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Relationship between Strategic Change and Performance of Private Universities in Nairobi County, Kenya

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Abstract:

This research paper aimed at establishing whether there is a relationship between strategic change and performance of private universities in Nairobi County. Organizations face many changes in their life span. Whether planned or unplanned, organizations should strive to deal with the changes in order to survive. This study mainly focused on establishing whether organizational culture, leadership styles, human resources and technology influence the performance of the private universities in Nairobi County. The study targeted the 15 fully chartered private universities in Nairobi County mainly 8 top management level employees of those universities totalling to 120. Purposive sampling technique was applied which resulted to 92 as the sample size. Both qualitative and quantitative research designs were used to obtain information from the 68 respondents. Data was analyzed whose summaries were done in form of mean scores, variances and standard deviation to present the data. The study revealed that leadership styles and technology have a significant relationship with the performance while organizational culture and human resources do not significantly affect on the performance of private universities in Nairobi County. Organizations should strengthen their capabilities in leadership skills by practising more of the transformational leadership qualities, managing, developing and motivating the human resources, integrating the organization's culture and that of the individuals and continuously improving the technology. The research findings indicated that organizational culture and human resources have no positive effect on the performance.

Keywords: Strategic change, performance, resources, globalization, competitive advantage

1. Introduction

Organizations today operate in an environment that is dynamic and turbulent especially on the rapid technological advancements and increased competitive requirements thus leaving them with no choice other than adjusting to match the changes in order to survive (Unsal & Cetindamar, 2015). Heraclitus, Greek Philosopher, believed that "Change alone is unchanging and nothing endures but Change" (Vora, 2013). Changes have been witnessed in various organizations touching on areas like technology, economic climate, information systems, social values, workforce, demographics and the political environment. These changes are likely to bring about a significant effect on the procedures and processes as well as products and services offered by organizations (Edmonds, 2011). The culmination of these forces has resulted to an external environment that is dynamic, unpredictable, demanding and often devastating to those organizations which are unprepared or unable to respond (O'Sullivan, 2016).

2. Statement of the Problem

According to Li, Shankar and Tang (2011), globalization has brought about fierce competition among universities thus making them compete with each other locally and also internationally. The increase of global competition especially for funding, students, academic programs among others has led to world university rankings which in most cases are based on performance. Today, the global competition has created an environment which prompts organizations to adopt new strategies so as to meet the challenges of competition (Razzak, 2017). The higher education sector (especially the private universities) has not been an exception to these changes and challenges. Some of the identified challenges are mergers, acquisitions, closures, withdrawal of programs, recalling of degrees awarded among others. The performance of these institutions has been a major concern in the education sector today.

Universities have opened new branches across the country and even beyond while others are facing a closure. From the evaluated studies, little has been done on establishing relationship between strategic change and performance of the private universities in Nairobi County. This has led to a research gap in private universities that sought to justify strategic change adoption thus this research tried to address the gap by carrying out a study on the relationship between strategic change and performance of private universities in Nairobi County.

3. Theoretical Framework

3.1. Resource-Based View (RBV) Framework

This approach emphasizes that firm's resources are fundamental determinants of performance and competitive advantage. Firms resources should have certain traits which are valuable, rare, difficult to imitate and the firms must be well-organized to exploit and deploy them (VRIO) (Hinterhuber, 2013). Whether tangible or intangible, resources must be mobilized in a way to enhance performance by managing strategic changes. The resources cannot be productive on their own if they are not well assembled, integrated and managed (Kamasak, 2015). According to Ismail, Rose, Uli and Abdullah (2011), the RBV helps organizations to plan and execute their strategies by examining their internal resources and capabilities towards improving organizational performance. From the categories of tangible resources above, the human resources are considered to be more important and critical in enhancing organization's performance. The top and middle management, administrative and production employees bear the organizational culture which gives a set of beliefs, attitudes and behavioral patterns to be followed in an organization (Schein, 2014).

3.2. The Dynamic Capability Framework

The dynamic capabilities paradigm emerged in 1990s with a contribution of Teece, Pisano and Shuen (1997) but later Teece in 2007 provided a more dynamic perspective. This framework was developed from the RBV of the firm which holds that firms operate through resources which are paramount to organizations' superior performance (Kihara et. al, 2016). He further argues that firms will always attempt to improve their resources in order to match the changes taking place in the environment. According to Breznik and Hisrich (2014), the dynamic capability is the "firm's ability to integrate, build and configure internal and external competences in order to address rapidly changing environments." They further describe dynamic capabilities as the capacities of a firm to purposefully create, extend and modify its resource base in pursuit of improved effectiveness. This means that organizations should strive to create, develop, extend and modify resources in order to respond to the changing environments.

3.3. The Higgin's 8-S Model

According to Higgins, all the Seven S's which are Structure, Skills, Systems, Strategy, Staff, Structure and Shared Values must be aligned to achieve the best possible strategic performance. Considering McKinsey's 7 S's, Higgins replaced Skills with Resources because he found out that firms require resources which are essential in strategy implementation (Bhatti, 2011).

4. Empirical Review

4.1. Organizational Culture and Organizational Performance

Jones, Jimmieson and Griffiths (2005) argue that there is no comprehensive definition of organization's culture, however many researchers explain it in three dimensions that is: consisting of assumptions, values and artifacts. Assumptions are the basic "taken-for-granted" beliefs of human nature, values are shared beliefs and rules that govern the attitudes and behaviours of employees while artifacts according to Schein (2014) are the physical environment or visible products, language, technology, artistic creations, styles, manners of address, emotional displays, myths about the organization, values, observable rituals, ceremonies among others. According to Ehtesham, Muhammad and Muhammad (2011), "a strong culture is the key to good performance". However, organizations may fail in planned change due to many factors including the inability to deal with employees' attitudes towards the proposed change (Jones et al, 2005). While driving strategic change, organizational culture should be adjusted in a way to create the readiness for the organizational change because this greatly depends on the employees' perception and readiness for the change.

4.2. Leadership Styles and Organizational Performance

Leadership styles are believed to have a significant relation to organizational performance however, different styles may have a negative or a positive correlation with the organizational performance. There are four key leadership styles which are commonly chosen by researchers through their research findings. These are transformational style, passive-avoidant (laissez-faire) style, and transactional style. A transformational leader according to Jing and Avery (2008) encourages employees to perform beyond normal expectations towards a shared vision, encourages collaborative decision making focusing on the development of the needs of the follower(s) (Ismail, Halim, Abdullah, Muda, & Samsudin, 2009) empower and give the followers a much higher level of power in the organization encouraging commitment. A transactional leader gives the followers something in return including reward for a good performance review, a salary raise, a promotion, new responsibilities or a desired change in duties. Lastly, passive-avoidant is a style where the leader gives the subordinates the freedom to make decisions with no interference, provides the necessary materials, participates only to questions but avoid giving feedback (Chaudhry & Javed, 2012).

4.3. Human Resources and Organizational Performance

Kihara et al. (2016) describe human resources as people in terms of time, skills, capabilities, experiences and knowledge. They further argue that an organization can obtain human resource capital through formal education, job training, on-the-job training and real-life experience. In fact, Ehtesham et al. (2011) believe that employees are valuable assets to an organization and they need to be managed effectively. Proper training is required in order to enable the employees be customer centric so as to meet the customer needs efficiently and effectively (Schein, 2014). According to Long et al. (2013), employees require career development, performance management, coaching, mentoring, succession planning and organization development for smooth and systematic implementation of strategic change. Organizations expect the employees to adapt to the new changes, however sometimes it can be slow or unsuccessful (Michalak, 2010).

4.4. Technology and Organizational Performance

As organizations strive to adopt strategic changes, it is important also to engage in technological development in order to achieve technological innovation that leads to increased performance. Technological transition or embracing new technology can give an organization a long-term sustainability (Chou & Zolkiewski, 2010). One of the modern ICT trends on higher learning institutions are the network-based training such as internet-based, intranet-based, extranet-based or web-training for educational purposes as well as professional development (Liu & Ding, 2015). In the institutions of higher learning, technology has been applied in the admission processes, ensuring clear enrolment process, research and publication, procurement processes by offering new and flexible delivery and implementation techniques, developing employment contracts and development of digital literacy skills, developing innovating teaching techniques, engaging staff, academics, students, potential students and alumni across a range of social media channels, websites and other applications to deliver customized services (PwC, 2015).

5. Conceptual Framework

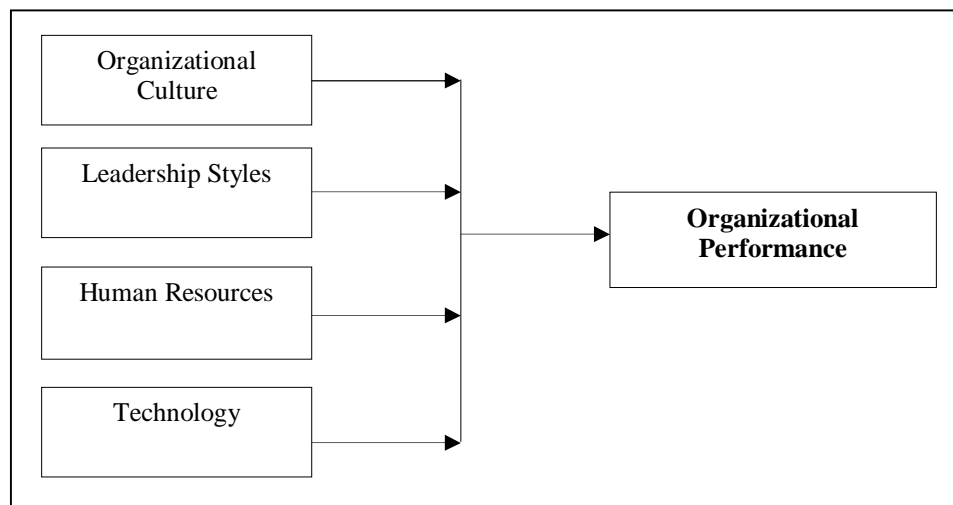


Figure 1: Conceptual Framework

6. Research Methodology

The study used the quantitative and qualitative research designs. Descriptive research portrayed an accurate profile of events or situations surrounding strategic changes in the targeted private universities. On the other hand, quantitative design gave a statistical relationship between the independent variables and the dependent variable which used a multiple linear regression analysis.

The target population comprised of the Vice Chancellors, Deputy Vice Chancellors -Academic Affairs, Deputy Vice Chancellors - Finance and Administration, Financial Officers, Human Resources Managers, ICT Managers, Librarians and Registrars of the 15 private universities in Nairobi County. This resulted to a total of 120. Purposive sampling technique was applied to select an appropriate sample for the study. Purposive sampling method was used and the questionnaires were issued to all the 92 respondents. The instrument used was self-administered structured questionnaires which were used to collect primary data. Descriptive statistics analysis methods were used to analyze quantitative data while multiple Regression analysis was applied to establish whether changes in technology affect the performance of private universities in Nairobi County.

7. Research Findings and Discussions

7.1. Response Rate

The target population of this study comprised of the selected 120 employees of the top-level employees of the 15 private universities in Nairobi County. A total of 92 questionnaires were sent to the sampled respondents who were issued with questionnaires. A total of 68 filled questionnaires were returned giving a response rate of 73.91%.

On the descriptive analysis, 42.6% (29) of the respondents indicated that the number of years their university was in operation was below 20 years, 29.4% (20) indicated above 30 years, 20.6% (14) indicated between 21 and 25 years while 7.4% (5) indicated between 26 and 30 years. Therefore, most universities were in operation for 20 years and below. This therefore implies that most universities came into existence in the recent past which is a sign of growth in the education sector thus leading to stiff competition among the universities.

8. Anova Results

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6822.522	4	1705.631	284.946	.000 ^b
	Residual	371.120	63	5.986		
	Total	7193.642	67			

Table 1: ANOVA results

a. Dependent Variable: Performance of private universities

b. Predictors: (Constant), Organizational Culture, Leadership Styles, Human Resources and Technology

The probability value of 0.000 indicates that the regression relationship was highly significant in predicting that changes in organizational culture, leadership styles, human resources, and technology affected the performance of private universities in Nairobi County. The F calculated at 5% level of significance was 284.946. Since F calculated is greater than the F critical (value = 2.5252), this shows that the overall model was significant.

9. Coefficients of Determination

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-7.291	1.773		-4.113	.000
	Organizational culture	-.062	.112	-.070	-.552	.583
	Leadership styles	.639	.123	.648	5.208	.000
	Human resources	.096	.121	.077	.792	.431
	Technology	.422	.130	.338	3.258	.002

Table 2: Coefficients of Determination

a. Dependent Variable: Performance of private universities

The regression equation above has established that taking all factors into account (organizational culture, leadership styles, human resources and technology) constant at zero performance of private universities was -7.291. The findings presented also show that taking all other independent variables at zero, a unit increase in the organizational culture would lead to a -0.062 decrease in the scores of performances of private universities and a unit increase in the scores of leadership styles would lead to a 0.639 increase in the scores of performances of private universities. Further, the findings show that a unit increase in the scores of human resources would lead to a 0.096 increase in the scores of performances of private universities. The study also found that a unit increase in the scores of technologies would lead to a 0.422 increase in the scores of performances of private universities.

10. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.974 ^a	.948	.945	2.44659

Table 3: Model Summary

a. Predictors: (Constant), Organizational Culture, Leadership Styles, Human Resources and Technology

The table above is a model fit which establishes how fit the model equation fits the data. The adjusted R² was used to establish the predictive power of the study model and it was found to be 0.945 implying that 94.5% of the variations in performance of private universities in Nairobi County are explained by changes in organizational culture, changes in leadership styles, changes in human resources, and changes in technology.

11. Bivariate Correlation

		(Y)	(X ₁)	(X ₂)	(X ₃)	(X ₄)
Performance of private universities (Y)	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	68				
Organizational culture (X₁)	Pearson Correlation	.937**	1			
	Sig. (2-tailed)	.000				
	N	68	68			
Leadership styles (X₂)	Pearson Correlation	.940**	.960**	1		
	Sig. (2-tailed)	.000	.000			
	N	68	68	68		
Human resources (X₃)	Pearson Correlation	.965**	.923**	.950**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	68	68	68	68	
Technology (X₄)	Pearson Correlation	.934**	.896**	.917**	.953**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	68	67	67	68	68

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

Table 4: Bivariate Correlation Results: All Variables

From the bivariate linear correlation results in the table above, the study revealed that organizational culture (X₁) has a positive and significance effect on the performance of private universities in Nairobi County ($r = .937^{**}$, $P = 0.01$). From the literature review, organizational culture has been identified as one of the key drivers of strategic change. Therefore, an adjustment or improvement of an organizational culture can bring a positive effect on the performance of the private universities. The study further confirms that leadership styles (X₂) have a positive effect on the performance of private universities in Nairobi County ($r = .940^{**}$, $P = .001$). As a dynamic capability of the firm, leaders need to adopt the styles that can lead to increased performance. Further, the study reveals that there is a significant or positive effect of human resources (X₃) on the performance of private universities in Nairobi County ($r = .965^{**}$, $P = .001$). From the literature review, human resources have been identified as one of the key drivers for strategic change in increasing performance of firms. Lastly, technology (X₄) was found to have a positive significance on the performance of private universities in Nairobi County ($r = .934^{**}$, $P = .001$). From the study, it is evident that technology is one of the essential strategic change drivers which lead to increased performance of private universities in Nairobi County.

12. Conclusion

The study revealed that changes in leadership styles have a significant effect on the performance. The study concluded that most leaders adopt transformational leadership with very few adopting passive-avoidants. This study confirmed that technology is essential in driving strategic change and have a positive effect on the performance of private universities in Nairobi County. On the other hand, human resources and organizational culture are less significant in effecting strategic change towards the performance improvement. Therefore, it can be concluded that strong leadership can be applied to promote an organizational culture that supports increased performance by adjusting people's traits, behaviour and change tolerance. Similarly, people require continuous training, increased skills and knowledge in order to handle new and emerging technologies. A further study can be carried out to determine the extent in which these strategic drivers affect the performance of the private universities in Nairobi County.

13. Recommendations

This study recommends that private universities should mainly focus on leadership styles as a dynamic capability. Leaders should identify those leadership styles that promote better performance. Secondly, leaders should adopt more of the transformational leadership qualities which seek to build trust, promote a shared vision, motivate and encourage development. Technology should be continuously improved to promote just-in-time production and efficiency and enhance innovation. Firms should ensure that there are adequate machines and equipment and continuously analyze the environment so as to respond rapidly to the changes. Lastly, even though human resources and organizational culture have been proven to have an indirect effect on the performance, they cannot be totally ignored. Organizations should hire people with the right skills, knowledge and capabilities. The personnel should be motivated and be given incentives to encourage them to work harder. Proper reward and remuneration systems are required as well as performance appraisals. Continuous training is required in order to improve the levels of their expertise. Organizational culture is also vital in driving strategic change as it defines the customs, beliefs and norms in an organization. It simply defines how things are done in an organization.

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