EFFECT OF STRATEGIC INTENT ON FIRM PERFORMANCE IN THE CONTEXT OF SAFARICOM LIMITED IN KENYA

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ABSTRACT

Safaricom Limited is a leading mobile network operator in Kenya. Currently the company has a nationwide network which ensures customers across the country have access to its products and services. The company has retained a market leader position despite its services being relatively expensive compared to its competitors. The changing business landscape in the mobile telecommunication industry necessitates that Safaricom limited adopts various strategies in order to compete effectively. This study sought to establish the effect of strategic intent on performance of Safaricom limited Kenya. The study adopted a descriptive research design and targeted 187 employees at Safaricom limited out of which the researcher selected a sample of 127 respondents using Slovenes formula. Data was analyzed using the statistical package for social sciences. The relationship between the variables was tested using correlation and regression methods while results was presented in frequency tables, pie charts and bar graphs. The findings of the study indicated that strategic intent has a positive relationship with firm performance in the Safaricom limited Kenya. Finally, the study recommends that strategic intent should be formulated in the organization to envision the organization to achieve a competitive advantage through success of carefully measurement of risks and innovations which rivals find difficult to imitate.

Key Words: strategic intent, organization performance

INTRODUCTION

Strategic intent has gained considerable attention in research due to its implication on performance of business organizations. Various studies indicate that strategic intent has an influence on employee behavior and commitment which in themselves impact on organizational performance. According to Pradhan and Pradhan, (2015), when these variables are combined, they can positively influence organizations performance. Despite the importance of organizational performance, only few researchers have analyzed strategic leadership and its influence on desired outcomes in organizations (Kroll, 2016). In Most studies, organization leadership has been identified as having the potential of enhancing organizational performance (Overall, 2015). Further, Strategic leadership is seen to support employee by revolutionizing performance of organizations (Pradhan & Pradhan, 2015).

Peterson, Galvin and Lange, (2019) states that strategic leaders help employees realize their potential by communicating visions and missions which improves self-confidence. Strategic leaders envision future organizations scenarios. Bain, (2015) asserts that through strategic leadership, followers adopt, generate and think out of the box. Strategic leaders stimulate employees and encourage them to think about problems in new ways. Most times, strategic leaders shift their view point by being role models and showing confidence in employees’ capabilities. Strategic leaders help to develop long-term goals and shift their focus from immediate and short-term solutions and objectives to long-term and fundamental solutions and objectives. According to De Jong (2013) strategic leadership creates an environment where employees are motivated and energized. Giroux and McLarney (2014) suggest that employees who are motivated and work in a supportive climate provide more effective customer service
which reinforces performance of the organization which leads to financial gains for shareholders.

Several studies have examined the relationship between strategic leadership and firm performance. In Austria for example, Dessert (2015) found that transformational leadership increased creativity in followers’ a computer-mediated brainstorming exercise. In this study, performance of the followers was assessed in part based on the number of creative ideas generated. Further, in China, Xenikou, (2017) found a relationship between the intellectual stimulation provided by the leader and unit performance. Organizational performance was positive when there was a climate that supports innovation. However, when innovation support was absent, the positive relationship became insignificant. The findings of the study provide an indirect support for the leader’s role in inducing creativity. In Germany Mesick and Kramer, (2014) also found that strategic leadership influenced performance positively in research and development project teams in a large organization. Moreover, in South Korea, Si and Wei (2011) showed that there is a relationship which exists between strategic leadership and subordinates’ creative performance when moderated by a climate of team empowerment, in such a way that the relationship is stronger when empowerment climate is low than when it is high. Thus, when empowering climate was low, strategic leadership enhanced employee creative performance and when empowering climate was high strategic leadership reduced employee creative performance.

In Ghana, a study by Tareq (2016), found out that strategic leadership has positive influence on performance of organizations. Further, in Nigeria, Ojokuku, (2015) concluded that strategic leadership acts as a bridge between leaders and followers to develop clear understanding values and motivational of level follower’s interests. It basically helps followers achieve their goals in the organizational setting, encourages followers to express themselves and adapt to new and improved practices and changes in the environment. In a separate study that examined the impact of strategic leadership on organizational performance in selected banks in Ibadan Nigeria, Ojokuku (2015) found out that strategic leadership enhances organizational efficiency.

In Kenya Mbithi, (2016) in a study on the effect of Market Development Strategy on Performance in Sugar Industry in Kenya found that strategic leadership characteristics such as, hopeful influence, motivation intellectual encouragement and personal observations influence both organizational culture and performance. Further, Maingi (2018) indicates that strategic leadership encourages organizational commitment which in turn influences job satisfaction. This is achieved by leaders behaving in ways that pays attention to the needs of each follower, inspire and motivate their followers, ensuring a supportive organizational climate and encouraging a two-way communication in the organization. Ogollah, (2016) researched on the relationship between leadership skills and proportions of women in top leadership positions established that strategic leadership is used in both public and private institutions significantly in Kenya. In addition, individualized charisma, intellectual stimulation, consideration and inspirational motivation were found to improve commitment of the employees and organizational performance. The findings are supported by Abasilim (2014) who argues that strategic leadership has a significant positive influence on organizational performance.
According to Hancott (2014), inspirational motivation is when leaders encourage employees and enable them articulate their visions and take up ambitious goals. Intellectual stimulation is shown in leaders when they encourage their followers to be, innovative, take risks and challenge stable assumptions.

Strategic leadership anticipates, envisions, maintains flexibility and empowers an organization to create strategic change and therefore drive it to achieve success. Strategic leadership is important in promoting competitive advantage of an organization over long term. Wheelen et al, agrees with the view that strategic leaders make things happen through an operational oriented activity that is aimed at core business activities performance in a strategic supportive manner. Further, Ongong’a, (2014) concurs that the leadership role in strategic planning and management as a factor that influences employee empowerment, ethical practices, strategic intent, and learning culture among others. According to Hamel, (2005) strategic intent is revolutionary in strategic leadership which changes the organization’s performance and creates breakthroughs which suggests a sense of direction and transmits personalized views which are then integrated into the future.

STATEMENT OF THE PROBLEM

The telecommunication industry in Kenya, just like in the rest of the world is going through profound changes. According to the Price Waterhouse Coopers Kenya (PWC) report for (2015), the past decade has witnessed massive technological advancement and regulatory restructuring in the telecommunication sector. The changes in technology and regulatory framework in the industry have resulted in increased competition among service providers who have resorted to innovation to ensure that they continue to hold on to their market share. Chacha, (2010) carried out research on the resource based view theory at Safaricom limited and established that the company enjoys competitive advantage in the mobile industry because of its strategic approach towards the competitive market through research and development. He concluded that both human and technological resources are important in the performance of Safaricom Limited. Further studies carried out at Telkom Kenya have noted that growth strategies that are adopted by the firm have not had a positive impact on its business, financial and managerial performance. In an empirical analysis of the determinates on non-profitability margins at Telkom Kenya carried out by Oloko et al (2014), the study concluded that the effect of strong competition experienced from the regional mobile industry resulted to loss of subscribers to other mobile operators. The company therefore experienced low revenues which had a direct bearing on the profitability margins. Further, YU mobile, a telecommunication company that was owned by Indian Essar Telkom exited the Kenyan mobile phone market in 2014 due of stiff competition from other providers. The dynamic competitive environment in the mobile telecommunication industry establishes an ever present research gap on the strategies adopted by the firms in the industry in order to maintain and sustain their performance. Further, the various studies carried out in the industry have mainly concentrated on the influence of strategic innovation, grand strategies, and marketing strategies and their effects on firm performance. Limited studies have therefore been carried out to assess the influence of strategic intent on the performance of the mobile telecommunication firms. This
raises questions on how strategic intent affects performance. It is on this basis that this study sought to investigate the effect of strategic intent on performance of Safaricom Limited Kenya.

LITERATURE REVIEW

Trait Theory

The Trait theory was introduced by Gordon Allport in 1936. The theory assumes that people inherit certain qualities and traits that make them better suited for leadership. This theory often identifies particular personality or behavioral characteristics exhibited by leaders. According to Cherry, (2016) leaders have certain innate traits which are very often recurring patterns of thoughts and behavior that enables them to lead. The traits include assertiveness, dependability, persistence and adaptability. The trait theory not only provides the valuable and constructive information about leadership but also can be applied by individuals at any level and in all types of organizations.

Traits are the distinctive qualities or exclusive set of characteristics, especially of one’s individual specific nature. Traits are not fixed but they are acting as the foundation tendencies which remain stable transversely the life span, but individualistic characteristic behavior can change significantly through adaptive process. The most common way to describe people is to list these traits or qualities possessed by them. For example, sociability, honesty, perseverance, submissiveness and dominance is a common good leadership. Gatewood, (2008) considered traits as a permanent dimension such as sociality, independence, and achievement demands which explain the consistency of human behaviors in various.

According to Miller, (2009), the trait theory shows how leaders and organization can use different traits as an aid in strategic intent. The trait theory postulates that leaders and managers become aware of their strengths and weaknesses. The trait theory has led to a revolution in management science and is relevant to the research as organizations are seen to be successful because of leaders or managers who give an organization a strategic, sustainable and successful edge in the business world.

Resource Based View Theory

Resource based view theory was brought forth by Edith Penrose and emerged in 1959. The researcher argues that organizations need to find their source of competitive advantage by looking at their internal performance. Its proponents state that it is reasonable to exploit external opportunities using existing resource rather than trying to acquire new skill for each opportunity. Resources are given to companies in order to achieve firm’s performance through tangible and intangible resource. According to Wernerfelt (1980) a firm will have competitive advantage when it is implementing a value, and is creating a strategy being implemented by its competitors. On the other hand, when creating strategies and implementing values it creates competitive advantage and creating a strategy that have not been implemented by its competitors and when the competitor is unable to duplicate the benefits of the strategy.
In order to understand the source of competitive advantage, it is then assumed that a firm’s resource is heterogeneous and immobile. The firm must first have resources that must be valuable in executing organization strategy efficiently and effectively. Resources should also be rare and not possessed by current and future competitors. These resources cannot be copied and there are no alternative options with other firms. Spender, (2006) questions the usefulness of the resource based view in the strategic management literature. For this reason, it is helpful to begin with understanding of how the resource-based view is positioned. The focus on competitiveness in the resource-based view has emerged as an important part of the competitive strategy in the field of strategic leadership and the focus of leadership is influenced by the corresponding paradigms they are set in.

Barney, (1991) developed a model that showed the interaction between firm’s immobile resource and sustainability of firm’s competitive advantage. The model can be used by an organization to analyze resources with the potential of generating a sustainable competitive advantage. An aggregated view of strategic leadership is derived from concepts which encompass decisions, actions, dealings and investments all of which determine a firm’s performance (Wheelen and Hunger, 2004). This theory therefore, is related to the execution of strategic intent as it tends to tie to performance of organizations with the way they tap into their internal resources in order to create a sustainable competitive advantage.

**EMPIRICAL REVIEW**

Strategic intent is recognized by strategic management literature to be an important factor in comprehending the direction that an organization heads. According to Odita and Bello, (2015) they state that strategic intent is important in firm’s performance because it identifies the fundamentals for excision of strategies through communication, system and processes. In a study carried out on the strategic intent formulation process at organizations listed at the Nairobi Securities Exchange Makori, (2014) noted that organizations have adapted informal process by which they translate their strategic thinking into organizations The study further notes the process of strategic intent formulation introduces competencies that stimulate competitive advantage and firm performance. The study determine how strategic intent is formulated in organizations and also determine whether there are formal models that strategists use while formulating their individual strategic intent.

Further literature indicates that strategic intent has a future which envisions the organization to achieve a competitive advantage through success of carefully measurement of risks and innovations which rivals find difficult to imitate. The study noted strategic intent plays an important role in strategy formulation. Wairimu, (2016), in a study on dimensions of strategic intent execution and performance of universities in Kenya found that organizational leadership had a positive influence on performance of universities in Kenya. The university top management should consider embracing organizational intent that entails development of clear strategies and corporate priorities. Equally, the top management should ensure that employees are empowered in order to attain corporate targets. This study highlighted that the organization’s intent is deeply embedded in its culture. Within this view, the Chief Executive Officers initiative is likely to be limited within such boundaries, thus major change in intent...
can only occur after a change in culture has taken place. The chief Executives role in the formulation of strategic intent provides a mechanism for the formulation of formal awareness defined by approaches towards service delivery, compliance and risk analysis and management.

Gabow and Kinyua (2018) investigated the relationship between strategic intent and performance of Kenya Commercial Bank in Nairobi City County, Kenya. In this study strategic intent was measured using vision, mission, objectives and policies. In addition, performance was measured using customer retention, effectiveness, efficiency and new processes. The study relied largely on primary data that was collected using a questionnaire. Results of bivariate correlation analysis showed that strategic intent has a strong positive linear relationship to performance. Similarly, regression analysis demonstrated that strategic intent is statistically significant to performance at ninety five percent level of confidence.

In this study, thorough review of literature aided the conceptualization of the relationship between strategic intent and firm performance. In this case strategic intent and firm performance were construed as independent variable and dependent variables respectively. The conceptual framework is displayed in Figure 1.

Independent variable | Dependent variable
--- | ---
Strategic Intent  
- Operational Plans  
- Structural design | Firm Performance  
- Market Share  
- Profitability  
- Customer Satisfaction

**Figure 1: Conceptual Framework**

On the basis of Figure 1, strategic intent was operationalized as operational plans and structural design whereas firm performance was measured using market share, profitability and customer satisfaction as operational indicators. Drawing from the conceptual framework, the research hypotheses for this study were:

**H₀**: Strategic intent has no statistically significant effect on firm performance in the context of commercial banks in Nairobi City County, Kenya

**H₁**: Strategic intent has a statistically significant effect on firm performance in the context of commercial banks in Nairobi City County, Kenya

**RESEARCH METHODOLOGY**

Descriptive research design was adopted for this study. Saunders (2007) contends that descriptive survey design provides a quantitative description of certain trends and opinions including attitudes of a population by studying a sample of that population. This research design has been used in past similar studies (Kiprotich, Kahuthia & Kinyua, 2019; Ontita & Kinyua, 2020; Muthoni & Kinyua, 2020; Mbugua & Kinyua, 2020). The target population was
187 staff working at the headquarters of Safaricom Company Limited, in Nairobi. Slovenes formula was used to establish an appropriate sample size for this study.

\[
\frac{N}{1+N(\beta^2)} = n
\]

\[
\frac{187}{1+187(0.052)} = 127
\]

The equation gives a sample size of 127 employees. Simple random sampling was used to select the required number of respondents form each group. The study used primary data collected using questionnaires. Basic features of the data was analyzed using descriptive statistics such as frequencies and percentages. Data was analyzed using SPSS software. Qualitative information was presented in prose form. The strength and direction of the relationship between the dependent and the independent variables was assessed using correlation analysis (Kothari, 2014). The study computed regression analysis to assess the influence of the independent variable on the dependent variable.

**DISCUSSION OF FINDINGS**

**Descriptive Statistics for Strategic Intent**

The respondents were required to rate their level of agreement with various statements provided regarding the effect of strategic intent on firm performance. Results indicated that most (79.3%) of the respondents agreed, 10.5% of them showed neutrality and 10.2% disagreed that the strategic plan is communicated to all levels of the organization. The responses were varied as measured by standard deviation of 0.3284. These responses accounted to general agreement with the statement as shown by a mean score of 4.412. Table 4.3 also shows that 77.7% of the respondents agreed, 10.0% indicated neutrality and 12.3% of them disagreed that Implementation of the strategic plan is cascaded across the organization hence a general agreement as shown by a mean score of 4.1624. The responses were varied as measured by standard deviation of 0.7393. Majority (78.1%) of the respondents agreed, 13.2% were neutral and 8.7% of them disagreed that the strategic plan is communicated to all stakeholders. The overall mean score was 3.9843 implying general agreement with the statement. The responses were varied as measured by standard deviation of 0.893. Typically, 75.1% of the respondents were in agreement, 10.8% of them were impartial and 14.1% of the respondents disagreed that Top level management allows employee participation in decision making. The overall result was general agreement with the statement as shown by a mean score of 3.9350. The responses were varied as measured by standard deviation of 0.9830. The respondents further 28% of the respondents agreed that the organization engages in systematic search and testing new ideas as shown by a mean value of 3.9253 and standard deviation of 0.9034. In addition, the respondents agreed that Challenges identified are systematically solved as shown by mean of 4.0463 and standard deviation of 0.9763. These results are coinciding with those of Makori, (2014) who noted that organizations have adapted informal process by which they translate their strategic thinking into organizations. The study further notes the process of strategic intent formulation introduces competencies that stimulate competitive advantage and firm performance.
Descriptive Statistics for Firm Performance

The respondents were required to indicate their level of agreement with various statements regarding the effect of various aspects on firm performance in Safaricom limited Kenya. From the results, majority of the respondents (87%) agreed with the statement that, Performance is cascaded thought the organization. 6.8% of them showed neutrality, 6.2% disagreed with the statement. An overwhelming majority of the respondents (86.8%) agreed with the statement that, the organization has a market share that supports performance. With a mean value of 4.1033 and the responses were varied as measured by standard deviation of 0.9283. In addition, 7.8% showed neutrality while 5.4% of them were in disagreement with the statement. 74.8% of the respondents agreed with the statement that, the organization structure/design influence performance, 5% were neutral, 11.7% disagreed with the same. The mean value was 3.9102. The responses were varied as measured by standard deviation of 0.992213. Further, 79.9% of the respondents agreed with the statement, 6.8% were neutral and 13.3% disagreed that the organization offers rewards to employees who meet or exceed their targets. 78% of the respondents agreed that appropriate knowledge is shared thought the organization to support firm’s performance. Concisely, the respondents agreed that the organization offers rewards to employees who meet or exceed their targets.

INFERENTIAL ANALYSIS

Correlation Analysis

Correlation analysis was used to determine both the significance and degree of association of the variables and also predict the level of variation in the dependent variable caused by the independent variables.

Table 1: Summary of Pearson’s Correlations

<table>
<thead>
<tr>
<th>Strategic Intent</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm performance</td>
<td>.663**</td>
<td>0.01</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis to determine the relationship between strategic intent and firm performance, Pearson correlation coefficient computed and tested at 5% significance level. The results indicate that there is a positive relationship ($r=0.663$) between strategic intent and firm performance. In addition, the researcher found the relationship to be statistically significant at 5% level ($p=0.000$, $<0.05$).

Regression Analysis

Through simple linear regression analysis, strategic intent was regressed on firm performance. The results of this statistical analysis are displayed in table 2, 3 and 4.
Table 2: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.663a</td>
<td>.440</td>
<td>.427</td>
<td>0.641</td>
</tr>
</tbody>
</table>

Predictors: (Constant), strategic intent

Strategic intent explains 44% of the firm performance at Safaricom as represented by the $R^2$. This therefore means that the strategic intent contributes 44% to the performance at Safaricom while other aspects not studied in this research contribute 56% of performance at Safaricom.

Table 3: ANOVA Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>7.865</td>
<td>1</td>
<td>7.865</td>
<td>20.446</td>
<td>.001</td>
</tr>
<tr>
<td>Residual</td>
<td>35.390</td>
<td>92</td>
<td>0.385</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>43.255</td>
<td>93</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The researcher combined all the study variables after which an Analysis of Variance was conducted. The $F$ calculated at 5% Level of significance was 20.446. Since $F$ calculated is greater than the $F$ critical (at 20.446, $F_{critical}$ is 3.94), this shows that the overall model was significant. The ANOVA results reveal that there is a significant relationship between strategic intent with firm performance of Safaricom. After determining the overall fitness of the model, a model summary was extracted showing the values of $R$ square.

Table 4: Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Strategic intent</td>
<td>1.444</td>
<td>0.185</td>
<td>0.236</td>
<td>3.31566 0.000</td>
</tr>
<tr>
<td></td>
<td>0.426</td>
<td>0.198</td>
<td></td>
<td>2.15152 0.001</td>
</tr>
</tbody>
</table>

The results in Table 4 provided the basis for estimating the model presented below.

\[
\text{Firm Performance} = 1.444 + 0.0426 \text{ Strategic Intent}
\]

The regression equation above has established that holding strategic intent constant at zero firm performance at Safaricom was 1.444. The corresponding $p$-value was 0.000 which shows the dependent variable was significant. From the results, a unit increase in the strategic intent would lead to a 0.426 increase in the scores of firm performances. This had a significant value of 0.001 which is less than 0.05 depicting the significance of the relationship between strategic intent and performance of Safaricom. Therefore, based on these, there is a positive and significant relationship between strategic intent and firm performance. According to Odita and Bello, (2015), strategic intent is recognized by strategic management literature to be an important factor in comprehending the direction that an organization heads. They state that
strategic intent is important in firm’s performance because it identifies the fundamentals for excision of strategies through communication, system and processes.

CONCLUSION AND RECOMMENDATIONS

The study concludes that there is a positive relationship between strategic intent and firm performance as confirmed by the correlation analysis. Similarly, regression analysis confirmed that strategic intent has a positive effect on firm performance in Safaricom limited. Therefore, strategic intent is an important factor that should inform development of policies and practice in Safaricom Limited. Management of Safaricom Limited should consider supporting and promoting activities that entail operational plans and structural design. Policies that are informed by the activities relating to strategic intent ought to be formulated to guide practice with the object of leveraging on the opportunities in the environment and consequently enhancing performance of Safaricom Limited

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