

## **STRATEGY CONTROL AND ORGANIZATION SOCIAL PERFORMANCE: A CONCEPTUAL REVIEW**

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### **Abstract**

*It is argued that strategy control is responsible for favourable strategy implementation outcomes. This paper aims at examining literature on strategic control and organization social performance and expose literature gap and; propose an integrated conceptual framework for strategic control and organization social performance. The study is anchored on control theory and adopts library review approach. It explores, synthesizes and critiques literature on the subject of strategic control and organization social performance. From the integrated review the study develops a conceptual framework, exposes literature gap and recommends further literature exploration and field studies by researchers.*

*Keywords: Strategic Control, Strategic Activities, Strategic Outcomes, Progress Tracking, Intervention Mechanisms, Organization Social Performance*

### **INTRODUCTION**

Wheelen and Hunger (2015) defines strategic control as the process used by firms to control the formation and execution of strategic plans. They contend that it is a specialized form of management control which differs from other forms of management control in respect of its need to handle uncertainty and ambiguity at various points in the control process. It focuses on achievement of future goals rather than the evaluation of past performance. The point for strategic control is not to bring to light past errors but to identify needed corrections so as to steer the firm in the desired direction (Pearce and Robinson, 2009). A good strategic control can ensure a top most position for the weakest firm among other superior competitors. A related concern for strategic control processes is the amount of time and effort required for the process

to work: if either is too great the process will either be ineffective or be ignored by the organization.

Gavetti and Ocasio (2015) further argue that strategic control necessarily comprise a small set of standard elements, the absence of any one of which makes strategic control impossible to achieve. Ketchen and Short (2016) agrees and advances four elements. One of the elements is the articulation of the strategic outcomes being sought. The second is the description of the strategic activities to be carried out in pursuit of the required outcomes. Third is the definition of a method to track progress made against these two elements. This is usually done through monitoring of a small number of performance measures and associated target values. The last element is the identification of an effective intervention mechanism that would allow observers, usually the organisation's managers, to change, correct or adjust the organisation's activities when targets are not achieved.

These elements imply an active involvement by senior managers in the determination of the strategic activities pursued by the component parts of an organisation, and this has led some to observe that strategic control is most effective in organisations that focus on a single market or area of activity. In organisations undertaking a mix of diverse / unrelated activities simpler forms of financial control are more common and perhaps more effective (Johnson and Scholes, 2008)

Gavetti and Ocasio (2015 ) posit that Strategic control allows you to step back and look at the big picture and make sure all the pieces are correctly aligned. Past and recent research studies have made it clear that there is an increased internal and external uncertainty due to emerging opportunities and threats, lack of awareness of needs and of the facilities related issues and environment and lack of direction. Many organizations spend most of their time realizing and reacting to unexpected changes and problems instead of anticipating and preparing for them.

Empirical evidence on the subject of strategic control is lacking. Field results are rather general. A study by Pelihan (2007) for example, delved into the role of management control systems in strategy implementation. Mpoke and Njeru (2015) studied effect of strategic management processes on the organizational performance of selected government research institutions Njagi and Kombo(2014) did strategy implementation and performance while Maroa and Muturi (2015) studied strategic management practices and performance. Anichebe and Agu (2013) did look at strategy Formulation and Implementation. Kibachia, Iravo and Luvanda(2014) looked at challenges in strategic planning process. Junqueira et al. (2015) looked at effect of strategic choices and management control systems on organizational performance.

Further studies have been conducted around strategic control. Muthini (2013) studied strategic alignment and organizational performance. Abok (2014) investigated factors affecting implementation of strategic plans. Sev and Anghahar (2014) investigated factors that are responsible for organizational growth. Kairu (2013) examined strategic responses, strategic alliances and operational performance. Okwachi, Gakure and Ragui (2013) examined managerial practices and implementation of strategic plans, Uzel (2015) looked at strategic management drivers and performance. Kinyumu (2013) capacity planning and growth; Li, Guohui and Eppler (2008) reviewed the factors for strategy implementation.

More evidence has been adduced from studies on strategy, planning and implementation. Opano (2013) examined strategic planning and implementation practices. Chege, Wachira and Mwenda (2015) analyzed leadership styles and implementation of strategic plans. Andrews, et al. (2009) examined strategy formulation, strategy content and organizational performance. Bassa (2015) investigated strategic planning and strategy implementation. Studies have not been focused on the subject but rather general. Djordjević and Drucker (2014) did a study focused on generation and evaluation of alternative strategies, as well as selecting strategies to pursue. Emeka, Ejim and Amaka(2015) investigated the Effect of Strategy formulation on organizational performance. Njagi and Kombo (2014) on the other hand investigated effect of strategy implementation on performance of commercial banks. Ng'ang'a (2013), on the other hand studied operation strategy and performance in the hotel industry among hotels in Nairobi, Kenya.

### **Objective of the Study**

The paper purposes to

1. examine literature on strategic control and organization social performance and expose literature gap
2. propose an integrated conceptual framework for strategic control and organization social performance

### **Justification of the Study**

This paper provides an opportunity for researchers to develop critical understanding of strategic control and its interactions with organization social performance. Researchers may benefit from the study by drawing from knowledge provided by the study to build a case for future research

## Scope of the Study

The study explores literature on the subject of strategic control and organization social performance spread across 10 years. It emphasizes empirical evidence around the subject to expose the current understanding and application. The literature is drawn from different parts of the world with a majority from Africa and specifically Kenya.

## LITERATURE REVIEW

### Theory of the Study

This study is anchored on Control Theory. Control Theory originated with Wiener's (1948), but had been around dating back to Plato. Initially this theory was applied to physical systems; however, it can also be applied to human behavior. In order for the control theory to be applicable to humans, it was necessary to show that there are direct similarities between both the concepts associated with machines and the concepts which we can associate with humans (PSUWC, 2016). The theory appears simplistic but its application is actually quite complex. In the late 1950's and early 1960's problems were emerging in the field of engineering and economics that were not covered in any existing theories (Kalman, 2016). Eventually, these other theories were adjusted and the new idea of the Control Theory emerged. Control Theory relates to business in streamlining or optimizing processes. While Control Theory is based in mathematics, it can be applied to organizations by using surveys or determining when performance-relevant information registers the sensor determining the control (Sanderlands, Glynn, Larson, 1991). The basic idea is that people seek feedback and then set goals based on that feedback. Control theory anchors propositions on this study as it explains that processes and outcomes should confirm intentions. In strategic control, strategy implementation is evaluated against plans.

### Concept Strategy Control

Strategic control is a term used to describe the process used by organizations to control the formation and execution of strategic plans; it is a specialised form of management control, and differs from other forms of management control (in particular from operational control) in respects of its need to handle *uncertainty* and *ambiguity* at various points in the control process (Djordjević and Drucker, 2014). Strategic control is also focused on *the achievement of future goals*, rather than the evaluation of past performance. The point is not to bring to light past errors but to identify needed corrections to steer the corporation in the desired direction. And this determination must be made with respect to currently desirable long-range goals and not

against the goals or plans that were established at some time in the past (Pearce and Robinson, 2009).

Wheelen and Hunger (2015) explain that strategic control processes are at their core cybernetic in nature: using one or more 'closed loop' controls to ensure that any observed deviations from expected activity or outcomes are highlighted to managers who can then intervene to correct / adjust the organisation's future activities. Various authors have proposed that all strategic control systems necessarily comprise a small set of standard elements, the absence of any one of which makes strategic control impossible to achieve (Gavetti and Ocasio, 2015). The four elements proposed are: the articulation of the *strategic outcomes* being sought, the description of the *strategic activities* to be carried out (attached to specific managed resources) in pursuit of the required outcomes, the definition of a *method to track progress* made against these two elements (usually via the monitoring of a small number of performance measures and associated target values) and the identification of an *effective intervention mechanism* that would allow observers (usually the organisation's managers) to change / correct / adjust the organisation's activities when targets are not achieved (Ketchen and Short, 2016).

These elements imply an active involvement by senior managers in the determination of the strategic activities pursued by the component parts of an organisation, and this has led some to observe that strategic control is most effective in organisations that focus on a single market or area of activity. In organisations undertaking a mix of diverse / unrelated activities simpler forms of financial control are more common and perhaps more effective (Johnson and Scholes, 2008) It is argued that the main benefits of strategic control to organizations are three (Gavetti and Ocasio, 2015 ).

### **Concept of Social Performance**

Social performance is about making an organization's social mission a reality, whatever that mission is. Social performance is defined as the effective translation of an institution's mission into practice in line with accepted social values (Govetti and Ocasio, 2016). Social performance refers to effectiveness in achieving stated social goals and creation of value for stakeholders. Through social performance an organization promotes legal, economic, ethical and discretionary ideals. Some of the activities that exemplify social performance include providing services to greater numbers of poor and excluded people, improving the quality and appropriateness of goods and services already being offered, increasing revenue generated by the organization to increase shareholder value, building employees sense of empowerment, reducing vulnerability associated with the organization, improving lives of communities in the

immediate environment, conserving the physical environment, remitting government taxes timely and engaging in timely consummation of trade credit obligations. Social performance activities also stretch to cover openness to inspection of books of account by shareholders and bearing product liability.

According to Wheelen and Hunger (2015), in order to achieve strong social performance, an organization must manage its social performance as carefully and deliberately as it manages its financial performance. Ondoro (2015) argues that the traditional measures of performance such as balanced score card are not adequate. Today organization performance and performance measures must include environmental, social and governance performance.

### **Empirical Review**

A number of studies have been carried out around the subject of strategy. Researches have focused on strategic planning and strategy formulation. For example, Emeka, Ejim and Amaka (2015) investigated the Effect of Strategy formulation on organizational performance. They focused on Innoson Manufacturing Company Ltd Emene, Enugu using survey research. Ng'ang'a (2013), studied operation strategy and performance in the hotel industry: a study of hotels in Nairobi, Kenya. The purpose of the study was to establish the influence of an operations management on performance in the hotel industry in Nairobi, Kenya. The objectives of the study were to determine the operation strategies adopted by hotels in Kenya; to investigate if the operations strategy is dependent on star classification and to establish the relationship between operations strategy and performance in the hotel industry in Kenya.

Pelihan (2007) examined, implications of management control systems (MCS) in the formulation, implementation and monitoring of strategies. The aim of this study is to examine the relationship between the use of MCS and the implementation of organisational strategy. More specifically, the study investigates the relationship between MCS and strategy in a particular company. Njagi and Kombo(2014) aimed to determine the effect of strategy implementation on performance of commercial banks in Kenya. The specific objectives of the study were to determine the effect of operationalization of strategy on performance of the banks and to determine the effect of institutionalization of strategy on performance of the banks.

Mpoke and Njeru(2015) sought to determine the effects of strategic management processes, and more specifically, the influence of strategy formulation, effects of strategy controls and impact of strategy implementation on organizational performance of selected government research institutions. Junqueira et al (2015) investigated the effect of generic strategic choices and management control systems (MCS) on the organizational performance of

large and medium-sized companies located in Espírito Santo, using Contingency Theory as the theoretical framework.

Maroa and Muturi (2015) studied the influence of strategic management practices on the performance of Floriculture Firms in Kenya. The focus was carried out in Kiambu County in central Kenya. Anichebe and Agu (2013) studied of the effects of strategy Formulation and Implementation in Business Organizations in Enugu State. The focus was Anammco, Emene. Enugu. The study was carried out to assess the extent of application and workability of formulated strategies in the organization.

Njagi and Kombo(2014) did a study to determine the effect of strategy implementation on performance of commercial banks in Kenya. The specific objectives of the study were to determine the effect of operationalization of strategy on performance of the banks and to determine the effect of institutionalization of strategy on performance of the banks. Kibachia, Iravo and Luvanda(2014) A common challenge faced by all organizations, whether private or public, is how to successfully they manage strategic planning process for attainment of organizational objectives. Some researchers have noted that organizations fail to implement up to 70 per cent of their strategic plans. This study sought to determine the challenges faced by the Kenya Bureau of Standard in its efforts to implement its strategic plans. Specifically, the study tried to find out how organization structure, leadership style, top management, staff involvement and organizational change affect implementation of strategic plans in the Organization. It also tried to identify the role of funds in strategic plan implementation.

Muthini (2013) purposed to establish the effect of strategic alignment on organizational performance at Kenya Revenue Authority. The research design was a case study aimed at establishing the effect of strategic alignment on performance at Kenya Revenue Authority. Kairu (2013) established the effect of strategic responses such as ICT development, staff training, customer relationship management and strategic alliances on operational performance of Kenya Revenue Authority. The research design used for this study was descriptive survey design.

Okwachi, Gakure and Ragui (2013) sought to investigate how managerial practices affect the implementation of strategic plans by SMEs in Nairobi County in Kenya. The study endeavored to establish the influence of managerial practices on implementation. Sev and Anghahar (2014) sought to establish the factors that are responsible to organizational growth level in Dangote group of companies. Four (4) companies from Dangote conglomerate quoted on the Nigerian Stock Exchange market namely; Dangote Cement Plc, Dangote Flour Plc, Dangote Sugar Refinery Company Plc and National Salt Company of Nigeria Plc were surveyed with a population size of 5060. The sample size survey was 371. 209 respondents from Dangote Cement Company Plc, 75 respondents from Dangote Flour Mill Plc, 48 respondents



from Dangote Sugar Refinery Company Plc and 39 respondents from National Salt Company Plc using judgmental and convenience sampling technique.

Djordjević and Drucker (2014) focused on generation and evaluation of alternative strategies, as well as selecting strategies to pursue. It introduces concepts that can help strategists generate feasible alternatives, evaluate those alternatives, and choose a specific course of action. Uzel (2015) examined the effect of strategic management drivers on the performance of hotels in Kenyan coast. The general objective of the study was to establish the influence of strategic management drivers on the performance of hotels in Kenyan Coast. The strategic management drivers selected for the study and which formed the specific objectives of the study were to determine the effect of customer relationship management, strategic planning, strategic competitive positioning, Information Communication Technology and organizational learning on the performance of the hotel industry in Kenya's Coast.

Opano (2013) sought to ascertain strategic planning and implementation practices at the Kisii county government in Kenya. The researcher collected qualitative data from the County secretary, Deputy Speaker, County Development Officer (CDO) and county executives. Ongonge (2013) sought determine how strategic planning has assisted Action Aid Kenya (AAK) to improve in performance of its programmes. This study was conducted as a case study of Action Aid Kenya.

Kinyumu (2013) assessed the impact of Supply chain and capacity planning in the growth of SME's in Kisumu County, to determine how Logistics and inventory control impact on the growth of SME's in Kisumu County, to ascertain the impact operational structure and production in the growth of SME's in Kisumu County and to establish the role of information communication and technology in the growth of SME's in Kisumu County. Chege, Wachira and Mwenda (2015) sought to analyze the effect of leadership styles on implementation of strategic plans in Small and Medium Enterprises (SMEs). Specifically the study: analyzed the effect of autocratic leadership style, assessed the effect of democratic leadership style and evaluated the effect of laissez faire leadership style on implementation of strategic plans in SMEs.

Bassa (2015) purposed to investigate the practice of strategic planning and strategy implementation in public universities of Ethiopia. Data were collected through questionnaires from staff members (from both academic and administrative) and students; and through interviews from the management team members (Vice Presidents and Directors) of three selected public universities. Mpoke and Njeru (2015) sought to determine the effects of strategic management processes, and more specifically, the influence of strategy formulation, effects of strategy controls and impact of strategy implementation on organizational performance of selected government research institutions.



## RESEARCH APPROACH

The paper applies library review approach. It explores both theoretical and empirical literature. It covers literature spanning a decade. It presents, synthesizes and critiques literature in order to draw current understanding of interaction of strategic control and organization social performance and proposes a conceptual framework. It also exposes literature gap through literature synthesis and critique

### Literature Synthesis

Theoretical evidence on the subject of strategic control is clear. It spells out the elements of strategic control and argues the expected interaction of strategic control and organization performance, in this case as determined through social performance. On the other hand, empirical evidence around the subject is broad and general. Whereas Djordjević and Drucker (2014) focused on generation and evaluation of alternative strategies, as well as selecting strategies to pursue, Uzel (2015) examined the effect of strategic management drivers on the performance of hotels in Kenyan coast and Kinyumu (2013) assessed the impact of Supply chain and capacity planning in the growth of SME's in Kisumu County. Opano (2013) sought to ascertain strategic planning and implementation practices at the Kisii county government in Kenya close to effort by Muchira (2013) who assessed the relationship between strategy implementation and performance in commercial banks in Kenya. While Chege, Wachira and Mwenda (2015) sought to analyze the effect of leadership styles on implementation of strategic plans in Small and Medium Enterprises (SMEs), Andrews, et al. (2009) tested the independent effects of strategy formulation and strategy content on organizational performance. Mpoke and Njeru (2015) were broader.

It is also observed that Whereas Junqueira et al. (2015) looked at effect of strategic choices and management control systems on organizational performance. Muthini (2013) studied strategic alignment and organizational performance and Emeka, Ejim and Amaka (2015) investigated the Effect of Strategy formulation on organizational performance and focused on Innoson Manufacturing Company Ltd Emene, Enugu using survey research, These works are similar to those by Per and Klause (2013) who also investigated the relationship between Strategic Planning and Company Performances in Chinese companies. Njagi and Kombo(2014) also did a similar study by determining the effect of strategy implementation on performance of commercial banks in Kenya. Close to this was the work of Maroa and Muturi (2015) who studied the influence of strategic management practices on the performance of Floriculture Firms in Kiambu County, Kenya.

Further, Kanini (2012) investigated strategic planning practices and performance of state corporations in Kenya while Anichebe and Agu (2013) who studied of the effects of strategy Formulation and Implementation in Business Organizations in Enugu State focusing on Anammco, Emene. Enugu. Kibachia, Iravo and Luvanda (2014) looked at the common challenge faced by all organizations, whether private or public, is how to successfully they manage strategic planning process for attainment of organizational objectives. On the other hand, Muthini (2013) purposed to establish the effect of strategic alignment on organizational performance at Kenya Revenue Authority while Sev and Anghahar (2014) sought to establish the factors that are responsible to organizational growth level in Dangote group of companies. Kairu (2013) added a lone voice. He established the effect of strategic responses such as ICT development, staff training, customer relationship management and strategic alliances on operational performance of Kenya Revenue Authority while Okwachi, Gakure and Ragui (2013) sought to investigate how managerial practices affect the implementation of strategic plans by SMEs in Nairobi County in Kenya.

## **STUDY OUTCOMES**

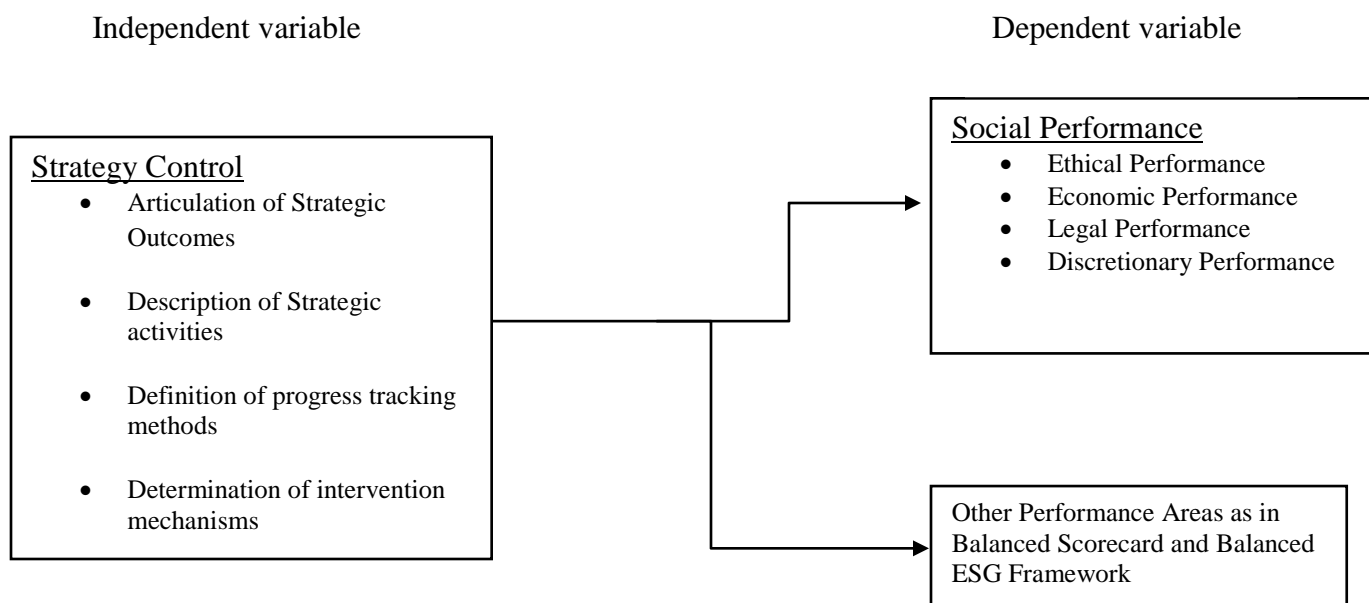
### **Literature Gap**

Empirical evidence presents good coverage of the subject of strategy and its interactions with other organizational aspects. There is considerable effort in the direction of strategy planning and implementation. Others touch on managerial control. They do not focus on strategic control yet according to Wheelen and Hunger (2015) a number of benefits accrue from strategic control including improved performance in efficiency and effectiveness. The studies delved on a number of areas of strategy. They are deficient of investigations on strategy control particularly description of strategic control activities to be carried out in pursuit of strategic outcomes. It is therefore unknown what interaction strategic control activities have with organization performance.

### **Proposed Conceptual Framework**

In the conceptual framework above, strategy control which indicated by articulation of strategic outcomes, description of strategic activities, definition of progress tracking methods and determination of intervention mechanisms is expected to have influence on social performance which is indicated by ethical, legal, economic and discretionary performance. It is also observed that strategic control may lead to other areas of performance as exemplified in Balanced Scorecard and Balanced ESG Framework.

Figure 1: Expected Relationship between Strategy Control and Social Performance



Source: Adapted from Ondoro (2015) and Ketchen and Short (2016)

## CONCLUSIVE REMARKS

Empirical Evidence is unspecific and lacking on the relationship between strategic control and organization social performance. Current knowledge developed from practice is therefore unconfirmed and building on theory such as Theory of Control is a challenge.

There is need for more literature review to expose further empirical evidence on this important subject of strategic control and its interaction with aspects of organization performance especially social performance. It is recommended that researchers mount studies on this relationship.

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