

# **EFFECTS OF STRATEGIC ISSUE DIAGNOSIS PROCESS (SIDP) ON PERFORMANCE OF THE PRIVATE UNIVERSITIES IN KENYA**

**CASE STUDY OF THE CATHOLIC UNIVERSITY OF EASTERN AFRICA (CUEA), KENYA**

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## **Abstract**

*The study analyzed the factors affecting the strategic issue diagnosis process (SIDP) process and their impact on the performance of the Catholic University of Eastern Africa (CUEA). The study used a census survey design of the fifty members of the top management team (TMT) of the University. The survey data was analyzed using factor analysis and regression analysis. Factor analysis using principal components and varimax (orthogonal) rotation was conducted to reduce the dimensionality and identify the factors (latent variables) and labels (constructs) of both the SIDP and performance of CUEA. Factor analysis results showed that three items (with eigen values greater than one) accounted for about 75% of the variance in SIDP process and 72% of organizational performance. These factor analysis outcomes were then used to estimate a regression model of the effects of the factors of the SIDP process on the profitability of CUEA. Although all the factors of the SID had theoretically expected signs, not all had statistically significant individual (partial) effects on the profitability of CUEA. The results show that the joint effect of the six factors of the SIDP accounted for about 30 per cent of the total variance of the profitability of CUEA. However, the joint effect of the factors of the SIDP on the institution's profitability was statistically significant ( $p < 0.05$ ). The results show that all but the null hypotheses on communication systems and personality profile of the members of the TMT were rejected at  $p < 0.05$ . The mixed and rather disappointing findings of this study could be attributed*

*to the exclusion of key control variables and methodological weaknesses. Hence, the study recommended conduct of additional studies with a larger sample of universities, inclusion of the excluded variables and use of structural modeling approaches.*

*Keywords: Strategic Issue Diagnosis Process (SIDP), Internal Contextual Factors, Top Management, Organizational Performance, Private Universities, Factor Analysis*

## **INTRODUCTION**

Access to the higher education in Kenya has increased rapidly, *albeit* not quite to the regional Sub-Saharan Africa (SSA) average of 7%. The GER at tertiary level quadrupled in 10 years: it was 4% in 2010 starting from 1% in early 2000s (Ayako, 2015). The number of students enrolling in higher education rose from 112,229 in 2006/07 up to 180,978 in 2010/11 (*Access to university enrolment has also expanded over the past decades. In 1970, fewer than 8,000 students were enrolled in university. This increased almost four-fold by 1989 (to 31,000), a more than 60% increase in 5 years (KNBS, 2011); 20% of university students were enrolled in private institutions in 2010/11 (KNBS, 2011). In recent years, the number of universities has proliferated, especially between 2012 and early 2013 when polytechnics were converted into universities. In 2014, the public higher education system in Kenya counted 22 public universities (15 of them established between 2012 and 2013) and 9 Public University Constituent Colleges in 2011 (According to Oketch (2004) there were 1 private and 1 state universities in 1970/75; 8 private and 5 public universities in 1990/95; 15 private and 6 public universities in 2000/08). It also included 17 Chartered Private Universities (10 out of 17 established after 2006) and 11 Universities with Letter of Interim Authority (LIA), with the latter not being authorized to grant their own diploma/degrees (Commission for University Education, 2013). Despite the growth in the number of private institutions at higher education level, private institutions enrolled only a fraction of total students (16% in 2012/13).*

All public universities now have a parallel track system in place. Students attend classes in the evening and over the week-end with structures being at full capacity (Ngolovoi, 2008). For instance, in 2004/05, the number of Module II students at the University of Nairobi was higher than the number of regular students (Otieno, 2011). The introduction of private entry schemes has allowed public universities to expand enrolment while generating own funds to supplement diminishing state support (Otieno, 2011). The parallel system caters for a different target than regular students. Students enrolled in the parallel systems are generally employed, with a large share valuing the flexibility not only of attending classes in the evenings and over

the week-end – making attendance compatible with a full-time job dropping opportunity costs of higher education – but also to complete the curriculum in a shorter time than regular students (Colclough & Webb, 2010; Ngolovoi , 2008).

The country's higher education development progress (as reflected in the expansion of education opportunities) has been attributed to a combination of four main factors: a rising demand for higher levels of education boosted by growing relevance of qualifications to enter and progress in the job market; a political commitment to education beyond only the basic levels and accompanying bold policy moves; key financing reforms which helped to shift the burden from households to government; and the active role of communities and the private sector in expanding supply of education services. The improvements that have occurred in gender equity have been driven through both 'bottom-up' and 'top-down' pressures. 'Bottom-up' pressures through women's rights groups who mobilized on a wide range of topics helped move forward the gender equity agenda at the policy level. This has been in conjunction with efforts through government ministries and global institutions to achieve gender equity throughout schooling (Unterhalter, 2012).

Understanding the link between how top manager make sense of information and how they act to influence organizational outcomes is gaining emphasis in modern business (Dutton, Fahey & Narayanan, 1983; Dutton & Jackson, 1987).The emphasis accrues from the fact that modern organizational environments are complex and dynamic. Hence, under such a business environment, the key role of management has become to provide meaningful interpretations for patterns of ambiguous information. Indeed, the imposition of meaning on issues characterized by ambiguity has become a hallmark of modern top managers (Smircich & Stubbart,1985).The imposition of meaning to such issues is often seen as critical to the success and even survival of organizations, mainly because of their implications for influencing action, alternatives and subsequent outcomes (Dutton & Duncun,1987).

Organizational issues play a particularly important role in the management group decision-making process by affecting information processing and ultimately the decision made by the group (Dutton and Jackson, 1987). Previous research has shown that issue interpretation impacts the decision making process (Ginsberg and Venkatraman,1992;Thomas et al.,1993; Thomas and McDaniel,1990),suggesting a need for the management of business entities to focus on key organizational issues that have the potential to affect organizational performance or its Survival (Ansoff, 1980; Kuvass, 2002).

Over the past few decades, there has been significant attention directed at the strategies a firm uses to obtain competitive advantage in a turbulent environment or an environment characterized by continuous change, uncertainty, or complexity. Managers analyze their

environment in order to diagnose strategic issues, events, or developments which may have an important impact on organizational performance (Prieto, n.d). Decision-makers in organizations are currently faced by issues which are emanating from their internal and external environments, suggesting that past modes of operating may no longer fit their current competitive contexts.

Ansoff and McDonnell (1990) define a strategic issue as a forthcoming development, either inside or outside of the organization, which is likely to have an important impact on the ability of the enterprise to meet its objectives. Such a strategic issue is something that needs management attention outside the calendar driven planning cycle, sometimes as a result of surprising events (Ansoff, 1975). For example when an organization realizes it is experiencing inefficient use of information technology (IT), resulting in inefficient workflow, poor communication, poor client record keeping and unacceptably low levels of client service and satisfaction, it is said to have identified a strategic issue (Bryson & Alston,2007).

Strategic issue diagnosis (SID) is a fluid, emergent and dynamic process that occurs within a strategic issue management system (SIMS).Camillus and Datta (1991) defined SIMS as a set of organizational, procedures, routines and processes devoted to perceiving, analyzing and responding to strategic issues. It involves dealing with complex, novel, and opens-ended decisions that contain interdependent elements (Mitzberg, Raisinghani & Theoret, 1976).

SID process attempts to wed the concerns of organizational change and strategic management by showing the early stages of decision - making process, and the organizational context in which they take place. It is closely related to the concept of strategic decision making through which changes in the environment are detected and interpreted .On the basis of this interpretations, forces are put into action to initiate or impede strategic change. The focus of SID is said to be on how data and stimuli get interpreted and understood with an emphasis on extensive interaction among decision makers (Holt, 2006).

The dawn of the 21<sup>st</sup> century has been, viewed to have brought with it unprecedented change (Jamali, 2004). Learning usually means changing the way thing were done. Unlike learning, change is said to be the coping process which involves moving from a present state to a desired state that individuals, groups and organizations undertake in response to dynamic internal and external factors (Cook et al; 1997). Change forces bearing down on higher education in recent years include; a significant decrease in funding from government sources , a rapid increase in competition, economic shocks, changing social trends, rapid spread of information and communication technology (ICT), emerging instances of litigation against universities, increasing government scrutiny and common external quality audit (Robbins,2000 ; Scott, 2003).

Knowledge workers, on the other hand, rightfully perceive the old system as under utilizing their expertise and under-estimating their willingness to take initiative and responsibility, implying that they have new attitudes towards work involving feelings of pride and ownership. Employees are becoming more concerned about merit, worth, meaning and fulfillment (Stalling, 2000). According to Chapman (2000) customer is becoming more sophisticated, inquisitive and critical and some more demanding when it comes to spending. Some of the forces mentioned above affect these institutions directly while others affect them indirectly. For a university to remain viable it must be able to respond promptly and wisely to this combination of changing forces.

The diagnostic model can especially be useful in an organizations change effort by identifying issues that should be addressed by the organizational change initiatives. When an organization or company begins its operations, it creates its vision, mission, goals and objectives based on the prevailing environment. However the environment does not remain stagnant. The environment to which organizations operate is a dynamic world where only change is constant. Thus there is need for constant revisions, alterations and change in strategic plans, even in goals and objectives to be able to meet the challenges and demands of dynamic environment.

### **Statement of the Problem**

Understanding the factors that shape how top managers interpret their strategic environment is critically important since such interpretations ultimately affect organizational actions (Dutton et al., 1983). Managers determine that a significant gap exists between actual and desired results creating a business problem. At times senior management translates this business problem into a strategic decision making problem. SID deal with the early phases of strategic decision making, including identification of issues and the assessment of characteristics of these issues. The most attention should be given to those which entail severe consequences if they are not addressed. An organization that waits until a crisis develops may find it difficult to deal with the crisis with wise strategies (Heath, 1997).

Along with the increased interest in strategic, managerial and organizational cognition over the last decade (Meindl et al., 1994; Porac et al., 1996; Swenk, 1988; Walsh, 1995), a growing body of research by Jane E. Dutton, James B Thomas and others has paid particular attention to the phenomena called SID.

Within the SID literature most research has focused on how individuals in top management teams cognitively interpret and behaviorally respond to strategic issues in their environment and how this affects the elaboration and implementation of organizational strategic

responses (Daft & Weick, 1984; Dutton & Jackson, 1987; Dutton & Duncan, 1987; Gioia & Chittipeddi, 1991; Milliken, 1990; Schneider, 1994; Thomas and McDaniel, 1990; Thomas et al., 1997).

Further research on strategic issues and issue management systems has been focused on strategic issue diagnosis (Dutton et al., 1983); strategic issue categorization (Dutton et al., 1987b); forms, functions and contexts of SIMS (Dutton et al., 1987d); the role of uncertainty and feasibility on the patterns of interest around issues (Dutton et al., 1988); discerning threats and opportunities (Jackson et al., 1988) and selling issues to top management (Dutton et al., 1993).

Despite extensive research on decision making and substantial knowledge on issue interpretation, research has yet to focus on the factors affecting SID and how these affects expected performance outcome in private universities in Kenya. Understanding the factors that shape how top managers interpret their strategic environment is critically important since such interpretations ultimately affect organizational actions (Dutton, Fahey & Narayanan, 1983). Understanding interpretation - the process of translating data into knowledge and understanding - should also hold a prominent place in any attempt to understand organizational change (Daft & Weick, 1984).

### **Research Questions**

- a) What factors affect SID process in private universities in Kenya?
- b) To what extent do the factors (a) affect performance of private universities in Kenya?
- c) What can be done to improve SID process and its effects on performance of private universities in KENYAPR in CUEA?

### **Significance of the Study**

The findings of the study are useful to the management of CUEA, its shareholders, higher tertiary education sector and the academia in general. Management of CUEA can benefit from this research in the sense that by identifying the factors which affect SID process, they will be able to identify key areas that require improvement and thus subsequently improve organizational performance by ensuring strategic issues are diagnosed and dealt with. The findings of the study are expected to enlighten and reassure shareholders of the benefits of carrying out SID in helping to maximize shareholder value in the long run by ensuring factors affecting the process are identified and dealt with.

The higher tertiary education sector will also find the results useful, because other universities can benchmark SID with that of CUEA. In addition to adding information to the bank

of knowledge in the field under investigation, it provides scholars with a reliable source of data from which knowledge can be drawn. It also provides a basis for further research.

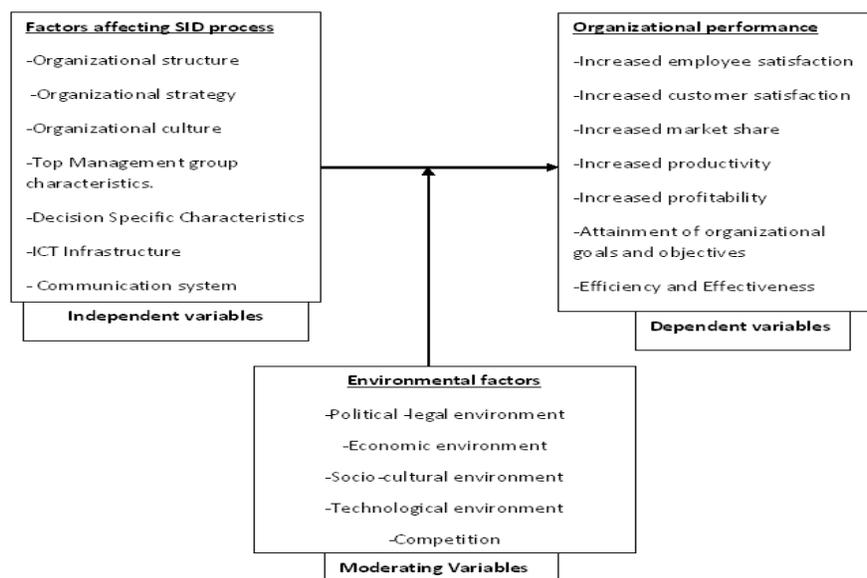
### Scope and Delimitations of the Study

The study focused on factors affecting SID and how they affected organizational performance in private universities in Kenya over the last five years. The focus on these institutions was rationalized on the increasing competitive environment of Higher Education and strategic responses to it in the country. Owing to time and budget constraints, the institutional scope of this study was limited to one private university, namely, the Catholic University of Eastern Africa (CUEA). CUEA is among the oldest and largest private university in Kenya an era of competition among these institutions for students.

The study focused on individual managers' SID. Although several organizational actors take part in SID, members of top management team (TMT) are responsible for providing organizational interpretation of their environment and strategic responses (Daft and Weick, 1984). The main focus of the study was on internal organizational contextual factors that have an effect on the extent of exposure managers got to strategic issues and the relationship to organizational performance.

Finally, responsibility for processing all or even most strategic issues was assumed to rest within the MT, but membership needed not be restricted to the upper most echelon of executives who formally comprise of the organizations dominant coalition by virtue of title and position. However strategic issue may emanate from lower organizational levels.

Figure 1: Conceptual Framework



### ***Factors Affecting SID process (Independent Variables)***

Understanding factors that shape how top managers interpret their strategic environment is critically important since such interpretations ultimately affect organizational performance (Dutton, Fahey, & Narayanan, 1983). Our study will focus on internal organizational contextual factors and this include; personality profile of managers, decision - specific characteristics, organizational strategy, structure, culture, communication system and ICT infrastructure.

### ***Environmental Factors (Moderating Variables)***

Analysis of the external environment is an attempt to understand the forces outside the organizational boundaries that are helping to shape the organization. Forces outside the institutions' wall clearly have considerable bearing on that which transpires within. The external environment can provide both facilitating and inhibiting influences on organizational performance. Key dimensions of the environment that bears on the institutions include; political-legal, economic, social-cultural, technological and competitive environments. Management can respond either reactively i.e. responding to pressing problems and issues or proactively i.e. by creating opportunities previously unforeseen.

### ***Organizational Performance (Dependant Variables)***

Most studies define organizational performance as a dependent variable and seek to identify variables that produce variations in performance. Organizations are set up to serve a particular purpose and the role of management is to support this purpose by strategically gathering and applying resources in an efficient manner. Balanced scorecard (BSC) was the tool which was used to measure performance in this study. According to Kaplan and Norton (1993) BSC is a comprehensive framework that translates a company's strategic objective into a coherent set of performance measures. BSC seeks to strike a balance between financial measures e.g. return on investment and non- financial measures e.g. customer satisfaction, number of student graduated.

### **Organization of the Study**

The remainder of the study was organized into four chapters. Chapter two presented review of related theoretical and empirical literature. The chapter was organized in terms of sections that were divided thematically to be able to cover the areas within the objectives of the study. Chapter three described the research design and methodology that was used in the study. It included research design, target population, sample and sampling techniques, description of research instruments, data collection procedures and data analysis procedures. Chapter four

presented data analysis, interpretation and discussion of findings. The presentation was organized based on the major research questions. Discussions were based on the reviewed literature. Chapter five presented the summary of the findings, conclusions, recommendations and suggestions for further research.

## **THEORETICAL LITERATURE**

### **SID: Meaning and Importance**

SID is the foundation of a strategy and strategic decision making in organization. SID is held to critically affect both the process and the content of subsequent phases of strategic decision making (Dutton et al., 1983) and thus organizational choice and action (Daft & Weick, 1984; Thomas et al., 1993). In other words, the response to an organization's environment and ultimately, the organization's performance may be highly dependent on manager's ability to notice and adequately interpret the strategic environment of the organization.

The importance of SID stems from its pervasiveness and centrality in the context of strategic decisions. It has an impact upon later decision phases and a potential of unfreezing decision makers from their many 'blindnesses'. As noted by (Mintzberg et al., 1976) it is difficult to imagine strategic decision making without some form of diagnosis, even where solutions precede problems. Some type of understanding and imposition of meaning upon an issue must occur before the two can be linked (March & Olsen, 1976). Strategic decisions are organizational phenomena that require a variety of organizational members for their recognition, formulation, evaluation and implementation: thus organizational resources must be mobilized for their analysis. The complexity and uncertainty of strategic decisions and the multiplicity of organizational factors influencing the decisions process suggest that there is considerable latitude in understanding a particular issue.

SID critically affects both the process and content of subsequent phases of strategic decision making activity. It creates the momentum and direction for these subsequent decision phases by framing an issue in a particular way and thus defining the domain for subsequent strategic decision making activity. SID creates a variety of issue specific outputs such as assumptions, cause-effect understandings, predictive judgments and languages & labels for describing an issue. These outputs serve to structure the range of alternatives considered and developed as well as the criteria applied in their evaluation. Knowledge of how strategic issues are diagnosed is a necessary prerequisite for understanding strategic decision making.

Finally SID is important for its potential to free decision makers from their cognitive, informational and ideological limits and constraints. As numerous authors have attested, organizations and the decision makers within them frequently exhibit rigid and maladaptive

decision making (Staw et al., 1981). These pathological behaviors are due in part to the bounding qualities of information, beliefs and values which restrict the potential actions considered by decision makers.

### **Strategic Issue Interpretation (Strategic Issue Labels)**

Research on interpretation in business organizations usually presumes that the labeling of issues influences decisions and actions (Dutton & Jackson, 1987; Thomas et al., 1993). Managers in organizations are exposed to more issues than they could possibly resolve. The SID perspective highlights the issues as being relevant units of analysis for tracing how individuals and collective interpretations relate to organizational-level actions.

The interpretation of a strategic issue is often represented by general labels such as “opportunity” or “threat”. These labels capture top manager’s beliefs about the potential effects of environmental events and trends (Edelman, 1977) and set in motion processes that move an organization in a particular direction (Dutton et al., 1983). Dutton and Jackson (1987) argued that interpretation of issues as threats or opportunities systematically affects the magnitude and type of strategic change. They originally proposed that managers involved in SID engage in categorization of issues as either threats (based on an evaluation that the issue is negative, that there is a likelihood of loss, and that one has little control) or opportunities (based on the evaluation that the issue is positive, that gain is likely, and that one has a fair amount of control). Parallel to the threat/opportunity framework Dutton and Duncan (1987) proposed the existence of a more reflective process whereby managers in MT’s would engage in a more intentional and effortful social construction of strategic issues in terms of their feasibility (based on perception of understanding the issue and capability to deal with the issue) and urgency (based on the perception of importance of the issue and of time pressure to deal with the issue). Managers interpreting issues in this way are expected to become involved in information search and analysis requiring greater cognitive attention resources (Dutton, 1993).

### **SID Frameworks**

There exist two prominent accounts of how managers make sense of and take action in relation to strategic issues. The threat opportunity (TO) and feasibility-urgency (FU) approaches primarily emphasize automatic/effective and active/deliberate SID processes respectively.

#### ***Threat – Opportunity framework (TO)***

The TO framework suggests that individuals use cognitive categories and linguistic labels to organize the world specifically, top managers appear to categorize many environmental issues

as either “threats” or “opportunities” which incur different decision making processes and organizational outcomes (Dutton & Jackson, 1987; Jackson & Dutton, 1988; Chattopadhy et al., 2001). These categories are influenced by whether the issue is seen in positive or negative terms as a potential loss or gain, and as controllable/uncontrollable (Jackson & Dutton, 1988; Thomas & McDaniel, 1990). The “opportunity” label refers to “a positive situation in which gain is likely and over which one has a fair amount of control,” while the “threat” label implies “a negative situation in which loss is likely and over which one has relatively little control” (Dutton and Jackson, 1987).

### ***Frequency – Urgency framework (FU)***

The FU framework requires a more thorough process of decision making than the TO framework since the process requires much more effort in assessing the options (Dutton & Duncan, 1987; Julian & Ofari-Dankwa, 2008). The FU framework proposes that managers assess strategic issues by applying two dimensions namely urgency and feasibility. The results of the assessment affect the magnitude and type of change which an issue triggers. The dimension of urgency captures the perceived importance of taking action on an issue and the perceived cost of not taking an action (Dutton & Duncan, 1987). Assessment of urgency depends on the saliency of an issue, perceived time pressure, visibility of an issue, judgment of decision makers’ responsibilities for the occurrence of the issue. The second dimension feasibility reflects TM’s judgment about the possibility of resolving an issue (Dutton & Duncan, 1987; Ginsberg & Venkatraman, 1995). Evaluation of feasibility involves the judgment of issue understandability and issue capability, with the former capturing the extent to which decision making can identify means for resolving the issue and the latter indicating the extent to which the means for resolving issues are available and accessible.

### **Change Management in Private Higher Education Institutions (PHEI)**

Organizational change is a complex phenomenon that has been studied and modeled by organizational scholars for decades. The stark reality is that irrespective of the change model used, approximately two thirds of all organizational change efforts fail (Beer et al., 1990; Kottler, 1995). Indeed it is possible that neither, as presently conceived, provides a satisfactory explanation of how changes occur in a complex higher education HE environment.

Strategic organizational changes (SOC’s) can emanate from two different sources: change can either emanate from external environment such as changes in competitors’ actions, government regulations, economic conditions and technological advances. Change can also emanate from within the organization, this could be new corporate vision and mission, purchase

of new technology, mergers and acquisitions, new company leadership and evolving attitudes towards work (Vecchio & Appelbaum, 1995). SOC could be undertaken in either a reactive or proactive manner. In one hand, management could foresee the necessity for change and undertake the necessary steps to adjust their organization to meet the impending pressures of the environment. On the other hand management could resist change and be forced into organizational transformation in order to survive.

In today's environment HE is subject to the same pressures of the market place. It is an industry that has experienced significant shifts in recent years. Less than a generation ago academic institutions thrived in an environment of predictable funding and student enrollment with little overt competition among institutions (Cohen & March, 1974; Keller, 1983). Recent environmental factors, have cast universities into ambiguous arena that look more and more like a competitive market place. Such a dynamic environment calls for institutions to change to meet these new conditions.

There is a growing insistence not only that change occur but that it is accomplished quickly in institutions that historically have been comfortable only with slower, self paced, incremental change. As a campus begins to engage in a change process, members of organization need to first examine why they are about to embark on the process, the degree of change needed and what the best approach to adopt is. Today the HE system is under pressure to adopt fundamental changes in the main fields of their responsibility. As a result of internal and external pressures the landscape of HE is constantly changing. Today's colleges and university administrators must be equipped to address current contemporary issues and have a vision for future demands. Kezar (2002) noted that changes occur when leaders, change agents, and others are able to see the necessity of change. HE must develop a distinctive approach to change if it is to avoid mistakes in analysis and strategy.

Although changes in the external environment obviously influence the interpretation process, internal contextual factors also exert considerable influence. Of these, strategies in use and the organizational structure in place play important roles in guiding interpretations (Daft & Weick, 1984). The strategy in use thus constitutes a key element in the institutions enacted environment and tightens top management interpretive focus (Weick, 1979; Daft and Weick, 1984). Similarly patterns of informational interaction among top management team influence interpretations, characteristics such as frequency of interaction and the degree of participation by members in decision making affect the identification and interpretation of issues (Thomas & McDaniel, 1990).

It is thus necessary to have a good diagnosis and understanding of the system and guide the change process in today's unsettled HE environment. Organizational issues in

educational settings are equally complex, so it is essential that the elements for sound decision making are present. Using a diagnostic tool like SID can help PHEI in their planning and decision making.

### **Information Processing Perspective**

Environmental scanning and information processing are dominant concepts in organizational studies because processing information about the external environment is a key organizational and managerial activity. An organizations information processing system attempting to explain organizational behavior by examines how the flow of information occurs in and around organization (Knight & McDaniel, 1979). This is thus said to be critical for adaptation and long-term survival (Weick, 1979) According to this perspective acquisition and processing of environmental information is seen as one of the most critical tasks of the organization (Shank et al., 1988; Weick, 1979a). Organizational information processing, of which organizational scanning and information processing structure of MT's are important concepts, are conceptually linked to managerial information processing through its filtering and distributive mechanisms(e.g. Huber & Daft,1987) In organization and group level information influence the amounts and types of data, stimuli, information and perspectives available to individual organizational members.

### **Factors Affecting SID Process**

There is no single study which looks at all the organizational contextual factors which affect strategic issue diagnosis process. Some research has been done on one or two factors (e.g. Thomas and McDaniel, 1990 ;Milliken,1990 ;Miles et al.,1974;Weick ,1969;Eisenhardt, 1989;Leiffer &hubber,1977; Jackson,1988). However such research studies are limited. This study therefore borrows from a number of theories i.e. organizational theories, management theory, organizational behavior, cognitive psychological and operations management, personality theory, management information system literature.

### **Organizational Structure**

In general, organizational structure influences the flow of information and the context and nature of human interactions (Miller, 1987).It channels collaboration, specifies models of coordination, allocates power and responsibility prescribes levels of formality and complexity (Bower, 1970). Organization structure is suggested to influence, attention through integration and coordination of organizational units that collect and control information. Organizations can determine what information to acquire and how accurate, timely, and exhaustive that information shall be.

Furthermore, organizations can increase their attention through decentralization and participative decision making that will reduce managers' cognitive workload and improve the quality of upward communication.

Drazin and Howard (1984) point out that the changes in the competitive environment require adjustments to the organizational structure .If a firm lags in making this realignment; it may exhibit poor performance and be at a serious competitive disadvantage.

### ***Organizational Strategy***

The strategy of an organization will cause certain variables or their relationships to go unnoticed, or to be ignored, or to be emphasized by top management (Hambrick, 1981; Miles & Snow, 1978).

Meyer (1982) and Hambrick (1981) have suggested that organizations prevailing strategy provides a framework from within which its managers comprehend their environment and interpret strategic issues. Strategy serves as an organization filter that separates the critical from the inconsequential (Huff,1982).Therefore, top managers in an organization tend to interpret a strategic event on the basis of past organizational experiences that have become embodied in its existing strategy (Daft & Weick,1984).This selective perception causes the top management's interpretation to focus on what is needed to execute the organization's strategy and to ignore information that seems irrelevant to that strategy (Dearborn & Simon,1959).

### ***Personality Profile of Managers***

Research has suggested that environmental perceptions may be influenced by individuals' psychological characteristics such as tolerance for ambiguity or cognitive complexity (Downey et al.,1977; Downey & Slocum,1975).More recently, research has focused on demographic characteristics related to the composition of management group, hypothesizing that these forces more strongly influence information processing of the team as a whole and how organizations and their members attend and select among data,(Hambrick,1994; Hambrick & Mason,1984)

### ***Decision- Specific Characteristics***

Managers in trying to make sense of the world around them tend to classify issues into limited categories. Generic- decision specific characteristics of strategic decisions as perceived by managers during the early stages of decision making process include:

#### ***Magnitude of Impact***

Decisions with wide spread impact on organizations, tend to be taken in a more rational mode(Dean and Sharfman,1993;Stein,1981).Again strategic decisions with wide spread impact

are expected to follow a more formalized process and attract more collective attention since various parties would like to contribute.(Dutton,1986; Papadakis,1995b).

#### *Threat/crisis vs. opportunity*

When facing opportunity managers believe that they deal with positive issues which imply positive gains, and are comparatively easy to resolve (Dutton & Jackson, 1987; Mintzberg et al., 1976).This may result in high participation. On contrary, centralization of authority is expected outcome of crisis (Dutton, 1986; Herman, 1963).Furthermore in crisis situations multiple explanations and argumentation about the issue and the alternative way of actions are produced, and thus may lead to more rational thinking (Dutton, 1986).

#### *Frequency of Occurrence /Familiarity*

By one line of reasoning familiarity may be related to less rational decision making processes. According to this reasoning, in case of familiar decisions the search for alternatives is likely to be more narrow and specific. But by another line of reasoning, familiarity may facilitate identification the gathering of information, the search for alternatives, and the choice of best solution, thus contributing to more rational process.

#### *Uncertainty*

Hickson et al. (1986) argues that in uncertain situations management managers act in an 'inspirational' manner, by making obsolete any formal reporting systems usually followed. One can contend that high uncertainty about a decision may, contrary to rational expectations, result in more intuitive processes together with use of less reporting activities and less formalized rules (Dean & Sharfam, 1993). Astley et al. (1982), argues that in a situation where existing structures cannot cope with an issue, the routine is bypassed and the decision is directed to the top layers of the organization. This results in less formality, less reporting and presumably high centralization.

#### **Organizational Culture**

This factor is concerned with the basic assumptions, beliefs, frames of reference, and desirable behaviors that are shared by members of an organization (Schein, 1985). Different organizational cultures lead to a search for different information and learning about different things (Thompson & Wildausky, 1986). Sharing beliefs about a firm's environment leads the firm to establish systems and specialists to monitor certain kinds of environmental information and not others. The domains that are monitored generate information within the firm that reinforces

beliefs about the environment (Sproull, 1981). Therefore with different culture organizations are perceived differently.

Organizational culture affects managers perception of environment in both a more subtle way and a more obvious way .On the one hand culture acts as like a filter through which managers “see” the nature of its environment (Schein, 1985).In this case managers are not very conscious of the cultures impact on their perception. On the other hand, managers may actively suppress their personal view of reality in favor of a view acceptable to firms, leaders, and traditions (Janis, 1972). Firms that operate in a turbulent environment cultivate a strategic and creative oriented culture. Such a culture will not constrain its members to perceive the environment in a certain way, instead perceived novel information will be studied carefully. It is thus, suggested that top management teams culture exerts more influence on the information processing capability of individual top managers than the organizational culture in general.

### ***Effective Communication***

Effective communication is considered as a major key to successful SID–related change and it should take place frequently and in both directions between those in charge of the change initiatives and those affected by them. It should be open, honest, and clear, especially when discussing sensitive issues such as personnel reductions (Davenport, 1993; Jackson, 1997).

One of the key purposes of organizational communication is to manage uncertainty and perceptions during organizational change. Communication is an essential process in the development of group culture. Diverse groups offer immense potential for increased quality of group performance and innovative decision making (Jackson, 1996).The balance between task-focused and social emotional communication is crucial if a group is to be effective.

Different types of communication are needed for different tasks. If a group’s task is simple, a centralized communication network in which interaction between its members is limited tends to increase effectiveness. Complex problem solving is facilitated by decentralized communication networks(Shawn,1981).As recommended by Wheelman (1994) the choice of a communication network might be more effective if strategies of decision making were outlined in advance and if urges to stabilize the structure too early were restricted, as there is considerable resistance to changes once these structures are established. Awareness of these issues is usually low and it is one of the tasks of group leaders or facilitator to bring them to the groups attention. It is notable that a decentralized communication network does not exclude the existence of a group leader.

Communication standards and thus performance are raised if the group has clear, performance –oriented goals; an appropriate task strategy and a clear set of rules; fairly high

tolerance for inter-member conflicts and explicit communication feedback to ensure that information is understood (Maznewski, 1994).

### **ICT Infrastructure**

SIM system involves 'real time' or online processes for the development of capabilities to effectively handle discontinuities or crises that occur in turbulent environment (Ansoff, 1991; Pitt, 2005). The system collects and transmits information about events and developments that could potentially affect an organizations strategy or performance. SIM systems are a set of organizational procedures, routines, personnel, and processes devoted to perceiving analyzing and responding to strategic issues; they enhance an organizations capacity to adopt and to learn (Duncan & Weiss, 1979). Adaptation implies that an organization can achieve a better alignment with its environment and learning implies the alignment is facilitated by greater knowledge and understanding (Fiol & Lyles, 1985).

SIM system facilitates an organizations adaptive capability in two distinctively different yet complementary ways. Firstly, a SIM system can collect, disseminate, and interpret information and by doing so, identify issues that require managerial interpretation (Daft & Weick, 1984). Thus, adaptive or better alignment between an organization and its environment is achieved through a SIM system's role in helping to solve the problem of managing equivocality or reducing uncertainty (Weick, 1979).

Alignment with its environment also requires that an organization deals effectively with resource dependencies and pressures for accountability (Pfeiffer & Salancik, 1978). Accountability pressures means that an organization must both be able to document how resources have been used and to reconstruct the sequence of organization rules that produced particular outcome system can bestow legitimacy on decisions to ignore some issues and to take actions on others, enhancing the probability that powerful collective groups will endorse an organizations actions (Hannan & Freeman, 1984).

SIM systems collect and transmit information about events and developments that potentially could affect an organizations strategy or performance. In some cases this collection process may be highly formalized e.g. some organizations use elaborate polling process to collect information about top decision makers perception of strategic issues, so that monitoring activities can be better focused (Moore, 1979). In other cases, managers of SIM systems processes use informal discussions or the "gut feel" of top managers to identify issues requiring intentional investment.

The system can perform two distinct functions in an organization; one function is captured by viewing SIM from an instrumental perspective. This view is based on the

assumption that decision makers can, will, and must monitor their internal and external capabilities and resources within threats and opportunities (Christensen et al., 1982). In contrast SIM system may be construed as serving a symbolic function. From this view, decision makers create and communicate shared meanings for organizational members through the structures and processes they design (Smircich & Morgan, 1982). Detecting, interpreting or responding to strategic issues has symbolic value because it can convey an image of rational and effective organizational decision making to import organizational constituencies (Feldman & March, 1981).

### **Rationale for Performance Measurement**

It has become increasingly important for organizations to develop systems of performance measurement which not only reflect the growing complexity of the business environment but also monitor their strategic response to this complexity (Johnson, 2005). “(Business) performance measurement is a process of quantifying the efficient and effectiveness of purposeful action” (Neely et al., 1996). The main rationale for measuring an organizations performance is to be able to manage it. Performance measurement can be used as a tool for implicating an organizations strategy (Kaplan & Norton, 1996). Performance measures can be used to, translate an organization’s strategy into corporate objectives, guide and focus employees’ efforts accordingly as objectives will be achieved, control whether or not the strategic objectives are reached, use double – loop learning to challenge the validity of the strategy itself, and visualize how individual employees’ efforts contribute to the overall business objectives (Neely, 1998; Simons, 2000)

Performance measurement is usually carried out using performance measurement system, which consists of several individual measures. The most commonly used model is the Balanced Scorecard (BSC). The measures for performance measurement systems are based on organization’s vision and strategy (Kaplan & Norton, 1996). Measures are chosen to measure success factors from different points of view, such as that of customers, employees, business process, and financial success, as well as from point of view of past, current, and future performance. These way aspects of an organizations performance can be measured and managed.

### **EMPIRICAL LITERATURE**

Knight and McDaniel (1979) suggested that information- processing structures (IPS) influences top managers’ interpretations. The way a top management team is structured to process

information about strategic issue limits or enhances recognition of issue stimuli, impedes the search for data and mutes causal relationships associated with an issue (staw et al., 1981).

Katz (1982) empirically demonstrated and supported arguments that length of top management tenure lowers the likelihood of organizational and strategic change. He further stresses that organizational tenure was associated with increased commitment by top managers to their organizations established policies and practices. Hambrick (1990) equally demonstrated and found a negative relationship between top management organization tenure and strategic change.

Hambrick and Masons (1984) widely studied upper echelons theory and proposed that top manager's background, demographics, and experience are important influencers on psychological and cognitive 'givens' that shape their strategic decisions. This in turn will influence outcome of their actions taken in organizations.

As Eisenhardt, (1989) found, management teams with the capacity to access and process information about strategic issues can cope with stress and anxiety. These teams impart a sense of mastery and control to decision makers, since the executives feel they have surveyed and processed the needed information.

According to Milliken (1990) participation in strategic decision making responsibilities allows top managers to be exposed to the opinions of others who may be more active than others. Structural characteristics such as high levels of participation and interaction and low level of formalization are conducive to a high level of information processing and facilitate extensive use of information.

Thomas and McDaniel (1990) examined how the top management team (TMT) information processing structure and strategy were related to managers information usage and affect valence .In their study of 151 hospital top managers, they found that TMT information processing structures, were positively related information usage, and positive potential gain and controllability interpretations. Findings also indicated that both strategy and IPS are related to how chief executives label strategic situations and range of variables they use during interpretation.

In one of few empirical studies to shade light on this issue, Sutcliffe (1994) found a negative association between work history diversity and accurate detection of information related to the level of resources available in organizations environment Her results suggested that team interactions or other communication processes are represented in more diverse teams and this hinders the sharing of certain types of information among members.

Jackson & Dutton (1988) found that top managers perceive threats as having a clear negative connotation, as likely to bring loss without gain, and as associated with feeling of low

control. They also revealed that top managers perceive opportunities as positive, as having a high potential to bring gain and as associated with feeling of control.

Goh and Ryan (2000) from a sample of for-profit Canadian companies revealed that learning capability was positively related to a non- financial performance measure, job satisfaction. Size of firm was negatively correlated with learning capability and an unexpected finding that formalization or bureaucratization has a significantly positive relationship to two financial performance issues i.e. return on equity and return on assets.

A study by Kumar and Subramanian (2002) found that hospitals with strong customer focus have significantly higher performance in terms of success of new services and facilities and ability to retain patients. Vadi (2003) studied 398 schools in Estonian secondary schools revealed that managing and improving organizational culture could contribute to the performance of schools. Fuschs and Woessmann (2004) using international data from the programmer for International Students Assessment revealed that the bivariate correlation between the availability of ICT and students performance is strongly and significantly positive.

Abdullah et al. (2008) researched managers' perceptions in 255 electrical and electronic (E&E) firms in Malaysia on influence of soft factors on quality improvements and performance. Their results indicated that organizational performance was significantly influenced by the following soft factors: Management commitment, customer focus, and employment involvement. In their study Liu and Maltis (2009) found out that issue type influences the emotions triggered in TMT strategizing discussions, and that it is consistent with SID literature. The research argued that strategic issues, because of their magnitude of gain and loss associated with them, are likely to garner more attention and generate more emotions in their discussion (Dutton & Dukerich, 1991; Dutton & Duncan, 1987; Dutton & Jackson, 1989). We also know from existing research that emotions are likely to be generated around issues that require a decision and are expected to have an impact on an individual's or group's concern. Further the kind of emotion generated is likely to depend on whether an issue is perceived as an opportunity or a threat (Dutton & Jackson, 1987). In sum, issues that are strategic, have a direct impact, and require an immediate decision trigger more emotions than other issues, and the kind of emotion triggered will be influenced by team member construction of issue as either threat or opportunity. The emotion initially triggered by issue type in turn creates the foundation for the emotional dynamics that develop in a team member's interaction.

Barr and Glynn (2004) in a study survey of 276 American and international respondents, investigated cultural variations in the strategic issue labels of threat and opportunities. Overall their findings indicate that perceptions of controllability in discriminating Threats and opportunities exhibited cultural variations in accord with the culture placed on uncertainty

avoidance (UA). They found that UA affects the degree to which individuals associate controllability attribute with threats and opportunities. As expected this association is significantly stronger for individuals from high UA culture than from low UA cultures when it comes to associating the lack of controllability with threat. High UA culture, on the other hand, more strongly associated the presence of controllability with opportunity. No significant associations were found for the other Hofstede (1980) Cultural values of power distance, individualism, and masculinity.

According to Papadakis (1995), study which seeks to investigate impact of perceived decision specific characteristics on the process followed in making strategic decisions. It was noted that; Magnitude of impact is positively associated with rationality, hierarchical decentralization and lateral communication, while it is negatively related to rule of formalization. Threat/crisis is positively related to politicization i.e. the issue in question may become a vehicle for political battles among participants. Strategic decisions perceived as pressure situations are positively related to rule of formalization and problem solving dissension, while they are negatively related to hierarchical centralization. Crisis situations lead to high politicization. Frequency/familiarity issues tend to attract interests from various departments in the company (significant coefficient with lateral communication).

According to umokoro (2009) study to investigate the extent to which top management group characteristics interact either organizational performance in order to bring about strategic change revealed that there is an inevitable interaction between performance and role played by organizations TMT in encouraging or inhibiting strategic change.

### **Knowledge Gap**

Although numerous studies have been conducted to explore the relationship between the factors of the SID process, empirical findings seem to be mixed and inconclusive (Carpentern 2011). For example, though well theoretically premised under the upper echelon theory (Hambrick & Mason, 1984), empirical evidence on the top management team (TMT) demographic characteristics (i.e. age, functional background, gender, tenure, and educational background) is mixed. While William et al. (2006) validated the proposition of the upper echelon theory that TMT demographic characteristics have overall significant positive correlation with performance, the results of the studies with individual demographic characteristics is mixed and inconclusive.

While Akie et al. (2005), Khutula (2011), Carman (2005) and Ran (2011) validated a positive correlation between education and strategy and performance, Thomas et al. (2004) found that while education is positively correlated with differentiation strategy, it is negatively

correlated with cost-leadership strategy. Nandakumar et al. (2011) also could not confirm a strong correlation between education and both the differentiation and cost-leadership strategies. While Stephen (2012) finds a negative correlation between age and organizational performance, Irene et al. (2008) found a positive effect of age on performance. While Stephen (ibid.) and Shamsie (2001) found a strong positive association between TMT tenure and performance, William et al. (2006) and Hambrick (2007) found a negative relation. However no study has either confirmed or contradicted the findings by Zheng (2012), Zhao et al. (2013), and Liquin et al. (2002) showing positive correlation between the degree of female participation and firm performance in Chinese privately owned firms.

Again, although numerous studies have been conducted to explore the relationship between organisational culture and performance, empirical findings seem to be mixed and inconclusive. Contrary to theoretical predictions, Yesil and Kaya (2013) found that organisational culture dimensions have no effect on firm financial performance. The finding was attributed to the limitations of the study, suggesting a need for further studies to provide conclusive results. Olanipekun and Abiola (2013), on the other hand, found that organizational culture positively affects organizational performance.

The mixed and inconclusiveness of past studies investigating relationship between SDP factors (i.e. organizational culture, structure, strategy) and organizational performance has largely been attributed to four methodological weaknesses. First, these studies fail to control for mediating context specific variables including practices of knowledge management , environmental national contexts , firm size, ownership status, and organizational capabilities (Zheng et al., 2009; Elbana, 2011) ), which can influence organizational performance. Second, the studies are based on small sample or case study explorations (e.g. Al-Ghamdi, 1998). There exists very limited large-scale empirical study attempting to quantitatively assess the influence of the context specific control variables. Thirdly, the past studies have lacked an integrative framework for the four basic antecedent factor affecting the SIDP and performance, namely, TMT characteristics, the decision-specific characteristics, environmental characteristics, and the firm's characteristics.

Finally, most of the past studies have basic correlation and/or reduced-form regression analysis to test the theoretical predictions of the SIDP on organizational performance. Few or no studies he structural- form empirical methodology that is premised on structural (behavioral) economic model which, in turn, serves to interpret the estimated data. Hence, the conceptual framework underpinning the study was only partially implemented without control for the moderating variables. Further studies should attempt to model the conceptual framework structurally and estimate using appropriate software (s).

## RESEARCH METHODOLOGY

### Research Design

Research design provides the conceptual framework within which research is conducted; it constituted the blueprint or roadmap for the collection, measurement and analysis of data (Kothari, 2007; Krishnaswami, 2006). The study used a research survey design. It facilitated the collection of discrete data from the targeted population for both descriptive and inferential analysis.

### Target Population

As indicated earlier, the target population of interest was the fifty (50) top management team of CUEA. It comprised senior management (chancellor, vice chancellor, three deputy vice chancellors), middle level management (faculty heads i.e. Deans) and operational management (heads' of departments (HOD's), directors). Information about the structure of the TMT at the university was summarized in table 1.

Table 1. Structure of Management staff at CUEA

Management Team	Target Population
a) Chancellor, vice chancellor, three deputy vice chancellors	4
b) faculty heads(dean's)	6
c) HOD's, deputy HOD's, directors,	40
Total	50

Source: CUEA HR Department Records

### Sample and Sampling Technique

Owing to the small size of the population, a census survey was preferred to sampling. Hence, the entire TMT was selected to participate in the study. However, only one branch of the university was considered i.e. the main campus which is its headquarters and is located in langata, Nairobi. The selection of the main campus was based on the fact that more than 95% of the university's management cadre is resident here.

### Data Description and Collection Procedures

The study used both primary data and secondary data. The primary data was collected using a self- administered questionnaire method. The questionnaire was semi-structured, comprising open and closed- ended questions. Closed-ended questions were used to ease administration

and analysis of responses; while open-ended questions gave the respondents complete freedom of response qualitative responses.

Section 1 of the questionnaire captured the demographic characteristics of the respondents while section 2 captured data on the factors affecting the SID process in CUEA. Section 3 of the questionnaire captured the impact of the factors affecting the SID process CUEA performance. Finally, section 4 captured the data on strategies to improve the SID process in the institution.

The secondary data was obtained from document analysis and Internet databases. The document analysis involved analyzing information from the universities documents such as staff hand book, annual financial reports human resource reports, brochures, and others with relevant information. Information obtained from web involved reviewing data published they included e-books, e-journals, articles e.g. strategic management journals, administrative science quarterly etc.

For enhancing the effectiveness of the research questionnaire pilot testing was conducted on a few members of management before the main research began and errors were revised. The pilot test took two days. Introduction letters attached with copies of self administered questionnaires were delivered to the respondents. The exercise took two day.

### **Data Analysis Approach**

Data collected from questionnaires was keyed into Microsoft Excel Spreadsheet for ease of analysis. Data was then edited to remove inconsistencies and analyzed using descriptive statistics i.e. frequency distributions, percentages, means etc

### **Empirical Model**

The following regression model was adopted for the study:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \beta_6 X_{6i} + \beta_7 X_{7i} + \epsilon_i; i=1,2,3,\dots,n$$

Where;

Y= organizational performance

X<sub>1</sub>= Organizational structure

X<sub>2</sub>= organizational strategy

X<sub>3</sub> = organizational culture

X<sub>4</sub>= Top Management Team (TMT) characteristics

X<sub>5</sub>= Decision-specific characteristics

X<sub>6</sub>= ICT infrastructure

X<sub>7</sub>= Communication system

$\beta_0$  = Constant term

$\beta_i$ 's = Coefficients of the explanatory variables

$\varepsilon_i$  = Unobserved random error term ( $\varepsilon_i$  is assumed to be IID)

## Hypotheses

The hypotheses formulated eight null hypotheses stated thus;

H1:  $B_1=0$  (i.e. Organizational structure have no statistically significant effect on performance)

H2:  $B_2=0$  (i.e. organizational strategy has no statistically significant effect on performance)

H3:  $B_3=0$  (i.e. organizational culture has no statistically significant effect on performance)

H4:  $B_4=0$  (i.e. Top Management Team (TMT) characteristics have no statistically significant effect on performance)

H5:  $B_5=0$  (i.e. Decision-specific characteristics have no statistically significant effect on performance)

H6:  $B_6=0$  (i.e. ICT infrastructure has no statistically significant effect on performance)

H7:  $B_7=0$  (i.e. Communication system has no statistically significant effect on performance)

Prior to the estimation of the specified regression model, the collected data was subjected to diagnostic tests for validity and reliability using Microsoft Excel

Factor analysis (data reduction) was used to reduce numerous independent and moderating variables. Principle component analysis and varimax rotation techniques were used to run the data reduction. The regression analysis was used to investigate the impact factors affecting SID has on organizational performance. The resulting multiple coefficients of correlation (R) will give the indication of strength and the direction of relationship between the independent and dependant variables.

Coefficient of determination (R square) will give the indication of the changes in the dependent variables (organizational performance) were attributed to change in the external variables (contextual organizational factors affecting SID). Values obtained from this model were used to test the hypothesis

## Validity

Validity refers to how well the research method investigates what it is intended to and the extent to which the researcher gains full access to informants knowledge and meanings (Lewis and Richie, 2003). Some qualitative researchers discuss the issue of validity in terms of their research authenticity; in other words, issue validity is rooted in the philosophical contexts of the study's research model and its fundamental assumptions (Lincoln, 2001). The important issue in qualitative research is achieving a congruence of understanding between the informant and the

researcher and in ensuring the research is credible. In this study, the pilot study was a valid data generating tactic, as it enabled detailed descriptions and multiple informants' views to be gathered.

### **Reliability**

Reliability is largely concerned with whether a study can be repeated (Kaule, 1996; Mason, 2002; Yin, 2003). Reliability is an issue of considerable importance. Through use of reliability analysis the researcher was able to establish the internal validity and determine the extent to which the items in the questionnaire are related to each other thus internal consistency of the scale as a whole. Cronbach's alpha reliability coefficient of 0.70 or higher is considered satisfactory (Brown, 2002). The test results for the instrument reliability are as shown below:

#### *Reliability analysis for items on factors affecting SID in CUEA*

N of Cases = 35.0                      N of Items = 29                      Alpha = .9324

#### *Reliability analysis test for items on impact of factors affecting SID on performance*

N of Cases = 35.0                      N of Items = 10                      Alpha = .8752

#### *Reliability analysis test for items on what can be done to improve SID*

N of Cases = 35.0                      N of Items = 5                      Alpha = .8591

Reliability results upon testing the instruments yielded alpha reliability coefficients of 0.9324, 0.8752, and 0.8591 respectively. This therefore, meant that the responses given to the items of the questionnaire by the respondents were both consistent and well understood.

## **EMPIRICAL FINDINGS**

### **Response Rate**

Out of the 50 respondents, 35 returned the questionnaires, representing 70% response rate. This is reasonably a good response rate given the busy schedule of this cadre of staff. The level of response is also good for the validity of the findings from the survey.

### **Descriptive Analysis of the Demographic Characteristics of the Respondents**

The study sought information on the respondents demographic characteristics namely, their gender, level of education, and years of tenure in their respective management positions. The information on their demographic characteristics was essential in various ways including

assessment of the validity of the information provided and to facilitate in the analysis of the findings.

Table 2: Gender Status of the Respondents

	Frequency	Percent
Male	29	82.9
Female	6	17.1
Total	35	100.0

Source: Survey Results, 2011 n=35

The gender status of the respondents was summarized in table 2. The census findings show that there were more male (82.9%) than female (17.1%) respondents. This analysis indicates that majority of the management team staff of CUEA are male. This therefore implies a gender imbalance among the respondents. The imbalance can be attributed to historical biases where women were discriminated against in education.

Table 3: Level of Education of the Respondents

	Frequency	Percent
Doctorate	12	34.3
Masters	18	51.4
Bachelors	5	14.3
Total	35	100.0

Source: Survey Results, 2011 n=35

Information on the level of education of the respondents was summarized in table 3. The results of the census shows that out of the 35 respondents (34.3%) have doctorate degrees, (51.4%) have masters' degrees, while (14.3%) have bachelors' degrees. This analysis shows that majority of the members of TMT at CUEA has a level of education of a Masters Degree and above. This indicates that most of the respondents had attained sufficient academic qualifications to respond to the subject matter of the study and, hence, the validity of the findings of the study.

Table 4: Years of Tenure in Current Management Position by the Respondents

	Frequency	Percent
0-3 years	21	60.0
4-7 years	9	25.7
7 years and above	5	14.3
Total	35	100.0

Source: Survey results, 2011 n=35

Information on the years of tenure of the respondents in their current management position is presented in table 4. The information shows that 21 (60%) of their respondents has between 0-3 years of experience in current management position, 9(25.7%) have between 4-7 years and 5(14.3%) have 7 years and above experience. This analysis indicates that the majority respondents had insufficient experience to completely respond to the issue of the study, affecting validity of the findings of the study.

### Factors Affecting Strategic Issue Diagnosis (SID) in CUEA

The study sought to explore the factors affecting SID in CUEA. The questions were guided by internal contextual organization factors such as culture, structure, strategy, personality profile of individual members of the TMT, communication system and decision- specific characteristics. The respondents were asked to respond by indicating how strongly they agreed or disagreed to the items. The scale was anchored from 1=strongly disagree (SD) to 5= strongly agree (SA). The results indicating the number of respondents, percentage of respondents and overall mean response rate were as presented in table 5. The numbers in parentheses are the % of the respondents.

Table 5: Respondents Perception on Organizational Factors that Influenced SID Process in CUEA

Statement	SD	D	N	A	SA	M
1. The organization has adequate systems to carry out administrative procedure?	1 (2.9%)	2 (5.7%)	5 (14.3%)	22 (62.9%)	5 (14.3%)	3.8000
2. The organization is diplomatic in how it handles aspects of operations?	1 (2.9%)	3 (8.6%)	11 (31.4%)	14 (40%)	6 (17.1%)	3.6000
3. The organization is authoritative in how it handles aspects of operations?	2 (5.7%)	7 (20%)	13 (37.1%)	12 (34.3%)	1 (2.9%)	3.0857
4. The organization has clear job descriptions	-	12 (34.3%)	9 (25.7%)	12 (34.3%)	2 (5.7%)	3.1143
5. The organization has a well-developed strategy to achieve its purpose?	1 (2.9%)	6 (17.1%)	4 (11.4%)	17 (48.6%)	7 (20%)	3.6571
6. The organization has a clearly defined purpose to which all concerned are committed?	1 (2.9%)	4 (11.4%)	8 (22.9%)	15 (42.9%)	7 (20%)	3.6571
7. The organizations management team members identify their own roles with organizational strategy?	1 (2.9%)	5 (14.3%)	10 (28.6%)	14 (40%)	5 (14.3%)	3.4857

8. The organization is moving in the right direction?	1 (2.9%)	2 (5.7%)	13 (37.1%)	12 (34.3%)	7 (20%)	3.6286
9. The organization shows respect for a diverse range of opinions, ideas, and people?	2 (5.7%)	5 (14.3%)	4 (11.4%)	18 (51.4%)	6 (17.1%)	3.6000
10. The organizations management team is diverse in nature?	2 (5.7%)	3 (8.6%)	4 (11.4%)	16 (45.7%)	10 (28.6%)	3.8286
11. The organization's management shares same values concerning the way it operates?	1 (2.9%)	3 (8.6%)	11 (31.4%)	16 (45.7%)	4 (11.4%)	3.5429
12. The organization values my opinion?	2 (5.7%)	4 (11.4%)	13 (37.1%)	13 (37.1%)	3 (8.6%)	3.3143
13. The organization celebrates success of team members?	2 (5.7%)	6 (17.1%)	9 (25.7%)	14 (40%)	4 (11.4%)	3.3429
14. The organization communicates effectively (written or verbal)?	1 (2.9%)	9 (25.7%)	12 (34.3%)	12 (34.3%)	1 (2.9%)	3.0857
15. The organization communicates all information in a timely fashion?	2 (5.7%)	13 (37.1%)	10 (28.6%)	10 (28.6%)	-	2.8000
16. The organization has an effective system for circulating information to all concerned?		8 (22.9%)	12 (34.3%)	13 (37.1%)	2 (5.7%)	3.2571
17. The organizations management group work as a team, not individually?		6 (17.1%)	7 (20%)	20 (57.1%)	2 (5.7%)	3.5143
18. The organization has a spirit of open communication?	-	8 (22.9%)	9 (25.7%)	13 (37.1%)	4 (11.4%)	3.3143
19. The organizations management team's personality profile affects decision speed?	-	5 (14.3%)	10 (28.6%)	20 (57.1%)		3.4286
20. The organizations management team members show high action orientation?	-	8 (22.9%)	15 (42.9%)	11 (31.4%)	1 (2.9%)	3.1429
21. The organizations management team shows high flexibility?	2 (5.7%)	8 (22.9%)	11 (31.4%)	13 (37.1%)	1 (2.9%)	3.0857
22. The organizations management team shows high achievement orientation?	1 (2.9%)	4 (11.4%)	13 (37.1%)	16 (45.7%)	1 (2.9%)	3.3429
23. The organization's management team member's background diversity affects timing of agenda – setting?	1 (2.9%)	4 (11.4%)	13 (37.1%)	16 (45.7%)	1 (2.9%)	3.3429
24. The organization's top management team members' background diversity affects the generation of strategic decisions?	3 (8.6%)	2 (5.7%)	13 (37.1%)	16 (45.7%)	1 (2.9%)	3.2857
25. The organization has a system for identifying problems?	5 (14.3%)	7 (20%)	10 (28.6%)	12 (34.3%)	1 (2.9%)	2.9143
26. The organization has a system for analyzing opinions, thus taking relevant decisions?	3 (8.6%)	10 (28.6%)	6 (17.1%)	15 (42.9%)	1 (2.9%)	3.0286

27. The organizations information, communication and technological (ICT) infrastructure is sufficient?	-	15 (42.9%)	1 (37.1%)	6 (17.1%)	1 (2.9%)	2.9714
28. The organizations ICT system assists in management of information i.e. collection of data, manipulation, processing and keeping it secure?	2 (5.7%)	13 (37.1%)	11 (31.4%)	9 (25.7%)		2.7714
29. The organizations ICT infrastructure assists in achievement of organizational goals and objectives?	2 (5.7%)	13 (37.1%)	12 (34.3%)	6 (17.1%)	2 (5.7%)	2.8000
<b>Average</b>						3.3011

Source: Survey Results, 2011

n=35

Table 5 above indicates that respondents were aware of the internal contextual organizational factors that affect SID in CUEA. The overall mean response rate on the factors affecting SID is 3.3 which imply that the response rate was good. A mean score on the scale above 3.3 would indicate that the respondents agree with the statement on the factors affecting SID, while scores below 3.3 would indicate that the respondents disagree with the statement.

### Factor Analysis (Data Reduction) of Factors Affecting SID in CUEA

In factor analysis there are a lot of items that should be considered in each main construct. Hence, this study employed factor analysis to reduce numerous items. This section provides summary result of factor analysis for section 2. Principle component analysis and varimax rotation techniques were used to run the data reduction. The data reduction analysis is as presented in table 6.

From Table 6 eigenvalues associated with each linear factor before extraction, after extraction and after rotation are listed. Before extraction there are 29 linear components identified with the date set.

It is clear that there are six (6) factors with eign values greater than 1. The percentage of the variance for these values is explained in column two labeled extraction of sums of squared leadings. While in the third column (rotation sums of squared loadings) the eigen values of the factors after rotation are displayed. From the table factor I accounted for considerable more variance 43.4794% than the remaining five factors. However, after extraction it accounts for 22.276%.

Table 6: Total Variance Explained by Factor Scores of Internal Organizational Contextual Factors that Affect SID in CUEA

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	12.609	43.479	43.479	12.609	43.479	43.479	6.460	22.276	22.276
2	3.028	10.441	53.920	3.028	10.441	53.920	4.333	14.940	37.216
3	2.018	6.960	60.879	2.018	6.960	60.879	3.080	10.621	47.838
4	1.768	6.096	66.975	1.768	6.096	66.975	2.857	9.850	57.688
5	1.227	4.231	71.206	1.227	4.231	71.206	2.619	9.033	66.720
6	1.078	3.717	74.923	1.078	3.717	74.923	2.379	8.202	74.923
7	.973	3.354	78.276						
8	.907	3.128	81.404						
9	.746	2.574	83.978						
10	.673	2.321	86.299						
11	.602	2.076	88.375						
12	.512	1.766	90.141						
13	.474	1.634	91.775						
14	.396	1.365	93.140						
15	.362	1.248	94.388						
16	.271	.934	95.322						
17	.267	.920	96.242						
18	.224	.772	97.014						
19	.203	.701	97.715						
20	.164	.567	98.282						
21	.141	.485	98.767						
22	.102	.351	99.119						
23	.087	.299	99.418						
24	.058	.199	99.617						
25	.046	.158	99.775						
26	.032	.112	99.887						
27	.022	.077	99.964						
28	.007	.024	99.988						
29	.003	.012	100.000						

Extraction Method: Principal Component Analysis.

Table 7: Rotated Component Matrix (a)

Question	1	2	3	4	5	6	Interpretation
Q13 Celebrates success of team members.	.809						Organizational culture
Q7 Management team work as a group	.696						
Q12 Organization values opinions	.689						
Q18 Organization has a spirit of open communication	.676						
Q21 Management team show high flexibility	.675						
Q25 Organization has a system for identifying problems	.668						
Q26 System for analyzing opinions, thus taking relevant decisions.	.661						
Q22 Management team show high action orientation.	.627						
Q9 Respect for diverse range of opinions, ideas and people.	.602						
Q6 Clearly defined purpose.	.591						
Q2 Diplomatic in its operations.	.548						
Q3 Authoritative in its operations.	-.519						
Q14 Organization communicates effectively		.907					
Q15 Organization communicates all information in a timely fashion.		.817					
Q16 Effective system for dissemination of information.		.686					
Q4 Clear job descriptions.		.655					
Q11 Management team shares same values		.619					
Q24 Background diversity affects generation of strategic decisions.			.761				
Q19 Personality profile affects decision speed.			.704				Personality profile of members of TMT
Q23 Background diversity affects timing of agenda setting.			.609				
Q10 Management team is diverse in nature.			.603				
Q1 Adequate administrative procedures.				.782			Organizational structure
Q5 Well developed strategy				.633			
Q8 Moving in the right direction					.744		Organizational strategy
Q7 Identify own role with right strategy.					.607		
Q27 ICT system is sufficient					.531		
Q28 ICT system assists in management of information.						.804	ICT systems
Q29 ICT infrastructure in achievement of organizational goals and objectives.						.734	

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

A Rotation converged in 15 iterations.

Factor loading results in table 7 shows that there are six factors with the highest eigenvalues which are almost closer to 1. These variables are Q13 = 0.809, Q14 = 0.907, Q24 = 0.761, Q1 = 0.783, Q8 = 0.744, Q28 = 0.804. This implies that the factors that mostly affect SID in CUEA are celebration of success, effective communication, background diversity of MT, administrative procedures, direction the organization is moving and ICT systems.

From table 7 above, the variables; celebrating success of management team members, management working as a group, organization values opinions of its MT, Spirit of open communication, high flexibility, system in place for identifying problems, system for analyzing opinions, thus taking relevant decisions, showing high action orientation, respect for diverse range of opinions, ideas and people, clearly defined purpose, and diplomatic in its operations were identified as having the highest factor loadings for factor 1 and were interpreted as organizational culture.

The variables communicate effectively, communicate in a timely fashion, effective system for dissemination of information, clear job description, and Sharing of same values were identified as the highest factor loadings for factor 2. The four factors relate to communication, hence they constituted organizational communication.

The variables; background diversity affects generation of strategic decisions, personality profile of managers and background diversity affects timing of agenda setting, and MT being diverse in nature were identified as having the highest factor loadings for factor 3. The four forces are related to the personality profile of individual managers.

The variables; adequate administrative procedures, and having a well-developed strategy were identified as the highest factor loadings for factor 4. The two factors relate to availability of adequate systems to carry out administrative procedures and whether the organization has a well- developed strategy to achieve its purpose. These two variables consequently are interpreted as structure.

The variables; moving in the right direction and MT identifying own role with strategy were identified as having the highest factor loadings for factor 5. They were interpreted as strategy.

The variables ; ICT assists in management of information and ICT infrastructure in achievement of organizational goals and objectives were identified as having the highest factor loadings for factor 6. The factors refer whether the university's ICT system is capable of meeting its requirements. These variables are interpreted as ICT infrastructure.

### Impact of Factors Affecting SID on CUEA Performance

Section 3 of the questionnaire sought to establish whether the respondents were aware of the impact factors affecting SID has on CUEA performance. The respondents were asked to respond by indicating to what extent they agreed to the items. The scale was anchored from 1= very little extent to 5= Very large extent. The results indicating the number of respondents, percentage of respondents and overall mean response rate were as presented in table 8. The numbers in parentheses are the percentages (%) of the respondents.

Table 8: Respondents Perception on the Impact Factors Affecting SID  
has on CUEA Performance

Statement	Very little extent	Little extent	Not at all	Large extent	Very large extent	Mean
1. Number of student complaints?	-	5(14.3%)	-	16(45.7%)	14(40%)	1.8857
2. Rate of student transfers?	2(5.7%)	9(25.7%)	2(5.7%)	15(42.9%)	7(20%)	2.5429
3. Rate of staff turnover?	2(5.7%)	6(17.1%)	2(5.7%)	16(45.7%)	9(25.7%)	2.3143
4. Staff morale?	-	5(14.3%)	4(11.4%)	12(34.3%)	14(40%)	2.0000
5. Level of student enrollment at CUEA?	-	7(20%)	3(8.6%)	17(48.6%)	8(22.9%)	2.2571
6. Rate of return on investment?	1(2.9%)	7(20%)	8(22.9%)	13(37.1%)	6(17.1%)	2.5429
7. Number of student graduates at CUEA?	1(2.9%)	4(11.4%)	5(14.3%)	21(60%)	4(11.4%)	2.3429
8. Achievement of organizational goals and objectives?	-	5(14.3%)	2(5.7%)	21(60%)	7(20%)	2.1429
9. Organizations ability to do things in the right way?	-	3(8.6%)	5(14.3%)	21(60%)	6(17.1%)	2.1429
10. The ability of organization to do the right thing?	1(2.9%)	2(5.7%)	5(14.3%)	18(51.4%)	9(25.7%)	2.0857
<b>Average</b>						<b>2.1247</b>

Source: Survey Results, 2011

n=35

Table 8 above indicates that on the very large extent scale the highest scores were from “number of student complaints” (n=14, 40%), “staff morale” (n=14, 40%) “Rate of staff turnover” (n=9, 25.7%), and “the ability of the organization to do the right thing” (n=9, 25.7%). On the very little extent scale the highest scores were from “rate of student transfers” (n=2, 5.7%) and “rate of staff turnover” (n=2, 5.7%). The table also indicates that overall mean response rate is 2.1 which implies that CUEA’s MT’s responses to the impact of factors affecting SID on performance is good.

### Impact of Factors Affecting SID on CUEA Performance

Findings as shown on table 9 indicate that respondents believed that the factors affecting SID have an impact on CUEA performance. Overall mean response rate was 2.2 which implied that the respondent's response to impact of factors affecting SID on performance is good.

Factor analysis (data reduction) was done to reduce the number of items. Table 4.8 shows that there are three (3) factors with eigen values greater than 1 which indicated that 72.223% of the performance areas were impacted by factors affecting SID.

Factor (1) reveals that respondents believe that factors which affect SID have a great impact on ability of the organization to achieve its goals, and meet its objectives. A negative impact implies decline in profits, decline in returns on investment, reduced market share etc.

Factor (2) shows that factors affecting SID have an impact on the rate of staff turnover. A negative impact implies; a decline in number of staff, increased number of staff complaints, loss of employee confidence in the organization, increased rate of transfers etc

Factor (3) shows number of student graduates in CUEA will be affected. This may be as a result of inability of organization to adequately address strategic issues. This will lead to dissatisfaction.

Table 9: Total Variance Explained by Factor Score of the Impact of Factors Affecting SID on Performance of CUEA

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.863	48.626	48.626	4.863	48.626	48.626	3.141	31.407	31.407
2	1.320	13.199	61.825	1.320	13.199	61.825	2.881	28.815	60.222
3	1.040	10.398	72.223	1.040	10.398	72.223	1.200	12.001	72.223
4	.886	8.857	81.080						
5	.608	6.081	87.161						
6	.422	4.222	91.383						
7	.320	3.200	94.583						
8	.264	2.638	97.221						
9	.206	2.057	99.278						
10	.072	.722	100.000						

Extraction Method: Principal Component Analysis.

Table 9 shows that there are three (3) factors with eigen values greater than 1 these factors explain 72.223% of the performance areas are impacted by factors affecting SID. These factors when further loaded or rotated gave the following results as shown in table 10 that follows.

Table 10: Rotated Component Matrix (a)

Factor	1	2	3	Interpretation
Q37 Achievement of organizational goals and objectives.	.845			Profitability
Q38 Organizations ability to things in the right way	.761			
Q34 Level of student enrollment in CUEA	.696			
Q35 Rate of return on investment	.696			
Q39 The ability of the organization to do the right thing	.652			
Q32 Rate of staff turnover.		.893		Customer satisfaction
Q33 Staff morale		.796		
Q30 Number of student complaints.		.774		
Q31 Rate of student transfers		.736		
Q36 Number of student graduates from CUEA.			.905	No. of graduates

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

A Rotation converged in 5 iterations

The variables with the highest eigen values that are closest to one for each of the columns were extracted and these are Q37=0.845, Q32=0.893, Q36=0.905. These means that the variables of achievement of organizational goals and objectives, rate of staff turnover, and number of student graduates at CUEA were the performance measures which were greatly impacted by factors affecting SID.

In Table 10 above variables; achievement of organizational goals and objectives, organizations ability to do things in the right way, level of student enrollment in CUEA, Rate of return on investment, and ability of the organization to do the right thing were established as having the highest loading factor for factor 1. These variables affect the way the organization operates and thus have been interpreted as profitability.

The variables; rate of staff turnover, Staff morale, number of student complaints and Rate of student transfers, have been identified as having the highest factor loading for factor two (2). These variables have been interpreted as Customer satisfaction.

The variable; number of student graduates at CUEA, has been identified as the highest factor loading for factor three (3). Hence this variable has been interpreted as number of student graduates.

### Regression Analysis

The specified regression model was estimated with ordinary least squares (OLS) using the results of the factor analysis of the SID process in CUEA. The overall results of the regression model estimation are presented in Table 11.

Table 11: ANOVA Results of the Effect of the 6 Factors on Organizational Profitability

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.307	6	1.718	2.030	.045(a)
	Residual	23.693	28	.846		
	Total	34.000	34			

The results show that the joint effect of the six factors of the SID (i.e. organizational culture, communication systems, personality traits of managers, structure, strategy, and ICT systems) accounted for about 30 per cent of the total variance of the profitability of CUEA. This implies that about 70 per cent of the value of these firms is accounted for by other determinants. However, the joint effect of the factors of the SID process on the institution's profitability was statistically significant ( $p < 0.05$ ). Hence we rejected the null hypothesis that the joint effect of the six factors on profitability was zero or purely random. The results of the regression model estimation coefficients are presented in table 12.

Table 12: Coefficients of the Predictors of Organizational Profitability

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Beta		
		1	(Constant)	1.170E-16		
	Organizational Culture	-.058	.158	-.058	-.365	.718
	Communication systems	.370	.158	.370	2.343	.026
	Personality profile	.355	.158	.355	2.253	.032
	Organizational structure	.091	.158	.091	.580	.567
	Organizational strategy	.091	.158	.091	.576	.569
	ICT systems	.142	.158	.142	.901	.375

Although all the factors of the SID had theoretically expected signs, not all had statistically significant individual (partial) effects on the profitability of CUEA. results of the tests of the null hypotheses of the individual effects of the determinants at  $p < 0.05$  is summarized in table 13.

Table 13: Empirical Results Tests of Hypotheses

Factor	Decision
Organizational culture	Accept H1
Communication systems	Reject H2
Personality profile	Reject H3
Organizational structure	Accept H4
Organization strategy	Accept H5
ICT systems	Accept H6

The results show that all but the null hypotheses on communication systems and personality profile of the members of the TMT were rejected at  $p < 0.05$ . These factors of the SID process had statistically significant positive effect on the profitability of CUEA. Hence, the finding of the study reaffirms the findings of previous studies on critical role of these two factors on organizational performance. The null hypotheses on organizational culture, organizational structure, organizational strategy and ICT systems could not be rejected at  $p < 0.05$ .

The mixed and rather disappointing findings of this study could be attributed to the exclusion of key university-specific, higher education industry level and macroeconomic control variables and weaknesses in the methodological adopted to analyse the data. By focusing on only six internal contextual factors of the SID, the study excluded university specific control variables like size, ownership status (i.e. wholly local, wholly foreign or mixed ownership, and extent of government participation), and governance. The study did not include such industry level control variables like market structure/market power and shifts in regulatory regime. The study did not also include such key macroeconomic control variables as economic growth, inflation and exchange rate, all of which have important moderating impact on the profitability of private universities in Kenya. The exclusion of these key control variables not only explain the low overall explanatory performance of the estimated model but also complicates the accuracy of the interpretations of the estimated coefficients.

The non-rejection of the null hypotheses of most of the determinants in the study was also attributed to possible methodological weaknesses of data analysis. The study employed reduced-form regression model rather than the structural-form empirical methodology that is premised on structural (behavioral) economic model which, in turn, serves to interpret the estimated data. Hence, the conceptual framework underpinning the study was only partially implemented without control for the moderating variables. Further studies should attempt to model the conceptual framework structurally and estimate using appropriate software (s).

Furthermore the use of OLS estimation technique of the specified regression model was not underpinned by diagnostic parametric tests of the classical linear regression model assumptions of the normality of the residuals, heteroscedasticity, multicollinearity and autocorrelation.

### **Improvement of SID in CUEA**

In section 4 of the questionnaire respondents were asked to rate their perception on various suggestions on what can be done to improve SID in CUEA. The suggestions were based on improvements that should be done on areas such as culture, structure, strategy and ICT infrastructure. The respondents were asked to respond by indicating to what extent they agreed

to the items. The scale was anchored from 1= strongly disagree (SD) to 5= strongly agree (SA). The results indicating the number of respondents and the percentage of respondents were as presented in table 14. The numbers in parentheses are the % of the respondents.

Table 14: Respondents Perceptions on what can be done to Improve SID

Statement	SD	D	N	A	SA	Mean
1. Management team SHOULD correctly analyze the existing culture by evaluating it against the cultural attributes needed to achieve strategic objectives?	-	-	2(5.7%)	10(28.6%)	23(65.7%)	4.6000
2. Management team SHOULD ensure organizational structure fits company's goals and objectives?	-	1(2.9%)	1(2.9%)	8(22.9%)	25(71.4%)	4.6286
3. Management SHOULD develop organizational strategy/ initiatives that convert strategic intent into suitable results?	-	-	2(5.7%)	9(25.7%)	24(68.6%)	4.6286
4. Management SHOULD ensure good planning, administration and control of ICT infrastructure?	-	-	2(5.7%)	7(20%)	26(74.3%)	4.6857
5. Management team SHOULD ensure that suitable resources with right skills and competencies are produced and retained to undertake necessary roles in the organization?	-	1(2.9%)	-	9(25.7%)	25(71.4%)	4.6571
Average						4.6

Source: Survey Results, 2011

n=35

The results from table 14 above suggest that majority of the respondents were in agreement with the suggestions given above on what can be done to improve SID in CUEA. 74.3% of the respondents strongly agreed that the management should ensure good planning, administration, and control of ICT infrastructure. 71.4% of the respondents also strongly agreed that management team should ensure organizational structure fits company's goals and objectives and that they should ensure that suitable resources with right skills and competencies are produced and retained to undertake necessary roles in the organization. The table also indicates that the overall mean rate is 4.6 which imply that the CUEA management responses to the suggestions on how to improve SID process were very good.

The study explored a few suggestions on what could be done to improve SID in CUEA. Table shows that majority of the respondents strongly agreed with the suggestions. The suggestions were based on the internal contextual factors and this included culture, structure,

ICT infrastructure, and strategy. Management should ensure good planning, administration, and control of ICT infrastructure, organizational structure should be in line with company's goals and objectives and they should ensure that suitable resources with right skills and competencies are produced and retained in order to undertake necessary roles in the organization. This therefore means that management is aware that more improvements to SID process are necessary in order to subsequently improve performance. The table also indicates that the overall mean rate is 4.6 which imply that the CUEA top management responses to the suggestions on how to improve SID process were very good.

### **Summary of Findings**

The findings of the study were broadly consistent with the findings of past studies on the determinants of the SID process and organizational performance. First, Like Thompson and Wildausky (1986) and Vadi (2003), the study found that organizational culture affected both the SID process in CUEA. This is because different organizational cultures tend lead to a search for different information and learning about different things.

Second, like Jackson (1977), the study found that effective communication had positive effect on both the SID process and performance of CUEA. Hence, communication should take place frequently and in both directions between those in charge of the change initiatives.

Thirdly, the finding of the study was consistent with those of Hambrick and Masons (1984) regarding the role of the personality profile of individual members of TMT on both the SID process and organizational performance. Specifically, the findings of the study were consistent with the both the theoretical predictions and empirical findings of the upper echelons theory. The study found that the background, demographics and experiences of the members of the TMT affected both the SID process and performance of CUEA. These personality profile characteristics are important influencers on psychological and cognitive 'givens' that shaped their strategic decisions.

Fourthly, Miller (1987) and Staw et al. (1981), the study found that organizational structure had positive effects on both the SID process and performance of CUEA. This is organizational structure generally leads to the smooth running of the SID as policies, also facilitating measures being put be put in place to streamline the process. Structure also influences the flow of information and the context and nature of human interactions. The finding is also consistent with the findings of Knight and Mc Daniel (1979) who argues that information – processing structures influences management interpretations. Hence, the way a management team is structured to process information about strategic issues limits or enhances recognition

of issue stimuli, impedes the search for data and mutes causal relationships associated with an issue.

Fifthly, like Pearson and Robinson (1994) and Hambrick (1981) the study found that organizational strategy positively affected the SID process and performance in CUEA. This is because relates to future oriented plans for interacting with the competitive environment to achieve an organizations objective. Hence, an organization's prevailing strategy provides a framework from within which its managers comprehend their environment and interpret strategic issues.

Sixthly, like Duncan and Weiss (1979), the study found that ICT systems in CUEA affected both its SID process and performance. This is an ICT systems enables data obtained about strategic issues to be analyzed, stored and disseminated in an efficient and effective way electronically. It also allows for ease of data retrieval and for future use. According to SIM system are a set of organizational procedures, routines, personnel and processes devoted to perceiving analyzing and responding to strategic issues.

Finally, the suggestions made to improve the SID process and its impact on performance in CUEA focused on the six generic internal contextual factors of the SID process culture, structure, personality profile of the members of the TMTICT infrastructure, and strategy.

## **CONCLUSION**

The proliferation of universities, especially between 2012 and early 2013 when polytechnics were converted into universities has on only improved access to higher education but also increased competition among the universities for students. It is estimated that there are about sixty universities in the country. These comprise public and private universities at various registration stages with the Commission for University Education (CUE). With the phenomenal growth in the number of universities, GER at higher education more quadrupled. The number of students enrolling in higher education grew by more than 60% over 5 years with about 20% of university students being enrolled in private institutions in 2010/11.

The contemporary business environment for universities in Kenya is characterized by increased competition. In order to survive in this increasingly competitive industry, the universities have adopted strategic management practices to improve quality and ensure sustainability. These practices have included the adoption strategic plans, business plans and ISO quality standards. Understanding the factors affecting the SID process and how these factors, in turn, affect these universities remain the focus of contemporary strategic management empirical literature.

The findings showed that respondents were aware of the factors affecting SID; this included organizational culture, communication systems, personality profile of managers, strategy and structure. Respondents were also aware of the impact these factors have on performance. The most significant indicators of organizational performance in this study were profitability of the organization, customer satisfaction levels and number of graduands. Some of these suggestions included; correctly analyzing existing culture, ensure organizational culture fits company's goals and objectives, ensure good planning, administration and control of ICT infrastructure etc.

Consistent with past studies, six factors, namely, organizational culture, communication, personality profile of the members of TMT, organizational structure, organizational strategy and ICT infrastructure affected both the SID process and performance of CUEA. The suggestions for the improvement of the institution's SID process and, hence, also revolved around the six factors.

## RECOMMENDATIONS

Based on both the empirical findings and conclusions, the study made various recommendations to improve the SID process and its impact on performance in CUEA. The following recommendations relate to the internal contextual factors including culture, structure, and personal profiles of the members of the TMT, ICT infrastructure, and strategy:

- i) Management should ensure good planning, administration, and control of ICT infrastructure, organizational structure should be in line with company's goals and objectives and they should ensure that suitable resources with right skills and competencies are produced and retained in order to undertake necessary roles in the organization. This therefore means that management is aware that more improvements to SID process are necessary in order to subsequently improve performance. The table also indicates that the overall mean rate is 4.6 which implies that the CUEA top management responses to the suggestions on how to improve SID process were very good.
- ii) CUEA should develop programs for monitoring and evaluating SID in relation to performance indicators. The MT should come up with ways of identifying the factors that affect SID and also identify strategic responses. The organization can implement new policies and procedures to guide SID. Improvements in working conditions of MT, fostering team work, realigning strategy to fit with goals and objectives, acquire new ICT systems, rewarding employees for success, and conflict resolution etc. can also be implemented. CUEA should also benchmark SID with other institutions.
- iii) Further studies should be conducted with a representative sample of public and private universities. The focus of this study on one private university (CUEA), clearly, limits the

extent to which the results could be generalized to all universities, in general, and private universities, in particular. It is estimated that there about thirty three (33) private universities in Kenya.

- iii) Further studies should employ structural- form empirical methodology that is premised on structural (behavioral) economic model which, in turn, serves to interpret the estimated data. The reduced-form regression employed in the study was not underpinned and/or only partially captured the conceptual framework posited for the study. The regression model only captured the internal organizational contextual factors that have an effect on the extent of exposure managers got to strategic issues and the relationship to organizational performance. The empirical model did not control for the effects of the intervening variables. The further studies should include additional firm (university) -specific, industry (higher education)-specific, and external (macroeconomic industry-specific and governance) factors.

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**APPENDICES**

**Appendix 1: Survey Questionnaire**  
 Kindly answer the following Questions  
 (Please tick where appropriate)

**SECTION 1: PERSONAL DETAILS**

Faculty.....  
 Department.....  
 Position in the organization.....

**Gender**

Male ( ) Female ( )

**Level of education**

Doctorate ( ) Masters ( ) Bachelors degree ( ) other, specify .....

**Years of tenure in current position of management in CUEA**

0-3 years ( ) 4 – 7 years ( ) 7 years and above ( )

**SECTION 2: Factors Affecting strategic issue diagnosis (SID) process in CUEA.**

1) In your own opinion, indicate on a scale of 1 to 5, where 1 is strongly disagree and 5 is strongly agree, to what extent you agree with the following statements .(Please circle where appropriate

No		SD	D	N	A	SA
Q1	The organization has adequate systems to carry out administrative procedures?	1	2	3	4	5
Q2	The organization is diplomatic in how it handles aspects of operations?	1	2	3	4	5
Q3	The organization is authoritative in how it handles aspects of operations?	1	2	3	4	5
Q4	The organization has clear job descriptions i.e. staff knows what authority they have, what results they are expected to achieve and how they will be assessed?	1	2	3	4	5
Q5	The organization has a well - developed strategy to achieve its purpose?	1	2	3	4	5
Q6	The organization has a clearly defined purpose to which all concerned are committed?	1	2	3	4	5
Q7	The organizations top management team members identify their own roles with organizational strategy?	1	2	3	4	5
Q8	The organization is moving in the right direction?	1	2	3	4	5
Q9	The organization shows respect for a diverse range of opinions, ideas, and people?	1	2	3	4	5
Q10	The organizations top management team is diverse in nature?	1	2	3	4	5
Q11	The organization’s top management team shares same values concerning the way it operates?	1	2	3	4	5
Q12	The organization values my opinion?	1	2	3	4	5
Q13	The organization celebrates success of team members?	1	2	3	4	5
Q14	The organization communicates effectively (written or verbal)?	1	2	3	4	5
Q15	The organization communicates all information in a timely fashion?	1	2	3	4	5
Q16	The organization has an effective system for circulating information to all concerned?	1	2	3	4	5
Q17	The organizations top management group work as a team, not individually?	1	2	3	4	5
Q18	The organization has a spirit of open communication?	1	2	3	4	5

Q19	The organizations top management team's personality profile affects decision speed?	1	2	3	4	5
Q20	The organizations top management team members show high action orientation?	1	2	3	4	5
Q21	The organizations top management team shows high flexibility?	1	2	3	4	5
Q22	The organizations top management team shows high achievement orientation?	1	2	3	4	5
Q23	The organization's top management team member's background diversity affects timing of agenda - setting?	1	2	3	4	5
Q24	The organization's top management team member's background diversity affects the generation of strategic decisions?	1	2	3	4	5
Q25	The organization has a system for identifying problems?	1	2	3	4	5
Q26	The organization has a system for analyzing opinions, thus taking relevant decisions?	1	2	3	4	5
Q27	The organizations information communication and technological (ICT) infrastructure is sufficient?	1	2	3	4	5
Q28	The organizations ICT system assists in management of information i.e. collection of data, manipulation, processing and keeping it secure?	1	2	3	4	5
Q29	The organizations ICT infrastructure assists in achievement of organizational goals and objectives?	1	2	3	4	5

Others – Please specify in the spaces below  
 .....  
 .....  
 .....

### SECTION 3: Impact of factors affecting SID on CUEA performance.

- 1) In your own opinion, on a scale of 1 to 5, where 1 is to a very large extent and 5 is to a very little extent, indicate to what extent you agree that the factors in question one above will affect the following. (Please circle where appropriate).

No		Very little extent	Little extent	Not at all	Large extent	Very large extent
Q30	Number of student complaints?	1	2	3	4	5
Q31	Rate of student transfers?	1	2	3	4	5
Q32	Rate of staff turnover?	1	2	3	4	5
Q33	Staff morale?	1	2	3	4	5
Q34	Level of student enrollment at CUEA?	1	2	3	4	5
Q35	Rate of return on investment?	1	2	3	4	5
Q36	Number of student granduants at CUEA?	1	2	3	4	5
Q37	Achievement of organizational goals and objectives?	1	2	3	4	5
Q38	Organizations ability to do things in the right way?	1	2	3	4	5
Q39	The ability of organization to do the right thing?	1	2	3	4	5

Others – Please specify in the spaces below  
 .....  
 .....

**SECTION 4: What can be done to improve SID in CUEA?**

In your own opinion, on a scale of 1 to 5, where 1 is strongly disagree and 5 is strongly agree, indicate to what extent you agree with the following statements. (Please circle where appropriate).

No.		SD	D	N	A	SA
Q40	Top management team should correctly analyze the existing culture by evaluating it against the cultural attributes needed to achieve strategic objectives?	1	2	3	4	5
Q41	Top management team should ensure organizational structure fits company's goals and objectives?	1	2	3	4	5
Q42	Top management team should develop organizational strategy/initiatives that convert strategic intent into suitable results?	1	2	3	4	5
Q43	Top management should ensure good planning, administration, and control of ICT infrastructure?	1	2	3	4	5
Q44	Top management team should ensure that suitable resources with right skills and competencies are produced and retained to undertake necessary roles in the organization?	1	2	3	4	5

Others – Please specify in the spaces below

.....

.....

.....

.....

**Thank you for completing this questionnaire.**

**Appendix 2**

Reliability analysis scale (alpha) for items on factors affecting SID.

	Item-total Statistics			
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Scale Corrected Item-Total Correlation	Scale Alpha if Item Deleted
VAR4	91.9429	271.1731	.6002	.9296
VAR5	92.1429	266.7731	.6696	.9286
VAR6	92.6571	297.4084	-.2815	.9396
VAR7	92.6286	269.4168	.5925	.9296
VAR8	92.0857	263.8454	.6838	.9283
VAR9	92.0857	264.7277	.6968	.9282
VAR10	92.2571	264.2555	.7242	.9278
VAR11	92.1143	266.5748	.6787	.9285
VAR12	92.1429	261.1849	.7382	.9275
VAR13	91.9143	268.3160	.5294	.9304
VAR14	92.2000	270.4588	.5884	.9297
VAR15	92.4286	267.8403	.6229	.9292
VAR16	92.4000	263.3059	.6999	.9280
VAR17	92.6571	274.6437	.4459	.9313
VAR18	92.9429	270.6437	.5721	.9298
VAR19	92.4857	275.0218	.4517	.9312
VAR20	92.2286	269.8286	.6609	.9290
VAR21	92.4286	262.0168	.7630	.9272
VAR22	92.3143	276.5748	.4865	.9309
VAR23	92.6000	271.3647	.6395	.9293
VAR24	92.6571	262.5261	.8047	.9269

VAR25	92.4000	266.9529	.7822	.9277
VAR26	92.4000	275.0118	.4808	.9309
VAR27	92.4571	272.6672	.4903	.9308
VAR28	92.8286	258.2050	.8219	.9262
VAR29	92.7143	257.7395	.8550	.9258
VAR30	92.7714	299.8874	-.2430	.9459
VAR31	92.9714	276.9697	.3723	.9321
VAR32	92.9429	268.6437	.5968	.9295

## Reliability Coefficients

N of Cases = 35.0                      N of Items = 29  
Alpha = .9324

Reliability analysis scale (alpha) for items on impact of SID on performance.

## Item-total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Scale Corrected Item- Total Correlation	Alpha if Item Deleted
VAR33	20.3714	41.0050	.6450	.8597
VAR34	19.7143	37.0924	.7620	.8488
VAR35	19.9429	39.3496	.6200	.8620
VAR36	20.2571	40.4319	.6432	.8596
VAR37	20.0000	39.8235	.7089	.8544
VAR38	19.7143	41.6218	.5227	.8693
VAR39	19.9143	45.9042	.2687	.8854
VAR40	20.1143	42.3395	.5919	.8639
VAR41	20.1143	42.3983	.6775	.8596
VAR42	20.1714	42.2639	.5685	.8654

## Reliability Coefficients

N of Cases = 35.0                      N of Items = 10  
Alpha = .8752

Reliability analysis scale (alpha) for items on what can be done to improve SID.

## Item-total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Scale Corrected Item- Total Correlation	Alpha if Item Deleted
VAR43	18.6000	4.3059	.6196	.8436
VAR44	18.5714	4.1345	.5753	.8591
VAR45	18.5714	4.0756	.7409	.8137
VAR46	18.5143	4.0807	.7661	.8083
VAR47	18.5429	4.0202	.7004	.8233

## Reliability Coefficients

N of Cases = 35.0                      N of Items = 5  
Alpha = .8591