INFLUENCE OF RESOURCE ALLOCATION ON ORGANIZATIONAL PERFORMANCE OF CEMENT MANUFACTURING FIRMS IN KENYA

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ABSTRACT

Implementation of a strategy in an organization involves a critical look at the firm's human and non-human resources to achieve its objectives. A firm's organizational performance is measured by a prescribed yardstick which is based on evaluating both the financial and non-financial metrics. Kenyan cement manufacturing has experienced a decline in performance in the last few years; the main reason for this trend is the adoption of alternative construction materials that has replaced the use of cement as well as the adoption of strategies in management that focus on fundamental standards of strategic management. Specifically, the study evaluated the effect of resource allocation on the organizational performance of Kenyan cement manufacturing firms. The target population was 209 staff in five leading cement manufacturing companies in Kenya. The sampling method was stratified random sampling to obtain a sample of 137 respondents. The researcher used questionnaires to collect data. Data was analyzed through both descriptive and correlation analysis. The study concluded that resource allocation positively and significantly influences the organizational performance of cement manufacturing companies in Kenya. The study recommended that different departments of cement manufacturing companies have adequate human resources to avoid workforce shortfall by utilizing the best recruitment and selection policies. The study also recommended that the management of the companies should ensure that there are adequate financial resources that will enhance the achievement of the preset objectives and that there is proper planning for these resources to enhance organizational performance.

Key words: Strategy Implementation, Resource Allocation, Organization Performance, Human Resources

INTRODUCTION

Through strategic management, organizations can align their operations to push their performance above their industry peers. The success of a strategy depends upon the efficacy of implementation and therefore a top priority of strategy implementation is building a capable organization. It involves developing a responsive internal organization structure, building and nurturing skills and competencies, and selecting people for key positions (Aladwani, 2003). Globalization of the world means that organizations can sell to a wide market even from a local setting. Organizations need to rethink their strategies to drive performance to a future desired position (Muendo & Ogutu, 2020).

However, the implementation of strategic plans is one of the most challenging activities for managers in the organization. Most well-formulated strategic plans end up failing during the implementation phase. Implementation of strategic plans requires resources, clear communication, strategic leadership, and a supportive structure and culture of the firm. The organizational structure determines how tasks and responsibilities are allocated among staff in the organization. Clear communication including feedback between staff in the organization helps in clarification of issues while facilitating coordination during the implementation of strategies (Kehinde & Osibanjo, 2011).

To enhance performance organizational leadership allocates special tasks to developing unique skills that enhance efficiency, better quality, and enhancing customer satisfaction. Strategy implementation entails making management decisions in how resources are allocated as well as management of the human resources that are in the organization. For an organization to achieve a competitive advantage it has to sustain profits for a long period in a particular industry. It also has to create value for its customers. A business that intends to pursue a cost leadership strategy would have to ensure that it sells products to its customers at the lowest costs. One of the ways of doing this is by the institutions acquiring raw materials on large scale to achieve economies of scale. Besides, the institution can also procure materials at a discount or buy from sellers of cheap materials as well as utilize technology that reduces the cost of production (Seyitoglu & Yuzbasioglu, 2015).

Waiganjo, Mukulu, and Kahiri (2012) analyzed the relationship that exists between strategic human resource management and the firm performance of Kenya’s corporate organizations in Kenya. The study revealed that strategic management practices that identify a strategic human resource management department enable the employees of an organization to change their behaviors and attitudes to enable the organization to implement a competitive strategy by uplifting the skills and capabilities of its human resources. Besides, Waiganjo et al. (2012) revealed that the business environment has witnessed stiff competition that requires organizations to develop new products through innovation.

According to Salum (2018), most strategies consideration are never implemented no matter how good they looked in writing. Strategy implementation requires all stakeholders affected by the much-needed change to work together through strategy communication, showing strategic leadership through top management acting as role models and facilitating through the allocation of resources. Managers and strategy implementors also have to allocate resources for the implementation of the strategies according to the strategic plans.

The debate on the influence of strategy implementation is still ongoing and there is no conclusive research on the influence it has on competitive advantage in all sectors of economies to make general remarks. Therefore, the current study was conducted to answer the question: What is the influence of resource allocation as a driver of strategy implementation on the organizational performance of cement manufacturing firms in Kenya?

LITERATURE AND HYPOTHESIS

Muniu (2014) sought to determine the relationship that exists between firm core competence and the performance of SMEs that are located in Nairobi County. The study adopted a descriptive research design where questionnaires were used to collect data from a sample size of 2061 SMEs obtained through a random sampling technique. Descriptive statistics such as percentages, frequency, and measures of central tendency were used to analyze the collected data. The findings of this study indicated that resources are the root of the success of any organization. As such, the allocation of these resources should be done effectively. The study indicated that there exists a significant positive relationship between internal resources and the performance of SMEs in Nairobi County. It further indicated that capabilities also had a positive influence on the performance of SMEs. The study, therefore, recommends that organizations should ensure that they adopt strategies that help them gain and sustain a competitive advantage.

Ngoru (2015) conducted a study on the factors that determine the implementation of competitive strategies in Small and Medium Enterprises. The study based its research on Gem Arch Plans. A Census research design with a sample size of 48 employees was used in this study. Questionnaires were used in the collection of data and this data was then analyzed by the use of SPSS statistical software. The results of this study indicated that the allocation of resources affects strategy implementation. The study further indicated firm capabilities and resources are among the main factors that increase the competitive advantage of a firm. Sufficient resources such as time and people are crucial in the process of strategy implementation while a lack of these resources promotes failure of the process of strategy implementation. Competencies also influence the implementation of competitive strategies.

Njihia (2017) carried out a study on the effect of innovation and technology use as a strategic tool that can be used by small and medium enterprises that are operating in turbulent environments. The study used a descriptive survey where random, judgmental, and convenience sampling was used to obtain a sample size of 140 respondents. Questionnaires were used to obtain significant data from participants in the study. The findings of this study after qualitative and quantitative data analysis indicated that due to the turbulent environment that some of these SMEs thrive in, they face stiff competition due to technological and social factors as well as a competition based on their market position. The study, therefore, indicated that technological resources are among the factors that promote a competitive advantage in a firm. As such innovation is required to ensure that these technological resources are sufficient in an organization and these resources will also help in gaining a competitive advantage for these organizations.

Schmidt (2013) asserts that an organization’s budget should reinforce its strategic plan. In times of declining resources, it is even more critical that budget development and strategic planning be tightly connected to ensure funding shortfalls do not hinder the implementation of strategy Organizations are made up of humans and it is the people who make the real difference to the success of the organization in the increasingly knowledge-based society.

Farhatali (2017) sought to determine the influence of strategic financial management on the performance of small and medium enterprises in Kenya. The study focused on identifying the different ways of financial management and the challenges experienced in the implementation of these strategies for SMEs located in the Nairobi Central Business District. The study used a descriptive approach to achieve these objectives. The study further used a sample size of 85 SMEs from a target population of 534 SMEs where the sample size was obtained through the Yamane formula. Questionnaires were then used in the collection of data and the analysis was then carried out through quantitative methods as well as SPSS statistical software. The results of this study indicated that for an SME to gain a competitive advantage, then its resources including its finances must be managed effectively. This implies that expenses should be reduced while at the same time looking for creative ways in which the revenue of these SMEs will be increased. As such, strategic management of resources was indicated as a factor that promotes a competitive advantage for these SMEs.

Murithi (2009) studied the effect of resource allocation on successful strategy implementation. The study revealed that resources are needed for the successful implementation of strategic plans and strategies. It is very difficult to implement a strategy when resources are not available. Resources include human resources, training, remuneration, finances, etc. Resources have to be available for strategy implementation. The study revealed that resource limitations comprising budget technology, tools, and Human Resource (HR) inadequacy were the biggest impediments to strategic plan implementation (Kazmi *et al.*, 2008).

Ganley (2010) states that resources make organizations run, and allocating these resources to an organization should be done carefully. Allocating these resources can be tough, but an organization can acquire the resources they need appropriately through careful practice. Some examples of organizational resources are technology, people, and finances. All of these organizational resources are crucial to the success and growth of an institution. The study concluded that for successful strategy implementation, the management needs to marshal resources behind the process of strategy execution. Too few resources will slow the process while too much funding will waste organizational resources and reduce financial performance. Capital allocation therefore must be well distributed and thought of to promote strategy implementation. Financial resources can be a constraint on the implementation of strategic plans. Management often finds it necessary to prioritize its strategies to make a judgment about which ones are most critical to implement given the finite or even scarce financial resources available.

Hypothesis (HO): *Resource allocation does not influence the organizational performance of cement manufacturing firms in Kenya.*

DATA AND METHODS

A descriptive design was adopted for this study which is used in describing the research variables through a set of procedures and methods. The target population was senior managers in the five major cement manufacturing companies operating in Kenya, which were; East African Portland Cement Company, Athi River Mining (ARM) Ltd, Savannah Cement, Rhino Cement, and Bamburi Cement Limited. According to the Kenya Association of Manufacturers (KAM) (2020), there are 209 senior managers in cement manufacturing companies in Kenya shown in table 1.

Table 1: Target Population

Name of Firm	Number of employees
East African Portland Cement Company	57
Bamburi Cement Limited	52
Athi River Mining (ARM) Ltd	36
Savannah Cement	38
Rhino Cement	26
Total	**209**

The sample for the study was determined through the Slovins formula. Sample size, n = $\frac{N}{1+Ne^2}$: where; n= sample size; N = each category's total number of respondents; e= level of significance (5%). This means that the confidence level is at 95%. Sample size is therefore obtained as follows: $\frac{209}{1+209(0.05^2)}$ = 137. A sample of 137 respondents was, therefore, drawn from the population as shown in table 2, where it was proportionately allocated across the strata.

Table 2: Sample Size

Manufacturing firm	Frequency	Percentage
East African Portland Cement Company	35	26
Bamburi Cement Limited	32	24
Athi River Mining (ARM) Ltd	29	21
Savannah Cement	25	18
Rhino Cement	16	11
Total	**137**	**100**

The researcher used close-ended and well-structured questionnaires to collect the first information. The drop and pick method was used in administering questionnaires with the help of two research assistants which was done within two weeks. Data was analyzed through both descriptive and inferential analysis. Means, standard deviations, frequencies, and percentages all were employed in descriptive analysis. To determine if there was a link between resource allocation and organization performance at the significance level of 0.05 through correlation analysis.

RESEARCH FINDINGS

Response Rate

Out of the distributed 137 questionnaires, 111 respondents successfully participated which was an 81% response rate, according to Kartono and Rusilowati (2019) recommendation where rates above 50% is argued academically and statistically enough to meet the study's universal standards.

Descriptive Statistics on Resource Allocation

Table 3 shows that the respondents agree that resource allocation practices were carried out as shown through an overall composite mean of 3.80. Mwanthi (2018), agreed with the findings of the study when he argued that the implementation of strategies in an organization can be improved through better resource allocation by the top management support and the use of modern project resource planning software.

Table 3: Descriptive Statistics on Resource Allocation

Statement	Mean	Std. Dev
there are material and human resources that an organization has at its disposal for implementing the strategy	3.60	0.264
the commitment of the management towards the plan of action is well shown by the allocation of resources to the process	4.02	0.385
the budget process should incorporate the implementing teams and consider their input while the budget should be developed in a way that is flexible to accommodate the evolving changes	3.31	0.247
smooth operationalization of the Strategy is promoted by putting in place adequate administrative procedures	4.30	0.285
Composite Mean	**3.80**	

Descriptive Statistics on Organizational Performance

Table 4 revealed that the general performance of the organization had improved as shown through a composite mean of 4.16. Aguinis (2019) was of a similar opinion when he revealed that the firm's organizational performance is measured using three indicators namely: the return of shareholders, the performance of firms financially, and the performance of the product in the market or market share.

Table 4: Organizational Performance

Statement	Mean	Std. Devi
Financial status has improved in terms of reduced cost of production and maintenance cost, Improved revenue collection	4.03	0.185
There is improved customer relations and service	4.21	0.217
There is a better track of learning and growth in the organization	4.25	0.426
Composite Mean	**4.16**	

Source: Research Data (2021)

Correlation Analysis On Resource Allocation and Organizational Performance

Table 5 shows the results of the hypothesis on the relationship between resource allocation and the organizational performance of cement manufacturing companies in Kenya. It was revealed that resource allocation had a significant and positive influence on the organizational performance of cement manufacturing companies in Kenya p-value of $0.03<0.05$, N=111, r=0.702. The study, therefore, rejected the hypothesis that: there is no substantial association between resource allocation and organizational performance.

Table 5: Correlation Analysis

Resource Allocations		Organization Performance
	Pearson Correlation	0.702
	Sig. (2-tailed)	**0.03
	N	111

At the 0.05 level, the correlation is significant (2-tailed).

CONCLUSIONS AND RECOMMENADTIONS

The study concluded that resource allocation positively and significantly influences the organizational performance of cement manufacturing companies in Kenya. The study recommended the continuous development and use of technology in different departments of cement manufacturing companies in Kenya and that these departments should have adequate human resources to avoid workforce shortfall by utilizing the best recruitment and selection policies. The study also recommended that the management of the companies should ensure that there are adequate financial resources that will enhance the achievement of the preset objectives and that there is proper planning for these resources to enhance organizational performance.

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