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Effect of Strategic Management Practices on Performance of Private Schools in Bungoma South Sub-County

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Abstract

This study aimed to examine the effect of strategic management practices on the performance of private schools in the Bungoma South Sub-County. The study adopted a descriptive research design to observe and describe the study phenomenon and to assess the relationship between the variables. The target population included private schools located in Bungoma South sub-county. Data was collected through questionnaires from ten selected private schools in the sub-county based on a stratified sampling design. The data was analyzed quantitatively using descriptive and linear multiple regression analysis methods. The coefficients drawn from the multiple regression model showed that the variables impact the performance of private schools although at different levels. For instance, strategic leadership was found to have the highest predictive effect on the performance of private schools (β=2.698, P=0.07) followed by strategic financial management (β=1.8018, 0.022) and strategic human resource management (β=0.9592, p=0.04). Leadership in private schools should remain proactive in accepting and pursuing change with the changing dynamics in the business environment. Private schools in the Bungoma South sub-county should pursue novel strategic financial decisions such as diversifying their operations and revenue sources to expand their revenue base beyond teaching. Private schools should be proactive in incorporating financial planning as a strategy to control costs, set realizable financial targets, and guarantee improved transparency and accountability to enhance the financial performance and stability of the schools.

Keywords: *Strategic financial management, strategic human resource management, strategic leadership, performance, private school*

1.0 Introduction

Strategic management practices refer to the set of activities and processes that organizations undertake to formulate and implement strategies to achieve their long-term goals and objectives. These practices involve analyzing the internal and external environment, setting strategic goals, making strategic decisions, and executing plans to ensure organizational success (Owich, 2018). Overwhelming research has indicated that strategic management is critical in every organization as it helps managers achieve a sustained competitive edge (Engert, Rauter & Baumgartner, 2016). Porter (1981) who recommends the need for firms to pursue a strategic approach to achieve competitive performance has echoed this position. Therefore, strategic management is critical for the growth and development of every firm as it serves to align the organization's mission and vision with operations. According to Adetowubo-King and Adetayo (2018), strategic management involves multiple interlinked activities and practices such as strategic planning, strategy formulation, implementation, and strategy monitoring and evaluation. Strategic planning is the first step to the achievement of both short-term and long-term objectives of an organization as it sets the future direction and provides the roadmap for meeting these objectives (Aboramadan & Borgonovi, 2016). Strategic planning acts as the game plan since it assists firms in anticipating and predicting future changes within the environment and how to respond or adapt to them (Abesiga, Netswera & Zziwa, 2015). Strategic planning also serves as a guideline for implementing various strategies. Strategy formulation involves the creation of comprehensive plans to effectively manage opportunities and threats within the environment while taking into account the strengths and weaknesses of the firm (Nnamseh & Akpan, 2015). This process involves defining the organizational mission, establishing realistic objectives, devising strategies, and establishing policy guidelines. The resulting plan should align with the company's purpose and direction, reflecting its intended trajectory. Therefore, strategy formulation involves selecting and implementing various strategies to achieve a sustained competitive edge (Hill, Jones & Schilling, 2014).

Research has shown that strategic management is critical as it helps to improve efficiency and performance across many sectors including education. According to Amoli and Aghashahi (2016), strategic decisions can enable an organization to stand out in a competitive environment. With this, the design and implementation of strategic management is touted as a significant step to drive performance across different sectors. Private schools are highly popular and recognized in Kenya and beyond due to their ability to deliver quality education and lucrative facilities. With this, private schools have been found to outperform public schools in terms of performance in national exams like KCPE and KCSE. This has led to a massive increase in several for-profit private schools in Kenya from 7,742 in 2014 to 16,594 in 2022 (Wanjiku, 2022). Despite their excellent performance, private schools in Kenya face a series of challenges such as a decline in enrolment rates over the recent years, high tuition costs, financial constraints, competition from public subsidized schools, and lack of adequate resources and infrastructure (Musumba, 2020). During Covid-19 pandemic period, many private schools in developing countries, especially those in rural areas faced many challenges, in some cases even leading to their permanent closure with no hope of reopening again. The covid-19 pandemic created a devastating impact on public schools too, leading to their temporary closure in line with the Government's recommendation to limit the spread of the highly infectious disease. Data from the Kenya Private Schools Association (KPSA) shows that at least 341 private schools including both primary and secondary failed to reopen following the resumption of learning in January 2021. The data also revealed that over 56,000 private school learners transferred to public schools due to financial constraints facing millions of parents ravaged by the COVID-19 pandemic (Githinji, 2021). While some private schools in urban areas migrated to online learning amid the pandemic, most private and public schools in rural areas remained closed due to a lack of alternative approaches to traditional classroom learning. This demonstrates a poor approach to strategic management among private schools in rural areas due to the failure of the institutions to anticipate and react to the changes in the environment. Strategic management is critical for the performance of organizations including the education sector institutions. However, few studies have examined the role of strategic management in addressing the chronic challenges and improving performance in private schools in Kenya. The study sought to bridge this gap by evaluating the effect of strategic management practices on the performance of private schools in Bungoma South Sub-County, Kenya. Specifically, the study evaluates how private schools in Bungoma have incorporated strategic management practices such as strategic leadership, strategic planning, and goal-

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setting, strategic human resource management, strategic financial management, and technological alignment.

2.0 Literature Review

The current study was underpinned by various theories and models. The modern portfolio theory argues that excellent organizational performance is achieved when the responsiveness of its strategy matches the turbulence within its environment and the aggressiveness of its strategy should align with its capabilities. The model of the current study is on the financial management aspect and management practices aspect. This theory asserts that an optimal portfolio balances the lowest level of risk for a given amount of return, as well as the highest return for the most logical level of risk (Beyhaghi & Hawley, 2013). The contingency management theory holds that different group situations call for different leadership styles. Fielder studied the different characteristics and personalities of leaders and concluded that effective leadership is contingent on matching the leader's style to the right setting (Uta et al., 2021). This is a key leadership theory underpinning popular leadership training and management systems and therefore school managers should consider it especially when handling group relationships and outcomes. To enhance productivity and improve employee morale, managers need to understand why the contingency management theory is important and what its positive implications are (Uta et al., 2021). The information systems theory argues that available information from the environment is processed by a series of processing systems, which transform or alter the information in systematic ways. There is also an assumption that information processing in humans resembles that in computers (Zwass, 2022). The behaviorism learning theory suggests that learning is based on a system of routines that drill information into a student's memory banks as well as positive feedback from teachers and the educational institution itself. According to this theory, students need to receive positive reinforcement such as recognition, and positive feedback, whenever they achieve excellent performance. Through such reinforcement, the students emulate this positive behavior from time to time. Schoolteachers and school managers should borrow from this theory, by implementing programs and various modes of teaching that encourage timely feedback, recognition of excellent performance among students, and reinforcement of good behavior. Finally, Herzberg's two-factor motivation theory argues that motivation factors increase job satisfaction while the presence of hygiene factors prevents job dissatisfaction. The two-factor motivation theory continues to influence popular management theory and the methodology of studies in many parts of the world (Nickerson, 2023). This theory is relevant to this study, particularly on the effective management of school human resources, which includes both teachers and non-teaching staff. Private school managers can borrow from this theory by making improvements in their institutions in various ways such as increasing professional recognition, rewarding achievements, and ensuring that there is a conducive working environment to increase job satisfaction among the staff. On the other hand, having bad working conditions in the school may cause dissatisfaction among the employees, something that may lead to poor performance or even high turnover rates.

3.0 Methodology

The study adopted a descriptive research design since it sought to identify opinions and observe various respondents including teaching and non-teaching staff on some of the factors that affect school performance. Based on data from Bungoma Sub County Director of Education Office, there are 34 registered private schools. The target population for this study included 320 teaching and non-teaching staff across the ten selected private schools. The researcher determined the sample size of 178 using Slovin's formula. Therefore, the sample size included

178 teaching and non-support staff drawn from ten (10) private schools in Bungoma South Sub County. The sample size was selected through a convenient sampling technique. Data was analyzed using regression analysis.

4.0 Results and Discussion

This section presents the key findings drawn from the study across all the variables examined. It also presents detailed inferential statistics and results from the linear regression model to objectively determine the relationship between the dependent and independent variables.

The analysis of variance (ANOVA) examines the significant differences between the means and the data sets considered. From the analysis in the ANOVA below, there was an insignificant difference between the means F>0.05. Therefore, it is concluded that there is no linear relationship between the dependent and independent variables and thus the regression analysis is a good fit for the data.

Table 1: ANOVA

	Df	SS	MS	F	Significance F
Regression	3	0.375987	0.125329	1.114547	0.505036
Residual	2	0.224897	0.112448		
Total	5	0.600883			

The results for the Regression Model coefficients in Table 2 indicate the extent to which the independent variables examined above predict the performance of private schools in the Bungoma South sub-county.

Table 2: Regression Model Results

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	6.714247	8.755483	2.7668	.037	-44.386	30.9575	-44.386	30.95755
X1	1.801844	1.422198	2.2669	.022	-4.31738	7.92107	-4.31738	7.92107
X2	0.959236	1.499099	3.6398	.004	-7.40934	5.49086	-7.40934	5.490864
X3	2.689021	2.096297	5.2827	.007	-6.33062	11.7086	-6.33062	11.70866

The findings reveal that all three independent variables including strategic financial management (X1), strategic human resource management (X2), and strategic leadership (X3) influence the performance of private schools. Based on the Beta coefficients, we developed a linear regression model;

The prediction equation is $Y= 6.71 + 1.80X1 + 0.96X2 + 2.689X3 + \varepsilon$

From the findings in the regression analysis, all three variables including strategic financial management, strategic human resource management, and strategic leadership play have a significant influence on the performance of private schools in Bungoma South sub-county (pp values of 0.022, 0.004, and 0.007 respectively and thus p<0.05. Based on this, an increase in strategic financial management, strategic human resource management, and strategic leadership corresponds with an improvement in financial performance. With the highest Beta coefficients, strategic leadership (B=2.689) has the greatest influence in shaping the performance of private schools followed by strategic financial management since the higher coefficient value culminates into a higher impact or influence on the independent variable.

Discussions

Strategic Financial Management

Strategic Financial Management is a process used by organizations to manage their financial resources to meet organizational goals. Financial management applies a mix of various financial tools and techniques to create a strategic plan to ensure that the strategy is implemented as planned to achieve short-term and long-term objectives. This study sought to examine the extent to which private schools in the Bungoma South sub-county have incorporated strategic financial management in their operations to guarantee short-term and long-term financial stability. Preliminary findings showed that most private schools do not prepare strategic financial plans to guide the management of expenditures and incomes. Some respondents were unaware if such plans existed and were therefore unsure if their schools had a positive financial direction. This demonstrates that private schools tend to underperform in terms of strategic management of their financial resources through financial planning and goal alignment, setting clear financial targets and allocating resources, budgeting, and cost control techniques. In an age when a majority of private schools in Kenya continue to struggle financially due to high tuition fees, loss of students to public schools, and late fee remittances, private schools should shift towards innovative strategies such as diversifying their revenue sources to increase income generation beyond just relying on donors and student fees. However, the results indicate that an average number of the schools examined have lagged in terms of diversity and also failed to put strong internal control mechanisms to guarantee transparency and accountability. Nevertheless, strategic financial management practices have been found to influence the performance of private schools through improvement in overall financial performance and stability and investment in infrastructure and facilities that are essential for growth. The findings in this study are consistent with a study conducted by Yunis & Karugu (2018) who established that strategic financial management has a strong positive impact on the performance of SMEs in the Wajir South sub-county. With this, the study recommended the need for micro and medium enterprises to integrate issues related to strategic financial management to drive performance improvements.

Strategic Human Resources Management and Financial Performance

Strategic human resource management (SHRM) is a management approach that aligns an organization's human resource practices with its overall strategic goals and objectives (Chopra, 2017). It involves integrating HR practices and processes with the organization's strategic planning and decision-making processes to enhance organizational performance (Chopra, 2017). The study sought to examine the relationship between strategic human resources management and the performance of private schools in Bungoma South Sub County. The researcher asked participants about the extent to which their institutions incorporated various strategic human resource management approaches and how this affects their level of performance. From the findings, private schools have been effective in developing strong organizational cultures that reinforce their institutional values (Mean=3.35). Respondents also indicated that their schools hired and retained highly competent and committed workers. This was reflected in the higher and enhanced academic and operational performance reported by the majority of the respondents (mean=4.55). However, private schools have exhibited some weaknesses in how the institutions strategically manage their human resources to realize their desired performance goals. For instance, findings revealed that private schools have not put mechanisms in place to offer training and professional development opportunities for workers (mean= 3.22). Private schools have also performed averagely in terms of creating a workplace that supports active employee engagement through open communication, involvement in

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decision-making, and providing work-life balance (mean= 3.18). Generally, the results from the regression analysis have shown a significant relationship between strategic human resources management and the performance of private schools (p=0.04). The Beta coefficient of 0.959 shows that a unit increase in strategic human resource management cumulatively increases the performance of private schools by 0.959.

In his study, Altarawneh (2016) examined the impact of strategic human resource management on the performance of a firm. The findings from the study indicate that strategic human resources management has a positive impact on performance through an increase in profits, growth of sales, increased job satisfaction, and enhanced loyalty. These findings coincide with the findings of the current study since the implementation of strategic human resource management practices impacted performance through increased job satisfaction and retention of staff (mean= 3.675). In a similar study, Nafari and Rezaei (2022) examined the impact of various human resource management practices on performance. HR practices such as employee training and development, compensation, and rewards yielded the highest outcomes in terms of performance. Generally, the study established a significant effect between the human resource strategies and performance (r, 0.73, p=0.01). The results therefore support the current study as it demonstrates the influence of HR strategies such as training development and compensation on organizational performance.

Strategic Leadership and Performance of Private Schools

Leadership is the ability to influence and guide others toward a common goal or objective. It involves taking charge, making decisions, and inspiring and motivating others to achieve desired outcomes (Hurduzeu, 2015). Leadership is not solely based on a position or title but is a set of skills and behaviors that can be developed and practiced by individuals at all levels of an organization. Strategic leadership plays a vital role in ensuring the success of organizations in the constantly evolving and intricate 21st-century business landscape. It is widely recognized as a key element for achieving optimal performance. Given the challenges posed by information uncertainty and limited resources, strategic leadership becomes even more crucial (Jaleha, & Machuki, 2018). Leaders must effectively navigate the realities of environmental turbulence and embrace the ongoing necessity for organizational change to attain performance objectives.

With this, the study sought to examine the effect of strategic leadership on the performance of private schools in the Bungoma South sub-county. First, the researcher sought to examine the leadership approaches adopted by private schools. The findings indicate that most private schools give greater preference to autocratic leadership (72.73%) followed by transformational leadership approach 21.59%. The survey also revealed that strategic leadership influences the performance of private schools through establishing a clear vision and direction for the firm (mean= 4.8), developing and communicating the strategies for realizing their expectations (mean= 4.2), creating a conducive and supportive workplace environment (mean= 4.2), and efficient management of resources (mean= 4.16). However, gaps were identified for private schools to improve their strategic approach to leadership to drive performance. For instance, it was established that leadership private schools have to a moderate extent accepted the change and the need to adapt to changing circumstances (mean= 2.8). This is evident from the struggles for many schools amid the COVID-19 pandemic due to the failure to implement innovations such as online learning that were crucial to remain operational.

In terms of strategic leadership on the performance of private schools in Bungoma South sub-county, the results of the regression analysis show that strategic leadership is the most dominant factor. According to the results, strategic leadership has a statistically significant impact on the performance of private schools (p=0.007). The Beta coefficient of 2.689 also shows that a unit change in strategic leadership increases the performance of private schools by 2.689.

Several studies have been conducted on the relationship between strategic leadership and the performance of private schools (Knies, Jacobsen, & Tummers, 2016; Jaleha, & Machuki, 2018; Ogechi, 2016). In his study, Ogechi (2016) established a positive relationship between strategic leadership and firm performance. His findings coincide with the current study results which indicate that strategic leadership affects organizational performance through getting vision, planning, and creating a supportive workplace environment. In another study, Jaleha and Machuki (2018) observed that the environment in which an organization operates has a huge moderating effect on influencing the relationship between strategic leadership and performance. As a result, firms that are faced with external pressure should position themselves for success by employing organizational change. This is a major challenge that primary schools especially in rural areas face for failing to employ new technologies that are essential for organizational change and success.

5.0 Conclusion

The current study has confirmed that strategic management practices such as financial management, leadership, and human resource management have a strong impact on the performance of private schools in the Bungoma South sub-county. From the findings in the regression analysis, all three variables including strategic financial management, strategic human resource management, and strategic leadership play have a significant influence on the performance of private schools in Bungoma South sub-county (p values of 0.022, 0.004, and 0.007 respectively and thus $p<0.05$. In terms of the effect of each variable, it was established that a unit change in strategic financial management affects the performance of private schools by 1.80 while a change in strategic human resources management affects performance by 0.959. Finally, leadership has the greatest effect since a unit change affects the performance of private schools by 2.689. The results indicate that these factors contribute to up to 62.35% of performance in private schools.

6.0 Recommendations

Firstly, leadership in private schools should remain proactive in accepting and pursuing change with the changing dynamics in the business environment. This will help the schools to align teaching methods and general operations with changing technologies to remain efficient and competitive. Secondly, private schools in the Bungoma South sub-county should pursue novel strategic financial decisions such as diversifying their operations and revenue sources to expand their revenue base beyond teaching. This could help to grow the income for schools to reduce overreliance on tuition fees that are often remitted late or defaulted by students. Private schools should also be proactive in incorporating financial planning as a strategy to control costs, set realizable financial targets, and guarantee improved transparency and accountability to enhance the financial performance and stability of the schools.

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