STRATEGY
TYPOLOGY, ORGANIZATIONAL FACTORS AND
PERFORMANCE OF FREIGHT FORWARDING
COMPANIES IN KENYA

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STRATEGY TYPOLOGY, ORGANIZATIONAL FACTORS AND PERFORMANCE OF FREIGHT FORWARDING COMPANIES IN KENYA

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Abstract

The aim of this study was to determine whether organizational factors had an intervening effect on the relationship between strategy typology and organizational performance. Organizational factors which comprise of shared values, skills and systems enable companies to adapt the correct strategy and direct the conduct of their business to achieve superior performance. The research was based on Resource based theory which postulates that firm resources consist of assets, capabilities, competences and definitive techniques among other organizational factors. The firm resources enable the firm to formulate and implement strategies that are aimed at enhancing organizational performance. Positivism research philosophy and descriptive cross-sectional survey were used in this study. Stratified random sampling was applied to obtain a study sample of 120 freight forwarding firms. Primary data was collected using semi-structured questionnaires. Data was analyzed using regression analysis. The results of the study showed that there was a significant influence of strategy typology on organizational performance. However, the study found that organizational factors have no significant intervening influence on the relationship between strategy typology and organizational performance. This indicates that the management should consider enhancing skills of their human resources and instill the virtues of shared values across various organizational functions. Also, develop systems that are endowed with technology that would ensure seamless flow of communication that enhances firm performance.

Key words: Organizational Factors, Strategy Typology, Performance, Freight Forwarding Companies

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1. INTRODUCTION
Strategic management is an organizational practice that concentrates on plans intended to direct daily operations towards realization of desired future goals or position. Empirical evidence suggests that there are claims that firms in the same industry and market that practice strategic management have varying performance outcome (Machuki & Aosa, 2011). Disparities in performance can be attributed to several aspects. Such aspects include organizational factors (Tracey & Blood, 2012), as well as strategy typologies embraced by the company (Miles and Snow, 1978).

Ansoff (1965) observed that strategy acts as a guideline directing the process of making decisions using information available on an organization’s product market path in the environment outside its operations. Numerous studies have been undertaken by scholars who have paid attention to the interaction between strategy and performance. As a result, the development and application of various strategy typologies have emerged in strategic management (Anwar et al., 2016). The leading strategy typologies are Miles & Snow’s (1978) strategic categories and Porter’s (1980) generic strategies. Miles & Snow (1978) strategy typology has a reliable precision in the formulation of the strategic behavior of organizations which enhances its strength (Vladimir, 2014).

Miles & Snow (2003) observed that business level strategies are classified as, prospectors, defenders, analyzers and reactors. It is observed that these strategic categories may run concurrently in industries. The feasible strategies of prospectors, analyzers and defenders when properly implemented have the potential of being effective in the market. Their contribution offers practical bases for recognizing strategy types and for surveying their impact on various proportions of execution (Luoma, 2015). Segev (1989) emphasized that Porter's (1980) typology focused on the large companies that have high market share and was instrumental for an existing industry but offered minimal guidance for industries in the pioneering and innovative backgrounds that were at the initial stage of their business life cycle.

Organizational factors refer to the internal environment of the company (Cole, 2004). They comprise of organizations managerial variables such as systems, style, skills, technology and shared values that are influenced by the internal environment, thus affecting the effectiveness of organization (Garbrah & Binfor, 2013). Structure is depicted by the organizational chart of the firm. Systems are the procedures of the company which guide overall organizational events (Grant, Lambert, Stock & Ellam, 2006). Skills and capabilities form the abilities that firms’ employees perform well (Basadur, 2000). Style represents the style of management of the company’s leaders and shared values are the norms and standards that guide organizational behaviour (Ravanfar, 2015).

Organizational factors are underpinned by the Resource-Based Theory (Barney, 2002) which postulates that firm resources consist of assets, capabilities, competences and definitive techniques among other organizational factors that enable the firm to formulate and implement strategies that are aimed at enhancing organizational performance. Thus, firm’s internal resources are primary predictors of superior performance (Peteraf & Barney, 2003). Barney (1991) observed that it is the valuable, rare, inimitable and non-substitutable (VRIN) resources of the firm that determine the competitiveness of the firm and the levels of returns it may expect. Thus, organizational factors should be distinctively unique to enable the

Performance of freight forwarding companies in Kenya plays a fundamental role in Kenya’s economy because the companies handle imports and exports cargo which contributes to the national income. In year 2017, for example, freight forwarding companies contributed 7.1% of the GDP. In the last two decades’ freight forwarding companies have been facing challenges mainly due to heavy competition, poor infrastructure and slow reforms in the customs regulations (KIFWA, 2000). While some of these companies have performed well, others have exhibited low organizational performance (Ojala & Dily, 2015). This could be because some companies have a better understanding of the various critical determinants of performance. On the flip side other companies could be lacking knowledge to the fact that competition is the basis of success or failure of their businesses. Therefore, there is need to re-align the organizations to survive and prosper in a competitive market (World Bank, 2005).

This study is instituted on the basis that strategy typology influences the performance of the organization. Organization performance, however, could be intervened by other aspects such as organizational factors. Thus, the study endeavours to establish the intervening effect of organizational factors on the relationship between strategy typology and performance of freight forwarding companies in Kenya.

2. Literature Review

Miles, Snow, Meyer & Coleman (1978) framework proposed that every organization has a key feature which determines responses undertaken by the decision-makers. Desarbo et al. (2005) reiterated that the strategic choice perspective suggests that organizational behavior is partly predetermined by shared values, skills and systems put in place. This is on the grounds that the decisions which management make are the deciding variables of firm structure and procedure.

Miles & Snow (1978) emphasized that organizations that develop resources in the pursuit of several viable strategies are more capable of changing their strategy to suit the environment. Rainey (2010) noted the importance of pursuing a range of strategies especially in the multipurpose and complex organizations in the public sector. Meier et al., (2010) posit that organizations should focus on a combination of consistent and viable strategies that are selected based on organization’s desired action plan.

Ismail, Kartak & Komurcu (2017) claimed that organizations succeed if the cooperation between strategies adapted and organizational factors is coherent. Kaplan (2005) asserted that identifying organizational values is of importance in defining the organizations role within the stakeholder’s community in which it operates. Tracey & Blood (2012) while studying brewing firms observed that changes that are desired by an organization effectively takes place if the human resource is involved as partners of the organization.

Adan, Abdullah & Ahmad (2011) studied Malaysian firms revealed that human resources management practices affected the enterprises bottom line performance. Kurtulus (2014) studied manufacturing firms in Turkey argued that intangible human resource such as skills, systems and shared values enables the organization to overcome challenges in their operating environment as they mitigate from old to new capabilities in pursuit of organizational survival.

Tracey & Blood (2012) studied the impact on performance of the strategy, skills, and staff variables of the McKinsey 7S Model in brewing firms and posit that alignment of shared values, skills, staff and strategy are key priorities for the company.
although the other 7s factors are of importance. The resulting strategy-staff-skills model measures strategic implementation and its effect on firm performance.

Mitchell, Frendendall & Cantrell (2015) tested the proposition that operational performance of service firms in the United States can be empirically measured by using partial representative (that is, strategy, staff and skills) of the McKinsey 7s model. Ismail (2017) noted that although the soft areas of Mckinsey 7s framework are harder to manage, they are the foundation of the organization. He stressed that the soft areas have high chances to create the sustained competitive advantage.

To ensure business survival, firms continually observe various organizational activities that determine their continuity (Singh, 2013). The organizational factors anchor a platform where decision is formulated and implemented (Perez & Castillejo, 2008). Ravanfar (2015) noted that McKinsey 7s model depicts human resources as an integral part of superior organizational performance.

Ravi, Maheshkumar & Joshi (2007) claimed that strategy implementation has a higher chance of success when the organizations’ elements are in alignment. They argued that successful managers need to attain a strategic fit between organizational strategy and the internal factors to achieve organizational strategic goals. Garbrah & Binfor (2013) noted that there are numerous vital internal subsystems of the organization that must be harmonized to successfully implement a new strategy. Papke & Malhotra (2002) contend McKinsey 7s framework is mainly used to assist in the implementation of change management strategies, new strategies and identification of changes of functions in the coming years. Lei & Slocum (2005) claimed that firms should adapt strategies that are appropriate and adaptive to their present business environment to optimize resource utilization and attainment of set goals.

Adeoye (2012) argued that various challenges that face the firms include, inadequate skills, systems, competitive market and profitability and environmental changes among others. As the environment changes, the need arises not only to manage the organizational environment but also develop managerial skills and capabilities to enable organizational response (Kottler, 2005; Ghazali, Shafie & Sanusi, 2010; Echdar & Si, 2013). Johnson et al. (2008) reckons that the central purpose of the strength, weakness, opportunity and threat (SWOT) analysis is to identify strategies that align, fit or match a company’s resources and capabilities to the demands of the environment in which it operates. They support the argument that tremendous firm performance is assured when the responsiveness of an organization’s strategy matches the turbulence in the environment but also the organization’s capabilities matches the aggressiveness of its strategy.

Plenert (2012) posit that successful organizations develop systems and processes that allow them to adapt to constraints, threats, and opportunities. Continuous systems and process improvement means that people should be constantly analyzing how they think, communicate and add value to their organization. Organizations with adaptive cultures perform better because adaptive culture translates into organizational success (Denison, Lief & Ward, 2004). This study postulates that firms that align their strategies with its organizational factors such as shared values, skills and systems will achieve improved performance. Despite many studies done on strategy typology and organizational performance, researchers have not been able to explain what contributes to
sustainable firm performance. This could be because many studies have focused on few variables that influence performance, even though companies are still struggling with performance challenges. Empirical studies have attempted to explain the relationship, but the debate is inconclusive due to the divergent views of the scholars. The previous studies have various limitations in that they have not effectively scrutinized other variables that may affect the relationship for example, organizational factors.

3. Research methodology

A cross-sectional descriptive survey was used in conducting the study. Population of the study was the freight forwarding companies in Kenya. The Customs departments of the Kenya Revenue Authority states that as at June 2018, there were 824 licensed freight forwarding companies in Kenya (KRA, 2016). The sample size was calculated using the formula suggested by Sekaran (2006) and Mugenda and Mugenda (2003). As per the formula, the appropriate sample size was determined as follows; n = \((z^2 pq) / e^2\).

Where: n is the minimum sample size required; z is the standard normal deviation, that is, 1.96 for 0.5 margin of error; p is the proportion in the target population estimated to bear the characteristics, recommended to be 50% if there is no estimate available of the proportion in the target population assumed to have the characteristic of interest; q is the proportion not having the characteristic (1-p); e is the margin of error required (set at 5% in the current proposal).

\[
\begin{align*}
n &= 1.96^2 \times 0.1 \times (1 - 0.1) = 138 \\
&\quad (0.05)^2
\end{align*}
\]

Saunders et al. (2007) recommended that where the population is less than 10,000 as it is the case in this study, then minimum sample size can be used without affecting the accuracy of the study. Thus, for population less than 10,000 the following adjustment was made as follows; \(nf = n/N\) where, \(nf\) = the final sample size, when population is less than 10,000; \(n\) = the sample size of population of 10,000 or more; \(N\) = the size of the total population from which the sample is drawn. \(nf = 138/ (1+138/824) = 118\). The sample of 118 organizations is rounded off to 120 organizations and will be sampled proportionately as per sample size of companies in each of the five categories of freight forwarding organizations in Kenya. The study collected primary data using a questionnaire that was circulated to the respondents. The target respondent were the senior managers involved in strategic planning and execution at the corporate level, for example, chief executive officer or strategy manager. Regression analysis was used to evaluate the relationship between strategy typology and organizational performance.

4. Research findings and discussions

The study sought to determine the influence of organizational factors as an intervening variable in the relationship between strategy typology and performance through formulation of the following hypothesis.

\(H_1: \) The organizational factors have no significant intervening influence on the relationship between strategy typology and performance of freight forwarding companies in Kenya.

Baron and Kenny (1986) four-step method was used to test the hypothesis using regression analysis. Intervention is confirmed when the following four conditions are fulfilled. The first condition; the independent variable must be significantly related to the dependent variable in the absence of the mediating variable. The second condition; the independent variable must be significantly related to the intervening variable. The third condition; the intervening variable must be significantly related to the
dependent variable, and the final condition; when the effect of the intervening variable on the dependent variable is controlled, the effect of the independent variable on the dependent variable should not be significant. The results are presented in Table 1.

### Table 1 Regression Results Depicting Intervening Effect of Organizational factors on Strategy typology and Firm Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>F</th>
<th>t</th>
<th>β</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST and Per</td>
<td>0.234</td>
<td>0.055</td>
<td>4.985</td>
<td>2.233</td>
<td>0.303</td>
<td>0.028</td>
</tr>
<tr>
<td>ST and OF</td>
<td>0.386</td>
<td>0.149</td>
<td>15.043</td>
<td>3.879</td>
<td>0.350</td>
<td>0.000</td>
</tr>
<tr>
<td>OF and Per</td>
<td>0.445</td>
<td>0.198</td>
<td>21.227</td>
<td>4.607</td>
<td>0.637</td>
<td>0.000</td>
</tr>
<tr>
<td>ST and Per (OF controlled)</td>
<td>0.450</td>
<td>0.203</td>
<td>10.794</td>
<td>0.698</td>
<td>0.095</td>
<td>0.487</td>
</tr>
</tbody>
</table>

Thus, step one involved regressing firm performance on strategy typology. The findings showed a statistically weak but positive relationship between strategy typology and firm performance (R = .234). Coefficient of determination (R^2 = .055) depicted that strategy typology explained 5.5% of firm performance. Critical values of F for the 0.05 significance level = 3.11, which is less than calculated F-value of 4.985 and p < 0.05. Thus, since the test statistic is much larger than the critical value, the study rejected the null hypothesis and concluded that the test statistic is significant at that level. The results confirmed the first step of testing for the intervening effect of organizational factors on the relationship between strategy typology and firm performance. The intervening testing then proceeded to step two that involved testing the influence of strategy typology on organizational factors.

In step two strategy typology was regressed against organizational factors. The results presented indicated that strategy typology had a positive and statistically moderate relationship with organizational factors (R = .386). Further the coefficient of variation (R^2 = .149) depicted that organizational factors is explained by 14.9% of strategy typology. Critical values of F for the 0.05 significance level = 3.11 which is less than calculated F-value of 15.043 which P-value of .000 which is < 0.05, hence the model is statistically significant. The results, therefore suggested that the second step of testing confirmed the process of testing for the intervening effect to move to step 3. In step 3 the organizational factors were regressed against firm performance using a simple linear regression model.

The results indicated that organizational factors had a significant relationship with firm performance (R = .445) with organizational factors explaining 19.8% of firm performance (R^2 = .198). The remaining percent being explained by other factors not considered in the model. The F critical values of at 0.05 significance level = 3.11, which is less than calculated F-value of 21.227 and p < 0.05. Finally, step four tested the influence of strategy typology on firm performance while controlling for the effect of organizational factors. The results show that when organizational factors are controlled strategy typology became
statistically insignificant (p-value=0.487 which is greater than 0.05 threshold at 95% confidence level). The hypotheses that the organizational factors have no significant intervening influence on the relationship between strategy typology and performance of freight forwarding companies in Kenya was therefore not rejected.

5. Conclusion
The objective of the study was to determine whether organizational factors had an intervening effect on the relationship between strategy typology and performance of freight forwarding companies in Kenya. This finding concurs with the resource based theory that depicts performance as function of the ability of the firm to utilize its assets, competences, firm processes and information, among other resources that are controlled by the firm. The resources enable the firm to formulate and implement strategies that improve organizational performance (Barney, 2002).

The implication of the finding favoured the resource based theory in that firms could achieve superior performance by developing their resource base. In dynamic market environment, however, VRIN resources would be out competed and therefore could not be a source of sustainable competitive advantage. Hence, the RBT may fail to address the influence of market dynamism and firm evolution over time (Wang & Ahmed, 2007). These results showed that managers in freight forwarding companies need to re-evaluate their organizational design especially the shared values, skills of the work force and the systems adopted by the company to identify if they are aligned towards performance improvement and determine the best way to implement a proposed strategy (Garbrah & Binfor, 2013).

6. Recommendations
The results revealed an insignificant statistical relationship of organization factors as a mediator of the relationship between strategy typology and firm performance. This indicates that the management should consider enhancing skills of their human resources, instill the virtues of shared values across various organizational functions and develop systems that were endowed with technology that would ensure seamless flow of communication and information and management should ensure the appropriate skills, shared values across the organization and elaborate information and communication system were in place to ensure effective strategy implementation. This is because the implementation of strategies adapted could be impeded by the low skills of the human resources, poor systems in place, and lack of shared values within the organization. Further organizations be it private or public should adapt the appropriate strategy typologies that would increase organizational performance.

7. Limitations Of The Study
There are a few limitations which were encountered during the process of writing this report. First, the research was limited to descriptive cross-sectional survey where data was collected, analyzed and interpreted at a specific time across all the sampled firms as opposed to longitudinal which is much constrained for the dates required for completion of the research.

The study relied on primary data obtained through a structured questionnaire as the main tool of collecting data as opposed to secondary data. This is because self-reported data from the freight forwarding firms could not be verified to be relied upon for the current study as it may have resulted to apparent biases which could have led to serious errors during analysis and skewed findings in supporting the formulated hypothesis.
During data collection process, getting information from the respondents was not easy because of the firms’ confidentiality and busy schedules. Most of the respondents had to seek permission from their superiors’ and this process took a long before the questionnaires were returned. The researcher made it optional for the questionnaire to be completed by person in management level who understood the firms’ operation and a direct report to the senior management.

The uniqueness of our study variables resulted to limited research materials which are the foundation of understanding the research problem. The previous studies had not adequately described the study variables which made it difficult to gather recent studies for comparison purposes. Comparing the study findings with the previous studies provide a platform in an integrated form to act as the base for present and future references.

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