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The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com
Vol. 9, Iss. 4, pp 216 – 225. October 12, 2022. www.strategicjournals.com, ©Strategic Journals

INFLUENCE OF MANAGERIAL DECISIONS ON ORGANIZATIONAL PERFORMANCE OF GOVERNMENT CORPORATIONS: A CASE OF KENYA AIRWAYS

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Accepted: September 7, 2022

ABSTRACT

Strategic decisions are major choices of actions and influence whole or a major part of business enterprise. They contribute directly to the achievement of common goals of the enterprise. The most vital role of all managers is ensuring the success of their organizations. With the recently reported dwindling performance of Kenya airways, and the appointment of a renowned M. Joseph as the company's chairperson, decisions are being made to change the performance of the company. Thus, the study sought to analyze the influence of those managerial decisions made on the performance of this organization. The study used the descriptive research design. The target population for this study was the management staffs who are charged with decision-making responsibilities within the company. The study area was purposively chosen and targeted members of the management staff who were well conversant with how decisions are made and implemented. The study optimized the use primary data. Primary data was collected using semi-structured questionnaires containing both open-ended and close-ended questions. The questionnaires was administered through a drop and pick method. Qualitative analysis was conducted on the information collected from the results of the questionnaires. Quantitative analysis included descriptive statistical technique. Descriptive statistics complimented the use of frequencies, mean and percentages that was summarized and presented using tables, graphs and charts. The data was also analyzed with the aid of multiple regression models. The study found out that managerial decisions play a major role in determining the performance level of the organization.

Keywords: *Strategy, Managerial Decisions, Organizational Performance*

CITATION: Ireri, K. N., & Omwenga, J. (2022). Influence of managerial decisions on organizational performance of government corporations: A case of Kenya Airways. *The Strategic Journal of Business & Change Management,* 9 (4), 216 - 225.

INTRODUCTION

Decision-making is just one of the main essential duties of the management in any type of institutional set-up (Nooraie, 2012). It is fundamental managerial action in all types of business organizations; large and small, for profit and not - profit, private and public (Elbanna and Child, 2007). Decision-making is just one of the managerial activities that includes also planning, organizing, staffing, directing or controlling. Decision-making is a process of making choices from alternative courses of action, based upon factual and value premises with the intention of moving towards a desired state of affairs. It is the thought process of selecting a logical choice from the available options (Stokman et al., 2000). Once a decision is taken, it implies commitment of resources. The decision that a manager has to take may range from setting of goals and targets for the entire business enterprise to specific decisions regarding day to day activities. Some of them may have only short-term implications, while others may have long-term implications on the enterprise (Stokman et al., 2000). The essence of decision-making seems to integrate both the beliefs about specific events and peoples subjective reactions to those events.

For instance, decisions are responses to situations and may include three aspects. First, there may be more than one possible course of action under consideration. Second, decision makers can form expectations concerning future events that are often described in terms of probabilities or degrees of confidence. Finally, consequences associated with possible outcomes can be assessed in terms of reflecting personal values and current goals (Kay, 2002).

Due to increasing competition, the organization is required to constantly revise its product and service mix and managerial methods to increase productivity (Batley & Daly, 2006). Modern conditions of dynamic competition, sophisticated information technology, knowledge economy, market globalization, have changed the relation to importance of decision making in organizations. Organization performance, therefore involves performing certain activities to ensure achievement of goals, monitor progress, and make adjustments to achieve those goals more effectively and efficiently. Today's organizations have to deal with dynamic and uncertain environments. In order to be successful, organizations must be strategically aware. They must understand how changes in their competitive environment are unfolding. They should actively look for opportunities to exploit their strategic abilities, adapt and seek improvements in every area of the business, building on awareness and understanding of current strategies and successes (Papulova & Papulova, 2006). The authors noted that, decisions by managers have a strategic impact and contribute to strategic change. Decisions are at the heart of the success of any firm, and sometimes, there are vital periods, when they can be tricky to formulate. A decision usually incorporates three steps: (1) Need recognition – displeasure inside an individual (a void or need); (2) a choice to transform - to fill the need or void; and (3) a mindful devotion to execute the decision (Arsham, 2010). Management of multi-national companies involves decisions at strategic, tactical and operational levels.

Statement of the Problem

Many corporations including public corporations struggle to translate strategic decisions into action plans that will enable these decisions to be successfully implemented and sustained. According to (Chapman, 2004) most companies have strategies but far fewer achieve them. Organizations fail to do so not because of bad strategic decision making process but because of bad execution, therefore effective decision making influences the achievement of successful decision making.

Accoding to Duhaime & Baird (2007) decision-making is one of the most important functions of managers in any kind of organization. It is a process must be understood completely before it can be practiced effectively. It is the process of successive approximation to some desired objective in which what is desired continues to change under reconsideration (Lindblom,1959). Digman (2006) argues that those responsible for strategic decision-making face a task of extreme complexity and ambiguity. The choice to focus on strategic decisions is due to its nature and significance Strategic decisions are long term, highly unstructured, complex, and inherently risky and have great impact on the future of the organization. They are those important decisions that typically require a large amount of organizational resources and firm's environment consideration. Like many other organizations, schools are facing changes in the turbulent environment.

Several studies have been done in relation to the relationship between strategic decisions and performance. Eisenhardt (2002) carried out a study on the impact of speed of decisions on performance of banks in Europe. It was found out that speed did not have a major impact on performance. Shrivastava & Grant (2005) conducted a study on the effectiveness of strategic decisions on performance in manufacturing firms. It was concluded that well-thought strategic decisions highly impacted on the performance of manufacturing firms. Smith & Hayne (2007) did a study on 'making a decision under time pressure'. The study concluded that such decisions were ineffective since the managers did not take their time to think through them.

Mwangi (2012) carried out a study on strategic decision speed and firm performance of two major firms in photography industry in Nairobi and concluded that firm performance is not influenced by strategic decision speed.

Kagathi (2013) investigated on strategic decisions making at JKUAT and concluded that strategic decisions potentially influenced performance of the organization since it involved both its external and internal stakeholders.Studies have been carried out in the Kenya airways industry, examples of studies include; a study carried out by Mokaya, Kanyagia and Wagoki (2012) sought to establish ways in which KQ would position itself in the airline industry. Another study carried out by Nderu (2013) sought to establish the influence of survival strategies on the organizational performance of Kenya airways.

Considering the views of the studies above, it is empirical that a handful have only focused on managerial decisions that influence organizational performance. Thus, this study sought to find out the influence of decisions made by the management of organizational performance.

General Objective

To determine the influence of managerial decisions on organizational performance of government corporations: a case study of Kenya Airways. The study's specific objective was to establish the influence of strategic decisions on organizational performance of government corporations

LITERATURE REVIEW

Resource-based View theory

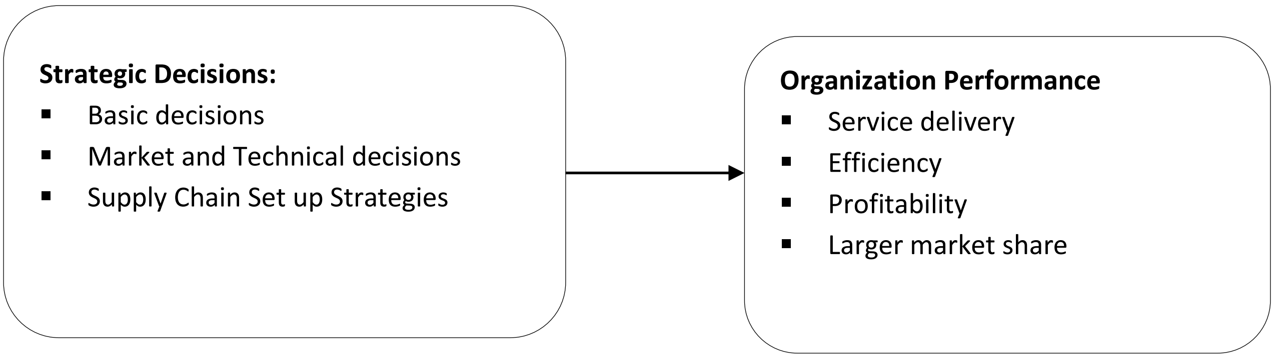
The RBV theory is one of the most widely accepted theories of strategic management. Penrose (1959) was among the first scholars to identify the significance of resources to a firm's competitive position (Kariuki, 2014). She argued that, a firm's growth, both internally and then externally through merger, acquisition, and diversification, is because of the resources it employs. She began by arguing that, an organization consists of a compilation of creative resource and constant by suggesting that, these resources may only contribute to an organization's competitive spot, to the degree that they are exploited in such a way that, their potentially precious services are made accessible to the organization.

Barney (1991) argued that, firms that possessed resources that were valuable and rare would attain a competitive advantage, and enjoy enhanced productivity in the short term. According to the resources-based theory, the bundles of competitive resources can be identifiable in institutions. A strategic decision is therefore required to be made on where to allocate the meager resources within the organization to achieve the comparative advantage within the industry it operates.

"Satisficing" Theory

Simon (1957) brought up the notion of bordered rationality where the decision-maker has less information, time and intellectual ability to make a decision. In its place, the decision-maker work with limited and basic knowledge, to attain satisfactory, negotiation alternatives ('satisficing'), somewhat than chase 'maximizing' or 'optimizing' strategies in which one specific purpose is entirely achieved (Marshall, 1998). The word "satisficing" goes opposing to the idea of optimization. Optimization does not exist in real world, according to Simon, albeit, we have 'good enough' choices. Williams (2002) differentiates the notion of bounded rationality to that of the balanced decision-making. The investigation for the best explanation may be unknown and one will not stay waiting for infinity eager to discover an answer that just fits and wholly incorporate all the sectors. It found that the extra information searched, the higher is the compilation charge; but cost limitation is less up to the level of finding of a negotiation (solution to the test).

Conceptual Framework



Independent Variable **Dependent Variable**

Source: Researcher (2022)

Strategic Decisions

Strategic planning involves deciding and developing strategic plans to achieve strategic objectives (or goals). Top management typically makes decisions within the strategic plans. These decisions or plans are normally long-term decisions, which are having implications for the next five years and above (Gamble & Thompson, 2009). Lot of risk and uncertainty is involved in long term or strategic level planning. Strategic planning needs a through scanning and analysis of external environment to seek information.

A board of directors, whose members are elected by a company's shareholders, makes *strategic decisions* for a company. These often include, but are not limited to, decisions regarding:

- The election of officers and executives
- Equity grants or transfers (including compensation packages for officers and executives)
- Annual budgets and audits
- Amendments to the certificate of incorporation or bylaws
- Shareholder distributions
- Sale of substantially all a company's assets

- Technology decisions: Choice of appropriate technology, equipment's, process choice and degree of automation
- Capacity decisions: Amount, timing and type
- Facilities decisions: Size, location and specializations
- Vertical integration: Direction, extent and balance

The guidance directors provide to company management regarding strategy and operations is vital to a company's long-term success. A board of directors has fiduciary duties, so it generally must act and make decisions in the best interests of a company and its shareholders.

The strategic decisions can further be categorized in different types namely: basic decisions; these decisions are taken when a business initiates to explore the use of technologies and provided the decision is affirmative, then they go on to make other basic decisions such as "make or buy" etc., market and technical decisions; these decisions include market oriented decisions such as customer distribution/focus and technical decisions such as customization strategies, supply chain set-up strategies; these decisions are made to set up manufacturing, production strategies in supply chain such as whom to outsource, in which location to employ resources and set up production and broader supply chain initiatives; this includes various supply chain goals that technology can help achieve.

The strategic level prescribes a set of locations where facilities are to be located (i.e., "opened"), production technologies to be employed at each facility, and the capacity of each plant. Strategic decisions thus determine the network through which production, assembly and distribution serve the marketplace. Any model applicable to the strategic level must provide manufacturing capacity to satisfy forecast demand for all products and observe precedence relationships among assembly tasks. The objective is to maximize total profit, including the fixed cost of investment to open facilities and the variable cost of manufacturing and distribution, including "border crossing fees" that might be incurred in transit. We define border crossing fees to include all costs associated with moving materials from one country to the next, including tariffs and monetary exchange rates. The strategic level establishes the design of the logistics network and thereby provides the environment in which tactical and operational levels must perform.

The strategic level may deal with a relatively long planning horizon of, say, two to five years since long lead times are required to construct plants and install processing equipment. A relatively high level of uncertainty may be associated with demand, political environments, and exchange rates over such a long planning horizon.

Organizational Performance

This, according to Randeree and Al Youha (2009) is a firm's ability to effectively and efficiently execute strategies in order to realize organizational goals. Furthermore, organizational performance represents how much an organization has fared, over a given period of time, in achieving its set and intended goals, objectives, outputs and targets (Cho & Dansereau, 2010; Tomal & Jones, 2015). It is a measure of the leadership and cognitive competences of the management in implementing strategies, as well as the level of cooperation among employees who have to work as a team in achieving organizational goals (Almatrooshi, Singh & Farouk, 2016). As a critical aspect of strategic management, Khatri and Ng (2000) are of the opinion that organizational performance is the position of a firm when compared with other firms in same industry, in terms of both financial and non-financial performance indicators.

Being able to manage the internal and external environment of an organization is a great determinant of organizational performance. The dynamic and competitive nature of these environments influences decision making, which ultimately rubs off on the organization's outcomes.

Internal environmental factors (goals, strengths and weaknesses) and external environmental factors (Porter's 5 forces (1979), regulatory pressures, economic conditions and emerging technologies) make great impacts on organizations (Provan, 1989).

Variables that constitute organizational performance include profitability (Alhawamdeh & Alsmairat, 2019), business model effectiveness, efficiency and outcome (Deshpande, Farley & Webster, 1997). Boyatzis and Ratti (2009) also identify a leader's social and emotional intelligence as factors that contribute to the effective and efficient performance of an organization. This is because being able to innovate, motivate, communicate and delegate authority are essential requirements for optimal performance.

METHODOLOGY

This study employed a cross sectional research design. In cross-sectional research, the researcher observes variables without influencing them. The population of this study will consist of 8 senior level management, 27 middle level management, 40 lower level management. The sampling frame of this study consists of a list of managers from Kenya Airways Limited. The list consisted of 80 managers. The managers are categorized into senior management, middle level management, lower level management staff (KQ, 2022). Census was employed to collect data since the options of different individuals in the population was considered important by the researcher (Chase, 2010). The population was also considered to be small and therefore by using the whole population the researcher was able to collect unbiased information. Due to the small population of the elements of this study the entire population was used to carry out the study, and therefore the sample size of 80 management employees that were stratified according to their managerial level was considered. This study utilized primary data in data collection due to the unique dynamic nature of aviation industry and the issues this company has faced in the recent past. Questionnaires were used to capture the requisite information from the target population. The questionnaires were structured with open and closed-ended questions and were personally administered by the researcher who dropped and picked later from the respondents. Data collected was analyzed both qualitative and quantitative. Qualitative analysis was on the information collected from the results of the questionnaires as Quantitative analysis includes descriptive statistical technique. Descriptive statistics compliments the use of frequencies, mean and percentages that was summarized and presented using tables, graphs and charts. Inferential statistics was done using multiple regression model below:

Organizational Performance = Strategic Decisions + Tactical Decisions + Operational Decisions

$Y = \alpha + \beta_1X_1+\varepsilon$

Where:

Y – Organizational Performance which (dependent variable)

α – Constant number

B_i–the coefficient of X_i (i=1)

X_1 – coefficient of Strategic Decisions

ε – (error term) any other effect of Managerial Decisions

RESULTS AND DISCUSSION

The study issued questionnaires to 80 respondents. However, only 75 questionnaires were returned back to the researcher correctly filled that represent 90% of the whole respondents.

Strategic Decisions

On the level of agreement with statements relating to strategic decision made by the management, the summary on the table below was how the response was:

Table 1: level of agreement with the statements relating to Strategic Decisions

Statement	Strongly Disagree (1)	Dis-agree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Strategic decisions are formulated by senior level managers of the firm	0%	0%	0%	11%	89%
Information passes through several management layers thus there is no consensus regarding information	0%	3%	15%	25%	57%
Institution leadership makes high quality decisions that are accepted and executed in a timely manner	3%	41%	6%	27%	23%
Internal environment is conducive for managerial functions to be performed	7%	33%	11%	29%	20%
Decisions are administratively imposed on lower level management	1%	19%	7%	57%	16%
Strategic decision making being a top priority activity, performed on a regular basis, e.g., each year improves organizational performance.	4%	9%	16%	34%	37%
The top management undertakes internal analysis to identify key strengths and weaknesses hence improves organizational performance	0%	1%	3%	20%	76%

This study sought to find out if whether strategic decisions are formulated by senior level managers of the company. The respondents all concurred with each other citing that it is the prerogative of the top level management to formulate such crucial decisions. Gamble & Thompson (2009) stated in his study that top management typically makes decisions within the strategic plans. These decisions or plans are normally long-term decisions, which are having implications for the next five years and above.

The study sought to know from the respondents if the information that passes through several management layers is subjected to consensus or not. The study revealed that once the top management have made decisions concerning the organization, the decision is passed downward being broken down into tactical and subsequently to operational decision without any consensus. This was supported by more than 82% who either agreed or strongly agreed. Only a partly 3% disagreed. The concurrence by nearly all the respondent was from the fact that it is the top management who are charged with the responsibilities of determining the direction of the firm. This is in agreement with the findings by Papadakis (1998), that strategic decisions are long term, highly unstructured, complex, and inherently risky and have great impact on the future of the organization.

On the issue of institution leadership making high quality decisions that are accepted and executed in a timely manner, the study revealed that more than 45% of the respondents dis-agreed with the statement. This was due to the recent actions that have marred Kenya Airways that has made it to perform poorly financially. 50% of the respondents either agreed or strongly agreed with the statement. The Eisenhardt (2002) carried out a study on the impact of speed of decisions on performance of banks in Europe and found out that speed did not have a major impact on performance, which tends to disagree with the findings of this study.

The study sought to know if the company's internal environment is conducive for managerial functions to be performed efficiently. It was revealed by less than 40% that it has not been easy to carry out managerial at times because of internal politics and staff's industrial actions. However, about a half of the respondents at 49% concurred that the prevailing environment allowed management to perform their managerial duties effectively.

This study revealed that strategic decision making has been a top priority activity, performed on a regular basis, e.g., each year, improves organizational performance. Over 60% of the respondents agreed that with the revision of the decision made, implementation progress is able to be tract and amendments made where need be in order to achieve the organizational goals.

Before final strategic decisions are made, the study, supported by 76% and 20% of the respondents who strongly agreed and agreed respectively, revealed that the top management must make a proper analysis of the internal factors that are strengths and weaknesses that the organization present. This will enable them make decisions based on organizational capabilities.

Multiple Regression Analysis

The multiple regression analysis was used to present empirical evidence of the influence of managerial decisions on organizational performance of government corporations. The effect of each independent variable on the dependent variable was determined by computing composite variables from the data collected from the indicators for each variable under study. The multiple regression model were used to determine the influence of strategic decision, tactical decisions and operational decisions on organizational performance of government corporations. Table 2, provides the model;

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.269[a]	.072	.033	.114

a. Predictors: (Constant), Strategic Decision

Source: Survey Data (2021)

The researcher conducted coefficient of determination to assess the suitability of statistical model in forecasting future results. Adjusted R squared is coefficient of assurance that shows the changes in the dependent variable because of variations in independent variables. Results in Table 2 show that the value of R squared was 0.072 that shows that there was change of 7.2% on organizational performance due to changes in strategic decision, tactical decisions and operational decisions at 95% confidence level. R is the correlation coefficient that represents the connection between the influencing factors. Findings in Table 2 show a high positive connection between the influencing factors as appeared by 0.269.

Analysis of Variance (ANOVA)

Table 2: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	.071	3	.024	1.847	.146[b]
1	Residual	.915	71	.013		
	Total	.987	74			

Source: survey data (2021)

a. Dependent Variable: Organizational Performance (OP)

b. Predictors: (Constant), Strategic Decision (SD)

The analysis of variance was used to test the overall significance of the model. Results showed in Table 3, yielded an F statistic of 1.847, and p-value of 0.146, with degree of freedom 3. This was statistically significant; hence, the model was well suited for this data

Table 3: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	5.131	.163		31.431	.000
SD	.005	.022	.027	.217	.828
TD	-.077	.034	-.274	-2.240	.028
OD	.037	.031	.148	1.205	.232

Source: Survey data (2021)

As per the SPSS generated Table 3, the equation,

$Y= \beta o + \beta_1 X_1 + e_0$ become:

$Y = 5.131+0.005\ X_1$

Where:

Y= Organizational Performance,

X_1= Strategic Decision

e_1= Error term

From Table 3, the co-efficient for strategic decisions had a p-value of 0.828 that is more than 0.05 implying a statistically positive significant influence on organizational performance. The regression coefficient was 0.005, indicating that it positively influenced organizational performance. This therefore means that, an increase in strategic decisions by 1 unit, increased organizational performance by 0.005 units.

CONCLUSIONS AND RECOMMENDATIONS

The study aimed at establishing influence of strategic decisions on organizational performance of government corporations. The study found that most strategic decisions were made by top most management team where this formation is passed through several management layers thus there is no consensus regarding information. The study also established that at times, institution leadership do not makes high quality decisions that are accepted and executed in a timely manner. Internal environment was also found not conducive enough for managerial functions to be performed efficiently. The study established that the top management always undertakes internal analysis to identify key strengths and weaknesses hence improves organizational performance.

The study concludes based on the data presentations in chapter four and the summary of the findings above that decisions made by the management affects. This is because these decisions influence organizational direction, administration, and structure. This study concludes that the management levels should allow input from all stakeholders on the direction of the organization concerning decisions made and not push it through to their throats to implement. The study also concludes that the decisions made, at any level of the management team, internal environment of the organization must be carefully examined to know the capabilities of the organization in relation to the external environment.

This study aimed at establishing influence of managerial decisions on organizational performance of government corporations and hence concentrated on Kenya Airways. This study therefore recommends that other studies should be done to establish the influence of managerial decisions on organizational performance of non-governmental and private institutions. Other studies should also be done on individual government institutions, as this study is not conclusive enough.

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