

EFFECT OF STRATEGIC DIRECTION ON THE PERFORMANCE OF TECHNICAL TRAINING INSTITUTIONS IN MERU COUNTY, KENYA

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ABSTRACT

Organizational performance is important in justifying its existence and resources allocation. To enhance performance, Strategic direction has been identified as useful in promoting organizational performance. For Technical Training Institutions to achieve their core mandate in human resource training, the Government has emphasized on their development and implementation of strategic plans. Technical Training institutions have been operating with strategic plans for at least the last ten years; however no systematic study has been carried out to investigate the influence of these strategic plans on the performance of the institutions. The current study sought to investigate the effects of the strategic direction on performance in respect to enrolment, resources, quality and efficiency. The study used the cross sectional descriptive survey research design. Questionnaires were used for data collection. Instruments were tested for reliability by use of the cronbach's alpha and a correlation coefficient of 0.75 was obtained. Validity of instruments was ensured by use of peer reviewers and research experts. The researcher personally administered the instruments; this helped in realizing a high return rate. Data was analyzed by use of both descriptive and inferential statistics including frequencies, percentages, means and the regression analyses and presented by use of tables and figures. The study established that the strategic direction had significant influence on the performance of technical training institutions. The introduction of the government policy as a moderating variable improved the model on organizational direction. The researcher recommends the alignment of the institutional philosophy, priorities, innovations and collaborations to the institutional strategic direction which could improve the performance of Technical Training Institutions.

Key Terms – Effect, Strategic Direction, Performance,

Introduction

Strategic planning is a deliberate process to envision the future and develop plans for interacting with the competitive environment to achieve that future (Pearce & Robinson, 1995). Strategic planning is an organization's process of defining its direction, and making decisions on allocating its resources to pursue this strategy. According to Byars (2001) a strategic plan is used to describe the steps taken by an organization in achieving its objectives and mission. In addition to this, Starkey (2004) points out that the mission is the first step of the strategic plan that defines the long-term vision of the organization. If an organization does not have a vision, then there is no reason for

existing. Henry (2004) argues that this is the process for creating and choosing a particular strategy to respond to future events and plan how to implement it.

The concept of performance is vital in all organizations whether commercial; profitmaking or Not-for-profit organizations, private or public sector (Johnson, *et al.*, 2008). Organizational performance is a measure of the extent to which the organization's goals and objectives have been achieved. Such measure of achievement informs all the stakeholders of the extent to which organizations are succeeding in their business. Based on their object and context, different organizations use different modes of performance. Mazzarol and Rebound (2009) notes that, organizational performance can be measured as achieving sustainable growth over time using such indicators as annual turnover, the number of employees, size of assets and equity in the balance sheet, market share and profitability. However, Bolo, Muturia and Oeba (2010) observes that firm performance refers to how well or badly a firm is performing both financially and non-financially thus exclusive use of financial achievements or indicators as the sole yardstick to determine organizational performance would be biased because organizations desire to achieve broad objectives. Kaplan and Norton (2008) suggest that, use of a balanced scorecard for measuring company performance that tracks the achievement of both financial objectives and strategic objectives is critical.

Measurement of performance in educational institutions will therefore include academic excellence, land infrastructure development, discipline and school culture, quality and relevance of graduates to market skill needs, stakeholder satisfaction, financial stability and excellence in non-academic activities (Okwako, 2013). This is in conformity with Denison (2006) who argues that modern approaches in measuring performance should consider all aspects in the organization. Firm performance is therefore a very essential aspect of a firm because as March and Sutton (1997) puts it, performance comparisons become a basis for evaluating executives, making decisions about resource allocation of human and other resources, for writing history and for stimulating arrogance and shame.

The desire for Strategic plans in Kenya commenced slowly and gradually back in the 1960s but has presently gaining currency and popularity (Yabs, 2007). The public sector finds the concept of strategic plans just as important as in commercial firms and hence Technical Training Institutions in Meru County are required to formulate strategic plans in tandem with the MoE's strategic plan in order to foster the government's agenda to provide trainees with the quality education and training

(Birgen, 2007). Strategic plans are expected to positively influence performance by enhancing the financial and non- financial outcomes in the training institutions. This makes the strategic plans a necessary management tool for Technical Training Institutions in Meru County if these institutions are to justify their public financial support and produce graduates that help in meeting the country's development vision.

A number of scholars such as Cole (2004) and Ansoff (1990) have argued that there is a positive correlation between strategic planning and performance while others argue that the relationship between planning and performance is inconsistent and thus still debatable (Barney 2007, Thompson et al, 2007). There have been studies on influence of strategic planning on performance in other education sectors. For instance, Mukokho (2010) studied the influence of strategic planning on performance of public universities in Kenya, the case of university of Nairobi, Gode (2009) studied influence of strategic planning on the performance of public secondary schools in Kisumu East, Ayieko (2011) studied strategic planning practices and performance of manufacturing firms. The above studies recommended for the development of strategic plans to enhance performance in the studied sectors. A study of strategic planning and performance in public secondary schools in Rarienda District by Okwako (2013) indicated the importance of strategy planning in public secondary schools and therefore suggested a replication of the study in different parts of the county and other levels of education. Despite the critical role that the Technical Training Institutions play in human resource training and the concern raised with regards to the quality of graduate, the enrolment levels and resources in these institutions, the sectors seems to have been ignored by researchers which shows a knowledge gap that needs to be addressed. Do strategic plans influence performance in Technical Training Institutions in Meru County? The current study sought to determine the effect of strategic direction on the performance of Technical Training Institutions in Meru County.

Research Hypotheses

H₀₁: There is no effect of strategic direction on the performance of Technical Training Institutions in Meru County.

Methodology

The study used cross-sectional descriptive survey research design. The target population for the study was the 90 members of management in the three technical training institutions in Meru County. All the three technical training institutions (Meru National polytechnic, Nkabune and Kirua Technical Training Institute) which have implemented a strategic plan for atleast one complete cycle in the county were used for this study. The management of the training institutions participated in the study. These included the top management, made up of the Principal, the two deputy Principals, the finance officer and the registrar, the middle level management made up of the heads of departments and the dean of students and the lower level management, made up of the heads of sections participated in the study. All the 90 subjects participated in the study.

Primary data was collected by use Questionnaires. Structured and unstructured items were included in the questionnaire. The questionnaires were administered to the top management, middle and lower level management. Closed ended items were categorical and likert scale format. To ensure the validity of the instruments, the researcher involved peers and research experts in the department of business in Kenyatta University. The researcher personally administered the instruments to the respondents. The data was analysed using both descriptive and inferential statistics. A regression analysis was conducted to establish the effect of the independent variable on the dependent variable.

RESULTS AND DISCUSSIONS

Demographic Characteristics of Respondents

An item was included in the instruments that sought information on the duration that the respondent had served in their current management positions. This information is presented in Table 4.1.

Table 4.1 Duration served in the Current Position

Duration of service	Frequency	Percent
<2 years	22	17.7
2-3 years	20	16.1
4-5 years	19	15.3
>5 years	61	49.2
Total	122	98.4

Information in Table 4.1 indicates that 49.2% of the respondents had served in their current position for over five years whereas 17.7% of the respondents had served for less than two years in their current positions. Having 49.2% of the respondents who had served in the institutions for more than five years means that respondents had experienced the planning and implementation of the strategic plans which was critical in the current study.

The researcher sought information on the academic qualifications of the respondents. The responses are presented in Figure 4.1.

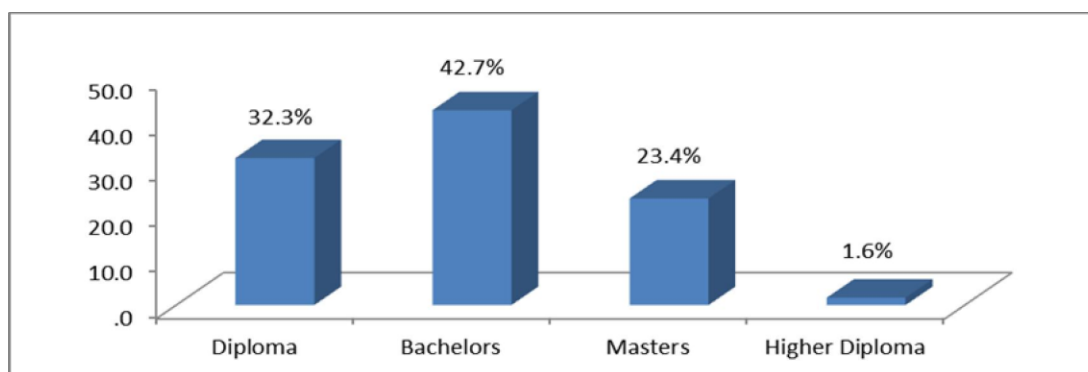


Figure 4.1 Academic Qualifications of Respondents

Information in Figures 4.1 shows that 42.7% of the respondents had a bachelor's qualification while 32.3% had a diploma qualification.

Competency levels in Strategic Planning

The researcher further sought information from the respondent on their self-rating on competency in strategic planning. This information is shown in Table 4.2.

Table 4.2 Competency Level

Responses	Frequency	Percent
Very competent	18	14.5
Competent	44	35.5
No Opinion	24	19.4
Incompetent	1	.8
No response	37	29.8
Total	124	100.0

Information in Table 4.2 shows that 35.5% of the respondents rated themselves as competent while 19.4% of the respondents held no opinion on their levels of competence in strategic planning. Only 14.5% of the respondents indicated that they were very competent in strategic planning.

Development of the Strategic Plan

The researcher sought information on who developed the institutional strategic plans for the Technical training Institutions. This information is presented in Figure 4.2.

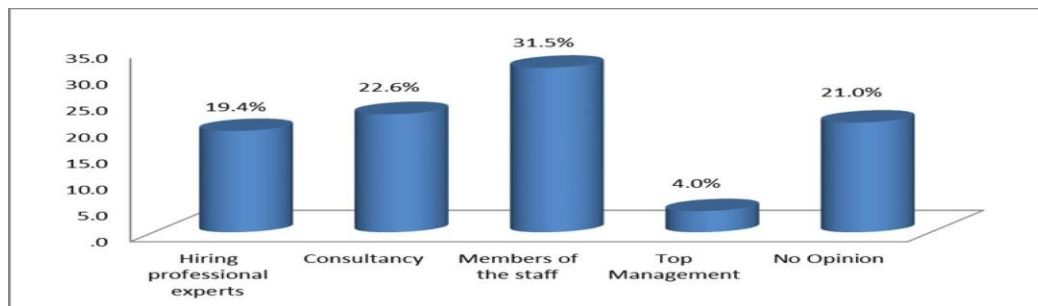


Figure 4.2 Development of the Strategic Plan

Information in Figure 4.2 shows that at 31.5% respondents indicated that strategic plans were developed by the members of staff within the institution whereas 22.6% indicated that the institution used skilled staff on consultancy bases for the development of the strategic plans. Respondents at 19.4% indicated that institutions hired professional experts for the development of their strategic plans.

Descriptive Statistics

To achieve the objective of the study on the determination of the effects of the strategic direction on performance the researcher sought information on various dimensions of the strategic plan. The likert scale with a five level scale where 1 – no extent and 5 very great extent was used. Descriptive statistics of the mean and standard deviation were used to analyze the results. This information is presented in Table 4.3.

Table 4.3 Organizational Direction

Organizational Direction	N	Mean	Std. Deviation
Mandate	124	4.03	.569
vision	124	4.15	.404
mission	124	4.10	.400
philosophy	122	3.90	.536
goals	124	4.12	.374
objectives	122	4.20	.444
priorities	124	3.94	.810
Overall mean score		4.07	.505

The results in Table 4.3 yield an overall mean score of 4.07. Organizational objectives dimension of the strategic plan had the highest mean score (mean score=4.20, SD=0.444). Two dimensions were rated lowest philosophy (mean score=3.90, SD=0.536) and priorities (mean score=3.94, SD=0.810). This means that the dimensions rated highest are those that respondents could be able to relate directly with the strategic plans. There is need for the institutional managers to align the institutional philosophy and the priorities to the institutional strategic plans.

Government Policy

The researcher sought information on the extent to which the Government policy being a moderator variable impacted on the institutions' strategic plan. This information is shown in Table 4.4.

Table 4.4 Government Policy

Government Policy	N	Mean	Std. Deviation
Accountability	122	3.98	.966
stability	120	3.84	.879
Effectiveness	120	3.82	.869
Regulatory quality	122	3.97	.852
Rule of law	122	3.95	.822
Control of corruption	122	3.90	.885
Overall mean score		3.91	.879

Information in Table 4.4 shows that the government policy impacted to a great extent on the strategic plans. Accountability (mean score=3.98, SD=0.966) and Regulatory quality (mean

score=3.97, SD=0.852) were most important in the institutions strategic plans. Effectiveness (mean score=3.82, SD=0.869) and stability (mean score=3.84, SD=0.879) were rated least important in the strategic plans.

Performance

To achieve the objectives of the study, the researcher sought information on the performance of technical training institutions. Various indicators were used to assess the extent of performance by the Technical Training Institutions. This information is shown in Table 4.5.

Table 4.5 Performance

	N	Mean	Std. Deviation
Quality	124	4.22	.657
Quality of trainers	124	3.91	.884
Quality of infrastructure	124	4.01	.888
Quality of training tools	124	3.75	.976
Quality of curriculum	122	3.87	.970
Quality of skills	122	4.02	.643
Quality of knowledge	120	3.88	.881
Quality of graduates	120	3.73	.995
Resources	120	3.89	.848
Adequacy of training materials	120	3.61	1.079
Infrastructure development	120	3.93	.909
Human resource development	120	3.79	1.003
Availability of teaching materials	120	3.25	1.204
Workshop tools & equipment	116	3.66	.961
Enrolment	118	3.77	.861
Students Enrolment	122	3.86	.816
Retention rates	122	3.78	.828
Completion rates	122	3.96	.648
Efficiency	118	4.01	.722
Efficiency of training process	120	3.78	.822
Acquisition of practical skills	122	3.80	1.018
Utilization of resources	121	3.83	.886

The results in Table 4.5 reveal four indicators of performance in technical institutions with a mean of above 4.00. Quality (mean score=4.22, SD=0.657), quality of skills (mean score=4.02, SD=0.643), quality of infrastructure (mean score=4.01, SD=0.888) and efficiency (mean

score=4.01, SD=0.722) were rated most important dimensions of performance in the technical training institutions. Availability of teaching materials (mean score=3.25, SD=1.204) was rated least among the various indicators of performance in the technical training institutions.

Regression Analysis and Hypotheses Testing

The hypothesis of the study sought to establish the effect of the organizational direction on the performance of technical training institutions. Simple regression analysis was done to establish the effects of the strategic direction on performance. Information on this analysis is presented in Table 4.6.

Table 4.6 Regression Analysis on Strategic Direction and Performance

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.694	.495		3.418	.001
Organizational Direction	.516	.121	.359	4.247	.000
R square=12.9%		F-Statistic=18.041(0.000<0.05)			

Table 4.6 shows the relationship between organizational direction and performance. This implies that 12.9% of the variation in performance can be accounted for by organizational direction in the model. Also the F-statistics of 18.04 (p-value 0.00<0.05) indicating that the overall model was statistically significant at 95% confidence level. The relationship between the organizational direction and performance was statistically significant (t=4.247, p-value 0.00< 0.05). This implies that for one unit increase in organizational direction, performance will increase by a factor of 0.516. The hypothesis that there was no significant relationship between organizational direction and performance was not supported in the current study. The predictive regression model can be stated as:

$$Y = 1.694 + 0.516X_1$$

Where Y – Performance

X₁ – Organizational Direction

1.694 – Constant

0.516 – Is the estimate of the expected change in performance when organizational direction is increased by one unit.

These results are in harmony with the findings that strategic direction has an impact on the performance of organizations. Bart *et al.* (2001) study found that mission statements can affect financial performance, partially. The study also observed that commitment to the mission and the degree to which an organization aligns its internal structure, policies and procedures with its mission were both found to be positively associated with “employee behavior”. Bart (1999) in another study of 103 Canadian Hospitals found a strong connection between mission content and degree of satisfaction with the mission as well as between mission content and degree of satisfaction with financial performance. However, Bart and Baetz (1998) in a study from a sample of 136 large organizations in Canada found out that that mission statements and some of their specific characteristics are selectively associated with higher levels of organizational performance. According to Ireland and Hitt (1992) mission statements provide critical direction for all types of organizations. Developing effective organizational direction can contribute to increases in a firm’s overall performance.

Moderating Effect of the Relationship between Organizational Direction and Performance

The researcher sought to establish the impact of the various dimensions of the strategic plan on performance in the presence of the government policy which was considered to be a moderating variable in this study. The results on impact of the organizational direction with the moderator variable are presented in Table 4.7.

Table 4.7 Regression result of the Organizational Direction with government policy

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.764	.504		3.500	.001
Organizational Direction	.497	.124	.344	4.016	.000
2 (Constant)	1.503	.465		3.234	.002
Organizational Direction	.242	.125	.168	1.939	.055
Government Policy	.331	.068	.423	4.893	.000
1 R squared =0.118	F-statistic=16.125(P-value=0.000)				
2 R squared =0.266	F-statistic=21.574(P-value=0.000)				

As shown by the moderation results in Table 4.7, there is statistically significant change in the percentage of the variation explained by the interaction of the organizational direction and the government policy. The results indicates a change in R^2 when interaction of organizational direction and government policy is introduced ($r = 0.118$ and 0.226). The significance results indicates a significant variation in relationship between organizational direction and performance on the introduction of government policy $0.242, 0.331$; p -value = $0.055, 0.000$. Although organizational direction influences performance the presence of government policy improves the relationship significantly. Based on these results performance can be predicted as follows:

$$Y = 1.503 + 0.242X_1 + 0.331M$$

Where Y = performance of technical training institutions

X_1 = Organizational direction

M = Government policy

This implies that 0.331 is an estimate of the expected increase in the performance of technical training institutions corresponding to an increase in government policy.

Conclusions

Judging from the findings resulting from the data collected from this study, the results reveal some vital facts upon which the conclusions are based. One of the things we can deduce from this study is that strategic direction has significant influences on organizational performance of Technical Training Institutions in Meru County. Organizational objectives dimension of the strategic plan had the highest mean score whereas two dimensions compared to the philosophy and priorities of the organizations captured on the strategic plans.

The introduction of the government policy has a moderator variable in the relationship between strategic direction and performance results in a significant increase in the performance of Technical Training Institutions.

Recommendation

Based on the findings of the current study, the researcher made the recommendations that there is need for the institutional managers to align the institutional philosophy and the priorities to the institutional strategic plans.

The Technical Training Institutions should enhance the competencies of the members of management through training. Training could a good method to equip members with knowledge and skills in strategic planning.

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