EFFECT OF ORGANIZATIONAL STRUCTURE ON STRATEGY IMPLEMENTATION: A CASE STUDY OF SAFARICOM KENYA LTD

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ABSTRACT

Strategic planning is a comprehensive stream of tasks that organizations carry out to achieve their set goals. The purpose of this study was to assess the effect of organizational structure on strategy implementation (a case study of Safaricom, Kenya Limited, Westlands). The study specifically sought to assess the effect of functional structure on strategy implementation at Safaricom Kenya Ltd, to determine how divisional structures affect implementation of strategic plans at Safaricom Ltd Kenya. The study was based on stakeholder and resource based view theories. The study utilized a descriptive research design where the target population comprised of 243 Safaricom employees. Stratified sampling was adopted to select 72 employee. Data was gathered with use of questionnaires. Descriptive and inferential statistics helped the analysis of the findings. The study found out that functional structure ($p<0.05$), divisional structure ($p<0.05$) and centralization ($p<0.05$) all have a significant effect on strategy implementation. The study concludes that organizational structure has significant effect on strategy implementation. The study recommends that organizations should adopt practices to optimize the contribution of top managers in the strategy implementation by enhancing harmonization and execution of roles by the management committee, during strategy implementation effort, an organization should have a clear organization structure in place and the organization should continue to streamline the organization structure and design as per function so that the strategy can effectively be implemented.

Key Words: *organizational structure, strategy implementation*

INTRODUCTION

Strategic planning is a comprehensive stream of activities which organizations carry out to achieve its set goals. This is a challenge for strategic management that consumes a lot of time and resources because it requires changing strategic plans into activities and outcomes thus measuring a manager’s capability to change an entity, inspire employees, establish and reinforce organization proficiencies and capability to compete, build and foster an office environment that support strategy, and organizational targets. The factors emerge from the fact that implementation of strategic plans involves assessing what an organization will have to do in another way: assuming its specific operational procedures and organizational conditions, executing an entire strategy to achieve the embattled monetary and strategic performances (Thomson, Strickland & Gamble, 2013).

Strategy implementation is whereby policies and strategies are put into actions by developing programs, procedures and budgets. The procedure of strategy execution consists of the values, changes, edifice and the overall management structure of the organization (Wheelen & Hunger, 2014). Strategy formulation does not guarantee success in achieving strategic goals and objectives, but an effective strategy implementation process can increase the chances of implementing the projects that better accomplish the organizational objectives intensely.

From a research conducted by White (2011) in USA, established that only 25% strategic plans are successfully implemented, only 18% of strategic plans are carried out in line with the set budget, 40% exceed planned costs, while the remaining 17% of the strategic plans are very costly that they are invalidated before they are complete. The study also established various reasons why strategic plans are not fully implemented which includes poor planning, insufficient resources, poorly defined objectives, environmental changes, poor communication skills and lack of employee and managers commitment. Organizations in many African Countries have established strategic planning. For instance organizations in sub-Saharan Africa have made notable changes in terms of rebranding and leadership to enhance productivity. Communication industries in Tanzania have managed to implement 46% of strategic planning.

To ensure success of structure and strategy implementation organizations should ensure there is strategic alignment between the organization and its environment and consistency (Chafee, 2005). All managers and stakeholders of an organization with a strategy should ensure they know where the organization is headed and how it intends to go there. They should also hold that the strategic intent is strongly determined by the managers in view of the response of powerful stakeholders (Tampoe, 2011).

Telecommunication companies in Kenya have overtime embraced strategic planning and put more effort to ensure its successful implementation so as to gain competitive advantage. Safaricom Ltd Kenya holds the largest share of mobile network operation in Kenya. Its portfolio diversity to mobile banking and money transfer, under the MSHWARI and MPESA brands respectively has proved a runaway success. The current Safaricom CEO is Bob Collymore. Presently the shareholder structure is: Government of Kenya is 35%; Vodafone 40%; Free Float 25%. The free float is traded on Nairobi stock exchange. Its key competitor is Airtel Kenya, although Essar's YU and Orange Wireless also have a share in the industry.

STATEMENT OF THE PROBLEM

An entity's strategy is its plan for the whole business that sets out how the organization will use its major resources. Alternatively, an organization's strategy is a plan of action aimed at reaching specific goals and staying in good stead with its clients and vendors. The relationship between organizational structure and strategy becomes clearer when an organization's strategy is put in place. Organizational structure and strategy are related because organizational strategy helps an organization define and build its organizational structure. A company's organizational structure is based on the result of the analysis of organizational strategy. Several studies have been done on strategic planning in Kenyan companies both public and private sectors including strategic planning practices at Teachers Service Commission (Mimaita, 2010), challenges facing the implementation of strategic plans at Kenya Revenue Authority (Langat,2011). Studies have also been done on Safaricom including: strategic responses to dynamic business working environment (Gichagi, 2011), challenges of strategy implementation at Safaricom (Chepkwony, 2011), Reactions of Safaricom Limited to more competition in the mobile communication industry (Tito, 2011). These studies focused on challenges in implementing strategies and none of them focused on effects of organization structure on the implementation of strategic plans in communication organizations thus the justification for the study.

GENERAL OBJECTIVE

To assess the effects of structure formation on implementation of organizational strategic plans a case study of Safaricom Kenya Limited.

SPECIFIC OBJECTIVES

1. To assess the effect of functional structure on strategy implementation at Safaricom Kenya, Ltd.
2. To determine how divisional structures affect strategy implementation at Safaricom Kenya, Ltd.
3. To establish how matrix structures affect strategy implementation at Safaricom Kenya, Ltd.
4. To determine how centralized structures affect strategy implementation at Safaricom Kenya, Ltd.

THEORETICAL REVIEW

Stakeholder Theory

Stakeholder theory is a theory of organizational management and business ethics that deals with principles and values in managing an organization (Freeman and Phillips 2003). According to this theory, stakeholders are considered as the group of people interested in the organization's activities (Friedman 2007). This theory has helped managers of organizations who have adapted centralized structures to make decisions in concentrated organizations that helps to uphold an organization's principles and values in managing the organization.

Resource-Based View (RBV) Theory

According to the RBV theory, organizations are profit-making entities controlled by managers operating in some unique markets (Leiblein, 2003). To realize extra-ordinary returns, managers should become entrepreneurs that modify the external environment in their favor, instead of evaluating the current competitive environment (Stoelhorst, 2008). The RBV assesses the connection between an entity's internal characteristics and its performance and states that variances in the resources that organizations control can assist show why some companies are better performers as compared to others (Stoelhorst, 2008). This theory helps managers of matrix structure formation to control the scarce resources operating in wider markets more so the external markets and environments and helps in coordinating Operations within the operations.

RESEARCH METHODOLOGY

The researcher employed descriptive research design. The study target population was 243 employee of Safaricom. The employees were categorized into the following departments; Finance and accounting, customer operations, Sales and marketing, Human Resource and corporate affairs. The researcher sampled five job departments at Safaricom headquarters and picked 30% of the employees in each stratum giving a response rate of 72 respondents. The study collected primary data with the help of questionnaires containing close ended questions. A permit from National Commission of Sciences, Technology and Innovation was obtained besides a letter of introduction from Kenyatta University. The management of Safaricom Ltd was notified of the intended study in advance. The analysis was done using means, standard deviations and regression analysis.

RESEARCH RESULTS

Descriptive Statistics

The findings established that functional structure affects strategy implementation. The findings established a positive relationship between divisional structure and strategy implementation. The findings indicated that there is a slightly small significant relationship between matrix structures and strategy implementation. The study revealed that centralized structures affect strategy implementation. Centralized structures make employee behavior more predictable, reduce ambiguity and provide direction to employees.

INFERENTIAL STATISTICS

Regression Analysis

Table 1 shows the findings of the regression results. According to the table, the four independent variables that were studied explain that 79% of the factors influencing strategy implementation as represented by the R Squared (coefficient of determinant). The study found out that $F_{Calculated}$ was 79.566 and $F_{Critical\ (4,\ 107)}$ is 2.45656; hence $F_{Calculated} > F_{Critical}$, therefore the overall regression model was significant.

$$\mathbf{Y = 6.964 + 0469X_1 + 0.373X_2 + 0.335X_3 + 0.115X_4}$$

Where: Y = Competitive Advantage of IT firms; X_1 = Human Resource Capability; X_2= Financial Resource Capability; X_3= Knowledge Management Capability; X_4 = Cost Efficiency Capability

Table 1: Regression Results

	Unstandardized Coefficients		Standardized Coefficients		
Model	**B**	**Std. Error**	**Beta**	**T**	**Sig.**
(Constant)	6.964	2.985		2.333	.022
Human resource capability	-.469	.063	-.392	-7.439	.000
Financial resource capability	.373	.063	.402	5.951	.000
Knowledge management capability	.335	.084	.241	3.988	.000
Cost efficiency capability	.115	.048	.138	2.379	.019
R=0.790	**R^2=0.624**	**Adj. R^2=0.593**	**Std. Error=0.294**	**F=20.325**	**Sig=0.000**

The findings in Table 1 show that when all the variables were held constant to zero, competitive advantage would be at 6.964. A unit decrease in human resource capability when holding all of the variable's constant, competitive advantage would be at 0.469. A unit increase in financial resource capability while holding all of the variable's constant, competitive advantage would be at 0.373. A unit increase in knowledge management capabilities while holding all of the variable's constant at zero, competitive advantage would be at 0.335. A unit increase in cost efficiency while holding all of the variable's constant, competitive advantage would be at 0.115.

The study found out that human resource capabilities had a p value of 0.00<0.05 an indication that the variable significantly influenced competitive advantage. The finding are contrary to Chuang *et al.*, (2015) who established that HR capabilities significantly influenced effectiveness in organizational context. Muhura (2012) who showed that the dynamic capabilities of the firm enabled it to effectively compete in the industry. The capabilities include efficient networks of distribution, competent staff and technology adoption, innovation and brand. There were adequate measures of safeguarding these capabilities of the company.

The study pointed out that financial resources capability positively and significantly influenced competitive advantage as supported by a p value of 0.000<0.05. The findings is supported by Xiao *et al.* (2014) who states that financial resources capability improves the firms performance and firms should strive a balance between expenses and the revenue streams. Proper financial operation and governance require managers to regularly forecast and monitor both revenues and expenditures to be incurred in the course of business operations.

The study established that knowledge management had a p value of 0.00<0.05 an indication that the variable had a positive and significant influence with competitive advantage. The findings are in support of Amaeshi *et al.*, (2015) who found out that integration of maintenance function into production and manufacturing operations and its efficient and effective implementation is critical for a manufacturing firm to enjoy competitive advantage. Similarly, Maletic *et al.* (2014) established that technology adoption significantly impacts on profitability of the firm.

The study further found out that cost efficiency had a p value of 0.019<0.05 an indication that the variable had a positive and significant influence with competitive advantage. Bushuru, Namusonge, Oteki, and Wandera (2014) established that low cost sourcing and technology adoption were found to be critical in improving effectiveness of the supply chain function and early suppliers' involvement was found to be positively correlated to supply chain performance.

CONCLUSIONS

The study concludes that human resource capability had an inverse effect on competitive advantage. Financial resource capability had a positive influence on competitive advantage. Knowledge management had a positive and significant influence with competitive advantage. Cost efficiency capability had a positive and significant influence with competitive advantage.

RECOMMENDATIONS

The study recommends that the policy makers need to employ the key staff who have undergone adequate training in various areas of IT.

IT firm needs to strive to maintain and accurately balance its expenditure within its stream of financial resources.

Key staff of the firm needs to have adequate knowledge of the specific needs of the customers, organizational culture and adequate knowledge of the available technology.

The firm needs to practice strategic pricing in terms of lower prices or more product features for the same price.

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