

EFFECT OF STRATEGY EVALUATION ON PERFORMANCE OF CHEMELIL SUGAR COMPANY IN KISUMU COUNTY, KENYA

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ABSTRACT

Purpose of the study: The study examined the effect of strategy evaluation on performance of chemelil sugar company in Kisumu County, Kenya.

Research problem: The performance of chemelil Sugar Company has not been much effective. In 2011, the company's operations stopped due to financial challenges, leading to the company reaching its lowest ebb. The operating environment has been unstable as the sugar production is intense impacting negativity on profitability.

Research methodology: The descriptive research design was deemed the most appropriate research design to be utilized in the study. The target population was 60 respondents from departmental heads, sectional heads, superintendents and foremen. The study conducted a census.

Findings: The study found a strong positive relationship exists between strategy evaluation and performance ($r = 0.887$, $p = 0.004$). The coefficient of determination was found to be 25.5% which signified that 25.5% of the variations in the performance can be explained by strategy evaluation while other factors can explain the remaining 74.5%. The regression results established that

strategy evaluation is positively and significantly related with performance ($\beta = .587$, $t = 1.943$, $p = .048$).

Conclusions: The study concluded that a unit increase in strategy evaluation while holding all other factors constant increases performance by 0.587 units. In addition, it was concluded that strategy evaluation facilitates organizational direction setting as it ensures compliance to organizational vision and streamline operations to specific objectives or targets. In addition, the strategy evaluation can help in inspiring and motivating employee as it enables employees measure their performance

Recommendations: The study recommended that it would be strategic for the organization to have strategies that are completely consistent with the organizational overall strategic direction for enhanced performance.

INTRODUCTION

Strategic management provides overall direction to the enterprise and involves specifying the organization's objectives, developing policies and plans designed to achieve these objectives, and then allocating resources to implement the plans (Bogers, Chesbrough, Heaton & Teece, 2019). Academics and practicing managers have developed numerous models and frameworks to assist in strategic decision making in the context of complex environments and competitive dynamics. Strategic management is not static in nature; the models often include a feedback loop to monitor execution and inform the next round of planning (Siegel & Leih, 2018). Some of the key components of strategic management include strategy evaluation. Strategy evaluation is the process where the set plans are analyzed with the result to compare how well the organization has achieved its objectives (Ketchen & Craighead, 2020). The effectiveness of the strategy evaluation can be the starting point of enhancement in performance.

The United States has better-managed firms because they reward more quickly best performers and worse managed are forced to quickly exit. In addition, American firms have quickly embraced strategic management process from around the world (Williams et al., 2019). According to Ali (2019), adopting an effective strategic management process has enabled small medium-size firms in Bangladesh to acquire new tools for survival, growth and ensured excellent organizational performance. Ahmed and Mukhongo (2017) details that the strategic management process has straightened up operations and enabled Somalia Custom Department to have vision and direction.

In Kenya, a study carried out by Issack and Muathe (2017) on Public health institutions shows that the Strategic management process positively influence performance when collectively implemented together. The improvement of the performance of a firm relative to the competitors is the main objective of any business in the World. Effective strategy management practice requires an integrative point of view. Hence, the study examined the effect of strategy evaluation on performance of Chemelil Sugar Company in Kisumu County in Kenya.

STATEMENT OF THE PROBLEM

The performance of chemelil sugar company has not been much effective. The company is a state corporation established in 1965. Its main objective is to produce quality sugar to sustain the country. The company had a milling capacity of 85 tons of cane per hour when it was introduced. The company milling capacity now stands at 135 tons of cane per hour. When fully operational, it is capable of milling up to 900,000tonnes of cane a year. The company draws cane for milling from Outgrowers farmers in Muhoroni, Nyando, Tinderet, Nandi South and Nandi East Sub-Counties, with about 85% of cane supplied by Outgrowers farms and 115% obtained from Company's Nucleus Estate.

However, the company's performance has fluctuated between profit and loss. The company recorded its first profit in 1976 after that the company's performance has been operating between profit and loss. In 2011, the company's operations were stopped due to financial challenges, leading to the company reaching its lowest ebb (Ondieki, 2014). The overall operating environment has been unstable as the sugar production is intense impacting negativity on profitability. The firm incurred a 767.25 million loss in 2015/16 and a 640million loss in 2014/15. In 2013/14, the company's performance improved as the losses decreased from 938.16 million to 339.16 million.

Based on the empirical studies reviewed, a knowledge gap was ascertained that formed the motive of the current study. For instance, Maroa and Muturi (2015) studied influence of strategic management practices on performance of floriculture firm in Kenya. Nonetheless, the study was focused on floriculture firm while the current study focused on sugar firm. In addition, Issack & Muathe (2017) study on public health institutions measured strategy evaluation using control processes, processes, and procedures. Moreover, Ahmed and Mukhongo, (2017) conducted a study on role of strategic management practices in organizational performance of Customs Department

in Mogadishu, Somalia. Ali (2019) study on strategic management practices and performance of the SMEs in Bangladesh adopted a descriptive design. Based on this background information, the study was deemed relevant due to the knowledge gap that existed and thus it looked at whether strategy evaluation can influence performance of Chemelil Sugar Company in Kisumu County in Kenya.

RESEARCH OBJECTIVE

The objective of the study was to establish the effect of strategy evaluation on performance of Chemelil Sugar Company in Kisumu County, Kenya.

LITERATURE REVIEW

Theoretical Review

Dr. F Edward developed stakeholder's theory in 1984 when he was a Professor at the University of Virginia. Stakeholders are a group of people or individuals affected or can affect the performance of a company. Some of the stakeholders of a company are clients, suppliers, employees, communities, and managers. They interact together and create a trade value. It was the mandate of the management to identify how the relationship works and changes over time. The top management ensures all the stakeholder's interests are met and satisfied. If their interest conflicts, it's the manager's responsibility to identify the problem get a solution (Parmar, Freeman, Harison, Wicks, Purnell, & Colle, 2010).

This theory details how the organization should incorporate the key people affected by the organization's operations directly or indirectly. This theory was essential during the formulation and implementation of strategies. The theory asserts that a firm is accountable to all stakeholders within the environment it operates. For an organization to succeed, it is essential to address its concern and understand its influence over the company. If key stakeholders were taken for granted, the organization might meet antagonistic problems, especially when they record poor performance (Whitney, 2013). Stakeholder theory helped managers at Chemelil Sugar Company know how to interact and align stakeholders, farmers, employees, and managers during the formulation and implementation stage of the strategies to achieve their goals.

Empirical Literature Review

Maroa & Muturi (2015) studied influence of strategic management practices on performance of Floriculture firm in Kenya. A purposive sampling technique was used to collect opened and close ended questionnaire on 50 respondents. The study adopted descriptive statistic to analyzed data. The findings revealed strategy evaluation significantly influence on organizational performance of flower firms. The study concluded it was imperative to evaluate the implemented strategic plan constantly. However, this study was conducted in the Floriculture firm hence might not help solve issues affecting the sugar industry. The current study sought to add more content of knowledge of evaluation in the sugar industry.

Ahmed and Mukhongo, (2017) study on role of strategic management practices in organizational performance of Customs Department in Mogadishu, Somalia. A stratified sampling techniques was used to collect both primary and secondary data using a questionnaire on 108 respondent. A descriptive and inferential statistics were used to analyze data. The findings showed that strategy evaluation positively and significantly influence performance. The study concluded that it is necessary to evaluate the execution of strategy because it helps to identify whether the planned strategy is working well or need for a complete overhaul. This study was carried out in Somalia and might not apply to Chemelil Sugar Company in Kenya.

Issack and Muathe, (2017) study on public health institutions measured strategy evaluation using control processes, processes, and procedures. A census technique was adopted to select 51 respondents to collect primary data by administering questionnaire. Inferential statistic comprising of both correlation and regression analysis were conducted. The findings revealed that strategy evaluation positively and significantly influence the performance of public health institutions. The current study used the process and reward to measure strategy evaluation hence contributing to the conceptual gap that arises from the previous research.

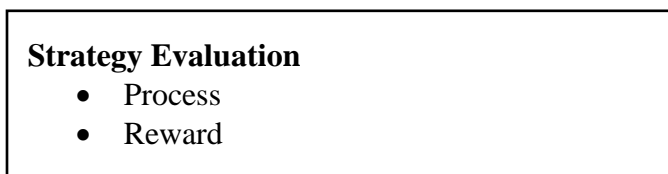
Ali (2019) study on strategic management practices and performance of the SMEs in Bangladesh adopted a descriptive design. A simple random technique was used to collect quantitative data on 69 respondents using a questionnaire. A descriptive and inferential statistics were used to analyze data. The findings revealed that strategy evaluation had a strong positive and significant influence on the performance of SMEs. The study concluded that adoption of effective strategy evaluation process provides SMEs firms with secrets to survival and growth as well as sustainable competitive

advantages. The current study used census method to get a precise conclusion and overcome the methodological weakness of using simple random sampling technique by the previous study.

Conceptual Framework

The conceptual presents the relationship between independent and dependent variables. The conceptual framework the illustrate the relationship between strategy evaluation and organizational performance is presented in Figure 1

Independent variables



Dependent variable

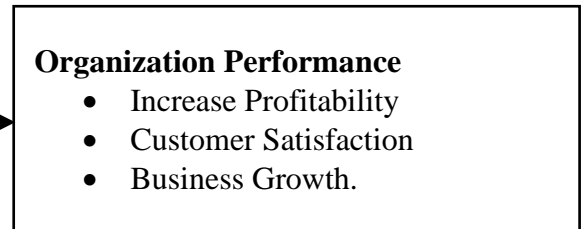


Figure 1: Conceptual Framework

Source: Author (2021)

RESEARCH METHODOLOGY

Research design

The descriptive research design was adopted in the study. The design was used to collect data through a questionnaire. The descriptive analysis attempts to determine the population's quantitative description or opinions or identify the relationship of variables at a given time. It uses description, class measurement, and comparison to illustrate a situation (Mutemi et al., 2013). The target population included 60 departmental heads, sectional heads, superintendents and foremen. The study adopted a census method because the population size was small and for accuracy. The study applied purposive sampling since the organizational structure in sugar companies in Kenya was homogeneous. The research instruments that were used to collect the data included questionnaires. A Likert scale was used to measure respondent's consensus with study variables as outlined on the semi-structured questionnaire. The study adopted a drop-and-pick later method.

RESEARCH FINDINGS AND DISCUSSION

Response Rate

The number of administered questionnaires to the respondents were 60 but only 52 were returned duly filled. Thus, the response rate was 87%. According to Baruch and Holtom (2008), a survey's response rate of 60% or more is considered adequate for data analysis and reporting. Therefore, an 87% response rate was considered adequate.

Descriptive Statistics for strategy evaluation

The study examined the effect of strategy evaluation on the performance of Chemelil Sugar Company in Kisumu County and the summary of the results are presented in Table 1

Table 1: Strategy Evaluation

Statements	SD	D	N	A	SA	Mean	Std. Dev.
Strategy evaluation enhances performance.	0%	0%	15.4%	84.6%	0%	3.85	0.376
Your organization monitors the success of the company's strategic plan by constantly reviewing the Plan after every two and half years (2 1/2).	0%	7.7%	7.7%	84.6%	0%	3.77	0.599
Your organization has monitoring, incentive, and performance measuring systems.	0%	7.7%	7.7%	84.6%	0%	3.77	0.599
Evaluation is done both internally and externally.	0%	23.1%	23.1%	46.2%	7.7%	3.38	0.961
There are challenges associated with strategy evaluation.	0%	7.7%	15.4%	76.9%	0%	3.69	0.63
You are involved in the continuous review of the strategic plan.	0%	7.7%	30.8%	53.8%	7.7%	3.62	0.768
Rewarding individuals responsible for successful performance improves organizational performance.	0%	15.4%	30.8%	53.8%	0%	3.38	0.768
Evaluation involves all the employees in the organization.	0%	23.1%	30.8%	46.2%	0%	3.23	0.832
Outcome of evaluation process is communicated to all management levels.	0%	23.1%	38.5%	30.8%	7.7%	3.23	0.927
Organization has systems in place to determine the success of strategy implementation.	0%	15.4%	23.1%	53.8%	7.7%	3.54	0.877
Average						3.546	0.7337

The results as shown in Table 1 showed that majority of the respondents agreed that strategy evaluation enhances performance (mean = 3.85, std. dev = 0.376) the organization monitors the success of the company's strategic plan by constantly reviewing the plan after every two and half years (2 ½) (mean = 3.77, std. dev.=0.599), the organization has monitoring, incentive, and performance measuring systems (mean = 3.77, std. dev. = 0.599), evaluation is done both internally and externally (mean = 3.38, std. dev. = 0.961 and that there are challenges associated with strategy evaluation (mean = 3.69, std. dev. = 0.63). They also agreed that they are involved in the continuous review of the strategic plan (mean = 3.62, std. dev. = 0.768), rewarding individuals responsible for successful performance improves organizational performance (mean = 3.38, std. dev. = 0.768), evaluation involves all the employees in the organization (mean = 3.23, std. dev. = 0.832, outcome of evaluation process is communicated to all management levels (mean = 3.23, std. dev. = 0.927 and that the organization has systems in place to determine the success of strategy implementation (mean = 3.54, std. dev. = 0.877).

The average mean score for the attributes was 3.546 which tends to 4 (agree) on the 5 point Likert scale used in the study. The variability of responses from the aggregate mean score as shown by the aggregate standard deviation of 0.7337 is low. This aggregate mean score revealed that the attributes related to strategy evaluation in Chemelil Sugar Company was high. Additionally, the low aggregate standard deviation showed that the responses concentrated around the mean and hence a stable and reliable estimator of the true mean. The narrow variation from the overall mean response confirmed that the respondents agreed that strategy evaluation played a major role in the performance of this firm. The study findings are consistent with findings by Issack and Muathe (2017) who found that strategy evaluation influences the performance of public health institutions. Additionally, Maroa and Muturi (2015) made a similar observation and pointed out that constant strategy evaluation is imperative for all the implemented strategic plans

Descriptive Statistics for organizational performance

The researcher was concerned on examining factors influencing performance at Chemelil Sugar Company and the descriptive statistics are presented in Table 2.

Table 2: Organizational Performance

Statements	Sd	D	N	A	Sa	Mean	Std. Dev.
Having a monitoring process and evaluation procedure for tracking performance increases organizational performance.	0%	0%	15.4%	84.6%	0%	3.85	0.376
Your organization set clearly defined Key Performance Indicators (KPI) for each plan, do they lead to increased organizational growth.	0%	0%	15.4%	84.6%	0%	3.85	0.376
Organization has experienced significant growth in the last three years.	0%	15.4%	38.5%	46.2%	0%	3.31	0.751
Level of your customer's satisfaction has improved in the last three years.	0%	30.8%	38.5%	23.1%	7.7%	3.08	0.954
Organization's profitability has improved in the last three years.	0%	30.8%	46.2%	23.1%	0%	2.92	0.76
Organization has a monitoring process and evaluation procedure to track performance.	0%	30.8%	53.8%	7.7%	7.7%	2.92	0.862
Implementation of strategies improves the profitability of your organization.	0%	38.5%	46.2%	15.4%	0%	2.77	0.725
Organization has experienced low employee turnover.	0%	38.5%	46.2%	15.4%	0%	2.77	0.725
Organization has expanded over the last 10 years.	0%	53.8%	38.5%	7.7%	0%	2.54	0.66
All the departments and sections have adopted use of Key Performance Indicators (KPI) leading to overall improvement of the company.	0%	7.7%	23.1%	61.5%	7.7%	3.83	0.577
Average						3.18	0.677

The respondents agreed that having a monitoring process and evaluation procedure for tracking performance increases Organizational performance (mean = 3.85, std. dev. = 0.376), the organization set clearly defined Key Performance Indicators (KPI) for each plan, which lead to increased organizational growth (mean = 3.85, std. dev. = 0.376), organization has experienced significant growth in the last three years (mean = 3.31, std. dev. = 0.751, the level of customer's satisfaction has improved in the last three years (mean= 3.08, std. dev. = 0.954) and that the all the departments and sections have adopted use of Key Performance Indicators (KPI) leading to overall

improvement of the company (mean = 3.83, std. dev. = 0.577). However, the respondents neither agreed nor disagreed with the statements that the organization's profitability has improved in the last three years (mean = 2.92, std. dev. = 0.76), the organization has a monitoring process and evaluation procedure to track performance (mean = 2.92, std. dev. = 0.862), implementation of strategies improves the profitability of your organization (mean = 2.77, std. dev. = 0.725, the organization has experienced low employee turnover (mean = 2.77, std. dev. = 0.725) and that the organization has expanded over the last 10 years (mean = 2.54, std. dev. = 0.66).

The average mean score for the attributes was 3.18 which tends to 4 (agree) on the 5 point Likert scale used in the study. The variability of responses from the aggregate mean score as shown by the aggregate standard deviation of 0.677 is low. This aggregate mean score revealed that the attributes related to performance of Chemelil Sugar Company was high. Additionally, the low aggregate standard deviation showed that the responses concentrated around the mean and hence a stable and reliable estimator of the true mean. The narrow variation from the overall mean response confirmed that the respondents agreed that different statements used to gauge performance. The findings are consistent with a study by Eren and Birinci (2013) who recommended having a monitoring process and evaluation procedure to track performance increases organizational performance. They added that organizations should set clearly defined Key Performance Indicators (KPI) for each plan. Guruwo et al., (2017) also recommended that monitoring and evaluation trends in performance contribute to longterm profitability.

Correlation Analysis Results

The study sought to establish the strength of the relationship between the independent and dependent variables of the study. Pearson correlation coefficient was computed at 95 percent confidence interval.

Table 3: Correlation Matrix

		SE	OP
Strategy Evaluation	Sig. (2-tailed)		
	Pearson Correlation	1.000	
Organization Performance	Sig. (2-tailed)		
	Pearson Correlation	0.887	1.000
	Sig. (2-tailed)	0.004	
N		52	52

The correlation matrix in Table 3 indicate there was a strong positive association between strategy evaluation and performance $r = 0.887$, $p = 0.004$. This means that strategy evaluation improves performance of the organization. These findings were in agreement with Issack and Muathe, (2017) who revealed that strategic evaluation influences performance of public health institutions. It's further concluded that strategy evaluation informs the manager's failure in meeting a certain objective and target. In addition, Cervero and Golub (2007) found a strong positive relationship between Strategy evaluation and performance.

Univariate Regression Results for Strategic Evaluation and Firm Performance

The study sought to determine whether strategy evaluation influences the performance of Chemelil Sugar Company. The researcher used linear regression to establish the relationship between the study variables. The findings are revealed in the table 4 below.

Table 4: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.505 ^a	.255	.188	.37785
a. Predictor: (Constant), Strategic Evaluation				

The coefficient of determination ($r^2 = .255$) indicated that 25.5% of the variation in organizational performance could be explained by strategy evaluation. Other factors can explain the remaining 74.5%.

Table 5 shows the results of ANOVA analysis.

Table 5: ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.539	1	.539	3.774	.048 ^b
	Residual	7.293	51	.143		
	Total	7.832	52			

a. Dependent Variable: performance

b. Predictor: (Constant), Strategic Evaluation

The results indicated that the regression model influences the study positively. This is because the significance value ($p = .048$) was less than 0.05. Therefore, strategy evaluation significantly influences performance at Chemelil Sugar Company.

The study results on the coefficient is presented in Table 6

Table 6: Coefficient

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.463	1.160		1.261	.233
	Evaluation	.587	.302	.505	1.943	.048

a. Dependent Variable: performance

The results of regression analysis established that strategy evaluation is significant at $\beta = .587$, $t = 1.943$, $p = .048$). An interpretation can be made that at 95% confidence level, strategy evaluation positively influences performance at Chemelil Sugar Company. A unit increase in strategy evaluation while holding all other factors constant increases performance to 0.587.

Based on the results, the simple regression model was:

$$Y = 1.463 + 0.587X$$

Where;

Y=Performance;

X=Strategy Evaluation

The findings are consistent with Eren and Birinci (2013) who found a positive correlation between strategy evaluation and an organization's performance. They concluded that after strategies are developed and fully implemented, monitoring and evaluation should be carried out to ensure they function properly

CONCLUSION

The study concluded that majority of the respondents agreed that strategy evaluation enhances performance. The organization monitors the success of the company's strategic plan by constantly reviewing the plan after every two and half years. The organization has monitoring, incentive, and performance measuring systems and evaluations is done internally and externally. Additionally, respondents agreed they are involved in the continuous review of the strategic plan and the outcome of the evaluation process is communicated to all management levels. The organization has systems in place to determine the success of strategy implementation. The study further concluded that a unit increase in strategy evaluation while holding all other factors constant increases performance by 0.587 units. The strategy evaluation facilitates organizational direction setting as it ensures compliance to organizational vision and streamline operations to specific objectives or targets. In addition, the strategy evaluation can help in inspiring and motivating employee as it enables employees measure their performance.

RECOMMENDATIONS

The study recommended it would be strategic for the organization to have strategies that are completely consistent with the organizational overall strategic direction to enhance performance. The organization should assess how well a chosen strategy has been implemented and how successful or otherwise the strategy is. The organization need to be reviewing and appraising the strategy implementation process and measuring organizational performance

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