STRATEGIC MANAGEMENT PRACTICES AND PERFORMANCE OF SUPERMARKETS IN NAKURU COUNTY, KENYA

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ABSTRACT

The supermarkets are facing numerous challenges that impact on their performance. To address these challenges, the supermarkets have explored different strategies to drive their organizational performance. The general objective of this study was to examine the influence of strategic management practices on performance of supermarkets in Nakuru County, Kenya. The study was guided by the following specific objectives; to examine the effect of strategy formulation, strategy implementation and strategy evaluation on performance of supermarkets in Nakuru County, Kenya. This study was guided by three theories, namely; strategic choice theory, open systems theory and the agency theory. The study used descriptive research design. The study targeted the 12 supermarkets within Nakuru Town and 100 managers participated in the study. The study concluded that there was a positive relationship between the three strategic management practices and supermarket performance in Nakuru town. It was further found out that strategy formulation had the highest influence on performance of supermarket. The study found that carrying out assessment of formulated strategies was the most cited aspect of strategy formulation in supermarkets in Nakuru. This study concluded that strategy formulation had the capacity to contribute to a higher level of performance in supermarkets. The study further recommends that supermarkets should efficiently manage risk associated with its investments in order to effectively implement the formulated strategies.

Key words: Strategy Formulation, Strategy Implementation, Strategy Evaluation, Organizational Performance

INTRODUCTION

The concept of supermarkets in Kenya started in the 1960s and 1970s. Amongst the first supermarkets to be opened in the country include K and A (1962), Ibrahirns (1970) and Uchumi supermarkets Limited (1975)(Waiganjo, 2012). Currently, the structure of the supermarkets can be examined in terms of supermarket sizes and ownership aspects. In the context of supermarket sizes as measured through number of branches, some of the largest supermarkets in Kenya include Nakumatt, Uchumi, Naivas, Tuskys and Choppies (Formerly Ukwala). There are however other small supermarkets at the estates levels including amici supermarket, Broadway supermarket, deep canal supermarket, and Fontana supermarkets amongst others. In the context of ownership, a majority of supermarkets are family owned including Nakumatt, Naivas, Tuskys and the small supermarkets. Choppies and Carrefour are examples of supermarkets in Kenya that are foreign owned and are multinational in nature. Most of the small supermarkets at the estate level also operate as single independent business units with no branches (Omwansa, 2013).

The supermarkets in Kenya are characterized by the customers that they have serve and the product range that they possess. The supermarkets traditionally used to serve a niche market of the high end and middle class customers (Njiiru, 2016). However, with increased competition
there are supermarkets serving diverse range of customers at all social-economic class levels. Amongst the notable supermarkets serving the high end customers included Nakumatt and Carrefour supermarkets while Naivas is seen as more inclined towards mass market model. A majority of the small family owned supermarkets at estate levels often target the mass market that is members of all social economic classes (Omwansa, 2013). The major supermarkets have been undergoing diverse challenges in Kenya. Nakumatt which is the largest supermarket in East Africa is facing severe cash flow challenges. Other challenges that the supermarket is facing include delays in payment of salaries to staff, lack of sufficient products for sale, and increasing levels of debts to the suppliers. This has forced the supermarket to undertake diverse measures to improve on its organizational performance. The measures include branch closures, freeze in new employment levels, and reduction of number of items sold in its branches (Omwansa, 2013).

Uchumi another major supermarket in Kenya faced similar challenges. In Kenya, the cash flow challenges facing two of Kenya’s largest supermarkets that is Uchumi and Nakumatt followed almost a similar trajectory. The two supermarkets before their financial flow challenges had a rapid expansion of their branch network inside the country and into the East African region (Waiganjo, 2012). They consequently faced cash flow challenges characterized by delays of payments to staff and their suppliers. This study sought to examine the ways in which strategic management practices impacts on the organizational performance of the supermarkets.

**Statement of the Problem**

Diverse supermarkets across the world have continued to explore diverse strategies in order to drive their organizational performance. Headquartered in the Netherlands, the Delhaize Group which is a food supermarket operating in three continents has explored diverse strategies to drive its organizational performance. According to Delhaize (2017), the utilized strategies included introduction of well-known local brands to their customers in diverse locations; introduce ways for customers to make savings in their purchases; and ensure quality products in terms of fresher and healthier products. In the United States of America, the Whole Food Market which is a food supermarket has embraced diverse strategies to enhance its performance. According to Whole Food Market., (2017), the strategies that supermarket deployed in the 2016 financial year included weekly deep discounts, and enhanced advertisements on key differentiation points with competitors. Others included unified payment system across its stores, expansion of physical branches of the supermarket and introduction of new senior level operational positions for better organizational operations (Whole Food Market., 2017). This study sought to examine the strategic management practices utilized by supermarkets in Nakuru County, Kenya.Diverse scholars have examined the strategic management practices and organizational performance. Muturi and Maroa (2015) examined influence of strategic management practices on floriculture firms in Kenya. The study found that strategy formulation, execution and evaluation had significant influences on organizational performance. The study is contextually different from the current study as it focuses on the floriculture firms while the current study focuses on supermarkets.
Specific Objectives

The study was based on the following specific objectives;

i. To examine the effect of strategy formulation on performance of supermarkets in Nakuru County, Kenya

ii. To establish the influence of strategy implementation on performance of supermarkets in Nakuru County, Kenya

iii. To evaluate the effect of strategy evaluation on performance of supermarkets in Nakuru County, Kenya

LITERATURE REVIEW

Strategy Formulation and Organizational Performance

Diverse scholars have examined the influence of strategic formulation on organizational performance around the world. Wijetunge & Pushpakumari (2015) in a study based on manufacturing firms in Sri Lanka sought to link strategy formulation and organizational performance. A descriptive research design and a sample size of 275 Small and Medium Enterprises (SMEs) was used in the study. Using correlational analysis, the study found that there was a positive and moderate correlation of 0.671 between strategy formulation and overall business organizational performance.

In relation to the specific organizational performance metrics, the study found a positive correlation between strategic planning and annual sales in last three years (correlation of 0.530), strategic planning and annual profitability in last three years (correlation of 0.470), strategic planning and employee growth (correlation of 0.432), and strategic planning and investment to the business (correlation of 0.511). While the study illustrates the manner in which strategic formulation influences organizational performance, the study was based on manufacturing organizations hence presenting a conceptual gap that this study sought to fill. The study also filled a contextual gap that is present as the study was based in Sri Lanka while the current study is based in Kenya.

The study correlated the individual metrics for strategy formulation with the composite variable for performance. In this context, the study found positive correlation between purposes/goals/mission philosophies with overall firm performance (correlation of 0.458), scanning of business environment with overall firm performance (correlation of 0.671), analysis of strategic issues with overall firm performance (correlation of 0.558), and strategic selection with overall performance (correlation of 0.523). The study presents a methodological gap in that it did not use regression analysis to show the influence of strategic formulation on the firm performance. This study sought to fill this methodological gap using a multiple regression model. The reviewed study also presents a contextual gap in that it was done in India while the proposed study was in a Kenyan context.

Focusing on Kenya, Kathama (2012) examined the influence of strategy formulation on organizational performance within the state corporations. A cross-sectional research design was
utilized for the study with a sample size of 125 members drawn from senior management within the state corporations. The indicators for the strategic formulation aspects that were considered included establishment of a vision statement, establishment of a mission statement, development of strategies aligned to the vision, development of organizational goals, and development of time bound goals.

**Strategy Implementation and Organizational Performance**

In the context of the role of strategy implementation and organizational performance, diverse scholars have sought to examine the manner in which strategy formulation influences organizational performance. Odhiambo (2015) examined the influence of strategy implementation on performance of major tea firms in Kericho. To achieve its objectives the study utilized a descriptive research design and a sample size of 34 managers derived from the tea firms.

The firm performance was conceptualized in terms of customer satisfaction, employee productivity, quality performance, delivery performance, and employee turnover. The strategy implementation was conceptualized in terms of resource allocation, evaluation of organizational capabilities, adoption of an implementation plan, communication of strategy to all employees, and checking on environmental factors. Using a five point likert scale (1= Strongly Disagree and 5= Strongly Agree), the respondents were asked the manner in which diverse strategy implementation aspects influenced organizational performance which yielded means of 3.96 for customer satisfaction, means of 4.07 for employee productivity, means of 4.00 for quality performance, means of 3.82 for delivery performance, and means of 2.82 for employee turnover.

In a case study on Diamond Bank in Kenya, Mathore (2016) examined the influence of strategy implementation on organizational performance. The study adopted a case study research design. An interview guide was the instrument for data collection from five managers. In a discussion of the manner in which strategy implementation influenced organizational performance, the interviewees indicated that to some extent the strategy implementation influenced organizational performance. However, the interviewees also noted that there is need for the right strategies to have been formulated in the first place.

Kyalo (2015) focused on the influence of strategy implementation on performance of KCB Group in Kenya. A case study research design and use of in-depth interviews were used to collect data from ten senior managements at KCB. A majority of the respondents indicated that the strategy implementation aspects influenced organizational performance to some extent within KCB group. Amongst the performance aspects that strategy implementation impacted upon included profitability aspects, employee satisfaction, product innovation, organizational processes efficiency, and employee turnover aspects. The reviewed study presents a methodological gap that this current study sought to fill in that the reviewed study was a case study and utilized qualitative data thus limiting generalizability of the results. The current study was quantitative in approach. The study is also based on performance of KCB group and as such is contextually different from this study that is done among supermarkets.
Strategy Evaluation and Organizational Performance

The strategy evaluation has diverse influences on organizational performance. Nyariki (2016) examined the influence of strategy evaluation on organizational performance of Kenya Commercial Bank (KCB). The study was based in Nakuru, Kenya using a where an interview schedule was used to get data from seven senior KCB staff. From the interviews, the study found that strategy evaluation led to the improvement in diverse aspects of organizational performance that is operations, and employee performance. In respect to employee performance, the study noted that the strategy evaluation led to employee satisfaction hence resulting into better organizational performance. The study was based on a case study research design and was thus limited in terms of generalizability of the responses. The study also contextually focused on organizational performance of KCB while the current study focuses on supermarkets.

Njeru (2015) in a study on strategic management and organizational performance amongst small and medium enterprises examined the role of strategy evaluation on organizational performance. The study utilized a cross sectional descriptive research design and a small size composed of 100 small and medium enterprises. Using a five point Likert scale (1= Strongly Disagree to 5= Strongly Agree). The respondents on average tended to agree that the diverse strategy evaluation metrics influenced organizational performance due to means above 3.5. In This context, clear communication on strategy evaluation had a mean of 4.57, comparison being undertaken (mean of 4.57), evaluation enabling corrective measures to be undertaken (mean of 4.49), good performance being rewarded (mean of 3.71), and company reviewing strategic plans (means of 3.99).

The study also found a positive but weak correlation between strategy evaluation and organizational performance at 0.461. While the study links the strategy evaluation with organizational performance, the study is contextually based on small and medium enterprises while the current study is based on the supermarkets. The study would also have benefitted from use of regression analysis in the evaluation of the role of strategic management to organizational performance. This current study sought to fill this gap by using regression analysis to determine the effect of strategy evaluation on performance of supermarkets in Nakuru County, Kenya.

RESEARCH METHODOLOGY

This study used descriptive research design. Descriptive research design refers to the method whereby events or phenomenon in a given study are described as they appear without manipulation or control (Kothari, 2004). This research design was appropriate for this study since the researcher wants to examine the influence of strategic management practices on performance of supermarkets in Nakuru County, Kenya without manipulating or controlling the study variables. This study targeted 12 supermarkets within Nakuru Town According to Nakuru County Government Trade Licensing Report (2017), there are 12 supermarkets that operate within Nakuru Town which formed the unit of analysis. There are approximately 100 managers in charge of various sections in the 12 supermarkets that operate within Nakuru Town which formed the unit of observation of this study.
The census approach was utilized for this study since the number of supermarkets was limited. In a census, information was collected from all units of the population. Therefore, data on the 12 supermarkets within Nakuru town was collected from the 100 managers of these supermarkets. The study therefore collected data from 100 respondents. The primary data for this study was obtained using structured questionnaires. Mugenda and Mugenda (2003) state that structured questionnaires offer a quick way to administer and that it presents a list of alternatives for a respondent to choose from encourages respondents to participate in the study. Multiple linear regression was used for inferential data analysis to explain relationship between the study variables.

**RESEARCH FINDINGS, INTERPRETATION AND DISCUSSION**

To check for the variable predictive power, regression was undertaken and the results are as presented on Table 1, 2 and 3.

H₀₁: Strategy formulation does not have a statistically significant effect on performance of supermarkets in Nakuru County, Kenya

H₀₂: Strategy implementation does not have a statistically significant effect on performance of supermarkets in Nakuru County, Kenya

H₀₃: Strategy evaluation does not have a statistically significant effect on performance of supermarkets in Nakuru County, Kenya

**Table 1: 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>0.928a</td>
<td>0.860</td>
<td>0.855</td>
<td>0.18569</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Strategy Evaluation, Strategy Formulation, Strategy Implementation

**Source: Research Data (2019)**

According Table 4.9, R is 0.928 which implies that the there was a strong correlational between the four independent variables cumulatively and the performance of the supermarket. On the other hand, the R Square value was 0.860 implying that 86.0% of variation in supermarket performance is due to changes in strategy evaluation, strategy formulation and strategy implementation. The study further sought to establish whether the model is statistically significant in its prediction. This was done using F-test as shown in Table 4.10.
The study found that the regression model was statistically significant in its prediction due to $F (3, 84) = 67.929$ and a $p$ value less than 0.05. This implied that the model provided a better fit for the data.

The study further sought to establish the contribution of individual predictor variables on the performance of supermarkets in Nakuru County, Kenya as shown in Table 4.11.

### Table 2: ANOVA$^a$

<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>1 Regression</td>
<td>17.852</td>
<td>3</td>
<td>5.951</td>
<td>172.588</td>
<td>.000$^p$</td>
</tr>
<tr>
<td>Residual</td>
<td>2.896</td>
<td>84</td>
<td>.034</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>20.748</td>
<td>87</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$a$. Dependent Variable: Performance  
b. Predictors: (Constant), Strategy Evaluation, Strategy Formulation, Strategy Implementation

**Source: Research Data (2019)**

Y = 0.029 + 0.364X$_1$ + 0.352X$_2$ + 0.270X$_3$ + 0.18569

Where;

Y = Performance of Supermarkets
X₁ = Strategy Formulation
X₂ = Strategy Implementation
X₃ = Strategy Evaluation

The study established that there was a positive and significant influence of strategy formulation on supermarket performance due to a beta coefficient of 0.364 and a p<0.05. According to Kothari (2004), beta coefficients and its associated p-values shows the significance of the predictor variables in predicting the dependent variable if the study. The study noted that a unit increase in the level of strategy formulation in supermarkets in Nakuru County, Kenya would lead to an increase in supermarket performance by 0.364 units with other factors held constant. Njiru (2014) noted that strategy formulation influenced the performance through stakeholder management and resource planning.

The study further established that there was a positive and significant influence of strategy implementation on performance of supermarkets in Nakuru County, Kenya. This was due to a beta coefficient of 0.352 and p<0.05. This implied that strategy implementation had a capacity to predict the level of supermarket performance. The study established that for every one-unit increase in strategy implementation aspects, the level of supermarket performance would increase by 0.352 units with other factors held constant. These findings concur with findings by Mailu and Ntale (2018) on strategy implementation and organizational performance who found a positive relationship between strategy implementation and success of an organization. Mungai (2017) also concur with the results established in This study by indicating that strategy implementation improves the performance of an organization in terms of customer satisfaction, employees turn over and market share.

In respect to the influence of strategy evaluation and performance of supermarkets, the study achieved a beta coefficient of 0.270 and p<0.05. This implied that strategy evaluation was statistically significant predictor of supermarket performance and that one unit increase in strategy evaluation would lead to an increase in the performance of supermarket by 0.70 units when other factors are held constant. These results are in agreement to those by Mosqueira (2016) who noted that strategy evaluation affected the performance of business through increased customer satisfaction and reduced risks. In line to This, Wanyutu (2014) observed that evaluation of business strategies was related to the performance of an organization in terms of increased profits, efficiency in processes and low employee turnover. Researchers such as Mailu and Ntale (2018), Mungai (2017), Ndumbaro (2013), Nuru (2015) and Odhiambo (2015) linked good business performance to proper strategy evaluation.

The findings on model coefficients indicates strategy formulation had the greatest influence on the performance of supermarkets, followed by strategy implementation and then strategy evaluation.

Thus, the four hypotheses:
Table 4.1: Hypothesis Testing

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Test</th>
<th>Results</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₀₁: Strategy formulation do not have notable effect on performance of supermarkets in Nakuru county, Kenya</td>
<td>Regression</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H₀₂: Strategy implementation do not have notable effect on performance of supermarkets in Nakuru county, Kenya</td>
<td>Regression</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H₀₃: Strategy evaluation do not have notable effect on performance of supermarkets in Nakuru county, Kenya</td>
<td>Regression</td>
<td>0.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Research Data (2019)

CONCLUSIONS

The study concludes that within the strategy formulation aspects the management of internal environment and carrying of assessment of the formulated strategies has a key influence on the performance of the supermarkets.

The study further concludes that increase in the strategy implementation activities are likely to lead to the organizational performance of the supermarkets. Amongst the key aspects of the strategy implementation aspects that will lead to strategy implementation include supermarket communication levels on implemented strategies and supermarket evaluation of the its implementation capacities of various strategies.

The study made a conclusion that strategy evaluation influenced the organizational performance of the supermarkets. An increase in the strategy evaluation would lead to an improvement in the organizational performance of the supermarkets. Amongst the key strategy evaluation mechanisms is the identification of the opportunities for supermarkets to venture into or capitalize in. The study concludes that the supermarket scanning of the business environment is a key component of the organizational performance.

RECOMMENDATIONS

The study recommends that the management of the supermarket should place particular emphasis on the strategy formulation, strategy implementation and strategy evaluation in order to improve on the organizational performance of the supermarkets. The supermarket management should in particular focus on management of internal environment and carrying of assessment of the formulated strategies has a key influence on the performance of the supermarkets. The management of the supermarkets should further enhance their communication levels on implemented strategies and supermarket evaluation of the its implementation capacities of various strategies.
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