EFFECTS OF STRATEGIC MANAGEMENT PRACTICES ON ORGANIZATIONAL PERFORMANCE OF CONSTRUCTION COMPANIES IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

The adoption of a clear strategic perspective in organizations is one of the factors that affect the performance of these organizations (Henry, 2004). The general objective of the study was to establish the effect of strategic management practices on organizational performance of construction companies in Nairobi City County, Kenya. The dependent variable was organizational performance and the independent variable was strategic customer relationship management (CRM), strategic technical skills, strategic planning and strategic financial management. Cross sectional research design was chosen because it can enable the researcher to generalise the findings to a larger population. Surveys allow the collection of large amount of data from a sizable population in a highly economical way. It allows one to collect quantitative data which can be analyzed quantitatively using descriptive and inferential statistics. Therefore, the cross sectional survey was deemed the best strategy to fulfill the objectives of this study (Creswell 2008). The study established that there are a total of 67 registered construction companies in Nairobi as indicated in the National Construction Authority (NCA, 2015). The researcher sampled 5 managers from each company who include the project manager, operations manager, customer relationship manager, finance officer and technical department manager. This means the total target population was 335 managers from the 67 companies. The study used questionnaires to collect data. The questionnaire had both open and close ended questions. The closed ended questions made use of a five point Likert scale where respondents were required to fill according to their level of agreement with the statements. The questionnaire was framed in accordance with the objectives of the study. Qualitative data was collected from open ended items while quantitative data was collected from closed ended items in the questionnaire. On strategic Customer Relationship Management, majority of the respondents agreed that high quality service helps generate good CRM. The study also found that majority of the respondents agreed that high quality service enables growth of market share. On quality service, majority of the respondents agreed that high quality service improves productivity. On Strategic technical skills, the study found that all the companies offered technical training programmes to their employees. The study concludes that high quality service is vital in order to offer strategic customer relationship in the construction companies. The study also concludes that high quality service enables growth of market share for the construction companies. The study recommends that the construction companies should focus more on customer services and offer high quality products. This should be made possible by investing resources on strategic customer relationship management.

Key Words: *strategic management practices, organizational performance, construction companies, Nairobi City County, Kenya*

INTRODUCTION

Strategic management is defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. It involves formulating organization's objectives, implementing, and controlling cross-functional decisions focused on achieving these objectives in the present and future environments. Generally, strategic management process can be divided into three phases, i.e., the formulation phase implementation, and evaluation and monitoring (Certo and Peter, 2001). The process of formulating a strategy has to take into consideration the changing business environment and it has to provide a window of preparedness in case of a change while at the same time a strategic plan will enable an organization to evaluate through the assets it has, allocate an appropriate budget and come up with the most effective plan of maximizing on return on investment (Thompson & Martin, 2010).

Implementation phase then follows and it initiates activities in accordance to strategic plans (Sharplin, 2005). The practice of strategic management in developing countries is greatly influenced by the practice in developed countries. Theories advanced explain the contextual differences in strategic management are as a result of environment and organizational structures. The construction industry in Kenya has done very well in the recent past according to the statistics presented by the Kenya National Bureau of Statistics. During the year ended December 2013, building and construction sector expanded by 5.5 per cent up from a growth of 4.8 per cent registered in 2012. This was as a result of increased demand for housing and the growing middle class.

STATEMENT OF THE PROBLEM

The application of strategic management in business for various sectors has long been adopted as a response to market demand, variations in clients' taste and changing of technology. The adoption of a clear strategic perspective in organizations is one of the factors that affect the performance of these organizations (Henry, 2004). Having a good strategy is also one of the important factors that enable the organizations/firms to survive and go further. Ndirangu (2013) notes that strategic management is not a theory but a practical approach that can be used in organizations to bring about the achievement of goals and objectives set out by the organization. Mangi (2009) sought to establish the strategic management practices adopted and challenges of adopting the strategic management practices.

Kanyatta (2007), Muturi (2008) and Rinje (2006) studied to a limited extent the influences of Strategic management practice on health provision in non-GoK hospitals, their findings were that there existed the practice in the three institutions (Gertrude's, Karen and Mater hospitals) that they studied. The growth in the Construction industry in Kenya and frequent changes in policy documents has generated a lot of changes in the business environment (Wachira, 2001). These have followed several incidences of poor workmanship where buildings under construction have collapsed and caused huge damages. This has resulted in high scrutiny to assess the capacity and qualification of construction experts. Unless construction firms develop relevant strategies, their businesses are at risk. The current study seeks to investigate effects of strategic management practices on organizational performance of construction companies within Nairobi County.

GENERAL OBJECTIVE

The general objective of the study was to establish the effect of strategic management practices on organizational performance of construction companies in Nairobi City County, Kenya

SPECIFIC OBJECTIVES

1. To establish the effect of strategic customer relationship management on organizational performance of construction companies in Nairobi City County
2. To determine the effect of strategic technical skills management on organizational performance of construction companies in Nairobi City County

LITERATURE REVIEW

Strategic Customer Relationship Management

High quality service helps to generate good customer relationship management and growth of market share by soliciting new customers, and improved productivity and financial performance; (Andereson, Fornell & Lehmann, 2003). Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer.

According to Doyle and Roth (2001), Customer relationship management enables an organization to work in a competitive environment and manage to supersede competitor efforts with its customer centric approach. It carefully studies customer attitudes and ingrains customized approaches in the business activities. It is gaining importance as a management tool globally and is ranked as the second most important management tool. On account of CRM benefits, its position as the customer centric strategy of the decade is slowly gaining ground. Despite the huge costs involved companies prefer to opt for it on account of the tremendous benefits of CRM.

Ang and Buttle (2006) adds that CRM is about creating the process that promotes longer more beneficial customer relationship. Creating beneficial customer relationships entails a better knowledge of customers. Analysis of a given customer’s profile and every interaction with that customer will provide predictive information on his or her behaviour and how he or she prefers to be treated. Only after this has been completed, will a company be prepared to personalize that customer’s experience through all customer touch points. The purposes of CRM are to boost profitability, revenue, and customer satisfaction. A company wide set of tools, technologies, and procedures support the association with the customers to raise sales. CRM is primarily a strategic business and process issue rather than a technical issue.

According to Shahin and Nikneshan (2008), CRM consists of three components: The customer who is the only source of the company's present profit and future growth. However, a good customer, who supplies more profit with less resource, is always limited since customers are well informed and the competition is fierce. Information technologies can provide the abilities to distinguish and manage customers. Secondly the relationship between a company and its customers involves continuous bidirectional communication and interaction. The relationship can be short-term or long-term, continuous or discrete, and repeating or one-time. Relationship can be attitudinal or behavioral. Even though customers have a positive attitude towards the company and its products, their buying behavior is highly situational. Finally management, CRM involves continuous corporate change in culture and process. The customer information collected is transformed into corporate knowledge that leads to activities that take advantage of the information and the market opportunities. CRM requires a comprehensive change in the organization and its people (Shahin &Nikneshan, 2008).

Strategic Technical Skills

It is important to recognize that skills development and other investments in human capital comprise only one set of factors necessary for productivity growth. Skills development alone cannot raise enterprise and national productivity (Mitchell & Flin, 2008). Other factors and policies are likewise insufficient if they are implemented in isolation of skills development. One of the messages of this report is that skills development must be an integral part of broader development strategies if it is to deliver on its substantial potential to contribute to overall productivity and employment growth (Mitchell & Flin, 2008).

Skills are critical in the structural adjustment of economies. As economies move from relative dependence on agricultural production to manufacturing and service industries, workers and enterprises must be able to learn new technical skills. Inability to learn new skills because of inadequate basic education or lack of opportunity slows the transfer of all factors of production from lower to higher value added activities. As consumption and production patterns change, work is reorganized to meet new demands and technologies. However this reorganization is not instantaneous and rarely smooth. Enterprises and workers are affected differently. Some find their skills in short supply while others may find their skills redundant. This dichotomy was brilliantly captured by Schumpeter, who described the process of innovation in market economies as creative destruction (Schumpeter, 2007).

Mitchell & Flin (2008) stated that there is a need to develop innovative ways of upgrading skills and recognizing the latent skills of those already in the workforce. Strategies to improve productivity in the informal economy must enable workers there to use new skills as leverage to help them.

EMPIRICAL REVIEW

Kahindi (2009) sought to establish the strategic management practices adopted and challenges of adopting the strategic management practices in Thika, Ruiru, Mavoko Municipal Councils and Kiambu County Council. The study used both primary and secondary data. Upon analyzing the data, the study concluded that the strategic management practices adopted by Thika Municipal Council, Ruiru Municipal Council, Mavoko Municipal Council and Kiambu County Council. Mbwaya (2012) investigated the Strategic Management Practices At Barclays Bank of Kenya. The study revealed that a continuous scanning of the environment will not only assist the organization understand the changes in 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. In order to improve the level of employees' confidence in strategy implementation process, their level of competency and empowerment would be observed.

Reneta (2012) sought to determine practices and challenges of strategic management in the city council of Nairobi. This was a case study where primary data was collected using interview guide. The study found that early involvement of employees in the strategy process helped members understand super-ordinate goals, style, and cultural norms and thus become essential for the continued success of a firm strategy implementation. It also prevents them from being taken by surprise, puts all members at the same platform, and helps the employees to own the process thus ensuring better results. The study concluded that the management should be competent so as to ensure good strategy objective setting, and manage resistance to strategy implementation. Cakmaka and Tasb (2012) investigated the Strategic management practices of contractor firms in Turkey. The study established that contractor firms have mostly been aware of the concept of strategy and strategic management.

CONCEPTUAL FRAMEWORK

A conceptual frame work is used in research to outline the possible courses of action or the preferred approach to an idea (Mugenda &Mugenda, 2003). It highlights the independent variable and also shows the dependent variable which is also the outcome. The dependent variable was the organizational performance and the independent variable was strategic customer relationship management (CRM), strategic technical skills, strategic planning and strategic financial management.

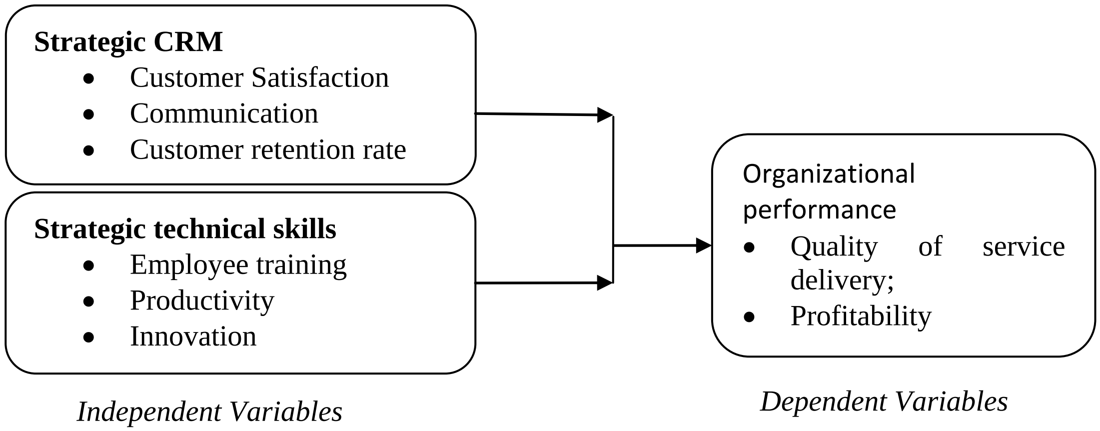

Figure 1: Conceptual framework

RESEARCH METHODOLOGY

Research design refers to the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in the procedure (Yin, 2009). The study adopted a cross sectional survey research design. Cross sectional research design was chosen because it can enable the researcher to generalise the findings to a larger population. Surveys allow the collection of large amount of data from a sizable population in a highly economical way. It allows one to collect quantitative data which can be analyzed quantitatively using descriptive and inferential statistics. Therefore, the cross sectional survey was deemed the best strategy to fulfill the objectives of this study (Creswell 2008).

Target population is the specific population about which information is desired. The Target population of the study was all the registered construction companies in Nairobi. There are a total of 67 registered construction companies in Nairobi as indicated in the National Construction Authority website. The study targeted these companies since the objective of the study was to investigate the effect of strategic management practices on organizational performance of construction companies in Nairobi City County. The study established that there are a total of 67 registered construction companies in Nairobi as indicated in the National Construction Authority (NCA, 2015). The target population of this study was all the 67 registered construction companies. The researcher sampled 5 managers from each company who include the project manager, operations manager, customer relationship manager, finance officer and technical department manager. This means the total target population was 335 managers from the 67 companies.

The study used questionnaires to collect data. Kirakowski (2008) defines a questionnaire as a method for the elicitation, recording and collecting of information. The questionnaires were used because they are inexpensive. The questionnaire had both open and close ended questions. The closed ended questions made use of a five point Likert scale where respondents were required to fill according to their level of agreement with the statements. The questionnaire was framed in accordance with the objectives of the study. Qualitative data was collected from open ended items while quantitative data was collected from closed ended items in the questionnaire.

The questionnaire was checked for completion and reliability of the data. The quantitative data was then coded and analyzed using descriptive statistics such as percentages and mean and standard deviation while qualitative data was analyzed by content analysis. Descriptive statistics was used mainly to summarize the data. This included percentages and frequencies. A Likert scale and the use of Statistical Package for Social Sciences (SPSS version 17.0) were employed to aid in the coding, entry and analysis of the data obtained through the questionnaires. Measures of central tendency were applied (mean, median, mode and percentages) for quantitative variables.

RESEARCH RESULTS AND DISCUSSION

From the findings, 7% of respondents said that their organization had been existence for less than 5 years, 11% said 6-10 years, 14% for above 20 years, 28% between 11 and 15 years while the majority, 40% said that their organization had been existence for between 16-20 years. This means that majority of the companies had been existence for long so that means they had grown.

On the position the respondents held in their organization, 8% of the respondents were in top level management, 14% in supervisory level, 38% in middle level management while the majority, 40% were in low level management. This means all the respondents were in a position to understand the company's operations and strategic activities.

On the period the respondents worked in the industry, 3% of the respondents had worked for less than 3 years, 4% for 4-5 years, 32% for 6-10 years and the majority, 61% had worked for above 10 years. This means that the majority of the respondents had worked long enough in the industry so they were aware of the industry trends, operations and problems. On the respondents' participation in formulating the company's strategies, the findings show that all the respondents said that they participated in the formulation of the company's strategies.

On the extent to which the respondents participated in formulating company strategies, 10% of the respondents said they participated to a very great extent, 15% said to a moderate extent, 32% to a little extent and 43% to a great extent. This means that the majority of respondents participated to a great extent in formulating the company strategies.

Effect of Strategic CRM

On whether high quality service helps generate good CRM, 6.9% disagreed, 18.1% strongly agreed, 25% were neutral while the majority, 50% agreed. On whether high quality service enables growth of market share 1.4% disagreed, 20.8% were neutral, 25% strongly agreed while the majority, 52.8% agreed.

On whether high quality service improves productivity, 2.8% strongly disagreed, 9.7% strongly disagreed 12.5% were neutral, while the majority, 45.8% agreed. On whether CRM enables partnering with selective customers to create superior value, 4.2% disagreed, 20.8% strongly agreed, 23.6% were neutral while the majority 51.4% agreed. The finding corresponds with Doyle and Roth (2001) who showed that Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer.

On whether customer relationships entail better knowledge of customer, 6.9% disagreed, 18.1% strongly disagreed, 22.2% were neutral while the majority, 45.8% agreed. The finding coincides with Ang and Buttle (2006) who concluded that CRM is about creating the process that promotes longer more beneficial customer relationship. On the extent of CRM Influence on performance, 1.4% of the respondents said that CRM Influences performance to a little extent, 21% to a moderate extent, 31% to a very great extent while the majority, and 47% said that CRM Influences performance to a great extent.

On the Technical Training, all the respondents agreed that their company offered technical skills training. The training offered in the companies. 63% of respondents said their company offered training on building and construction, 68% said their company offered training on building Supervisory, 32% computer packages, 57% empowerment trainings, 24% financial skills, 64% project management and 32% quantity surveying. This means that building supervisory is the training offered by majority of the companies at 68%. On whether technical skills development improves the employees' productivity, 17% were neutral, 19% strongly agreed while the majority, 64% agreed. On whether skills development promotes innovation, 4.2% strongly disagreed, 6.9% disagreed, 19.4% strongly agreed, 26.4% were neutral while the majority, 43.1% agreed.

On whether skills development improves the efficiency 18.1% were neutral, 33.3% strongly agreed while the majority, 48.6% agreed. On whether skills development is an integral part of broader development strategies, 6.9% strongly disagreed, 12.5% disagreed, 12.5% disagreed strongly agreed, 27.8% strongly agreed while the majority, 40.3% agreed. The finding concurs with Mitchell & Flin (2008) who showed that skills development must be an integral part of broader development strategies if it is to deliver on its substantial potential to contribute to overall productivity and employment growth. On whether skills development promotes employment 5.6% disagreed, 19.4% strongly agreed, 31.9% were neutral while the majority, 43.1% agreed.

On Correlation Analysis, the dependent variable (performance of construction companies) and the independent variables (strategic CRM, Strategic technical skills) were positively correlated and the correlations are statistically significant since p-values are less than 0.05 (Sig. = .000).

CONCLUSIONS

The study concludes that high quality service is vital in order to offer strategic customer relationship in the construction companies. The study also concludes that high quality service enables growth of market share for the construction companies. The study also concludes that that high quality service improves productivity of the construction companies. Also strategic CRM enables construction companies to work in a competitive environment, and to supersede competitor efforts.

On Strategic technical skills, the study concludes that that all the construction companies studied offer technical training programmes to their employees but that they concentrate only a few areas like construction supervision and project management, ignoring other equally important areas. The study also concludes that technical skills development has improved the productivity of employees in the construction companies and also promoted to innovation and efficiency.

RECOMMENDATIONS

The study recommends that the construction companies should focus more on customer services and offer high quality products. This should be made possible by investing resources on strategic customer relationship management.

The study also recommends that construction companies should offer all the training programmes necessary for performance and employee efficiency like financial management that will equip managers in better financial management skills. The companies should not focus on building supervision and project management only.

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