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## Effect of Financial Controls on Organizational Performance of Selected County Governments in Western Kenya

**Esther Cherop Naibei**

Master's Student, Department of Business and Economics,  
School of Business and Economics, Kisii University, Kenya

**Dr. Caleb Akuku**

Senior Lecturer, Department of Business and Economics,  
School of Business and Economics, Kisii University, Kenya

**Dr. Geoffrey Kimutai**

Senior Lecturer, Department of Business and Economics,  
School of Business and Economics, Kisii University, Kenya

### **Abstract:**

*As a result of partial definition of strategies and operating plan, many organizations do not manage their strategies. This is due to the lack of a strong framework to coordinate employees, the operational process and the organizational objectives. The purpose of the study was to determine the effect of financial controls on organizational performance in selected county governments in Western Kenya. The study was anchored on the following three theories: Control Theory, Resource Based Theory and Levers of Control Theory. Across-sectional survey design was used. Stratified sampling was applied to segment the population into various strata of workers, and thereafter, a simple random sampling method was used to pick a sample size of 390 employees from the target population of 6049, 6549 and 3611 employees in Bungoma County, Kakamega County and Busia County respectively. Data was collected using structured questionnaires that was thereafter analysed with an aid of Statistical Package for Social Science (SPSS) software. Based on the analysis, the findings were: there was positive, strong and significant associations between financial controls, on the organizational performance of selected County Governments ( $R=0.890$ ,  $p\leq 0.05$ ). It was concluded that R-square value of 0.792 implied that 79.2% of the corresponding change in the dependent variable (performance) could be predicted by financial controls, the recommendations of the study were: the government organizations should adopt financial evaluation strategies that could help cut down on the unnecessary wastage of funds. The findings of this study would be of significance to the organizational management, as these could help them in making informed decisions for the management and thereby improving the overall performance of the county government that ensure sustainability in the face of global competition.*

**Keywords:** Financial controls, organizational performance, selected county governments and western Kenya

### **1. Introduction**

Strategies and control practices are most important elements to the success of any organization, project or business, and help to establish a basis that is essential to the development and measurement of performance. Strategic management is an integrated process system linked with strategic analysis and derived from the vision of the company (Al-haj Mohammad, 2011). Ansoff and McDonnell (2010) also affirm that control strategy is a potentially very powerful tool for coping with the dynamics of change, which surround the firm today. This involves continuous review of market conditions, customer needs, competitive strengths and weaknesses, socio-political, legal and economic conditions, technological developments and the availability of resources that lead to the specific opportunities or threats facing the organization (Donnelly, 2012). It plays a key role in achieving balance between the short term and the long-term plans of the organization. This is further reinforced by Nooraie (2012) who states that the strategic control process involves decision-making about long-term strategies and goals and thus has a strong external orientation. Strategic control practice involves processes that enhance informed decision making for the continued survival and relevant contribution at national level for any industry or organization.

The rapidly changing nature of today's external environment continuously creates a need for business strategy, process improvements and organizational transformation to ensure survival in today's highly competitive market (Shah, 2016). Ahmed, Babar and Kashif (2010) added that businesses and general organizational operations are under constant pressure to develop, implement and increasingly revise their management control strategies. To do this, they argued that businesses need to develop and implement various control strategies to manage risk as well as improve their overall performance and capabilities.

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Gloy and LaDue (2011) emphasize that maintenance of sound internal control practices for an organization is a fundamental aspect towards realization of organizational performance sustainability of the available resources. They also claimed that that failure to follow internal control procedures can have negative impact on any organization's strategic financial management. According to Osman (2013), financial management is one of the most important practices that an organization can be skilled in. With the challenges of financial sustainability facing today's public organizations, an understanding of the best strategic and management control practices can help to ensure that these organizations are financially stable as well as the general performance (Dorothy, 2016).

Brock (2014) notes that control practices such as financial management practices are among the key control practice in all organizations. It is the way forward and represents the future for best practice organizations. Through this function, bases are determined for authority levels of financial control, budgeting and processing financial resulting information. The corporate sector plays a vital role in the economic outlook of any country. Financial literature suggests that capital structure has a greater impact on the economic system and managers should identify the ideal corporate structure for the company (Myers & Majluf, 2011).

Financial control practices entail development of a discipline that concerned with how the organizations make their decisions that relate to various aspects of finances as well as the control measures used (Lasher, 2010). Similarly, Management Study Guide (2012) and Brinckmann et al. (2011), financial management control practices involve process of acquiring the financial resources and the necessary measures to enhance the overall performance of an organization. On the other hand, Byoun (2010) defined financial management practices as referring to all aspects dealing with circulations of money as well as money control in all the organization's transactions. It also relates to all the arrangements and the optimal use of the financial resources for the current and the future opportunities so as to improve the financial operations.

Organizational performance entails a set of objective indicators (mission statement, a strategic plan, the human resource system, an independent financial audit and an information technology system) that help measure this performance (Herman, 2017). Nolan (2011) indicated that an organizational assessment should be done to obtain valid information about the performance of an organization and the factors that affect performance. Nolan (2011) further states that performance measurement is very essential for the valuable management of an organization.

Organizational performance is one of the most important variables in the management research and arguably the most important indicator of the organizational performance. Monique (2012) defined corporate performance as an organization's ability to exploit its environment for accessing and using the limited resources. An organization is successful if it accomplishes its goals using a minimum of resources hence an organization that achieves its performance objectives based on the constraints imposed by the limited resources (Lusthaus & Adrien, 2011). When seeking to improve the performance of an organization, it is very helpful to conduct regular assessments of the current performance of the organization. Well-done assessments typically use tools, such as comprehensive questionnaires, SWOT analyze and diagnostic models along with a comparison of results to various best practices (Aguinis, 2010).

### *1.1. Statement of the Problem*

Corporate control strategy is concerned with an organization's basic direction for the future; its purpose, ambitions, resources and how it uses them to interact with the world in which it operates. A well formulated and implemented control strategy offers many benefits to an organization by providing long-term direction for the firm, and helps companies cope with change and enables organizations to focus their resources. Strategy also helps in achieving effectiveness and efficiency in an organization. This is applicable to both public and private organizations.

For instance, in county governments of Bungoma, Kakamega and Busia though the strategic control practices are well structured with the guidance of the county government acts. This is to ensure that services provided at the county are in line with the set long term plans. Despite various control strategies being given keen attention, little has been done on implementing them as outlined in the policy documents. This is attributed partly to untimely disbursement of financial resources from the national government which hampers on the implementation of all other control practices such as marketing, information and communication and human resource controls which require enough financing. Also, the discrepancies are attributed to court processes that may deter smooth implementation of development policies as per the laid down strategies. These challenges curtail the general performance of counties including Bungoma County, Kakamega County and Busia County. This is witnessed in delayed payment of staff salaries and delayed development projects such as roads and bridges across the counties which in turn lead to increased employee strikes and trade union actions.

Moreover, poor control practices result into poor coordination of county functions for long period, thereby leading to underperformance and stagnated economic development. Though the significance of control practices has been recognized in many countries both developed and developing, little research has focused on the joint effect of strategic control practices on organizational performance. Many studies have majorly focused on individual control practices and not the joint effect or influence of strategic control practices thus leaving behind a gap to be filled. Thus, the proposed study aims at determining the effect of strategic control practices on employee performance in County Governments of Bungoma, Kakamega, and Busia County.

## 2. Theoretical Framework

### 2.1. Control Theory

This is the main theory that the study was anchored on. The control theory was postulated by Wiener's (1948), but had been around dating back to Plato. Initially this theory was applied to physical systems; however, it can also be applied to human behavior. The theory assumes that there are direct similarities between both the concepts associated with machines and the concepts which we can associate with humans (PSUWC, 2016). One of the major criticisms of the theory is that it appears simplistic but its application is actually quite complex. In the late 1950's and early 1960's problems were emerging in the field of engineering and economics that were not covered in any existing theories (Kalman, 2016). Control theory relates to business in streamlining or optimizing processes. Control Theory is based in mathematics; it can be applied to organizations by using surveys or determining when performance-relevant information registers the sensor determining the control (Sanderlands, Glynn & Larson, 1991). The basic idea is that people seek feedback and then set goals based on that feedback. Control theory anchors propositions on this study as it explains that processes and outcomes should confirm intentions. In strategic control, strategy implementation is evaluated against plans and outcomes.

### 2.2. Resource Based Theory

The Resource based theory was postulated by (Barney, 1991). The theory combines concepts from organizational economics and strategic management (Barney, 1991). In this theory, the competitive advantage and superior performance of an organization is explained by the distinctiveness of its capabilities (Scholes & Whittington, 2008). Traditional sources of competitive advantage such as financial and natural resources, technology and economies of scale can be used to create value. However, the resource-based argument is that these sources are increasingly accessible and easy to imitate (Jackson & Schuler, 1995). Being positioned against this view, the RBV explicitly looks for the internal sources of sustained competitive advantage and aims to explain why firms in the same industry might differ in performance (Peteraf & Barney, 2003).

RBV proponents argue that simultaneously valuable and non-substitutable resources can be a source of superior performance and may enable the firm to achieve sustained competitive advantage. The RBV of the firm is therefore a suitable approach to understanding the competitive dynamics whereby resources are intangible and tangible assets linked to the firm in a semi-permanent way, including: technological, human and physical assets. However, the critics of the theory point out that, having resources alone is not sufficient; therefore, RBV theory adds a category of capabilities which result from complex patterns of interactions and coordination between resources (Wong & Karia, 2010). RBV maintains that resources and capabilities are often synergistic in nature and can be more valuable when combined.

RBV proposes that firms have different resource endowments and that the manner in which they require, develop, maintain, bundle and apply them lead to the development of competitive advantage and superior performance over time. RBV tenets prescribe that resources and capabilities, for instance bundle of resources need to be valuable, rare, inimitable and organizationally utilizable, for example a firm has complementary resources to leverage and maximize capabilities to drive sustainable competitive advantage (Paulraj, 2011). The study will adopt this theory since it indicates and explains how that firm's non-imitable resources are exploited which enables a firm to create long-lasting competitive capabilities through strategic management control practices which results to improved organizational performance in an organization.

### 2.3. Levers of Control Theory

The Levers of control theory was put forth by Simons (1995). The theory suggests that any change in organizations will require adjustment of strategy or new strategies whether the change is transformational or incremental in nature. Ojera (2011) posits that strategic control is still at its embryonic stage and that organizations that are beset by environmental turbulence can indeed benefit from strategic control practices. Levers of control theory include systems that control human behavior within an organization. The theory anchors its argument on the four levers that work simultaneously, each for a different purpose. The four levers are important and need to be monitored. The levers work independently but create harmony for business conduct. The greatest assumption of this theory is that lever is used to enhance an organization's core values and encourage search of further opportunities in accordance with these values (Kuye, 2013). It articulates the mission, purpose and core values of the organization. The boundary ever describes the standard of behavior and codes of conduct expected from all employees. It strategically reduces business risk by setting limits to behaviors in the organization that are undesirable (Chau & Witcher, 2015).

The diagnostic lever assesses the organizational performance indicators if the organization is performing to the expected standards. These include the communication of critical success factors and helps managers correct any deviations from the standards. Interactive levers track strategic uncertainties that businesses face and are indeed formal informational systems that managers use to involve themselves with the organization's decision making. Simons (1995) argues that the use of levers of control improves the effectiveness and efficiency of organizational performance. However, one of the criticisms of this theory is that, the managers however must understand their strategy well and stick to it for the model to be effective. This theory informs this study as it elaborates on the effectiveness and efficiency that can be realized following the strategy adjustments by the top management thus affecting on the general performance of an organization.

## 3. Empirical Literature

Strategic management is an important aspect of management that elicits research interest among scholars and practitioners. This can be attributed to the universal application of this aspect of management discipline. Among the

earlier empirical findings presented in the literature, this section further presents studies relative to organizational strategy and performance effects. One of the recent conceptual studies in Nigeria by Ujunwa and Modebe (2011) advocated for the adoption of strategic management approach in ensuring capital market efficiency following the perceived pivotal role the capital market in economic development. The strategic measure they reviewed ranged from effective regulation to achieving favorable macroeconomic environment. They posited that these strategies will not only promote the efficiency of the capital market, but will leverage the role of the capital market in promoting economic growth.

For instance, the studies of Peel and Bridge (2010) in a study noted that capital budgeting and planning positively impact on the performance of small businesses. Small and Medium Enterprises (SME) engaged in detailed strategic planning are more likely to use formal capital budgeting techniques, including the net present value method, which is consistent with maximization of firm value. In the same vein, Lewis (2015) established that perceived profitability and success in achieving organizational objectives are positively associated with planning detail, suggesting that strategic planning is a key component in improving performance. Planning is very important because of the constantly changing and volatile business environment. However, the studies did not mention the designs used in their estimations, thus the study sought to fill this gap.

According to a study by Cowton and Pilz (2010) an effective internal audit activity is a valuable resource for management and the board or its equivalent, and the audit committee due to its understanding of the organization and its culture, operations and risk profile. The objectivity, skills, and knowledge of competent internal auditors can significantly add value to an organization's internal control, risk management, and governance processes. The study further revealed that an effective internal audit activity can provide assurance to other stakeholders such as regulators, employees, providers of finance, and shareholders. However, the study did not capture the sample size used in the estimation thus the study sought to fill this gap by using a sample size of 390 respondents.

Gul (2013) investigated the influence of working capital management (WCM) control practices on performance of small medium enterprises (SMEs) in Pakistan. The duration of the study was seven years from 2006 to 2012. The data used in this study was taken from SMEDA, Karachi Stock Exchange, tax offices, company itself and Bloom burgee business week. The dependent variable of the study was Return on Assets (ROA) which was used as a proxy for profitability. Independent variables were number of days' account receivable, number of day's inventory, cash conversion cycle and number of days' account payable. Regression analysis was used to determine the relationship between WCM control practices and performance of SMEs in Pakistan. Results suggested that accounts payable, growth and size, have positive association with Profitability whereas accounts receivable, day's inventory, cash conversion cycle and debt ratio have inverse relation with profitability. However, the study relied on secondary data which is prone to statistical spuriousness. The current study sought to fill the gap by utilizing a primary collected data using questionnaires.

The study done by Srinivasan (2011) found a significant positive relationship between keeping books and records, but only when success is measured in terms of operator's labor and management income. According to the study by Maseko and Manyani (2011), accounting systems provide a source of information to owners and managers of small businesses operating in any industry for use in the measurement of financial performance. The study further revealed that it is crucial therefore that the accounting practices of small businesses supply complete and relevant financial information needed to improve economic decisions made by entrepreneurs. However, the studies did not capture the sample size used and thus the study sought to fill this identified gap.

Vohra and Dhillon (2014) investigated the financial management practices on small firms in India. A questionnaire-based field survey was conducted to collect data from 103 owners from a random sample of SMEs located in the 14 cities of Punjab state of India. The study found out positive consequences of financial management control practices on firms' performance which mediate via financial planning capabilities. These include, financial forecasting and budgetary planning capabilities, working capital planning capabilities, inventory management capability and financial reporting capabilities. Despite the positive impact, the study was not able to determine the relationship that exists between the study variables. However, the study did not capture the sample size used and thus the study sought to fill out this existing gap.

Oladipupo and Okafor (2013) examined the implications of a firm's working capital management practice on its profitability and dividend payout ratio. The study focused on the extent of the effects of working capital management on the profitability and dividend payout ratio. Financial data were obtained from 12 manufacturing companies quoted on the Nigeria Stock Exchange over 5 years' period (2002 to 2006). Using both the Pearson product moment correlation technique and ordinary least square (OLS) regression technique, they observed that shorter net trade cycle and debt ratio promote high corporate profitability. While the level of leverage had negative significant impact on corporate profitability, the impacts of working capital management on corporate profitability appeared to be statistically insignificant at 5% confidence level. However, the study used profitability only as a measure of organizational performance hence leaving a gap to be filled by the current study which sought to utilize several domain variables of organizational performance other than profitability.

Mbwaya (2012) investigated the strategic financial management practices at Barclays Bank of Kenya. The study revealed that a continuous scanning of the financial environment will not only assist the organization understand the changes in financial and business needs but also which strategies to employ. To successfully implement strategies both short- and long-term strategic plans need to be in place. Adequate and early planning and an all-inclusive process will prevent resistance by employees in the organization. However, the studies also mentioned the location of the study without exactly pointing out the magnitude to which financial control practices affect organizational performance.

Nyongesa (2011) looked at the relationship between financial performance and financial management control practices of insurance companies in Kenya. The study revealed that there was a consistent, significant positive association between financial management practices and financial performance. However, the study did not establish reasons for this correlation. Mundu (2007) sought to review selected financial management control practices adopted by small enterprises in Kenya. The study found out that 66% of the respondents did not undertake cash budgeting, 70% of the business owners kept surplus cash with themselves and over 56% of the business owners were handling cash personally as the security to their money. However, the studies did not mention the research design adopted in analysing the relationship between financial management control practices and organizational performance. Further, the study focused on organizational performance in terms of financial performance leaving behind other domain variables of organizational performance such as staff retention and employee motivation. The current study looks to filling this gap by factoring all other domain variables of organizational performance.

Wanyugu (2001) did a research on financial management practices of micro and small enterprises in Kenya a case of Kibera and found out that the management of the financial practices is an important factor in the performance of SMEs. Siba (2012) did a study on the relationship between financial risk management practices and financial performance of commercial banks in Kenya. She found that bank managers are financial risk averse and avoid uncertain business ventures. Thus, their performance relies on practices that they deem not risky. The current study seeks to understand the relationship or cause effect relationship between financial control practices and organizational practices taking into effect all domain variables of organizational performance at public county government as a public organization.

#### 4. Methods

A cross-sectional research design was used in this research study. Cross sectional study architecture was chosen because it helped the researcher to generalize the findings to a wider population. Surveys allow highly cost-effective data collection from a large population. It enables quantitative data to be collected that can be quantitatively analysed through descriptive and inferential statistics. The cross-sectional research design was therefore considered the best strategy to achieve the goals of this study. The study was carried out in selected counties in Western Kenya. These included Bungoma County, Kakamega County and Busia County. The total population comprised of 6059, 3611 and 6549 employees of Bungoma, Busia and Kakamega Counties selected in Western Kenya respectively. This constituted to a total target population of 16, 209. The distribution of the target population of employees per department is illustrated in the Table 1.

Departments	Population per County		
	Bungoma	Busia	Kakamega
Selected Counties			
Office of the governor	29	26	45
Office of the deputy governor	38	31	47
Ministry of finance and economic planning	384	233	541
Public service, decentralized administration and disaster management	431	98	518
County public service board	45	31	61
Ministry of health and sanitation	1110	702	1331
Ministry of environment, energy and natural resources	533	367	623
Roads, infrastructure and public works	355	318	667
Ministry of lands, housing and physical planning	513	399	716
Ministry of trade, tourism and industrialization	522	112	547
Ministry of agriculture, water and irrigation	582	278	651
Ministry of pastoral economy and fisheries	612	339	802
Ministry of education, culture and social services	905	677	1445
Total	6049	3611	6549

Table 1: Target Population  
Human Resource Department, Busia County, 2020

The population was categorized using stratified sampling technique into three distinct strata. This was done to allow the researcher to draw knowledge about both subgroups. This approach also results in more accurate statistical estimates. Random selection was made by selecting employees from each department using a simple random process. The researcher will ensure that all the cadres of employees deployed by the county government through County Public Service Board are represented. However, the study did not consider support staff such as cleaners, and security personnel since they are procured through their companies' management. The sample of the study was determined using the modified formula by Yamene (1970):

$$n = \frac{N}{1+N*(e)^2}$$

where; n is the sample size

N is the population of the study.

e is the acceptance sampling error (0.05).

$$n = \frac{16,209}{1+16,209*(0.05)^2} = 390$$

Therefore, this study used a sample size of 390 employees drawn from the three counties. Data was obtained by use of structured questionnaires. The researcher also obtained a research permit from NACOSTI that allowed getting permission from the relevant authorities upon study. Data was analyzed using descriptive statistics which comprised of mean, minimum, maximum and standard deviations. Inferential statistics was computed with the aid of regression analysis and was used to determine the effect of financial controls on organizational performance.

## 5. Findings and Discussions

The objective of this study was to establish the influence of decentralization on service delivery in the County Government of Busia. The results are as summarized on Table 2.

Descriptive Statistics							
Questions	SA	A	U	D	SD	Mean	Std. Deviation (S.D)
Financial control practices are applicable in the County	56(17%)	189(57.3%)	45(13.6%)	25(7.6%)	15(4.5%)	3.75	0.978
Increased in financial management control practices enhance better performance of the county government	79(23.9%)	149(45.2%)	51(15.5%)	31(9.4%)	20(6.1%)	3.72	1.113
Financial control practices ensure optimal funding of all operations	66(20%)	174(52.7%)	34(10.3%)	26(7.9%)	30(9.1%)	3.67	1.153
Financial management control practices enable efficient operations	56(17%)	124(37.6%)	49(14.8%)	58(17.6%)	43(13%)	3.28	1.296
Financial control practices aid in reduction of delays of county projects	72(21.8%)	139(42.1%)	68(20.6%)	38(11.5%)	13(3.9%)	3.66	1.063
Effective financial control practices help in the payment of county employees	58(17.6%)	173(52.4%)	44(13.3%)	31(9.4%)	24(7.3%)	3.64	1.100
Effective financial control practices help in motivation of employees through financial rewards and fringe benefits	60(18.2%)	143(43.3%)	18(5.5%)	57(17.3%)	52(15.8%)	3.31	1.369

Table 2: Descriptive Statistics of Financial Controls and Performance

Findings from Table 2 illustrated that the extent to which financial control practices are applied at a mean response of 3.75 and S.D =0.978, with those agreeing being 189(57.3%), those strongly agreeing being 45(13.6%), those who were undecided being 25(7.6%) while those disagreeing being 40(12.1%). Outcomes indicated that increased in financial management control would enhance better performance of the county government at a mean response of 3.72, and S.D =1.113 {SA=79(23.9%), A =149(45.2%), U = 51(15.5%), D =31(9.4%) and SD =20(6.1%)}; the question on financial control practices ensures optimal funding of all operations had a mean response of 3.67 and S.D =1.153 { SA=66(20%), A =174(52.7%), U = 34(10.3%), D =26(7.9%) and SD =30(9.1%)}; financial management control practices enable efficient operations had a mean response of 3.28 with S.D =1.296 { SA= 56(17%), A =124(37.6%), U = 49(14.8%), D =58(17.6%) and SD =43(13%)}. The question on financial control practices aid in reduction of delays of county projects had a mean response of 3.66 and S.D =1.063 {SA= 72(21.8%), A =139(42.1%), U = 68(20.6%), D =38(11.5%) and SD =13(3.9%)}. Question on the effective financial control practices help in the payment of county employees had a mean response of 3.64 and S.D =1.100 {SA=58(17.6%), A =173(52.4%), U = 44(13.3%), D =31(9.4%) and SD =24(7.3%)}. Respondents indicated that effective financial control practices help in motivation of employees through financial rewards and fringe benefits had a mean response of 3.31 and S.D =1.369 {SA=60(18.2%), A =143(43.3%), U = 18(5.5%), D =57(17.3%) and SD =52(15.8%)}. These descriptive statistics outcomes on financial controls and performance of selected county governments illustrated that the respondents had varied views (views were not similar) on the subject matter. Respondents gave the following responses in relation to organizational performance. Results are presented in Table 3.

Descriptive Statistics							
Questions	SA	A	U	D	SD	Mean	Std. Deviation
The current level of the decision-making process in the company	36(10.9%)	24(7.3%)	77(23.3%)	155(47%)	38(11.5%)	2.59	1.130
The control practices have enabled increased employee productivity	32(9.7%)	35(10.6%)	58(17.6%)	129(39.1%)	76(23%)	2.45	1.227
The strategic control practices have led to increased efficiency	38(11.5%)	141(42.7%)	75(22.7%)	64(19.4%)	12(3.6%)	3.39	1.038
The quality of the products in the county is high	42(12.7%)	24(7.3%)	73(22.1%)	150(45.5%)	41(12.6%)	2.62	1.182
The quality of the services in the County is high	17(5.2%)	36(10.9%)	87(26.4%)	104(31.5%)	86(26.10%)	2.38	1.134

Table 3: Descriptive Statistics of Performance of Selected County Governments

Results of the five constructs of performance of selected county governments, the dependent variable were as shown in the Table 3. Findings illustrate that the strategic control practices have led to increased efficiency at a mean response of 3.39 and S.D =1.038 {SA= 38(11.5%), A =141(42.7%), U = 75(22.7%), D =64(19.4%) and SD =12(3.6%)}. Secondly, respondents were of the views that the control practices have enabled increased employee productivity at a mean response of 2.45 and S.D =1.227 {SA= 32(9.7%), A =35(10.6%), U = 58(17.6%), D =129(39.1%) and SD =76(23%)}. The question on the current level of the decision-making process in the company had a mean response of 2.59 and S.D =1.130 {SA= 36(10.9%), A =24(7.3%), U = 77(23.3%), D =155(47%) and SD =38(11.5%)}. Respondents also observed that the quality of the products in the county is high at a mean response of 2.62 and S.D =1.182 {SA= 42(12.7%), A =24(7.3%), U = 73(22.1%), D =150(45.5%) and SD =41(12.6%)}. and that the quality of the services in the County is high at a mean response of 2.38 and S.D =1.134 {SA= 17(5.2%), A =36(10.9%), U = 87(26.4%), D =104(31.5%) and SD =86(26.10%)}. Findings from the dependent variable illustrated that the views on the subject matter were varied as evidenced from the means, variance and the standard deviations.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	ANOVA				
					Sum of Squares	df	Mean Square	F	Sig.
1	0.890 <sup>a</sup>	0.792	0.792	0.50213	315.815	1	315.815	1252.563	0.000 <sup>b</sup>
					82.700	328	0.252		
					398.516	329			
a. Predictors: (Constant), OBJ1									

Table 4: Simple Regression Model Summary of Financial Controls on Organizational Performance

a. Dependent Variable: Performance

b. Predictors: (Constant); Financial Controls

Results in Table 4 show the amount of variation on performance as explained by financial controls, which was the predictor, variable. There was a positive and significant relationship between financial controls and performance of selected County Governments ( $R=0.890$ ,  $p \leq 0.05$ ). The R-square value of 0.792 ( $R^2 = 0.792$ ), implies that 79.2% of the corresponding change in the dependent variable (performance) could be predicted by financial controls. The rest could possibly be explained by other variables not in this model. Results gave the F test value of 1252.563,  $p \leq 0.000$ , which was large enough to support the goodness of fit of the model. Results do confirm the significant role played by the financial controls as a predictor variable on employees' job performance.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		$\beta$	Std. Error	Beta		
1	(Constant)	-0.441	0.093		-4.761	0.000
	OBJ1	0.875	0.025	0.890	35.392	0.000

a. Dependent Variable: PERFOR

Table 5: Simple Regression Coefficients of Financial Controls on Organizational Performance

a. Dependent Variable: Performance

b. Predictors: (Constant): Financial Controls

Table 5 gives a regression coefficient ( $\beta$ ) of 0.875, which implies that financial controls have a strong positive association to performance of selected County Governments. From the model, when one unit adjusts financial controls, there would be a corresponding change in performance of selected County Governments by 0.875 units. Considering Hypothesis One ( $H_{01}$ ) that, financial controls have no statistically significant effect on performance of selected county governments in Western Kenya, the results indicate that, there was a statistically positive and significant effect of financial controls on performance of selected county governments in Western Kenya  $\{\beta = 0.875; R = 0.890, \text{beta} = 0.890, F(1,328) = 1252.563, t = 35.392, p = 0.000\}$ . The null hypothesis that financial controls have no statistically significant effect on performance of selected county governments in Western Kenya was rejected and the alternate failed to be rejected. The model relationship is:

$$Y = -0.441 + 0.875FC$$

These findings are comparable to study by Peel and Ibride (2010) who noted that capital budgeting and planning positively impact on the performance of small businesses. Small and Medium Enterprises (SME) engaged in detailed strategic planning are more likely to use formal capital budgeting techniques, including the net present value method, which is consistent with maximization of firm value. In the same vein, Lewis (2015) established that perceived profitability and success in achieving organizational objectives are positively associated with planning detail, suggesting that strategic planning is a key component in improving performance. Planning is very important because of the constantly changing and volatile business environment. However, the studies did not mention the designs used in their estimations, thus this study sought to fill this gap.

## 6. Conclusions and Recommendations

Financial controls were found to be key determinants of organizational performance in the selected county governments in Western Kenya. There was a statistically positive and significant effect of financial controls on performance of selected county governments in Western Kenya. Therefore, an increase in the financial controls by one unit leads to increase in the organizational performance by 0.875. The null hypothesis that financial controls have no statistically significant effect on performance of selected county governments in Western Kenya was rejected and the alternate failed to be rejected.

In line with the effect of financial controls and organizational performance, the study recommends that the government organizations should adopt financial evaluation strategies that could help cut down on the unnecessary wastage of funds.

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