

# **Strategic Organization Design And Sustainable Performance Of Parastatals In Kenya**

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## **I. Background of the Study**

Organization design is complex by the possibilities that need to be measured as an organization creates its design selections. Numerous styles of contingency- the organizations environ, its approach, technology and interior procedures that grow in an organization over time- cause indecision and effect an organization's choice of structure and culture (Jones, 2013). Today's organizations are becoming extra computerized and multifaceted, leading to the need to uphold and increase performance by structuring and restructuring founded on changing strategy (Ogbo, Chibueze, Christopher, & Anthony, 2015). Organizational structure has pertinent and expectable outcomes on a varied range of organizations (Ross & Arbor, 2012). Organization structure has influence on organization performance. There is a relationship between labor productivity and specialization of work procedure which suggests that organization structure affects the behavior of workers in the organization. Performance of an organization is principally determined by the structure of the organization. When strong structures exist individuals perform better, responsibilities are shared and productivity is greater than before. Having a appropriate organization structure, one that identifies and addresses numerous human and business actualities of the corporation in query is a precondition for extended success. Management must visibly analyze turnover rate and effectiveness of the organization by ascertaining good structures are put up and executed with the purpose of attaining set objectives (Maduenyi, Oluremi, Fadeyi, & Ajagbe, 2016)

### **Statement of the Problem**

The financial performance and operational efficiency of many parastatals have been declining in recent years due to their increasing reliance on government budgetary support in the form of grants, subsidies, government loans, and debt guarantees. This has placed a significant burden on public budgets. The quantity of public monies that may be utilized to fund other vital areas of national development is lowered since these payments paid by the government to parastatals are no longer commensurate with the social and economic gains achieved by these businesses (National Treasury, 2021). Since the Kenyan Constitution permits the improvement of the standard of living for its citizens, Vision 2030 in Kenya provides a comprehensive, long-term national development goal. These lofty goals can be fulfilled through the creation of a transformative environment where policy reform initiatives, activities, programs, and projects are carried out by a public sector that is prepared for and laser-focused on providing services (GOK, 2021).

### **General objective of the study**

The general objective is to study the effect of Strategic Organization Design and Sustainable Performance of Parastatals in Kenya.

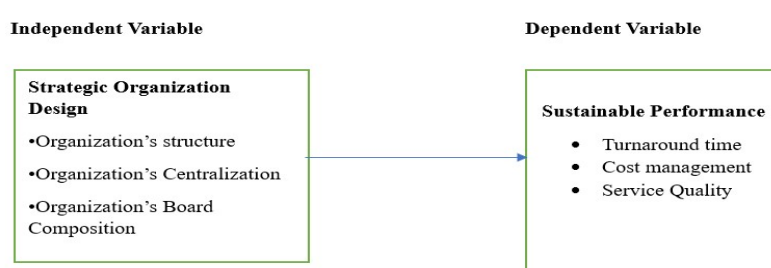
### **Research Hypotheses of study**

**H01:** Strategic Organization design has no significant effect on sustainable performance of parastatals in Kenya.

### Institutional Theory

Institutional theory is a well-known perspective in modern organizational studies. It mainly focuses on a wide, varied body of theoretical and empirical work linked to a mutual emphasis on cultural compassions and collective expectations. The theory is frequently used to elucidate the implementation and spread of formal structures in organizations, including laid down policies, standard practices, and innovative ways of organization. Stemming from the writings of Max Weber on legitimacy and authority, the perspective started in the 1950s and 1960s with the work of Talcott Parsons, Philip Selznick, and Alvin Gouldner on organization–environment relations. Subsequently, it underwent a “cognitive turn” in the 1970s, with focus on habits taken for granted and assumptions, and it became generally known as “neo-institutionalism” in organizational studies. The new phenomenon is that work based on this perspective has moved from an emphasis on procedures involved in creating isomorphism to attention on institutional transformation, exemplified by studies of the appearance of new laws and regulations, services, products, and professions (David, Tolbert, & Boghossian, 2019).

### Conceptual Framework



## II. Research methodology

The study employed a quantitative approach with a descriptive research methodology. According to Rovai, Baker, and Poton (2014), a quantitative researcher observes the world around them and believes that there is an objective reality that is unaffected by their findings. By breaking it down into smaller components and studying each one separately, it is possible to comprehend this realism as a whole. Interpretations and theorization, testing, and replication of the relationships between variables are possible in these more constrained settings. Using a quantitative approach, the study begins with theories, tests the hypotheses through analysis and observation, and draws findings.

There are 231 parastatals (SCAC, 2022). The target population is all parastatals in the country, respondents being the managers and administrators in the parastatals.

Stratified random sampling was employed in this investigation. Using Slovin's technique to obtain a sample size of 146 parastatals, all parastatals were included in the strata. The selection process took into account the distribution of parastatals in different economic sectors by using simple random sampling from each stratum represented by the ministries to which the parastatals belong.

### Response Rate

Table 4.1 shows the response rate of the questionnaires.

**Table 4.1: Response Rate**

No. of questionnaires Issued	No. of questionnaires Returned	Response Rate (%)
146	97	66

4.3 Descriptive Statistics

Table 4.3 Organization Design and Sustainable Performance in Parastatals

Organization Design	SD	D	N	A	SA	Mean	Std. Dev	Disposition
	%	%	%	%	%			
1. Our organization's structure policy affects turnaround time	6.2	10.3	7.2	49.5	26.8	3.8	1.133	Agree
2. Our organization's structure policy affects cost management.	4.1	10.3	8.2	48.5	28.9	3.88	1.073	Agree
3. Our organization's structure policy affects service delivery.	5.2	6.2	6.2	25.8	56.7	4.23	1.141	Agree
4. Our centralization decision making affects turnaround time.	3.1	16.5	7.2	37.1	36.1	3.87	1.169	Agree
5. Our centralization decision making affects cost management.	4.1	8.2	8.2	52.6	26.8	3.9	1.026	Agree
6. Our centralization affect service delivery.	5.2	8.2	3.1	44.3	39.2	4.04	1.108	Agree
7. Our board composition affects turnaround time.	5.2	24.7	12.4	38.1	19.6	3.42	1.206	Neutral
8. Our board composition affects cost management.	2.1	20.6	19.6	43.3	14.4	3.47	1.042	Neutral
9. Our board composition affects service quality.	2.1	16.5	17.5	38.1	25.8	3.69	1.093	Agree
Aggregate						3.811	1.110	Agree

Table 4.3 elucidates the influence of organizational design on sustainable performance within Parastatals in Kenya. Notably, the aggregate mean value stands at M= 3.811, landing in the "Agree" category of our scale. However, the notable standard deviation of SD = 1.110 underscores varied perceptions among respondents. A prominent number of respondents concurred that organizational structure significantly dictates parastatals' performance metrics, including turnaround time (Mean = 3.8, "Agree") and cost management (Mean = 3.88, "Agree"). Interestingly, the strong affirmation for the structure policy's influence on service quality was highlighted by the "Strongly Agree" category with a mean of 4.23. Centralization in decision-making showcases a discernible impact on parastatals' performance, most notably in service quality (Mean = 4.04, "Agree"). Furthermore, this centralization also significantly influences turnaround time (Mean = 3.87, "Agree") and cost management (Mean = 3.9, "Agree"). On examining board composition, its influence seems more nuanced. While its effect on turnaround time (Mean = 3.42) and cost management (Mean = 3.47) is "Neutral", its influence on service quality is more prominent, resting in the "Agree" category with a mean of 3.69.

Summary of Correlation

		DP
DP	Pearson Correlation	1
	Sig. (2-tailed)	
	N	97
SUP	Pearson Correlation	.533*
	Sig. (2-tailed)	
	N	97

\*. Correlation is significant at the 0.05 level (2-tailed).  
Where: DP= Organization Design, SUP= Sustainable Performance

The correlation analysis was carried out to determine whether strategic organization design significantly affects sustainable performance of parastatals in Kenya. The correlation results showed that a strong positive significant relationship existed ( $r = 0.533$ ;  $p < 0.041 \leq 0.05$ ). This is indicative of the strong emphasis on organization design placed by the parastatals in their operations. It shows that parastatals with strong organization design had a better prospect of sustainable performance in the country.

Multiple Linear Regression Results

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

(Constant)	1.00E-13	0.049		0	1
Organization Design	-0.266	0.121	-0.266	-2.201	0.030
a Dependent Variable: Sustainable Performance					

The results indicate that Design significantly influenced sustainable performance of parastatals in Kenya ( $\beta = -0.266, p < 0.05$ ). The negative coefficient suggests a need to re-evaluate current design, given their negative impact on sustainable performance. The negative coefficient suggests a detrimental relationship between the organization's design and its sustainable performance.

**H<sub>01</sub>: Strategic Organization design has no significant effect on sustainable performance of parastatals in Kenya.**

From the beta values in Table 4.13, it was evident that there was a significant relationship ( $\beta = -0.266, p < 0.05$ ) between the variables indicating that Organization design indeed influenced the sustainable performance of parastatals in Kenya. Therefore, we fail to accept the null hypothesis and adopt the view that Organization design was an important factor affecting sustainable performance of parastatals in Kenya.

**III. Conclusion:**

Organizational Design undeniably shape the performance trajectory. Maduenyi et al., (2016) previously underscored the influence of organization structure on performance, a stance the study findings corroborate. Centralization, board composition, and structural complexities can profoundly impact cost management and service quality. This concurs with Ogbo et al., (2015), emphasizing the need for carefully crafted organizational structures in line with strategic objectives.

**IV. Recommendations:**

Organization Design was found to play a critical role in shaping the sustainable performance of these parastatals. The evidence highlights a significant relationship between the structural aspects of an organization, such as labor productivity and specialization in work procedure, and its overall sustainable performance.

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