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STRATEGIC CHOICE AND PERFORMANCE OF UNIVERSITIES IN KENYA: DOES ORGANIZATIONAL LEARNING AND TOP MANAGEMENT TEAM CHARACTERISTICS REALLY MATTER?

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ABSTRACT

Organizational performance is critical for both empirical and conceptual research in strategy. Strategic choice and organizational learning are crucial links between organizations and the environment. Strategic management scholars argue that strategic choices made by the top management team members with different characteristics determine organizational performance with variations. This *paper sought to assess the extent to which organizational learning and top management team characteristics influence the relationship between strategic choice and performance of accredited universities in Kenya. The objective of this empirical research was to establish the influence of strategic choice, organizational learning and top management team characteristics on performance of accredited universities in Kenya. The study was premised on the view that strategic choice influences performance through mediation and moderation effects. The study was anchored in the industrial organizations economics theory as the main theory. The research adopted a positivistic orientation and used a cross sectional survey with a sample of 52 accredited universities in Kenya. Both primary and secondary data was collected. Primary data was collected using structured and unstructured questionnaires. An analysis was done using correlation and regression analysis to test the hypothesis. The findings of the joint influence of strategic choice, organizational learning, top management team characteristics and performance confirmed significant results on non-financial performance. The study extends the knowledge frontiers in strategic management through the finding that strategic choice influences organizational performance through moderation of top management team characteristics and mediation of organizational learning. The findings provide a diversity of implications on theory, policy and practice.*

Key Words: Strategic Choice, Organizational Learning, Top Management Team Characteristics, Organizational Performance

1.0 Introduction

Organizations are in a constant search for ways of distinguishing themselves from competitors in order to secure sustained competitive advantage through improved performance. These organizations have to make strategic choices by developing the capacity of individuals to learn at all levels and ultimately transform into learning organizations. Strategists who belong to a strategic group are determinants of the success of their organizations by ensuring that available resources are utilized towards the achievement of the specific strategies (Senge, 1990, Hambrick & Mason, 1990; Hambrick, 2007). Duton and Duncan (1987) posit that in order for organizations to achieve superior performance and have a competitive advantage over their competitors, strategic choices on the mix of business portfolio have to be made by the top management teams who interpret the environmental strategic issues through organizational learning.

Some scholars argue that strategic choices are mainly influenced by the type of leaders, goal agreement, the level of cohesion and the collective vision of top management teams. Hambrick (2007) on the other hand, contends that the top management teams with different backgrounds and characteristics determine the strategic choices an organization adopts and these could affect the performance of organizations. However, there is disagreement on whether demographic and different functional backgrounds of top management teams have a positive or negative influence on performance (Priem, Lyon & Dess, 1999; Awino, 2013).

Strategic choice serves as a major connection between the organization and the environment in which it operates and involves decisions on the mix and emphases of business portfolio (Dutton & Duncan, 1987). According to Hambrick and Mason (1984); Hambrick (2007) Top Management Teams with diversified characteristics decide on strategic choices which determine organizational performance yet there is no agreement on the extent to which this diversity in Top Management Team characteristics affects performance. Organizational performance is at the heart of both empirical and conceptual research in strategy. Performance differences in organizations are often the subject of academic research and government analysis and are as a result of wide-ranging factors (Verreynne & Meyer, 2008).

Performance facilitates feedback about learning processes and the strategic choice of the organization. Organizational learning helps organizations to build an understanding and interpretation of their environment which enables them to effectively assess viable strategic options such as creation of new products and new business processes and adapt to variations in the environment (Daft & Weick, 1984, Bustinza et al., 2010). Although there is a strong positive relationship between organizational learning and performance (Bustinza et al., 2010) studies have variations in their findings.

The paper focused on accredited universities in Kenya and one of the major objectives of these institutions is to contribute to the success of the Kenya Vision 2030 and be able to survive and compete in the regional and global markets. The demand for higher education in Kenya has increased tremendously despite the challenges of underfunding, lack of adequate teaching facilities and the fluctuating economic environment. These institutions promote national economic growth by providing employment opportunities which improve the living standards. They provide a leading edge in research activities that lead to innovation (The Kenya Vision 2030).

Accredited universities have increased since Kenya attained independence to 70 including constituent colleges. These accredited universities continue to struggle for survival in order to maintain sustainable growth and competitiveness which has led to rivalry in the higher education sector. Every accredited university is therefore focusing on having a competitive edge and be a market leader. Some scholars argue that if accredited universities have to sustain relevance and competitiveness in the economy, they need to embrace strategic choices which focus to the changing technological advancements (Eshiwani, 1999; Munyoki, Kibera & Ogutu, 2011; Orucho, 2014). It is therefore important that a review of strategic choices is made through continuous organizational learning spearheaded by the Top Management Teams with diversified demographic and functional characteristics to set the direction of the institutions towards improved performance, thus, the impetus for undertaking this study.

Accredited universities in Kenya are also essential institutions in the economy in the area of research and innovation. Public Universities in Kenya had a near monopoly in providing higher education until regulations were put in place to establish private institutions of higher learning which paved way for entry of cross-border education offered mainly through private investors (Varghese, 2009). Inequalities in Kenya have been bolstered by intensive privatization of higher education in public universities through parallel degree programmes. These changes have brought about stiff competition among the universities which are rapidly growing. In order to remain competitive, accredited universities in Kenya have to adapt to environmental and technological changes to sustain improved performance and these changes provided the need for this empirical study.

2.0 Literature Review

Strategic choice when considered as a process, points to the possibility of a continuing adaptive learning cycle, but within a theoretical framework that locates organizational learning within the context of organizations as socio-political systems (Child, 1997). Strategic choices include the underlying bases of strategy at both the corporate and business levels and the directions and methods of development (Johnson et al., 2008).

Strategic choice proponents contend that structural determinism is inadequate because it ignores the influence that leaders of organizations may have on the design and structure of organizations (Jewer & Mckay, 2012). The empirical literature on top management team demography, strategic choices and organizational performance has been based to a great extent on the upper echelons theorists (Hambrick & Mason 1984; Hambrick, 2007; Hambrick et al, 2015). The authors posit that the top managers' eventual perception of the situation combines with his/her values to provide the basis for strategic choice and this in turn reflects the idiosyncrasies of the decision-makers.

Sustainable collaborations between strategic groups, and industry can be mainstreamed in the science and technology innovations system. The role of knowledge and innovation is a core resource base for attainment of Millennium Development Goals (Association for the Development of Education in Africa, 2006). Several studies have linked strategic choice, organizational learning and top management team characteristics separately on performance of organizations including the higher education sector (Bustinza, Molina & Aranda, 2010; Orucho, 2014). This paper sought to integrate strategic choice, organizational learning and top management team characteristics on organizational performance.

Organizational performance is crucial to the survival of any organization and over time, provides the test of leadership and strategy (Irungu, 2007). Performance has been measured from different perspectives such as marketing, operations, finance, human resource management for different purposes (Kinuu, 2014). Strategic management researchers in their quest for establishing strategic conduct of businesses continue to measure business performance using a wide range of operationalizing schemes. One of the greatest debates in strategic management research has been what brings variations in performance of organizations (Mkalama, 2014).

Different performance indicators are used to measure organizational performance and as Hubbard (2009) argues, the measures keep changing and they are aligned to the strategic choices developed by organizations. Measuring organizational performance is difficult especially when what has to be measured keeps changing. Different academic rankings use different performance measurements (UNESCO, 2014). It is in the light of these multidimensional measures that the balanced score card was adapted. Some studies (Neely & Bourne, 2000) defined performance measurement in terms of quantifying efficiency and effectiveness in the utilization of resources in order to achieve organizational goals. Organizational performance has diversified meanings depending on the discipline and the context being discussed.

Large organizations tend to focus their organizational performance measurement on objective quantitative measures and subjective qualitative measures. Qualitative measures are deemed to be subjective and focus on the process or means of achieving the end results while objective measures focus on the end results (Cohen, 1990). All organizations own resources and the strategic choices and performance levels depend on the rareness and inimitability of these resources (Wernerfelt, 1984; Peteraf, 1993). Wernerfelt (1984) argues that organizations which possess resources and capabilities which are rare and inimitable have a competitive advantage which has a positive influence on organizational performance.

Chakravarthy (1986) in his study, used financial measures only and found that profitability did not distinguish the differences in strategic performance of organizations, thus the need for both financial and non-financial measures as pointed out by Kaplan and Norton (2008). Irungu (2007) in his study on companies listed on the Nairobi stock exchange used financial organizational performance indicators only. The use of one performance measure has been under criticism since its lacks objectivity. Kaplan and Norton (2008) point out that the balanced score card is a strategic management planning tool for measuring organizational performance as it provides an alignment of business activities and the vision and strategy of the organization. To achieve this other non-financial performance measures are used in pursuit of creating future value of the organization by focusing and investing in customers, suppliers, employees, business processes, learning and growth.

3.0 Method

A descriptive cross-sectional survey was used to establish the relationship between the study variables and performance of the accredited universities in Kenya. The cross-sectional approach provides credence of results with conclusions on data at a given point in time. The unit of analysis was accredited universities in Kenya (Commission for University Education, 2015) which included 70 public and private universities with their constituent colleges and institutions with letters of interim authority. The population of the study was, however, 52 accredited universities in Kenya listed by Commission for University Education which are autonomous and have been in operation for the last five years – an adequate period for strategic plans. At the time of the study, out of the 52 accredited universities, 30 were public universities while 22 were private universities. This formed 74 percent of the population which was more than adequate since 10 percent and above is required for a homogeneous population.

The study collected both primary and secondary data using structured and unstructured questions. The study targeted only one respondent from each accredited university in Kenya for purposes of objectivity and consistency. This method has been used successfully in other studies (Machuki & Aosa, 2011; Orucho, 2014). Primary data was therefore collected by administering questionnaires to the Deputy

Vice-Chancellor (Administration and Finance) or their equivalent (Deputy Vice-Chancellor, Research, Registrar, Administration assisted by the Finance officer/Director) in each accredited university. This is because these are the top management staff in the institutions that are endowed with the responsibility of running the institutions by setting and implementing strategies and are also in a position to provide useful information for this study.

Secondary data was obtained from existing sources at the accredited universities websites, financial reports and accounts for the period of this study (2009/2010, 2010/2011, 2011/2012. 2012/2013 and 2013/2014, financial statements, annual reports, World universities webometrics rankings, university calendars, strategic plans (2008-2013) and other existing records from Commission of University Education that were relevant to performance of accredited universities in Kenya. Performance contracting records between 2009 and 2014 from Ministry of Planning and Devolutions were also using records to this study since they are relevant and important as they provide an understanding of the operations and performance of the accredited universities in Kenya.

4.0 Results

This paper sought to establish the joint effect of organizational learning and top management team characteristics on the relationship between strategic choice and performance of accredited universities in Kenya. There are very few studies which have investigated the influence of strategic choice, organizational learning and top management team characteristics on performance of accredited universities in Kenya. Therefore the following hypothesis was tested.

Ho1: The joint effect of top management team characteristics and Organizational learning is not significantly greater than the individual effect of the same on the relationship between strategic choice and performance of accredited universities in Kenya.

An analysis was done to establish the joint effect of organizational learning and top management team characteristics on the relationship between strategic choice and performance of accredited universities in Kenya. Strategic choice was conceptualized as the independent variable, organizational learning as the mediating and top management team characteristics as the moderating while performance was the dependent variable. Data was analyzed using hierarchical regression analysis and the results are shown in Table 1.

Table 1: Joint Effect of Organizational Learning and Top Management Team Characteristics on the Relationship between Strategic Choice and Non-Financial Performance

Model Summary[d]										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.774[a]	.599	.589	1.89446	.599	59.686	1	40	.000	
2	.774[b]	.599	.578	1.91848	.000	.004	1	39	.948	
3	.842[c]	.708	.685	1.65731	.109	14.261	1	38	.001	1.705

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	214.212	1	214.212	59.686	.000[b]
	Residual	143.559	40	3.589		
	Total	357.770	41			
2	Regression	214.228	2	107.114	29.102	.000[c]
	Residual	143.543	39	3.681		
	Total	357.770	41			
3	Regression	253.397	3	84.466	30.752	.000[d]
	Residual	104.373	38	2.747		
	Total	357.770	41			

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.954	1.580		5.034	.000
	Strategic Choice	.589	.076	.774	7.726	.000
2	(Constant)	7.960	1.603		4.966	.000
	Strategic Choice	.595	.121	.782	4.910	.000
	Top management team characteristics	-.007	.100	-.011	-.066	.948
3	(Constant)	5.604	1.519		3.690	.001
	Strategic Choice	.241	.141	.317	1.715	.094
	Top management team characteristics	.023	.087	.037	.270	.788
	Organizational learning	.471	.125	.542	3.776	.001

a. Predictors: (Constant), Strategic Choice

b. Predictors: (Constant), Strategic Choice, Top management team characteristics

c. Predictors: (Constant), Strategic Choice, Top management team characteristics, Organizational learning

d. Dependent Variable: Non-financial performance

Source: Author, 2017

The results in Table 1 showed that Model 1 explained 59.9 percent of the variations in non-financial performance. This implied that Strategic choice alone when organizational learning and top management team characteristics are excluded explained 59.9 percent of the variations in performance. When top management team characteristics was introduced in Model 2, the variation in non-financial performance changed to 57.8 percent (adjusted R^2 of .291). The model showed that on introduction of top management team characteristics, the change in non-financial performance resulting from the contribution of top management team characteristics was minimal (Beta on standard coefficient of -.011). The model implied that top management team characteristics made a slight improvement in explaining variation in performance.

The adjusted R^2 when organizational learning was introduced was 68.5 percent for model 3. R^2 change was 14.261. Beta coefficient for organizational learning is high at .0.471, the p-value is < 0.05. The study therefore established that the predictor variables had varied effect on organizational performance. Strategic choice had the greatest effect on non-financial performance followed by organizational learning. However, top management team characteristics yielded statistically significant results. The null hypothesis H_{o4} was rejected since the joint effect of organizational learning and top management team characteristics is significantly greater than the individual effect of the same variables on the relationship between strategic choice and the performance of accredited universities in Kenya.

5.0 Conclusion

This paper set out to establish the joint effect of organizational learning and top management team characteristics on the relationship between strategic choice and performance of accredited universities in Kenya. The result of the findings was that the joint influence was greater than the individual influence of the three variables on the performance of accredited universities in Kenya. This is consistent with previous studies that a mix of strategic choices, made by top management team characteristics with different demographic characteristics and continuous organizational learning positively affect performance.

Model one explained 59.9 percent variation in non-financial Performance of Accredited Universities in Kenya implying that Strategic choice alone when organizational learning and top management team characteristics were excluded, explained 59.9 percent of the variation in performance. When top management team characteristics was introduced in Model 2, the variation in non-financial Performance of Accredited Universities in Kenya changed to 57.8 percent with an adjusted R^2 of .291 with a beta on standard coefficient of -.011. The model implies that top management team characteristics makes a slight improvement in explaining variation in non-financial Performance of Accredited Universities in Kenya.

However, R^2 when organizational learning was introduced was 68.5 percent for Model 3. R^2 was 14.261. Beta coefficient for organizational learning was high at .542, the p-value <0.05. The study therefore, established that the predictor variables had varied effect on non-financial Performance of Accredited Universities in Kenya. The Strategic Choice had the greatest effect on non-financial Performance of Accredited Universities in Kenya followed by Organizational Learning. However, top management team characteristics yielded statistically significant results. The null hypothesis 3 was therefore rejected since the joint effect of organizational learning and top management team characteristics is significantly greater than the individual effect of the same variables on the relationship between Strategic Choice and Performance of Accredited Universities in Kenya.

The joint influence of strategic choice, organizational learning, top management team characteristics on performance was statistically significant. A close scrutiny of change statistics revealed that top management team characteristics a minimal contribution to performance of accredited universities in Kenya. This means that top management team characteristic's make a slight improvement in explaining variation in performance of accredited universities in Kenya. It was therefore concluded that strategic choice, organizational learning and top management team characteristics have a synergistic effect that translates to improved performance of accredited universities in Kenya.

6.0 Recommendation

The accredited universities in Kenya should implement strategic choices which embrace organizational learning at all levels. They should take into cognizance top management teams with diversified demographic backgrounds since they are considered the powerful actors in the organizations' performance. The higher education sector has been undergoing restructuring in order to match the ever changing technological advancements and emerging private and public universities to meet the increased customer needs. This paper focused on relevant variables which when combined in the right perspectives by the institutions would shed light on the earlier theoretical propositions which had remained unresolved.

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