INFLUENCE OF STRATEGIC CONTROLS ON ORGANIZATIONAL CHANGE IN THE PETROLEUM INDUSTRIES IN KENYA

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ABSTRACT

Firms should devise means and measures on how to manage and control their resources. This would aid in achievement of competitive advantage and minimization of resources spillage. Hence, this article explored the influence of strategic controls on organization change in petroleum industries in Kenya. Descriptive research design was adopted. Descriptive statistics and inferential were applied for data analysis. Positive significant effect of strategic controls on organization change was reported.

Key words: Strategic controls, organization change.
Introduction
The strategic management process entails four core stages including environmental analysis, strategy formulation, implementation and the evaluation and control stage. It is critical to both business management and planning process to understand the environment in which small business operates (Rukunga, 2009). By the external environment focus business firms can adapt market change and these enterprises have been recognized as prospector adaptive businesses (Sultana et al., 2012). The external environment analysis helps in increasing efficiency and effectiveness of planning in smaller enterprises (Sultana et al., 2012). Zhang et al., (2006) mentioned that by generating relevant information and understanding important environment, strategic planning can contribute to performance.

Strategic control promotes responsible leadership for decisions make which is expected moderate risk level to an acceptable range. The corporate executives should be allowed exercise controls in their separate business section (Hoskisson & Johnson, 1992). The changing external environment condition has significantly impacted on all companies’ strategic direction and overall performance (French, Kelly & Harrison 2014). According Mansor et al, (2012) opined that businesses opportunities are hidden in the external environments of the businesses in which organization must adequately plans to cope with the changing environments especially such changes may be unpredictable and may occur suddenly. Further, research by Jang et al, (2011) argued that vibrant business environments demands constant shifts where opportunities is abundant and performance should be highest for those firms that have an orientation for pursuing new strategic opportunities for the long-term business growth and sustainability.

Theory and Empirical Literature
Tropicales and Guzman (2014) argued that strategic leadership theory developed by Boal and Hooijberg (2011) has strong principles that are relevant in the complex environment to which organizations must adapt or perish. The authors further indicated that successful leaders need to
have transformational, authentic characteristics of a leadership. The authors also revised and adopted Boal and Hooijberg's strategic leadership model as shown in figure 1.

![Boal and Hooijberg's Integrative Model of Strategic Leadership](image)

Source: Tropicales & Guzman (2014)

**Figure 1 Boal and Hooijberg’s Integrative Model of Strategic Leadership**

The Boal and Hooijberg’s integrative model of strategic leadership presumes that strategic leadership should have both visionary leadership and managerial leadership, and that strategic leadership synergistically combines the two. Visionary leaders have a leadership style based on oral communication with employees. Long term vision and strategic goals are the key pillars in determining the strategic direction of the organization. In addition, the purpose and vision of the strategic leader should align the actions of people across the whole organization (Pazireh, et al., 2014).

Boal and Hooijberg (2001) strategic leadership model indicated that cognitive complexity, behavioral complexity, social intelligence and absorptive capacity, capacity to change and managerial wisdoms are the driving force of strategic leadership. In addition, the authors incorporated vision, charisma and transformational leadership functions as moderating variables of the relationship absorptive capacity, capacity to change and managerial wisdoms and other variables such as cognitive complexity, social intelligence, behavioral complexity of the leader (Tropicales & Guzman, 2014).
This study borrows a number of strategic leadership elements from the Boal and Hooijberg strategic leadership model. For instance, the behavioral complexity of the leader relates to how top leaders adapt to changing structural processes of the external environment and within the organization (Kellett, Humphrey & Sleeth, 2006). Therefore, the model encourages managers to have the capacity to change. Besides, the use of vision, charisma, and transformational leadership styles by the strategic leader can be emulated by followers. Finally, the model recognizes the leader’s ability to establish clear expectations, provide feedback, and recognize and reward appropriate behavior within teams to foster organizational effectiveness (Harvey, Martinko & Gardner, 2006).

**Empirical Literature**

Hagen, Hassan and Amin (1998) defines strategic control as the understanding of the top management on the strategies that are being implement in different section of the business for the achievement of the major strategic goals. According Hagen et al., (1998), the actions taken by management of the organization may not be correct due to different factors that cannot be controlled internally such as rise in interest rates, inflation, adverse economic conditions or even natural disasters. Therefore, to enhance strategic control, leaders at varying levels should make decisions that will moderate risk level to an acceptable range. The top business executives should be allowed exercise controls in their separate business section (Hoskisson & Johnson, 1992).

Hitt and Keats (1992) agreed that one way to obtain competitive advantage is to effectively use the strategic controls which the top business executive will have integrated the various business section into one strong force. An explanation to this is that, strategic controls are found to allow sharing of both tangible and intangible resources in the corporate portfolio, flexibility and innovation which further enhanced opportunities uptake. Evidence from scholars Hitt, Ireland and Hoskisson (1992) revealed that CEO of an organization may fail to meet strategic plans as results of poor strategic controls. A practical case was witnessed when International Business Machine (IBM) CEO, who was a former a CEO in R.J. Reynolds Tobacco Company, failed to improve RJR performance due to purposefully distancing himself from tobacco business owing to its social stigma contrary to the mobilization that the CEO offered when serving in IBM that saw performance improve tremendously (Hitt et al., 2005).
Research Methodology

Research Design
Research design refers to logical framework on how research will be executed (Saunders, Lewis & Thornhill, 2014). In addition, Sekaran and Bougie (2013) perceived it as step by step guidelines on how research objectives can be achieved with minimal distraction. In this study descriptive research design will be adopted. According to Saunders et al., (2014) whenever the researcher seeks to describe when, what, how and why the situation as per the problem under exploration, then the biased research design is descriptive.

Target Population and Sample Size
Target population or universe refers to the complete listing of all the items or individuals with at least one common thing in any field of study (Kothari, 2011). The target population constituted 424 directors and 106 chief executive officers of oil companies in Kenya. Simple random sampling will be used to select respondents. Yamane (1967) sample size calculation formula will be used to calculate the sample.

\[
\frac{n}{N} = \frac{N}{1 + N \cdot d^2}
\]

Where:
- \(n\) = sample size,
- \(N\) = entire Population,
- \(d\) = Expected Error,

As such the sample for this study can be derived as follows:

\[
\frac{n}{(530)} = \frac{530}{1 + 530 \cdot 0.05^2} = 228
\]

Data Presentation and Analysis
Data collected using questionnaires were counter checked for completeness, coded and entered into Microsoft Access. It was cleaned and then exported to SPSS version 23. Quantitative data was analyzed using descriptive statistics and inferential statistics. Descriptive statistics comprised of mean, standard deviation, frequency and percentages. Simple regression analysis examined the influence of strategic forecasting and planning on organization change in oil industry in Kenya. The model was of the form:

\[Y = \alpha + \beta X + \mu\]

When \(Y =\) Organization change
Findings and Discussions

Descriptive Analysis of variable Strategic Controls

The study sought to establish the influence of strategic controls on organizational change in the petroleum industries in Kenya. Descriptive analysis using mean, standard deviation, frequency and percentage were used to analyze the data as shown in Table 1. Results of the study revealed that majority 49.5% reported that to a large extent there are clear consequences of not implementing strategic controls within petroleum industries in Kenya. Secondly, majority 50.9% reported that to a very large extent there exists a bold and aggressive posture in making decisions. Thirdly, majority 46.4% reported that to a very great extent there exists a strong emphasis on research and development within petroleum organizations in Kenya.

Further, majority 45.5% either reported that there was large extent or very large extent of formal monitoring and evaluation process being used to identify and resolve strategic issues affecting petroleum industry. Moreover, 54.5% reported that to a very large extent their organization’s strategic decisions are always detailed in formal written reports. Majority 45.9% purported that to very large extent leaders in their organization principally rely on experienced based institutions when making major operating and strategic decisions. On overall, strategic controls have large extent on organization change in petroleum industries (mean = 4.3, standard deviation = 0.9).

To a very large extent, respondents support that leaders in the respective organization follow strictly the experience-based intuition while making major operating and strategic decisions. A similar argument is documented by Peljhan and Tekavcic (2008) who observed that regular use of management controls leads to improved results since the control ensures the steps taken to achievement are enhanced. Equally, the two scholars provide a comprehensive analysis of the need to balance short-term, medium-term and long-term goals through the use of strategic controls in process of adapt to the organizational changes.

As stipulated in the Upper Echelons theory, managers at the top are of significant impact on welcoming or refuting the changes for the organization. According to this theory control begins with the low-level manager and then goes up the ladder to highest manager in the office who hold
the final word as to whether any changes ought to be undertaken, ignored or to be kept under watch Hambrick et al, (2005).

Whenever a firm is developing new products and services there are usually many changes witnessed. An engagement between the employees and management is deemed necessary especially if the development is to be successful. Therefore, leader in the firm ought to exercise control in line with what will help the firm realize the goal. On the same note, many significant changes are also expected in the streamlining process. A well set out procedure is necessary for the achievement of this goal and for evaluation process. A study on strategic controls in Bamburi Cement Limited by Ndegwa (2013) found that success of strategic controls is pegged on timely, consistent, accurate and accessible information combined with a supportive organization structure and internal processes. Therefore, these duties should be assigned to department that would monitor, evaluate and give reports on the steps being made by the organization.

Table 1 Descriptive Analysis of variable Strategic Controls

<table>
<thead>
<tr>
<th>Statement</th>
<th>Not at all</th>
<th>Small extent</th>
<th>Moderate extent</th>
<th>Large extent</th>
<th>Very large extent</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are there clear consequences for not implementing strategic controls?</td>
<td>0</td>
<td>4.5</td>
<td>6.4</td>
<td>49.5</td>
<td>39.5</td>
<td>4.2</td>
<td>0.8</td>
</tr>
<tr>
<td>There exists a bold and aggressive posture in making decisions.</td>
<td>4.1</td>
<td>5</td>
<td>10</td>
<td>30</td>
<td>50.9</td>
<td>4.2</td>
<td>1.1</td>
</tr>
<tr>
<td>There exists a strong emphasis on research and development.</td>
<td>1.8</td>
<td>4.5</td>
<td>11.4</td>
<td>35.9</td>
<td>46.4</td>
<td>4.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Formal monitoring processes are being used to identify and resolve strategic issues affecting the organization.</td>
<td>2.7</td>
<td>3.6</td>
<td>2.7</td>
<td>45.5</td>
<td>45.5</td>
<td>4.3</td>
<td>0.9</td>
</tr>
<tr>
<td>The strategic decisions are always detailed in formal written reports.</td>
<td>2.7</td>
<td>4.5</td>
<td>4.5</td>
<td>33.6</td>
<td>54.5</td>
<td>4.3</td>
<td>1</td>
</tr>
<tr>
<td>Leaders in my organization principally rely on experienced-based intuition when making major operating and strategic decisions.</td>
<td>0</td>
<td>2.7</td>
<td>9.1</td>
<td>42.3</td>
<td>45.9</td>
<td>4.3</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Overall Average</strong></td>
<td><strong>4.3</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>4.3</strong></td>
<td><strong>0.9</strong></td>
</tr>
</tbody>
</table>
Factor Analysis on Strategic Controls

As shown in Table 2, all the attributes of strategic controls were retained for subsequent analysis since all of them had factor loadings greater than 0.5. The least loading was excellent since it was 0.7 and it depicted petroleum industries ability to understand consequences of not implementing strategic controls. All the other attributes had excellent factor loadings with modal loading as 0.8 and the highest as 0.9. This implied that petroleum industry was characterized by bold and aggressive posture for decision making, existence of research and development department thus making of decision which are based on data, written down guideline on how to make strategic decisions, adoption of expatriate decision making approach within an organization and adoption of monitoring and evaluation procedures to identify and solve strategic issues facing an organization.

Table 2 Strategic Controls Component Matrix

<table>
<thead>
<tr>
<th>Item</th>
<th>Extraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are there clear consequences for not implementing strategic controls?</td>
<td>0.7</td>
</tr>
<tr>
<td>There exists a bold and aggressive posture in making decisions.</td>
<td>0.7</td>
</tr>
<tr>
<td>There exists a strong emphasis on research and development.</td>
<td>0.8</td>
</tr>
<tr>
<td>Formal monitoring processes are being used to identify and resolve strategic issues affecting the organization.</td>
<td>0.9</td>
</tr>
<tr>
<td>The strategic decisions are always detailed in formal written reports.</td>
<td>0.8</td>
</tr>
<tr>
<td>Leaders in my organization principally rely on experienced-based intuition when making major operating and strategic decisions.</td>
<td>0.8</td>
</tr>
</tbody>
</table>

**Strategic Controls have significant influence on organizational change in the petroleum industries in Kenya.**

As shown in Table 4.35, 77% of the variation in organization change in petroleum industries was influenced by strategic controls.

Table 3 Model Summary on the Influence of Strategic Controls on Organization Change

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.878a</td>
<td>0.77</td>
<td>0.771</td>
<td>0.48</td>
<td>1.74</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Strategic Controls
b. Dependent Variable: Organization Change

Analysis of variance results in table 4 revealed that strategic controls had significant influence on organization change $F (1, 218) = 732.57$ and $p$ value $<0.05$. This implies that there is a linear relationship between strategic controls and organization change in petroleum industries in Kenya.

Table 4 Analysis of Variance on the Influence of Strategic Controls on Organization Change
Regression coefficient in Table 5 shows that strategic controls has positive influence on organizational change ($\beta=0.878$, p value <0.05). This implies that a unit change in strategic controls increases organization change in petroleum industries in Kenya by 0.878 units. Notably, presence of bold and aggressive posture in response to various decisions was found to stand out in organizations which wished to make changes while also ensuring strict measures are followed. This finding is supported by Hoskisson (1995) that established that failure to enhance the strategic controls usually followed by failed strategic plans or vision of the company. Controls enables oneness of the organization since forces by different department on different level required to move together to achieve organization goals. Strategic control helps in questioning the weak department or section that are diverting from the original plan or the expected change in given direction. This is seen a strong emphasis on what ought to be known on the development.

Table 5 Model Summary on the Influence of Strategic Controls on Organizational Change

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-8.79E-17</td>
<td>0.032</td>
</tr>
<tr>
<td>Strategic Controls</td>
<td>0.878</td>
<td>0.032</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organization Change

Conclusion and Recommendations

The findings in addition, revealed strategic controls influences organization change in petroleum industries in Kenya. The result further revealed that strategic controls had positive and significant influence on organizational change. This finding is in line with Peljhan and Tekavec (2008) who observed that regular use of management controls leads to improved results since the control ensures the steps taken to achievement are enhanced. This finding concludes that success of
strategic controls is pegged on timely, consistent, accurate and accessible information combined with a supportive organization structure and internal processes.

References


