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Moderating Influence of Manager Discretion on the Relationship between Manager Characteristics and Strategy Implementation by Private Universities in Kenya

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Abstract:

A manager's discretion informs whether managers have influence on their firms' outcome or whether there are other factors restraining their actions and efforts toward successfully implementing organizational strategies. The purpose of this paper is to investigate the moderating influence of manager discretion on the relationship between manager characteristics and strategy implementation by private universities in Kenya. Data was collected from 360 managers in the 23 private universities accredited by the Commission for University Education (CUE) in Kenya. The population was drawn from top level managers, middle level managers and lecturers. Hypothesis were tested using structural equation modelling (SEM) to construct the linkage the moderating influence of manager discretion on the relationship between manager characteristics and strategy implementation. The study used the Analysis of Moment Structures (AMOS) version 23 to construct a conceptual model linking the variables under study. The study concluded that manager discretion has a positive and significant moderating influence on the relationship between manager characteristics and strategy implementation by private universities in Kenya.

Keywords: *Manager Discretion, tolerance for ambiguity, cognitive complexity, locus of control, strategy implementation*

1. Introduction

Manager discretion, the "latitude of manager actions" or the leeway that managers have in implementing strategic initiatives (Youssef, Christodoulou, & Dassler, 2015) is a major theme bridging population ecology and strategic choice. It suggests that high discretion contexts allow managers greater opportunity to exercise their judgements. Recent theoretical development suggests that the relationship between manager discretion, actions and organizational outcome may be context-related. Top management teams exercise a substantial amount of discretion when determining the firm's strategy (Pegels, Song, & Yang, 2000). However, the extent of manager discretion may vary from one industry environment to another. Managers in high-discretion contexts are able to choose from a wide range of strategic options and thus to have their skills and experiences reflected in the strategies that they implement (Shen & Cho, 2005). In low discretion contexts, managers have more constraints, which limit the number of options available to them. Further, the choices they make have a limited impact on the organization's outcome. When manager discretion is high, manager characteristics are better predictors of an organization's outcome than when it is low (Hambrick, 2007).

The latitude of action available to managers was examined by Wangrow, Schepker, and Barker (2014). Results indicated that while a significant number of studies had examined discretion, few had attempted to confirm recommendations of managerial discretion construct. Studies on manager discretion have mainly focused on industry task environment as a measure of discretion, with less attention focused on the characteristics of the managers and the internal organizations as advocated by Hambrick (2007). This study will therefore establish the moderating influence of manager discretion on the relationship between manager characteristics and strategy implementation by private universities in Kenya.

2. Conceptual Framework

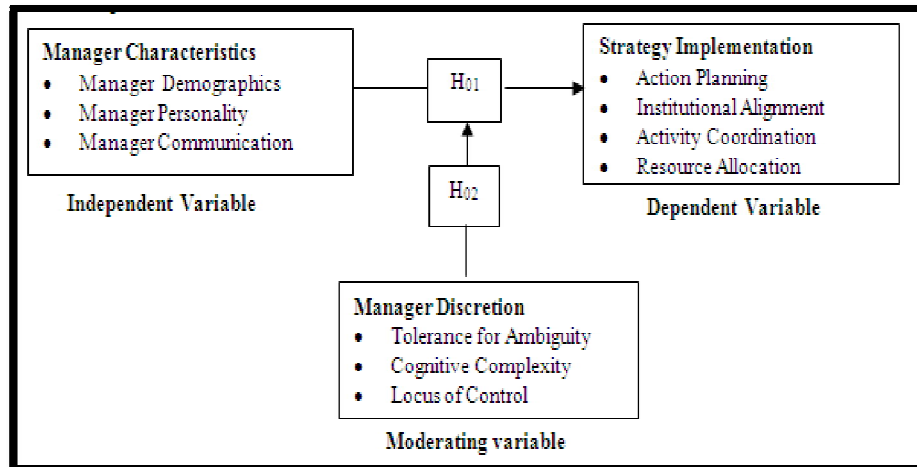


Figure 1: Conceptual Framework

Since the seminal article by Hambrick and Mason (1984), researchers have devoted great attention to exploring how the human side of managers, such as their demographics and psychological characteristics, influence the decisions they make (Nielsen, 2010). Their stand attracted the attention of Qi (2005), who posited that although Hambrick and Mason (1984) developed their ideas of manager characteristics around top managers, their ideas also applied to middle and low-level managers as it was unlikely that managers started to be influenced by their characteristics when they reached the upper echelon positions.

The upper echelons theory was first introduced by Hambrick and Mason (1984), then further developed by Hambrick (2007), Hiebl (2014) and Rau and Bromiley (2015). The theory provides a sound theoretical framework to analyze characteristics of managers. In as much as the upper echelons theory plays a significant role in informing the characteristics to look out for among managers, Fabian and Steffen (2015) are concerned that the theory has not been used to analyze the impact of characteristics of managers in universities. A notable refinement done on the theory was the inclusion of manager discretion as a characteristic that moderates the relationship between the managers' characteristics and their influence on the organization's outcome. This study therefore sets out to investigate the moderating influence of manager discretion on the relationship between manager characteristics and strategy implementation by private universities in Kenya.

3. Literature Review

Manager characteristics play a critical role in determining the outcome of decisions made and the level of success in implementing strategies (Jespersen & Bysted, 2016). Successful managers spend valuable time in ensuring that strategies are implemented flawlessly given that an organization's output suffers when insufficient time and effort are expended on strategy execution or inappropriate execution actions thereof (Jiang & Carpenter, 2013). In addition, only about half of the ideas described in strategic plans ended up being implemented Burlton (2015).

Manager demographic characteristics including age, years of experience, level of education and gender impact on organizational strategies (Analoui & Samour, 2012). However, Milana and Maldoan (2015) reveal that tenure and functional track also determine the outcome of decisions made by managers. Manager personality, measured in terms of the big five factors including openness, conscientiousness, extraversion, agreeableness and neuroticism, influence the performance of employees and by extension determine the organization's performance (Alkahtani *et al.*, 2011). Therefore, both manager demographics and personality are expected to influence personal values and attitudes and hence the organization's outcomes (Hiebl, Gartner & Duller, 2016).

Failure to communicate the organization's position and future strategy to employees, building consensus and using appropriate communication channels and styles on the other hand creates perception gaps leading to ineffective implementation, (Cocks, 2010). Persons responsible for strategy therefore help to ensure coordination, facilitation, and commitment to strategies (Thompson, Strickland III, & Gamble, 2011). Manager characteristics therefore play a key role in influencing an organization's outcome (Georgakakis, 2014) which leads to the study's first hypothesis:-

- H1: Manager Characteristics have a positive and significant influence on strategy implementation by private universities in Kenya.

Extant empirical research provides considerable support for the notion that managers make a difference in high discretion contexts (Shen & Cho, 2005). Crossland and Hambrick (2011) operationalized and developed the construct of manager discretion at the national level. Certain formal national institutions that exhibit individualism, tolerance of uncertainty, cultural looseness, dispersed firm ownership, a common legal origin and employer flexibility were associated

with the degree of manager discretion available to CEOs. The determinants of manager discretion include the task environment, organizational factors, and characteristics of managers (Goll, Johnson, & Rasheed, 2008).

Specifically, Hambrick (2007) included tolerance for ambiguity and locus of control as factors determining the manager's latitude of action. Research conducted by Hambrick (2007) pointed out two major factors that moderate the relationship between manager characteristics and organizational outcomes, namely managerial discretion and executive job demands to complement the traditional upper echelons model as proposed by Hambrick and Mason (1984). Manager discretion can be interpreted as the latitude of action top managers enjoy in making strategic choices (Carpenter, Geletkanycz, & Sanders, 2004 ; Crossland & Hambrick, 2011). Hambrick (2007) therefore proposed that if a manager's discretion was high, the manager's characteristics would be better predictors of organizational outcomes than if the manager's discretion was low which leads to the second hypothesis:-

H2: Manager discretion has a positive and significant moderating influence between manager Characteristics and strategy implementation by private universities in Kenya.

4. Methodology

A mix of a survey cross sectional and explanatory design was used in this research. Survey research was found useful in studying the relative incidence, distribution and interrelations of variables while explanatory (Causal) research was conducted in order to identify the extent and nature of cause-and-effect relationships. The target population consisted of 3,594 top level managers, middle level managers and lecturers in the 23 private chartered universities and university colleges in Kenya. These are the categories that are responsible for implementing strategies in their institutions in line with previous research done by Omboi and Mucai (2015). Proportionate stratified random sampling was used to select representative sample of each category of university staff in order to account for the attributes of the various levels. Thereafter, simple random sampling was used to select the number of managers from whom data was collected as asserted by Uprichard (2013). Purposive sampling was used to collect data from top level managers. Table 1 shows sample size distribution across the population categories:-

Population Category	Population Size	Sample Size
Top Level Managers	112	11
Middle Level Managers	297	30
Lecturers	3,185	319
Total	3,594	360

Table 1: Sample Size Distribution

Questionnaires were used to collect primary data from a sample size of 360 top level managers, middle level managers and lecturers in the 23 private universities in Kenya. Questionnaires were checked for accuracy of data entry and for missing values. A sub- group mean value replacement function was used to replace those missing values as advocated for by Sekaran and Bougie (2013).

This study uses structural equation modeling to investigate the moderating influence of manager discretion on the relationship between manager characteristics and strategy implementation. SEM can be viewed as a combination of factor analysis and regression or path analysis with the latter providing the researcher with a multivariate method to estimate structurally interpretable terms including the direct, indirect, and total effects among a set of variables, thereby providing an a priori path model. In SEM, the relationship among the theoretical constructs is represented by regression or path coefficients between factors. Prior to undertaking structural equation modelling, Exploratory Factor Analyses (EFA) was conducted using AMOS 23 to test underlying patterns of the measurement scales. To assess factorability of items, two indicators were examined which were the Kaiser Meyer-Olin (KMO) measure of sampling adequacy and Bartlett's Test of Specificity. Additionally, Community measure the variability of each observed variable was used in an attempt to explain by the extracted factors variability. This study employed variance percentage, Kaiser's criterion in order to determine the number of factors that can be best used to represent the interrelations among the set of variables (Hair et al., 2010). Additionally, principal component analysis extracted factors, and factor loadings greater than 0.5 were retained. The reliability and internal consistency of the items constituting each construct was estimated. Confirmatory factor analysis (CFA) was conducted in order to assess the extent to which the observed data fits the pre-specified theoretically driven model. Absolute and incremental fit indices were used to establish whether, overall, the model is acceptable, and if acceptable, then establish whether specific paths are significant. After the measurement model was validated, the next step was to test the validity of the structural model and its corresponding hypothesized relationships.

5. Discussion of Results

This section presents summary statistics for the moderating influence of manager discretion on the relationship between manager characteristics and strategy implementation by private universities in Kenya.

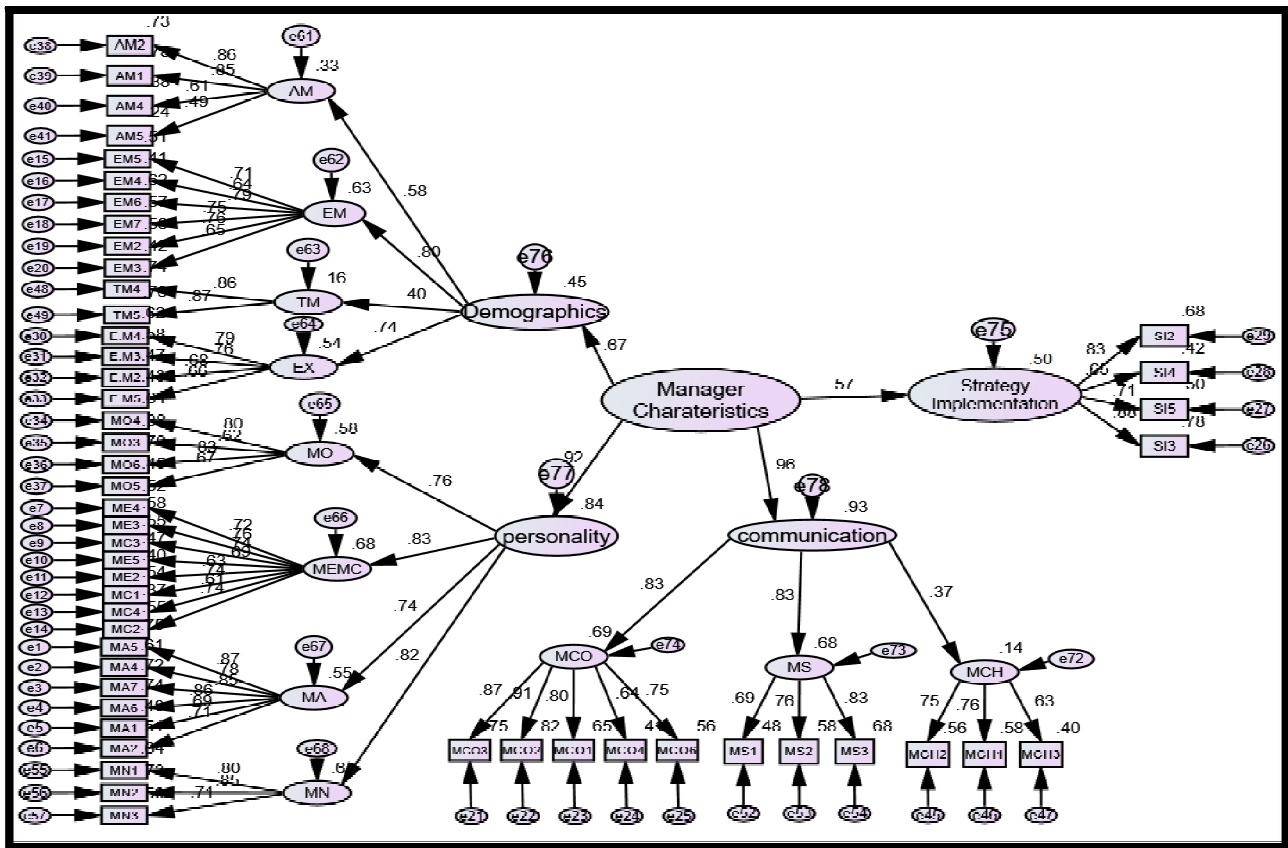


Figure 2: Structural Equation Model for the Moderating Effect of Manager Discretion on the Relationship between Manager Characteristics and Strategy Implementation

Figure 2 shows that based on the estimated structural equation model, for every magnitude change in manager characteristics, manager demographics increases by 0.67 units. For every magnitude change in manager characteristics, manager personality increases by 0.92. For every magnitude change in manager characteristics, manager communication increases by 0.96. Overall, for every magnitude change in manager characteristics, strategy implementation increases by 0.57. The individual construct impact on the dependent variable is therefore high. Additionally, the R² for manager demographics was 0.45, the R-squared for manager personality was 0.84 and the R² for manager communication was 0.93. The R² for the manager characteristics was 0.50, which is above the required threshold of 10 percent (Falk & Miller, 1992), hence manager characteristics were found to have a positive and significant influence on strategy implementation with an R² of 50 percent.

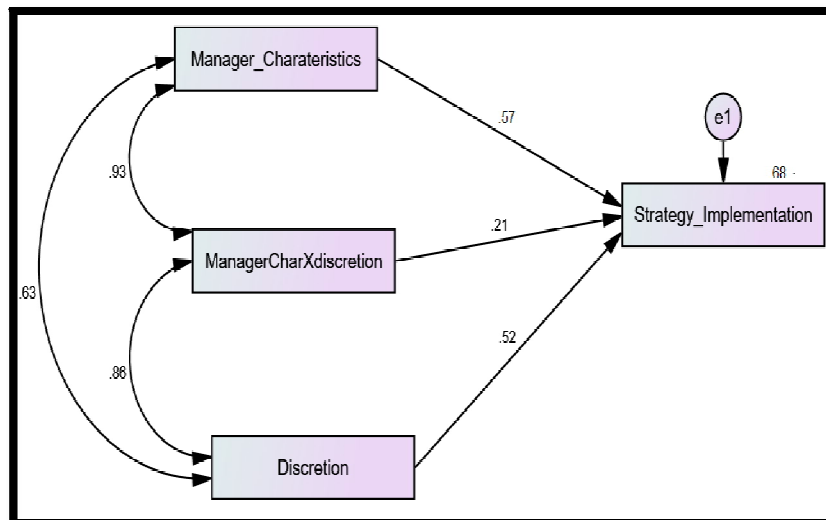


Figure 3: Moderated Model for the Relationship

Figure 3 indicates that based on the estimated structural equation model, the R^2 value was 68 percent, implying that manager discretion has a moderating effect on strategy implementation and explained 68 percent ($R^2 = 0.68$) of the moderating effect of manager discretion on the relationship between manager characteristics and strategy implementation by private universities in Kenya. This R^2 value exceeds Falk and Miller's (1992) recommendation that R^2 should be greater than or equal to 10 percent as an indication of substantive explanatory power. The increase in R^2 from 50 percent to 68 percent shows that there is a moderating effect of manager discretion on the relationship between manager characteristics and strategy implementation.

	Path		Estimate	Beta	S.E.	C.R.	P
Strategy Implementation	<-	Manager Characteristics	1.574	0.571	0.675	2.332	0.020
Strategy Implementation	<-	Manager Characteristics X Manager discretion	0.548	0.211	0.254	2.157	0.032
Strategy Implementation	<-	Manager Discretion	1.827	0.518	0.708	2.581	0.01

Table 2: Path Coefficients for the Moderating Influence of Manager Discretion on Manager Characteristics

Table 2 shows that in the overall moderated model, the interaction term for Manager Characteristics*Manager Discretion was found to be significant (Beta=0.211, $p < 0.05$). The interaction term for Manager Characteristics*Manager Discretion shows that there was a 21 percent moderating effect of manager discretion on the relationship between manager characteristics and strategy implementation. Manager discretion therefore significantly moderated the relationship between manager characteristics and strategy implementation. Therefore, the study rejects the null hypothesis and accepts the alternative hypothesis and concludes that manager discretion has a moderating effect on the relationship between manager characteristics and strategy in private universities in Kenya.

This study assessed the moderating effect of manager discretion on the relationship between manager characteristics and strategy implementation by private universities in Kenya. For every magnitude change in manager characteristics, strategy implementation increased by 0.57. The R^2 for the overall model before moderation was 0.50, hence manager characteristics were found to have a positive and significant influence on strategy implementation with an R^2 of 50 percent. When the moderation term was introduced, the R-squared value was 68 percent, implying that manager discretion has a positive moderating effect on strategy implementation and explained 68 percent ($R^2 = 0.68$) of the moderating effect of manager discretion on the relationship between manager characteristics and strategy implementation by private universities in Kenya.

The increase in R^2 from 50 percent to 68 percent shows the moderating effect of manager discretion on the relationship between manager characteristics and strategy implementation. The interaction term for Manager Characteristics*Manager Discretion was found to be significant (Beta=0.211, $p < 0.05$). The interaction term for Manager Characteristics*Manager Discretion shows that there was a 21 percent moderating effect of manager discretion on the relationship between manager characteristics and strategy implementation. Manager discretion therefore positively and significantly moderated the relationship between manager characteristics and strategy implementation. Therefore, the study rejected the null hypothesis and accepted the alternative hypothesis and concluded that manager discretion has a moderating effect on the relationship between manager characteristics and strategy among private universities in Kenya.

6. Conclusion

This study concludes that managers' discretion positively and significantly moderates the relationship between manager characteristics and strategy implementation. Particularly, the level to which managers feel comfortable with dealing with uncertainty, conflicts, unpredictability and numerous demands, the degree to which the managers believe that they have control over the activities required to successfully implement strategies, and how simple or complex they perceive situations to be, will all regulate the relationship between the characteristics of managers and successful strategy implementation.

7. Recommendation

Given that manager discretion moderates the relationship between the characteristics of a manager and how well they implement strategies, it would be important for organizations to consider allowing managers in charge of implementing strategies more flexibility and freedom in making decisions. It is also important for human resources managers to understand that managers can have a determining influence on the outcomes of the implementation process.

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