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INFLUENCE OF STRATEGIC CHANGE INITIATIVES ON OPERATIONAL PERFORMANCE OF EAST AFRICAN PORTLAND CEMENT LIMITED, KENYA

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ABSTRACT

Globally many firms are currently undergoing strategic change to adapt to the new market environment in order to retain their market share and enhance their profitability. The strategic change programs arise from organized management strategies such as culture change, business process engineering, empowerment and total quality. Various studies suggest that strategic initiatives were mainly around improving quality and productivity, reducing costs, restructuring and culture-building, rather than finding partnerships and assistance from across the newly opened boundaries. The purpose of this study therefore was to establish the influence of strategic change initiatives on operational performance of East African Portland Cement Limited, Kenya. The study employed a descriptive design using quantitative approaches. The target population was all 500 employees of East African Portland Cement Company. The study used questionnaires to collect primary data. The Statistical Package for Social Sciences was used to analyze the data and the results obtained were presented using tables. The R^2 value of 0.6851 implies that 68.5% of the variations in operational performance can be explained by the variations in independent variables. This therefore means that other factors not studied in this study contribute 31.5% of operational performance. It was established that all the independent variables positively related to operational performance and were statistically significant at the 5% significance level.

KEYWORDS: Business Process, Culture Value, Operational Performance

INTRODUCTION

Succeed, an organization must select a strategic behavior which matches the levels of environmental turbulence and develop a resource capability which complements the chosen behavior **(**Acur & Englyst, 2006). Strategy is the management's game plan for strengthening the performance of the enterprise. It is a framework that guides those choices that determine the nature and direction of an organization (Hooley et al., 2008). Without a strategy, the management has got no roadmap to guide them. Globally many firms are currently undergoing strategic change to adapt to the new market environment in order to retain their market share and enhance their profitability. The strategic change programs arise from organized management strategies such as culture change, business process engineering, empowerment and total quality. Strategic change often involves radical transitions within an organization and encompasses strategy, structure, systems, processes and culture (Kazmi, 2002). Since strategic change generally involves the reordering of priorities and the disruption of established relationships, such change tends to be controversial both internally and externally. According to Buchanan and Boddy (2009), to remain competitive, modern organizations should aim at uniqueness and superiority in all spheres of their operations, technology, work procedures, goods and services, approaches in the various management functions.

According to Kim and Mcintoch (2002), rapid technological change, easier entry by foreign competitors, and the accelerating breakdown of traditional industry boundaries subject firms to new, unpredictable competitive forces. Contemporary firms, operating in dynamic market contexts, often deal with these contingencies by implementing strategies that permit quick reconfiguration and redeployment of assets to deal with environmental change. Manimala (2011) asserted that strategic responses to environmental changes were mainly around improving quality and productivity, reducing costs, restructuring and culture-building, rather than finding partnerships and assistance from across the newly opened boundaries. The findings suggest that competition does have an impact on self-improvements and that the primary impetus for strategy making is from one's own internal strengths than from the environment. In Kenya, many firms are currently undergoing strategic change to adapt to the new market environment in order to retain their market share and enhance their profitability. The strategic change initiatives arise from organized management strategies such as culture change, business process engineering, empowerment and total quality. Other strategic change initiatives are driven by the need for organizations to reposition themselves in the face of changing competitive conditions.

STATEMENT OF THE PROBLEM

In order to survive in the environment, organizations have to pay attention to the environment more especially the internal environment. The internal environment is composed of factors like financial resources technology, human resources, structures and process. In order to overcome challenges in the context of sustaining and developing internal performance, organizations need to formulate and implement effective strategic change initiatives that have been noted to lead to a 50% reduction on costs. The importance of these initiatives is to harnesses people, process and technology to achieve a competitive edge. It also makes sure that people understand and accept changes more readily since they understand where changes may take place and the benefits from the change being implemented. Similarly it helps an organization to develop an innovative vision for where the company needs to be, and in coming up with an innovative path for achieving excellence in their operations. EAPCC has been implementing various strategic change initiatives in order to increase efficiency and remain competitive. The initiatives include downsizing, acquisition, structural changes, strategic changes and restructuring among others. The company has changed its structure, its strategic focus, its employee size and composition and also its management orientation. From the foregoing discourse, it is clear that the company has implemented various initiatives aimed at improved quality, enhanced employee training, customer satisfaction, cost reduction and sustained growth all geared towards enhancing operational performance and ultimately increases profitability. Nonetheless, there limited evidence which the influence of these strategic change initiatives on the operational performance of the company. The current study therefore aimed at addressing this knowledge gap.

OBJECTIVES OF THE STUDY

The general objective of the study was to establish the influence of strategic change initiatives on operational performance of East African Portland Cement Limited, Kenya. The study was guided by the following specific objectives:

- To establish the influence of business process initiatives on the operational performance of EAPC, Kenya.
- To evaluate the influence of culture values initiatives on the operational performance of EAPC, Kenya.
- To determine the effect of employee engagement initiatives on the operational performance of EAPC, Kenya.

LITERATURE REVIEW

With the ever changing environment, continuous change must be inculcated in the day-to-day running of organizations if they want to keep pace with the goings on. Studies have noted that change is so complex and multifaceted that mastering the challenge is not a specialized activity to be facilitated or driven by an expert but an increasingly important part of every manager’s role. For the purpose of this study we review three strategic change initiatives, namely: business process, culture values and employee engagement initiatives.

Business Process Initiatives and Operational Performance

According to Grigori et al., (2004), as business environment changes dynamically and competition becomes fierce, it is important for enterprises to handle risks and to build efficient management strategies. Under these changes in business environment, enterprises need to define their own critical success factors and key performance indicators to evaluate the present state of operations, and then they try to find the method for improving performance. One of the most widely used approaches considering the horizontal flow is business process management system. The system extends the functionality of workflow management systems beyond automation into areas such as analysis, monitoring and cross-organizational interactions. It also enables all stakeholders to have an understanding of an organization and its performance, and to facilitate process improvement. Most of earlier studies have been focused upon process modeling, execution, monitoring. Studies related to process improvement suggest general guidelines through establishment of a framework rather than specific methods. Most of them assume that tasks or components of a process are mutually independent (Lundberg, 2006). One of the key components of business process management is monitoring (Prisecaru, 2008). The degree of monitoring depends on what information the business wants to evaluate and analyze and how business wants it to be monitored. To cope with such requirements, organizations must develop initiatives such as those in business process management system since such initiatives enable organizations to manage and improve their processes continuously.

Culture Values Initiatives and Operational Performance

In both private and public sectors, the key to success begins with the values of the organization. Values are deeply held principles, ideals, or beliefs that people hold or adhere to when making decisions (Aluko, 2003). Individuals express their values though their personal behaviors; organizations express their values through their cultural behaviors. According to Kotter and Heskett (1992), companies with strong adaptive cultures based on shared values outperform other companies by a significant margin. They found that, over an eleven-year period, the companies that cared for all stakeholders grew four times faster than companies that did not. The values that make up the culture of an organization are either a reflection of the underlying beliefs of the current leaders or they are the reflection of the heritage of past leaders. Most organizations operate with “default” cultures. Because no one is measuring or paying attention to the culture, the underlying values and beliefs of the leaders become “the way things are done around here. According to Acar and Acar (2012, when there is a lack of alignment between the values of the culture of the organization and the personal values of employees, the result is low performance which can further result in low levels of staff engagement and poor quality of products and services. All of these factors can have a significant impact on the financial performance of the organization or its ability to deliver services of sustainable high quality. On the other hand, when the values of the organization are in alignment with the inspirational values of employees, the result is high performance (Rajendra et al., 2007). There are two other major benefits to values alignment. First, when values are aligned, the culture of an organization is able to attract and retain talented individuals. This gives organizations a significant commercial advantage, especially when talent is in short supply. Second, values alignment builds a strong brand (Baird et al., 2011).

Employee Engagement and Operational Performance

According to Robinson et al., (2004), employee engagement can be seen as a positive attitude held by the employee towards the organization and its value. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. Many studies have tried to identify factors leading to employee engagement and developed models to draw implications for managers. Their diagnosis aims to determine the drivers that will increase employee engagement level. According to Penna (2007) meaning at work has the potential to be valuable way of bringing employers and employees closer together to the benefit of both where employees experience a sense of community, the space to be themselves and the opportunity to make a contribution, they find meaning. Similarly, Blessing (2006) found that almost 60% of the surveyed employees want more opportunities to grow forward to remain satisfied in their jobs. Strong manager-employee relationship is a crucial ingredient in the employee engagement and retention formula. They suggest that a manager must align efforts with strategy, empower, promote and encourage teamwork and collaboration, help people grow and develop and provide support and recognition where appropriate. Studies have found positive relationship between employee engagement and organizational performance outcomes: employee retention, productivity, profitability, customer loyalty and safety. Researches also indicate that the more engaged employees are, the more likely their employer is to exceed the industry average in its revenue growth. Employee engagement is found to be higher in double-digit growth companies. Research also indicates that engagement is positively related to customer satisfaction (Coffman, 2000).

Concept of Operational Performance

Operational performance of a manufacturing organization can be measured through various indicators such as quality, productivity, costs, capacity and inventory. In the case of lean manufacturing the specific performance indicators include: factory time efficiency, flow time, through put and work in process inventory. According to Ondiek and Kisombe (2012) factory time efficiency in the context of the sugar industries in Kenya is the index that measures the ability of a factory to sustain operations throughout the year without interruptions. This is the time taken from when customers make an order to the time they receive their order. According to Birech, (2011), standard individual performance measures include: productivity measures, quality measures, inventory measures, lead-time measures, preventive maintenance, performance to schedule, and utilization. According to the study, specific measures include: cost of quality; measured as budgeted versus actual, variances - measured as standard absorbed cost versus actual expenses, period expenses - measured as budgeted versus actual expenses, safety -measured on some common scale such as number of hours without an accident, profit contribution.

RESEARCH METHODOLOGY

The study adopted a descriptive research design. Saunders et al., (2009) describes descriptive research design as a systematic, empirical inquiring into which the researcher does not have a direct control of independent variable as their manifestation has already occurred or because the inherently cannot be manipulated. The design is appropriate as it entails the collection of data on more than one case and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables, which are then examined to detect patterns of association. The target population comprised all 500 employees of East African Portland Cement Company, Kenya. The study utilized simple random sampling technique which ensured that the target population was representative, reliable, flexible and efficient. In this study an appropriate method to collect the primary data was a questionnaire. For the purposes of this study, quantitative data was collected using a closed-ended questionnaire. The primary data was sourced from the answers the participants gave during the survey process. The data collected from the questionnaires was analyzed with Statistical Package for Social Sciences.

RESEARCH FINDINGS AND DISCUSSIONS

The findings and discussions are in line with the variables and objectives of the study. The researcher sought to find out the distribution of the respondents according to their gender, age bracket, education level and their working experience at East African Portland Cement. The aim was to deduce any trend from the respondent's profile that was directly linked to the variables of the study. Similarly, previous studies have noted some relationship between these demographic factors and operations performance (Malonza, 2014). According to the findings, majority of the respondents were male (56.5%) while the female respondents were 43.5%. Majority of the respondents in the organization were of the age group 46 - 55 years (33.3%) while the least age group was between 26 – 35 years (14.6%). This was attributed to the general stagnation of the public sector in creating new employment opportunities and thus majority of the employees have been within the public sector for a while. The study found that majority (52.2%) had a university degree qualification which was attributed to the higher entry requirements in the organization. Further, over 76% had either a bachelors or masters degree further indicating the high entry requirements in the organization. In terms of working experience, most (44.9%) had between 5 – 10 years working experience. Cumulatively, more than 78% had more than 5 years of experience while only 5.9% had less than 1 year working experience. The study attributed this trend to the fact that the public sector in the past two decades has been stagnating in terms of creating new job opportunities.

Influence of Business Process Initiatives on Operational Performance

In this section the study presents various aspects touching on business process initiatives and operational performance at East African Portland Cement Company, Kenya and the findings are depicted in Table 1.

Table 1: Influence of Business Process Initiatives on Operational Performance

	n	Min	Max	Mean	Std. Dev.
Our organization initiates work process documentations to keep business processes up to date	69	2	5	4.16	.831
The organization uses various performance data to manage various business processes	69	2	5	3.82	.897
Our organization uses developed standard measures for evaluating process performance	69	1	5	4.12	.785
Most business processes in our organization are automated which makes operations easier	69	1	5	3.77	.913
Our organization ensures that all employees have the requisite skills for effective task performance	69	1	5	4.16	.812

Table 1: Condt					
The organization has process improvement and management in place which enhances operational performance	69	1	5	4.27	.797
Our organization values process input from employees which helps in improvement of business processes	69	1	5	2.13	.911

Majority of the respondents agreed that their organization initiated work process documentations to keep business processes up to date (4.16), that the organization used various performance data to manage various business processes (3.82), that their organization used developed standard measures for evaluating process performance (4.12), that most business processes in their organization were automated which made operations easier (3.77), that their organization ensured that all employees had the requisite skills for effective task performance (4.16) and that the organization had process improvement and management in place which enhanced operational performance (4.7). However, majority of respondents disagreed when asked whether their organization valued process input from employees which helps in improvement of business processes (2.13). The respondents had a high variation (0.913) shown by the standard deviation value when asked whether most business processes in their organization were automated which made operations easier.

Influence of Culture Values Initiatives on Operational Performance

In this section the researcher presents various aspects touching on culture values initiatives and operational performance and the findings are depicted in Table 2.

Table 2: Influence of Culture Values Initiatives on Operational Performance

	n	Min	Max	Mean	Std. Dev.
Our organizations has entrenched values which helps in guiding employees in decision making	69	1	5	2.18	.966
Values that make up the culture of our organization reflect the underlying beliefs of the current management	69	1	5	2.37	.947
Our departments highlights mutual team goals and focuses on promoting effective intergenerational workforce	69	1	5	3.98	.962
The organization ensures alignment between the culture values of the organization and the personal values of employees	69	1	5	2.45	.971
In our organization there is a high level of staff engagement and a pursuit of excellence regarding the quality of products and services.	69	1	5	4.31	.786
As a result of the culture values, our organization is able to attract and retain talented individuals	69	1	5	2.29	.933
The culture values in our organization has enabled us build a strong brand image	69	1	5	2.42	.897

From the findings in Table 2, it was established that majority of the respondents agreed that their departments highlighted mutual team goals and focused on promoting effective intergenerational workforce (3.98) and that their organization had high level of staff engagement and a pursuit of excellence regarding the quality of products and services (4.31). The respondents were however disagreed when asked whether their organizations had entrenched values which helped in guiding employees in decision making (2.18), whether values that make up the culture of their organization reflected the underlying beliefs of the current management (2.37), whether the organization ensured alignment between the culture values of the organization and the personal values of employees(2.45), whether as a result of the culture values, their organization was able to attract and retain talented individuals (2.29) or whether the culture values in their organization had enabled them build a strong brand image (2.42). The study further analyzed the standard deviations and found that all responses had a standard deviation of <1.00 which indicated smaller dispersion which was interpreted to mean convergence of responses on all the propositions about the influence of culture value initiatives on operational performance.

Influence of Employee Engagement Initiatives on Operational Performance

In this section the researcher presents various aspects touching on employee engagement initiatives and operational performance and the findings are depicted in Table 3.

Table 3: Influence of Employee Engagement on Operational Performance

	n	Min	Max	Mean	Std. Dev.
The organization aligns job design to the requisite role and responsibilities for better operations performance	69	1	5	2.27	.898
Our organization recruits, selects, trains, compensates and manages all the employees effectively which enhances performance.	69	1	5	2.34	.944
The organization also ensures continuous training covering areas of increased job complexity which enhances performance.	69	1	5	4.13	.677
Our organization recognizes and rewards voluntary contributions and proactive work behaviors thereby motivating employees.	69	1	5	2.11	.874
The organization has various schemes that enhance job security, long-term engagement and commitment	69	1	5	2.33	.992
Our organization has necessary budgetary support from top management to invest in engagement and commitment initiatives.	69	1	5	2.16	.817
Our organization has a strong manager-employee relationship which is a crucial ingredient in the employee engagement and retention formula.	69	1	5	4.08	0.852

From the findings on Table 3, it was established that majority of the respondents agreed that the organization ensured continuous training covering areas of increased job complexity which enhances performance (4.13) and that their organization had a strong manager-employee relationship which is a crucial ingredient in the employee engagement and retention formula (4.08). The respondents however disagreed when asked whether the organization aligned job design to the requisite role and responsibilities for better operations performance (2.27), whether their organization recruited, selected, trained, compensated and managed all the employees effectively which enhanced performance (2.34), whether their organization recognized and rewarded voluntary contributions and proactive work behaviors thereby motivating employees. (2.11), whether the organization had various schemes that enhanced job security, long-term engagement and commitment (2.33) or whether their organization had necessary budgetary support from top management to invest in engagement and commitment initiatives (2.16).

Operational Performance

Table 4 shows the findings related to operational performance at EAPCC, Kenya.

Table 4: Operational Performance

	n	Min	Max	Mean	Std. Dev.
Our organization has standards that must be met to ensure factory time efficiency	69	1	5	4.35	.793
The organization has set stringent flow time schedules for all functional departments that must be met throughout the manufacturing process	69	1	5	3.99	.952
We have an effective customer delivery systems management that ensures delivery times are met	69	1	5	2.19	.877
We have maintenance schedules that are adhered to and improvement made when needed	69	1	5	3.87	.899
Our organization has a waste reduction policy that guides all manufacturing operations	69	1	5	4.11	.919
The organization ensures strict compliance to all regulatory requirements	69	1	5	3.77	.991
The organization has scheduled cycle times for our various products which ensures throughput efficiency	69	1	5	2.39	.912
Legislations and regulations plays some role in influencing operational performance of our organization	69	1	5	4.33	.827

From the findings in Table 4, majority of the respondents were in agreement that their organization had standards that must be met to ensure factory time efficiency (4.35), that the organization had set stringent flow time schedules for all functional departments that must be met throughout the manufacturing process (3.99), that they had maintenance schedules that were adhered to and improvement made when needed (3.87), that their organization had a waste reduction policy that guides all manufacturing operations (4.11), that the organization ensured strict compliance to all regulatory requirements (3.77) and that legislations and regulations played some role in influencing operational performance of their organization (4.33). The respondents however disagreed that they had an effective customer delivery systems management that ensures delivery times are met (2.19) and that the organization had scheduled cycle times for their various products which ensured throughput efficiency (2.39). The responses had a high variation (.991) when asked whether their organization ensured strict compliance to all regulatory requirements.

Regression Analysis

The study carried out a regression analysis to test the significance of the influence of business process, culture values and employee engagement initiatives. The model summary is depicted in Table 5.

Table 5: Regression Model Summary

Model	R	R^2	Adjusted R^2	Std Error of the Estimate
1	0.8277	0.6851	0.6672	0.2618

The R^2 value of 0.6851 implies that 68.5% of the variations in operational performance can be explained by the variations in independent variables. This therefore means that other factors not studied in this study contribute 31.5% of operational performance at East African Portland Cement Company, Kenya. The researcher further conducted a multiple regression analysis and the findings are depicted in Table 6. From the model, holding business process, culture values and employee engagement initiatives constant, operational performance would increase by 3.511. It was established that a unit increase in business process initiatives would cause an increase in operational performance by a factor of 0.438, a unit increase in culture values initiatives would cause an increase in operational performance by a factor of 0.197 and a unit increase in employee engagement initiatives would cause an increase in operational performance by a factor of 0.513.

Table 6: Multiple Regression Analysis

Model		Un standardized Coefficients		Standardized Coefficients		
1		B	SE	B	t	p
	Constant	3.511	1.393		1.497	0.081
	Business Process	0.438	0.117	0.391	2.543	0.019
	Culture Values	0.197	0.075	0.188	1.951	0.042
	Employee Engagement	0.513	0.138	0.453	2.911	0.011

From the findings on Table 6, it was established that both employee engagement initiatives and business process initiatives had the most influence on operational performance while culture values initiatives had the least influence on operational performance. The un-standardized beta coefficients in Table 6 were then used to obtain the overall relationship of the independent variables and the dependent variable and model was formulated as:

$Y = 3.511 + 0.438X_1 + 0.197X_2 + 0.513X_3$

Where Y = Operational Performance, X_1 = Business Process Initiatives, X_2 = Culture Values Initiatives,

X_3 = Employee Engagement Initiatives,

From the model it was established that all the independent variables positively related to operational performance and were statistically significant at the 5% significance level. Furthermore, since all the p-values had values less that 0.05, all the null hypotheses were rejected and the alternative hypotheses confirmed to be true. The findings are in agreement with those of Malonza (2014) who established a similar trend in their study on lean manufacturing and operational performance at Mumias Sugar Company Limited, Kenya.

CONCLUSIONS

The study concluded that though EAPCC had initiated various schemes to enhance business processes, the organization needs to put in place measures that would enhance value process input from employees which helps in improvement of business processes. It was concluded that for enhanced operational performance the organization needs to entrench values which help in guiding employees in decision making and ensure alignment between the culture values of the organization and the personal values of employees. Finally, it was concluded that for effective operational performance the organization needs to align job design to the requisite role and responsibilities for better operations performance, recruit, select, train, compensate and manage all the employees effectively which would enhance performance, recognize and reward voluntary contributions and proactive work behaviors which would motivate employees, have various schemes that enhanced long-term engagement and commitment and that the organization should have the necessary budgetary support to invest in engagement initiatives.

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