO) of a business are supposed to engage in planning. At the lower levels it may be termed as operational planning and whilst at the highest levels it is termed as strategic planning. The time spent in planning in any lever depends on the level type. The CEOs may be involved more in engaging in activities such as organizing and planning, whilst head of departments are more involved in areas leading people, acquiring resources in the respective departments and the control of performance in the departments. The more efficient the plans are the more they contribute to improved organizational performance.

According to Awino et al. (2012) positive change is caused by effective planning. The efficiency of plans must be aligned to add to the aims of the business and to promote the analyzing and improvement of strategies. Koontz and O'Donnell (2011) particularly viewed that efficiency feature has to be used not only in monetary terms to numerous resources used in service and production actions but also to the group and individual gratification of human resources. Sosiawani, et al., (2015) state that each dimension of strategic planning all contribute to organizational performance. Formality of strategic planning has been identified to have positive relationship with organizational performance (Glaister, et al., 2008). The tools of strategic planning are believed to be capable to increase the effectiveness and efficiency of business planning (Kraus, Harms and Schwarz, 2006). These tools include the SWOT analysis, interrelationship diagram and affinity diagrams. By using tools of strategic planning, business would be capable to attain improved performance in the case of hotels in the Middle East (Aldehayyat and Khattab, 2013). There is also positive relationship between employee participation and firms’ performance. It is believed that employee’s participation effect on strategic planning contributes to the effectiveness and the development of strategy which in return, leads to better effectiveness in the implementation.

Employees contribute in planning by giving their suggestion and test-driving the different strategies so as to get the best fit in terms of strategies that an organization can adopt, resulting in increased performance (Collier, Fishwick and Floyd, 2004). Whenever employees participate in crafting the plan development of for a business, their motivation and attachment to the project is high thus making them more effective while running the project. Veettil (2008) showed that by applying strategic planning correctly, would be able to contribute to companies achieving better performance. Consequently, creating assignments with timelines considering the ability of individual employees in the completion of the task time horizon is also considered as the key element of strategic planning which is capable to advance the performance of the business.

Mitchelmore and Rowley (2013) through their study, assert that businesses need to lengthen their time horizon of strategic planning for them to achieve better performance. Since enough time allocated time will allow employees to work efficiently without the pressure that time is running out on them, this means that their performance would be greatly improved. There are various implementation strategies that management in different organizations can adopt. The strategies may adopt a top-down approach where the policies and plans are developed at the top and the information trickles down to the bottom where the instructions are carried out.
The implementation approach may also be bottom-up or hybrid depending on the organization structure and their internal systems of handling firm’s assignments (Veettil, 2008).

Another element of strategic planning is the control of planning (Kraus, et al. 2006). Wagaki (2013) describes strategic planning as a continuing, never-ending, combined process demanding unceasing review and improvement. Strategic planning is thus considered and developing, vigorous and a collaborating process. To build your company to a performing level within the industry, the business has to strategize and employ the use of strategic planning practices. These are key characteristics which are vital towards founding and positioning the business strategically in the market (Kathama, 2012). Aldehayyat and Twaissi (2011) have shown in their study that the relationship midst strategic planning and companies’ performance is a significant and positive relationship in the Middle East background.

Strategic planning makes a business to look into the future and consequently offers an opportunity to influences way the future, or help in assuming a preemptive position (Kathama, 2012). It offers improved attentiveness to needs and the facilitation of related issues in the environment. This aids in defining the general mission of the business and emphases on the objectives, providing a sense of continuity, direction which leads to effective leadership and staffing, connecting everybody into the structure and offers standards of liability for individuals, allocated resources and programs. It is the key to assisting stake holders jointly and supportively to gain control of the future and the purpose of the business (O’Regan and Ghobadian, 2002). Akinyele and Fasogbon (2010) recommend that strategic planning entails a set of fundamental procedures that are envisioned to make or manipulate a situation to create more favorable outcomes for a company. This is quite different from traditional strategic planning that is extra defensive based and be contingent on the move of competition to initiate the business’s move. In business, strategic planning offers complete direction for specific units such as human resources, projects, financial focuses and marketing. Strategic planning may be favorable to productivity enhancement when there is agreement around mission and when most work actions are contingent on technological or technical contemplations.

Planning offers a simple direction and rationale which is formative to the focus of a business; and also offers the requirement against which any business may choose what to do and on how to do it. Basically put, it is a process for making and telling a better future in measurable terms and the selection of the best means to achieve the outcomes anticipated. It is said that failure to plan leads to planning to fail. Thus, Abdalkrim (2013) summarized the importance of planning as being: Increase of effectiveness; development of sustainable competitive position developing a decent fit between the internal capabilities and external environment and helping managers to reflect on the future repercussions of the present decisions. Having a good vision, objective and strategy is no guarantee that the project performance will be good. Creative planning by the management can help in improving performance outcome of the project. But on the other side, without a vision, good plan, or strategy the performance of a project is sure to fail or at best be poor.
RESEARCH METHODOLOGY

The study adopted a descriptive research design. The study was carried out in agricultural state owned corporations located in Nairobi and the outlying counties. The population consisted of 42 agricultural state owned corporations based in Nairobi and recognized by the Ministry of Industry, Investment and Trade. The study adopted a simple random sampling whereby the sample population selected for this study was 70% of the study population giving a total of 30 state owned corporations. Five employees were sampled from each chosen 30 state-owned corporations. This gave a number of 150 respondents. Questionnaires were administered to all the respondents and the response was quite good since majority of them (108 in number) completed and returned the questionnaires. However, some employees (42 in number) did not return their questionnaires. The data collected was analyzed using descriptive statistics analysis method. Moreover, inferential statistics (Pearson Correlations, Multiple regression and Analysis of variance) were computed. Graphs, charts, pie charts, figures and tables were used to present the findings. These were then interpreted in light of the study objectives.

RESEARCH RESULTS

Normality Test

The researcher sought to assess the normality of data of the sample taken in respect of the various variables in the study. The purpose of normality test was to assess whether the sample was obtained from a normally distributed population where Shapiro-Wilk (S-W) normality test was conducted. According to Shapiro-Wilk (S-W) test, if the p-value is greater than 0.05, the data are described as normally distributed. The p-value for planning was less than 0.05 in respect of the S-W test. According to Shapiro-Wilk (S-W) test, if the p-value is greater than 0.05, the data are described as normally distributed. From these findings it can be concluded that the sample was not obtained from a normally distributed population.

Perspectives on the Influence of Planning on Organization Performance

Financial Perspectives on Planning

From the finding in Figure 4.2, strategic planning reduces operating costs had a mean of 5.50 with a standard deviation of 1.06. This mean is high and it confirms that the respondents feel that planning has a positive influence on the performance of state owned corporations as it helps in reducing the operating costs. This finding is consistent with Sorel and Pennequin (2008) who advocate for planning to involve developing objectives or the organizational strategic plans and looking for resources that would best be suited in achieving the organizational goals as outlined in strategic plans. Planning enhances profitability had a mean of 3.87 with a standard deviation of 2.11. This mean is low proving that most respondents do not link profitability of the organization with planning.
Customer Perspective on Planning

As shown in Figure 4.2, the perspective that planning helps improve on-time deliveries to our customers had a mean of 4.75 with a standard deviation of 2.06. This mean is average and it shows that most respondents felt that planning did help improve on time delivery to customers but not on a high magnitude. This finding is consistent with Veettil (2008) that by implementing strategic planning properly, it would be able to assist firms to achieve better customer performance. Effective planning enhances employee remuneration hence increased motivation had a mean of 4.32 with a standard deviation of 1.95. This mean is average and it shows that some respondents feel that planning has an impact on their remuneration. This is in line with Koontz and O'Donnell (2011) who identified that efficiency characteristic can be applied not only in money terms to numerous resources employed in service and production activities but also to the group and individual satisfaction of human resources. Planning in our corporation increases employee morale and therefore innovation had a mean of 3.87 with a standard deviation of 2.27. As much as some respondents felt that planning helped in improving on employee remuneration, most of them felt that it did not contribute to their increased morale as evidenced by the low mean.

Learning and Growth on Planning

From the finding, planning increases the market share and return on expenditure had a mean of 3.84 with a standard deviation 1.93. This mean was low indicating that most respondents felt that planning did not contribute to increase in market share. Strategic planning ensures appropriate transfer of knowledge among employees had a mean of 4.64 with a standard deviation 1.69. This mean is average and it shows that most respondents agreed with the statement that planning ensures appropriate transfer of knowledge among employees. The respondents agreed with the statement which is in line with Wagaki (2013) who describes strategic planning as an ongoing, never-ending, integrated process requiring continuous reassessment and reformation. Strategic planning is thus deliberate, emergent, dynamic and an interactive process.

Internal Processes on Planning

As shown in Figure 4.2, the perspective that planning is a tool to identify risks and their mitigations had a mean of 4.97 with a standard deviation of 1.53. This mean is high and confirms that the respondents agree with the statement that planning is a tool to identify risks and their mitigation. The respondents were in agreement with the statement which is in agreement with Johnson and Christensen (2008) who stated that in the course of planning it involves it involves creating of visions, likely futures, creating explicit the values underlying the preferences for those particular futures, and establishment of practical plans to attain anticipated results that are vigorous in the face of change and uncertainty in restraints. Strategic planning in a corporation improves the standard of systems and technology had a mean of 5.15 with a standard deviation of 1.65. This mean is high and confirms that for most respondents, planning helped in improving on the systems and technology of the organization. The respondents were in agreement with the statements which concur with De
Zoysa, Fonseka and Perera (2004) that by engaging control mechanism like establishing the evaluation methods and identifying alternative courses of action through implementation to the strategic planning, firms are able to achieve better performance.

CONCLUSION

From the analysis of data collected, planning was found to influence the performance of the agricultural state owned corporations in Kenya by contributing in the following nine ways: improving on the time deliveries to the customers, improving on the standard of systems and technology, enhancing profitability, improving on the efficiency and growth, aligning resources to strategic initiatives, promoting customer satisfaction, ensuring that there is appropriate transfer of knowledge among employees, increasing on employee motivation and by ensuring appropriate sharing of knowledge among employees.

The influence of planning was also analyzed according to the four perspectives in the balance score model. The conclusions of these findings were that: in terms of financial perspective, strategic planning helps in reducing the operating costs. From the customers’ perspective, planning helps improving on-time deliveries to customers, as well as enhancing on employee remuneration hence increased motivation. On the learning and growth perspective, strategic planning ensures appropriate transfer of knowledge among employees and lastly on internal process perspective, planning for the corporation helps in identifying risks and their mitigations as well as improving the standard of systems and technology.

From the findings both in literature and analysis of data, it can therefore be concluded that planning is a very important function in the management of any organization and therefore, if the agricultural state owned corporations are to improve on their performance the managers must ensure that they effectively perform this function.

RECOMMENDATIONS

This study recommends that the government should ensure that management appraisals are done regularly in every state corporation with a focus on evaluating the management’s performance in the key functions of planning, organizing, leading and controlling. This will help to identify any deviations in the appropriate practice and take corrective measures accordingly before the deviations causes a major harm to the performance of the state corporation. Such measures could include training programs, reshuffle, demotions, and dismissal among others as may be deemed appropriate.

The management of state owned corporations ought work together in developing the strategic planning process and provide direction and input to the plan. The board can be particularly effective in providing and analyzing information about the external environment, current trends in social policy, or new financial opportunities. Because strategic planning takes time and effort, several sessions will need to be scheduled to complete all the strategic planning steps, including gathering information, discussing current and proposed programs and services, projecting the financial resources that would be needed to implementation of programs, prioritizing programs, and finalizing the plan. The board must formally approve
the final plan, be committed to it, and support its implementation. State owned corporations should pay more attention to the implementation of strategic planning, strategy implementation and control of activities of public organizations, as this will increase the work efficiency and improve the quality of public services delivery.

Leaders should also be empowered and supported to create a culture where proper organizational planning can take place. This would encourage everyone feel part of the decision making process.

Although the study suggests that priority should be on planning and leading, this is not to say that the other functions - organizing and controlling are negligible. As such, actions putting the emphasis on planning and leading should run simultaneously with measures to improve the execution of organizing and controlling. This will help to realize an all-round enhanced management function that will greatly improve the organizational performance of the state corporations.

REFERENCES


