Factors Influencing Resource Allocation on Strategy Implementation in Deposits taking Savings and Credit Cooperative Societies in Meru County

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Abstract: The purpose of this study was to investigate the factors influencing strategy implementation in deposit taking SACCOs within Meru County. The study derived its focus on the resource based value theory and the system theory. The study adopted a descriptive research design. The population of the study comprised the 11 deposit taking SACCOs in Meru County. Due to the nature of the population the study undertook a census of the management of the deposit taking SACCOs. This translated to 55 respondents. The response rate of the administered questionnaires stood at 87.27%. The study made use of both descriptive and inferential statistics to analyze the data. The descriptive statistical analysis included; frequencies and percentage distributions mean and standard deviation while the inferential statistical analysis included Pearson Correlation and Regression analysis. Statistical Package for Social Sciences (SPSS) version 23 was used as a statistical tool for data analysis. Results were presented in tables. The study established a positive and significant relationship between the independent variables (resource allocation, organization design and structure, and regulatory business environment) and dependent variable except for communication which had a negative but significant relationship. The study concluded that resource allocation is vital in implementing strategies and especially when it’s timely, equitably and optimally done. The study recommends that the organizational structure and design to be aligned with the prevailing business regulatory environment to ensure smooth strategy implementation. The study also recommends that the resources should be allocated optimally according to the needs of the various functions within the organization. This study contributes to the growth of literature and knowledge on strategy implementation in deposit taking SACCOs.

Keywords: Resource allocation, Strategy Implementation, Deposit, Savings and Credit Cooperatives

1. Introduction

The business environment that organizations of today operate in is both dynamic and highly competitive thus requiring formulation and implementation of strategies in order to attain long term goals (Rotich, Senaji&Were, 2017; Agrawal, 2016). According to Miller, Wilson, and Hickson (2008), the accessible resources determine the ability of the management to implement its strategies. This impacts the operational capability of the firm especially its ability to cater for activities associated with strategy implementation process.

1.1 Statement of the Problem

The attainment of strategy implementation goals depends on nature and type of strategy, design of the strategy, resource allocated during the strategy formulation and implementation process, strategy fit with organization structure, design, environment and leadership (Kurendi, 2013; Carlo, 2012). The implementation phase has been considered the most critical stage of organizational strategic management process. This is because 90% of well-intentioned and formulated strategies tend to fail at this stage (Carlo, 2012). The process of goal setting, analysis and formulation of strategies is tasking to both the management and organizational consultants but the most difficult process is implementation stage due to the involvement of the organization wide employees and other stakeholders (Hrebinjak, 2006). Despite these, the effective implementation of strategies according to Omondi, Ombui and Mungatu(2013) is tied to identification of right organizational priorities, availability of managerial competencies and availability of resources.

Several studies on strategy implementation and strategy formulation have been carried on in Kenya in various organizations and industries dealing with both products and services (Nabwire, 2014; Kurendi, 2013; Guzami, 2013; Onyango, 2012; Ohanda, 2006; Ngunjiri, 2006; Awino, 2000; Aosa, 1992). Nabwire (2014) conducted a case study focusing on the factors affecting strategy implementation in Barclays Bank of Kenya; Kurendi (2013) studied factors influencing strategy implementation among flower firms in Naivasha; Guzami (2013) study focused on factors influencing strategy implementation in community based organizations; Aosa (1992) studied aspects of strategy formulation and implementation on private manufacturing firms; Onyango (2012) studied the factors influencing strategy implementation of Kenya Sugar Industry Strategic plan 2012-2014 while Kurendi (2013) and Ohanda (2006) conducted case studies of challenges affecting strategy implementation.

A review of the above studies indicates that most of them focused on challenges of strategy implementation, adopting either a survey research design or case study. The studies by Nabwire(2014); Kurendi(2013); Guzami(2013) which are closer to this study were case studies while this study is a survey that incorporates several organizations operating in the financial sector. Further, there is very little knowledge on
studies which focus on external or internal organizational factors that influence strategy implementation among deposit taking SACCOs in Meru County, Kenya. Muriuki’s study of 2010 comes close to the current study but had a different contextual focus besides adopting a case study design. Therefore, a gap in knowledge exists which this study aims to bridge.

1.2 Purpose of the Study

To establish the effect of resource allocation on strategy implementation in deposits taking SACCOs in Meru County.

1.3 Research Hypothesis

H₀₁: Resource allocation has no significant effect on strategy implementation in deposit taking SACCOs in Meru County.

2. Resource allocation on strategy implementation

Resource allocation is a process involving a company deciding where scarce resources should be used in the production of goods or services. The resources within an organization determine the extent to which the organization is able to carry out its operations and at the optimal level. The resources within an organization may be classified as human capital, technological, financial and socio-political resources (Lemarleni, Ochieng&Mwaura, 2017). The way in which these resources are combined may determine the extent to which the firm implements its strategies. The management of the organization must ensure optimal allocation of resources such that the organization is run in a holistic manner that leads to attainment of its objectives.

According to Bader, Alaa, Ali and Raed(2017), resource allocation belongs to the fourth category of the factors that influence strategy implementation. It belongs to a group of factors under the operational process. Resource allocation as advocated by Bader et al., (2017) is considered an important factor in the strategy implementation process due to the supportive role it plays. This view concurs with the one established by Miller, Wilson and Hickson (2008) who in their study on strategies for implementing strategic decisions established that operational capability of the firm as determined by the resources allocated to strategy implementation process. This is further confirmed by a study conducted by Sterling (2003) who established that the reasons strategies failed was due to poor allocation of resources. These previous studies tend to propagate that resources allocation is the bedrock in which the success of strategy implementation rests. Therefore, the present study is a test whether the same applies within the Kenyan financial sector and more so the SACCOs within Meru County.

In a study conducted by Lemarleni, Ochieng and Mwaura (2017) on the effect of resource allocation on strategy implementation at Kenya Police Service in Nairobi County using descriptive research design and regression analysis, established a positive and significant relationship between technological, human resource and financial resource, and strategy implementation. This study categorized organizational resources into three categories; human, financial and technological. This is in line with the thoughts that resources are driving forces that ensure the operations within the organization are fulfilled as planned. This kind of categorization deviates from the one put across by Bader et al. (2017) and Miller et al. (2008) who classify resources as either internal or external but defined under operational capability of the organization. The current study also adopted regression analysis as a method of statistical analysis.

Mweru and Maina (2015), and Kemboi(2011) studies on the role of strategic management on resource allocation looks at the challenges of resource allocation in strategy implementation. The study established a link between the scarcity of resources and strategy implementation. The study did not incorporate or make use of any inferential statistics. This study is going to bridge that gap by incorporating inferential statistics and go beyond establishing the challenges of resource allocation focusing more on the effect of resource allocation on the implementation of the organizational strategies.

The resource based value theory (RBV) was developed to act as a managerial framework at the disposal of the management in their pursuit of competitive advantage in the market. According to Barney and Arikan(2001), the origin of RBV is premised on various theoretical work conducted in the following areas: the traditional study of distinctive competencies; Ricardian economics; Penrosian economics; and the study of the anti-trust implications of economics. Thus Barney and Arikan relate the origin of the RBV to various theoretical underpinnings as RBV is a combination of various elements focusing not only on the characteristics of the resources available to the firm but also the social implications of the competitiveness of the firm within the environment. The origin of RBV theory is indicated to be in the 1980’s and 1990’s after the major works put forth by Wernerfelt, on the resource based view of the firm; Prahalad and Hamel on the core competencies of the firm and the Barney’s work on the firm resources and sustained competitive advantage (Rothaermel, 2012).

3. Methodology

The study was carried out in Meru County in Kenya. Descriptive survey research design was applied in carrying out this study. Data was collected from 11 SACCOs deposit taking and regulated by the authority using a structured questionnaire. The questions were in Likert rating scale which enabled the researcher to collect large set of data. Since population was small, the census sampling technique was applied in getting the respondents from the area of study. Content and construct validity ensured data quality while cronbach's alpha was used to test the reliability of the research instrument. Prior to the actual analysis, the diagnostic
statistical analysis such as normality test using Kolmogorov-Smirnov test, and linearity test using Pearson's moment correlation coefficient were carried out. Other diagnostic statistical analyses done were test of heteroskedasticity, collinearity and auto-correlation test of study variables. The diagnostic results were found relevant and appropriate. This allowed for carrying out of the intended statistical analysis in this study. Descriptive statistics such as mean and standard deviation; as well as inferential analysis, specifically, linear regression analysis was used in analyzing data using SPSS version 23. Analyzed information was presented using tables and in other cases, descriptive statements were used.

4. Results and Discussion

4.1 Response rate and profiles of respondents

The respondents for this study were drawn from the board and the managerial positions within the Deposit Taking SACCOs in Meru County. Those holding the managerial positions included the finance managers, the operations managers, the marketing managers and the CEOs of the various SACCOs participating in the Study. Fifty five respondents were drawn from the SACCOs, and after the questionnaires were distributed to them, only 50 of them were returned. After preliminary analysis of all returned questionnaires, two were found to have had a lot of gaps thus declared unsuitable for data analysis. Thus, this study registered a response rate of 87.27%, which is considered adequate for data analysis according to Mugenda and Mugenda (2003).

The study wanted to establish the gender of the respondents. Establishing the gender distribution of respondents sheds lights on the extent of affirmative action in terms of gender in the financial sector. Majority of the respondents were male at 75% while the female respondents represented 25%. The findings of the study are consistent with those of Nabwire (2014) who established that majority of respondents involved in strategy implementation within financial institutions were male. Further the results indicate that majority of the respondents were of the age category 29-39 years of age, representing 54.2% of the total respondents. The second largest category were those aged between 18-28 years representing 31.3%, followed by those with over 50 years at 8.3% while the least represented were age category 40-49 at 6.3%. The implication of this is that the management of the SACCOs is both a mixture of youth and middle age and thus has the requisite know-how in tackling the study issues.

<table>
<thead>
<tr>
<th>Table 1: Reliability Analysis</th>
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<tbody>
<tr>
<td>Construct</td>
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<tr>
<td>Resource Allocation</td>
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<tr>
<td>Strategy Implementation</td>
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</tbody>
</table>

To test the reliability of the research instrument the Cronbach Alpha coefficient was adopted for this study. This was carried out in a bid to establish the degree of consistency of instrument measurement each time it is applied to the target population (Ko, Lee, Birch & Lee, 2017). The study adopted Cooper and Schindler (2014) explanations of the advisable levels of Cronbach Alpha coefficient, where, values of 0.5 and more are suitable for business studies. The Cronbach Alpha in this study had a coefficient value that was more 0.50. The validity was ensured through engaging supervisors and other experts in the field of study when developing the research instrument. After pilot study those questions that seemed ambiguous and irrelevant were either struck off or redesigned to ensure consistency of results. The results are indicated in the Table 1.

The study sought to assess the descriptive statistics of resource allocation in Deposit taking SACCOs within Meru County. The respondents were asked to rate the extent of their agreement with statements focussing on resource allocation. From the responses, descriptive measures of central tendency and dispersion: mean, standard deviation, skewness and Kurtosis were used for ease of interpretation and generalization of findings. The findings are shown on Table 2.

<table>
<thead>
<tr>
<th>Table 2: Resource Allocation</th>
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<tbody>
<tr>
<td>Statement</td>
</tr>
<tr>
<td>Statistic</td>
</tr>
<tr>
<td>The management has an adequate budget for strategy implementation</td>
</tr>
<tr>
<td>There is a proper resource allocation to the departments and sections involved in strategy implementation</td>
</tr>
<tr>
<td>The financial resources required for strategy implementation are promptly availed when required</td>
</tr>
<tr>
<td>The SACCO is able to access external resources like consultants and finances when required for facilitating strategy implementation</td>
</tr>
<tr>
<td>The SACCO does carry out resources mobilization for strategy implementation</td>
</tr>
<tr>
<td>The SACCO utilizes its capabilities in implementing strategies</td>
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</table>
The results in Table 1 indicates that the element with the maximum mean is “The SACCO is able to access external resources like consultants and finances when required for facilitating strategy implementation” at 4.500 while the element that had the least mean was “The SACCO does carry out resources mobilization for strategy implementation” with a value of 3.500. In terms of dispersion, the element with highest variation witnessed was that of “The SACCO utilizes its capabilities in implementing strategies” while the one with least dispersion or variability is the element “The SACCO is able to access external resources like consultants and finances when required for facilitating strategy implementation”. Half the elements were negatively skewed as evidenced by Kurtosis values. The element with the highest value was “The SACCO is able to access external resources like consultants and finances when required for facilitating strategy implementation” at 0.272. The results are similar to Nabwire (2014) who established that organizational capabilities and resources are vital for strategy implementation. The results are also supported by those of Guzami (2013) who established that internal environment as a source of resources determined the implementation of strategies and the success of the organization. This implies that resources allocation is a vital.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>The strategy implementation process has been within its timelines</td>
<td>4.2500</td>
<td>.83793</td>
<td>-.509</td>
<td>.343</td>
</tr>
<tr>
<td>The various milestones of strategy implementation have been accomplished</td>
<td>4.4167</td>
<td>.76724</td>
<td>-.888</td>
<td>.343</td>
</tr>
<tr>
<td>The challenges facing strategy implementation have been kept at minimum</td>
<td>3.7500</td>
<td>1.10126</td>
<td>-.274</td>
<td>.343</td>
</tr>
<tr>
<td>The SACCO has remained competitive in the market due to its strategy implementation process</td>
<td>4.3333</td>
<td>.85883</td>
<td>-.717</td>
<td>.343</td>
</tr>
<tr>
<td>The SACCOs performance is related to its strategy implementation process</td>
<td>4.4167</td>
<td>.87113</td>
<td>-.942</td>
<td>.343</td>
</tr>
</tbody>
</table>

To establish the linear relationship between the various independent and dependent variables, Pearson correlation coefficient (r) was used. According to Mugenda and Mugenda (2003), the correlation coefficient informs the magnitude of the relationship between two variables. The bigger the value of the coefficient r (absolute zero), the stronger the association between the two variables. If the correlation coefficient is positive (+) it means that there is a positive relationship between the two variables. A negative relationship (-) means that as one variable decreases, the other variable increases and this is termed as an inverse relationship. When the coefficient value r is zero this is an indication that there exists no association between the two variables. The coefficient assumes that there is a linear relationship or association between two variables and that the two variables are causally related which are the independent variable and the dependent variable. The independent variables of this study; resource allocation, communication, organization design and structure, and business regulatory environment were each correlated with strategy implementation where customer satisfaction, target standards employee satisfaction were dimensions of performance and performance was the dependent variable for this study. The results are shown in Table 4.
The findings in Table 4 indicate that there was a significant and positive relationship between resource allocation and strategy implementation ($r=0.662$, $p<0.01$). This implies that considering resource allocation aspects such as resource mobilization, adequate budget, capabilities, and access to consultants leads to successful strategy implementation. This is supported by the study of Kenya Police Service by Lemarleni, Ochieng and Mwaura (2017) who established a positive and significant relationship between optimal resource allocation and strategy implementation. This is also supported by the work of Bader et al., (2017) who established a positive relationship between resource allocation and strategy implementation (r=0.700, $p<0.001$) between resource allocation and strategy implementation. This means that increase in the use of resource allocation in the Deposit taking SACCOs will lead to better strategy implementation. The independent variable reported R value of 0.662 and $R^2$=0.438 which means that 43.8% of corresponding variations in strategy implementation can be explained by resource allocation. The rest of the variation 56.2% could be explained by other variables.

The model is $Y =1.520 + 0.700 \text{ Resource Allocation}$ where Y is strategy implementation.

The F test gave a value of F (1, 46) = 13.302, $p < 0.001$ which is relatively large enough to support the goodness of fit model explaining the variations in the dependent variable. This validates that resource allocation as a useful predictor of strategy implementation. The results of regression analysis revealed that there was significant positive relationship ($r=0.700$, $p<0.001$) between resource allocation and strategy implementation. This implies that when resources are allocated to the priority areas and according to the needs of various departments within the organization, the strategy implementation process tends to be successful. Therefore $H_0$ of the study is rejected which states that there is no significance influence of resource allocation on strategy implementation on Deposit taking SACCOs within Meru County.

### 5. Conclusion

The study established a significant and positive relationship between resource allocation and strategy allocation. This implies that the provision of resources for implementing strategies is very vital. The data analysis also established that the most vital element of resource allocation is availing resources when they are required to facilitate strategy implementation. The study concludes that resources required for the implementation of strategies should be delivered in time and within the needs of the requesting department or section within the organization. As indicated in the study of Lemarleni, Ochieng and Mwaura (2017), resources should be delivered in a timely manner without any wastage and according to the department that requires them.
6. Recommendation

The study recommends that resources allocations should be distributed in an optimal way according to the requirements of each of the organizations departments or activities. This would ensure that resources required for strategies implementation are timely available. The study also recommends the training of employees in management of resources as it has been found to be one of the significant factors that affects the implementation of the organizational strategies.

References


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