IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 23, Issue 10. Ser. I (October. 2021), PP 11-17
www.iosrjournals.org

Effect of government regulation on the relationship between strategy implementation imperatives and County Government performance in the central region, Kenya.

Charity Wangui[a], Julius Kahuthia[b] and John Muhoho[c]

[a] *Student, Faculty of Business, Computer Science and Communication studies, St Paul's University, Private Bag, Limuru, 00217, Kenya,*

[b] *Lecturer, Faculty of Business, Computer Science and Communication studies, St Paul's University, Private Bag, Limuru, 00217, Kenya,*

[c] *Lecturer, Faculty of Business, Computer Science and Communication studies, St Paul's University, Private Bag, Limuru, 00217, Kenya,*

Abstract

Most organization's aim is to realize and uphold great performance. In order to achieve superior performance, organizations have enhanced strategy implementation process and concentrated efforts on strategy implementation imperatives.County governments in Kenya have fallen below expected performance due to challenges like high personnel emoluments,under-performance in own source revenue collection, low absorption of development allocation,high levels of pending bills,and weak budgetary controls.Government regulations are laws and rules prescribed by governments that effectively control the way a business can operate and defines the bounds of legal behaviourthis study sought to establish the moderating effect of government regulation in addressing the county government performance.Descriptive and explanatory research design were adopted.Structured electronic questionnaire was sent to 252 respondents in the five counties in central region of Kenya.Descriptive and inferential statistics were used for analysis and overall model tested at 95 % confidence level.Results showed that Government regulation has astrong moderating effect on the county government performance in the central region with a beta coefficient of 0.901 and p value of 0.001.Government regulations had an overall mean of 3.86 with a standard deviation of 0.739. Within government regulations, supporting policies sub variable had the highest mean score (3.89) with majority of the participants believing that government regulations have contributed to the performance of their county. The results also suggest that Government regulations has led to infrastructure development such as roads, telecommunication and power that promotes efficiency in the counties.The study concluded that government regulations had significant moderating effect on the relationship between strategy implementation imperatives and county government performance in Central region of Kenya.The study provides a conceptual framework which brings together key government regulation moderating effect on strategy implementation imperatives that affects performance of county governments in Central Region of Kenya.

Keywords: Strategy Implementation, County Government Performance, Government Regulation

---

Date of Submission: 18-09-2021 Date of Acceptance: 03-10-2021

I. Introduction

Globally, private and public organizations have constantly been challenged by different environmental forces, various business complexities, technological advancement, globalization, climate change, and shifting customer preferences that push them to relook at how they do business. Obtaining efficiency, productiveness and sustaining performance goals therefore has become a key concern to these organizations (Basalamah, 2017). Governments all over the globe are increasingly under pressure from their residents to show performance results from the resources collected in taxes, and to be accountable for the promises made in their political manifestos, development plans, electoral pledges and commitments. In addition, citizens demand for transparency on the impact of government's interventions in improving its citizenry quality of life. Paradoxically, the government's resource basket has not expanded in sequence with these demands which implies pressure to do more with less. In an era marked with rising demand to governments to provide quality services and flat revenues, it is critical to ensure optimal performance. Improved performance helps government to be excellent in provision of quality services to its citizens efficiently and effectively (Hrebiniak, 2016).

According to Malina and Selto (2004), both non fiscal and monetary measures are used by many large organizations as a quantifier for their performance. Measuring organizational performance is important as it validates a process point of view that focuses on internal processes that measure how successful and coherent an action is with the set metrics. Accordingly, the performance of an organization is determined based on output and outcome, internal procedures and processes, profitability, organizational structure, employee's attitude, and receptiveness of an organization to the surroundings. According to Mutua (2009), Organizational performance incorporates actual output or organizational outcome which is determined in relation to already set goals and objectives. According to Levenson, Van der Stede and Cohen (2016) measures used within and techniques of its implementation for instance, the company's key performance indicators (KPIs), affects the association between implementation and performance.

There has been grumbles about poor service delivery by the devolved units from its citizenry even though formulation of strategic plans upon which performance contracting was based in the devolved systems of governance in Kenya was incorporated since 2013. Counties have fallen way below their revenue collection targets, projects are incomplete while pending bills have continued to accumulate, high personnel emoluments, roads are poorly maintained, no markets for traders, poor or lack of street lighting, irregular garbage collection, rampant corruption and non-payment or delayed payments to contractors and service providers leading to overall poor performance. This is in spite of the reality that County Governments obligate themselves to offering these services in their plans. This scenario was the researcher's motivation to want to investigate the moderating effect of government regulation on County Governments' performance in the Central Region of Kenya as the general objective.

The Kenyan government is facing challenges in its transitional procedure of realizing County integrated development plans (CIDP), which is a major strategy for accomplishing national development objectives, leading to unaccomplished goals which translates to poor performance. (Hantiro& Maina, 2020). The study by Hantiro and Maina noted that implementation of CIDP has not been ultimately accomplished in most County Governments due to management and resource challenges passed on to the counties from the former local authorities, which are now part of the County Governments. According to Finch and Omolo (2015), the devolution process raised so much hope and high believes of how fast the development of the devolved government in Kenya will bring light to lives of ordinary citizens, better service delivery, supress corruption and improve performance. Nonetheless, the County Governments in Kenya appear to have underperformed and have not lived up to the expectations of the citizens (Mbaka&Mugambi, 2018).

Ndege (2017) stated that an organization has rules and regulations that are implemented to ensure that risk occurrence is controlled and reduced. The basis of government regulations on organizations is that of having good rules that facilitate economic activities which aside from other things establishes and clarifies property rights, increases the predictability of the economy, minimizes the cost incurred during dispute resolution, and provides contractual partners with a level of certainty and protection against abuse (Haidar, 2016).The public finance management act (PFMA) was established to control the County resources. It serves to provide for management of public resources efficiently and effectively both at central and devolved units as guided by the constitution and relevant oversight committees (Hassan, 2017). Public procurement and disposal act is the guide for all procurements and disposal of assets and it serves to help the County Governments to promote fairness and integrity, accountability, transparency and enhancement of public trust in these entities (Lugwe, 2016).

II. Literature Review

Theoretical Review

According to Popper (1963), a theory can be defined as statements that are created to make clarifications on certain evidence especially those with recurrent verifications or that are broadly believed and could be applied in making extrapolations regarding natural phenomenon or occurrence that is not well understood.

Public Interest Theory on Regulation

This theory, which is an economic theory was first developed by Arthur Cecil Pigou in the year 1932. The theory suggests that the requirement for regulation is brought about by citizens in an effort to overcome unfair market practices (Truong, 2009) Regulation is assumed to be beneficial to entire communities rather than to serve individual vested interests. The authority in charge of regulating is said to have the entire society interest other than have regulators interest. (Goodwin, 2017). This theory postulates that regulatory authority aims to controls the prices in order that monopolies won't take advantage to overcharge, to avoid disasters and accidents, to demand maintenance of for safety standards, to prevent poisoning of masses, to control job markets so as to avoid monopsony power over job seekers, and to ensure public safety. This theory has now become an important one for public economics in modern times and has been applied by socialists and politicians causing growth of public regulation (Allais, 2015).

The presence of significant market failures due to economies of scale and magnitude of production has made economic regulation popular. Imperfections in information about market trades, presence of inadequate markets and externalities caused by effects of wealth and income distribution has also contributed to economic regulation.it has been reported that in developing countries, public regulation is much stronger due to more pronounced market imperfections. (Stiglitz, 2008).

III. Research Methodology

The study employed positivism philosophy, descriptive and explanatory research design, and multi-stage sampling to draw a sample of 252 respondents from the target population of 735 respondents. The unit of analysis was the five counties in central region and the unit of observation was personnel in the County Government. Primary data was collected through structured electronic questionnaires. To analyse quantitative data, descriptive statistics were computed using mean scores and standard deviations while inferential statistics entailed use of multiple regression and analysis of variance to test the overall model using p-value <0.05. The study adopted descriptive and explanatory research design which does more than describe the phenomena as it also explains it. Explanatory research design is often used to deduce the cause-and-effect relationship between variables (Pinto, Lein, &Mahoque, et al., 2018). The researcher starts with general ideas and uses the research as a medium for identifying issues that can be focused on for further studies. The aim of explanatory research design is to improve researcher's comprehension of a particular subject; flexibility of sources and to draw much better conclusions (Bryman & Bell, 2017). It assisted researcher to analyse the findings and draw informed conclusions.Content validity was applied in evaluating the extent to which data gathered using certain instrument represent a particular area or content of an actual concept (Kothari, 2017). Opinion from experts was solicited to check on the validity of the questionnaire. Inferential analysis of data was conducted by use of one-way ANOVA, Pearson R, and multiple regression analysis. If correlation coefficient R values are closer to one (1), then the relationship between two variables is strong.Reliability test in which Cronbach's alpha was adopted and a threshold of 0.7 used as the criteria showed that management commitment had an alpha coefficient of 0.857 on the seven items of tests implying that the data was reliable

IV. Results and Discussion

Descriptive statistics

The key indicators used in the current research to identify government regulation focused on enabling environment andsupporting policies. The questionnaire developed for the research comprised of statements that assessed the indicators. Table 1 gives a summary of how the participants responded to the government regulation indicators

Government Regulations.

Table 1

Summary of government regulations items

		Mean	Standard Deviation
	Enabling environment		
1	The national government regulations facilitate economic activities in this county and creates conducive environment to hasten the rate of business growth	3.96	0.748
2	Government regulations have helped minimize costs of doing business in this county	3.77	0.791
3	Government regulations have helped correct failures in the communities in this county	3.75	0.736
	Sub variable aggregate	**3.83**	**0.758**
	Supporting policies		
4	Resource distribution policies by government have contributed to development of this county	3.85	0.736
5	Government regulations has led to infrastructure development such as roads, telecommunication and power that promotes efficiency in this county	3.9	0.736
6	The infrastructure and policies by government has eased implementation of strategies by the county	3.84	0.687
7	Government regulations have contributed to the performance of this county	3.98	0.708
	Sub variable aggregate	**3.89**	**0.717**
	Variable aggregate	**3.86**	**0.739**

Source: Study data (2021)

Government regulations was the moderating variable. Table 27 presents the items that were used to measure the level of government regulations. The items were gauged on a 5-point Likert scale where 1 = strongly disagree, 2 = disagree, 3= fairly agree, 4= agree and 5= strongly agree. Majority of the respondents had strong sentiments on the statements used to assess government regulations in the counties. Government regulations had an overall mean of 3.86 with a standard deviation of 0.739. Within government regulations, supporting policies sub variable had the highest mean score (3.89) with majority of the participants believing that government regulations have contributed to the performance of their county. The results also suggest that Government regulations has led to infrastructure development such as roads, telecommunication and power that promotes efficiency in the counties. Resource distribution policies by government have contributed to development of the counties and the infrastructure and policies by government has eased implementation of strategies in the counties. Enabling environment was the other sub variable in government regulations. Enabling environment had a mean of 3.83 with a standard deviation of 0.758. The results suggested that the national government regulations facilitate economic activities in the counties and creates conducive environment to hasten the rate of business growth. Government regulations have also helped minimize costs of doing business and have helped correct failures in the communities in the counties.

Regression Analysis

Analysis of Moderating Effect of government regulation

To find out the moderating effect of government regulation on the relationship between strategy implementation imperatives and County Government performance in Kenya, the interaction effect was examined in the multiple linear regression summary.

Decision criteria for moderating effect of Government regulations

Table 2

Decision criteria for moderating effect of Government regulations

Model	Results	Decision
Without moderation	β1 is not statistically significant	No need to test for moderation.
Without moderation	β1 is statistically significant	Proceed with the test for moderation.
With moderation	B1 is statistically significant	Government regulations is a predictor variable.
With moderation	B3 is not statistically significant	
Without moderation	β1 is statistically significant	Government regulations is a moderating variable
With moderation	B3 is statistically significant	

Table 3

Model summary for model predicting County performance using strategy implementation imperatives

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Without moderation	.844[a]	.712	.711	1.27587
With moderation	.860[a]	.739	.735	.23551

Source: Study data (2021)

Table 35 presents the model summary for the regression model predicting County performance with and without government regulations moderation on strategy implementation imperatives. The summary above shows that there was high correlation between the dependent and independent variables in the two models (with moderation and without moderation effect models). The amount of variation of the dependent variable that can be explained by the independent variable is 71.2% before moderating strategy implementation imperatives with government regulations. After moderating the independent variable, the R-square value improves and 73.9% of variation in the dependent variable can be explained by strategy implementation imperatives, government regulations and the interaction between the two independent variables.

Table 4

Analysis of variance for model predicting County performance using strategy implementation imperatives

Model		Sum of Squares	df	Mean Square	F	Sig.
Without moderation	Regression	879.410	1	879.410	540.230	.000
	Residual	354.870	218	1.628		
	Total	1234.279	219			
With moderation	Regression	33.878	3	11.293	203.606	.000
	Residual	11.98	216	0.055		
	Total	45.858	219			

Source: Study data (2021)

Table 36 presents the analysis of variance results which tests the adequacy of the regression model with and without moderation effect. The two f tests; F (1,216) = 540.230, p< 0.001 and F (3,218) =203.606, p< 0.001 indicate that the two models are significant for predicting County performance. The residual sum of squares in the model where strategy implementation imperatives was moderated by government regulations was smaller. And the F statistic reduces after moderation of strategy implementation imperatives with government regulations. Hence suggesting that moderating strategy implementation imperatives with government regulations gives better prediction of County performance.

Table 5

Summary of coefficients for regression model with moderation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
Without moderation	(Constant)	1.274	.120		10.587	.000
	Strategy Implementation Imperatives	.728	.031	.844	23.243	.000
With moderation	(Constant)	-1.798	0.616		-2.916	.004
	Government regulations	0.901	0.163	1.115	5.519	.000
	Strategy Implementation Imperatives	1.385	0.185	1.412	7.492	.000
	interaction	-0.198	0.047	-1.465	-4.234	.000

Source: Study data (2021)

Table 6

Summary of the Regression Results for the Moderating Effect

Parameter	Step 1	P-value	Step 2	P-value	Conclusion
R^2	0.712	-	0.739	-	Reject the null hypothesis and conclude that the Government regulation has a significant moderating effect on the relationship between strategy implementation imperatives and performance of County Governments in the central region in Kenya.
Adjusted R^2	0.711	-	0.735	-	
F Value	540.230	0.000	203.606	0.000	
β Constant	1.274	0.000	-1.798	0.004	
β Strategy Implementation Imperatives	0.728	0.000	1.385	0.000	
β Government regulations	-	-	0.901	0.000	
β Strategy Implementation Imperatives * Government regulations	-	-	-0.198	0.000	

Source: Study data (2021)

Table 37 presents the coefficients of the model before moderation and after moderation with government regulations. From the summary above the following two linear equations can be derived:

$Per_{cg} = 1.274 + 0.728S_{ii} + \varepsilon$……………………………………………..equation 2

And after moderation with government regulations:

$Per_{cg}= -1.798 +1.385S_{ii} + 0.901G_r + -0.198S_{ii}G_r + \varepsilon$……………………equation 3

In the first model (without moderation), the t-statistic associated with strategy implementation imperatives was statistically significant giving enough information to reject the null hypothesis; hence concluding that strategy implementation imperatives are statistically significant in predicting County performance. In the second model (after moderating with government regulations), the coefficients associated with government regulation and strategy implementation imperatives were significant at 0.05 level of significance. Guided by the decision criteria above, the results above indicate that there was significant interaction between strategy implementation imperatives and government regulations in predicting County performance. Therefore, the moderating effect of government regulations on strategy implementation imperatives is statistically significant.

Hypothesis Test

The following null hypothesis was tested.

H_{01}: Government regulations has no moderating effect on relationship between strategy implementation imperatives and performance of County Governments in Central Region of Kenya.

The final objective of this research was to assess the moderating effect of government regulations on the relationship between strategy implementation imperatives and County Government performance in central region of Kenya. The variables making the social implementation imperatives were management commitment, staff competence, organizational culture, budget process and organizational structure. To assess the moderating effect the two step multiple linear regression analysis was adopted as recommended by Whisman and McCleand (2005). The decision criteria recommended by Fairchild and Mackinnon (2007) was adopted. The first model only evaluated the effect of strategy implementation imperatives then in the second model government regulation was added and its interaction with the strategy implementation imperatives.

In the first step, the R squared of the model was 71.2%. The R- squared value increased to 73.9% when government regulation and its interaction with strategy implementation imperatives were added. This indicates that including the effect of government regulation in the prediction of County performance improves the model's prediction ability. And more variation of county performance can be explained by moderating the strategy implementation imperatives with government regulations. The corresponding null hypothesis for this objective stated that Government regulation has no significant moderating effect on the relationship between strategy implementation imperatives and performance of County Governments in the central region in Kenya. In the second step of regression, the results in table 37 show that the coefficient associated with government regulation was 0.901 and a p value < 0.001. The coefficient associated with interaction of strategy implementation imperatives and government regulations was -0.198 and $p< 0.001$.

The results give sufficient evidence to reject the null hypothesis since the p value was less than 0.05 which was the level of significance of the study. Therefore, the study concludes that Government regulation has a strong moderating effect on the relationship between strategy implementation imperatives and performance of County Governments in the central region in Kenya. The study results support the work of Karungani and Ochiri (2017) who studied the effect of policy and regulatory framework on organizational performance. The study found that the policy and regulatory framework within the procurement sector plays a vital role in improving organizational performance

Summary of Hypotheses

Table 7

Summary of the test results for the study hypotheses

Hypotheses	Findings	Decision	Conclusion
H_{01}: Government regulation has no significant moderating effect on the relationship between strategy implementation imperatives and performance of County Governments in the central region in Kenya.	P=0.000<0.05	Reject H_{01}	Government regulation has a significant moderating effect on the relationship between strategy implementation imperatives and performance of County Governments in the central region in Kenya.

Source: Study data (2021)

V. Conclusion and recommendations

The study found out that government regulations had a positive significant moderating effect on the relationship between strategy implementation imperatives and county government performance in central region of Kenya.

This is in line with empirical studies reviewed in this study. In a study in Nigeria the Adeleke *et al.* (2016) examined the moderating effect of regulation on the link that exists between internal and external factors of an organization and management of risks among companies operating in construction sector whereby regulation was found to have significant moderating effect. Karunganiand Ochiri (2017) studied the effect of policy and regulatory framework on organizational performance: a case of Nairobi County, Kenya. The researcher found out that, policy and regulatory framework within the procurement sector plays a vital role in improving organizational performance; policy and regulatory framework resulted to improved organizational performance. Mugo*et al. (*2017) researched on the moderating effect of government policies on the relationship between mobile technology services and performance of deposit-taking SACCO in Kenya. According to their findings, government policies have a positive moderating effect on organizational performance.

Theoretically this finding is supported by the public interest theory. The theory suggests that the requirement for regulation is brought about by citizens in an effort to overcome unfair market practices and is assumed to be beneficial to entire communities rather than to serve individual vested interests. The authority in charge of regulating is said to have the entire society interest other than have regulators interest. It was noted that government regulations have helped correct failures in the communities, resource distribution policies by government have contributed to development of counties, led to infrastructure development such as roads, telecommunication and power that promotes efficiency in the counties and eased implementation of strategies by the county thus resulting in improved performance of counties in the central region of Kenya.

The national government should enhance implementation of their regulations as it was found to be beneficial to the larger society and county governments in that it have helped correct failures in the communities, resource distribution policies by government have contributed to development of counties, led to infrastructure development such as roads, telecommunication and power that promotes efficiency in the counties and eased implementation of strategies by the county thus resulting in performance of counties in the central region of Kenya.

References

[1]. Adeleke, A. Q., Bahaudin, A. Y. &Kamaruddeen, A. M. (2016). Moderating Effect of Regulations on Organizational Factors and Construction Risk Management: A Proposed Framework. International Journal of Economics and Financial Issues, 6(S7) 92-97.
[2]. Allais, M., (2015). 'Le proble`me de la planification economique dans uneeconomiecollectiviste', Kyklos, Blackwell publishing Ltd., 48–71.
[3]. Basalamah, M. S. I. (2017). The Influence of Motivation, Competence and Individual Characteristics on Performance Clerk (The Study) in the City of Makassar. International Journal of Scientific & Technology Research, 6(12), 148-153.
[4]. Bell, E. & Bryman, A. (2017). The Ethics of Management Research: An Exploratory Content Analysis. British Journal of Management. 18. 63 - 77. 10.1111/j.1467-8551.2006.00487.
[5]. Finch, C. &Omolo, A. (2015). "Building Public Participation in Kenya's Devolved Government," World Bank Other Operational Studies 21663, The World Bank
[6]. Haidar, J. I. (2016). The impact of business regulatory reforms on economic growth. Journal of the Japanese and international economies, 26(3), 285-307.
[7]. Hassan, A. (2017): Strategy and Information: Time to look out, In Financial Times Mastering strategy, Delhi: Pearson Education.
[8]. Hrebiniak, L. (2016) Making strategy work: Overcoming the obstacles to effective execution, Ivey Business Journal, March – April
[9]. Karungani, W. P. &Ochiri, G. (2017). Effect of Policy and Regulatory Framework on Organizational Performance: A Case of Nairobi County, Kenya. International Journal of Economics, Commerce and Management United Kingdom, 5(6), 565-573.
[10]. Kothari, C. R., & Garg, G. (2014). Research Methodology: Methods and Techniques. New Delhi: New Age International Publishers.
[11]. Levenson, A. R., Van der Stede, W. A., & Cohen, S. G. (2006). Measuring the Relationship Between Managerial Competencies and Performance. Journal of Management, 32(3), 360–380. https://doi.org/10.1177/0149206305280789
[12]. Lugwe, K. (2016) Management of resources by Local authorities: The case of Local Authority Transfer Fund in Kenya, Nairobi: Claripress
[13]. Malina. M. A, &Selto, F. H, (2015) Behavioural-Economic Nudges and Performance Measurement Models. Journal of Management Accounting Research: Spring 27, (1), 27-45.
[14]. Mbaka, R.M. &Mugambi, Dr. F. (2018). Factors affecting successful strategy implementation in the water sector in Kenya." IOSR Journal of Business and Management, 16 (7).61-68
[15]. Mugo, D. M., Muathe, S., &Waithaka, S. T. (2017). Moderating Effect of Government Policies on the Relationship between Mobile Technology Services and Performance of Deposit-Taking Sacco in Kenya.
[16]. Mutua, F.R. (2019). Strategic Management; Concepts and cases, Upper Saddle River, NJ: Prentice Hall
[17]. Ndege, R. M. (2017). The Moderating Effect Policies and Regulations on Business Continuity Management in Private Security Firms in Kenya. International Journal of Innovative Research & Development, 6(3),16-161.
[18]. Pinto, L., Lein, A., &Mahoque, R. et al. (2018). A cross-sectional exploratory study of knowledge, attitudes, and practices of emergency health care providers in the assessment of child maltreatment in Maputo, Mozambique. BMC Emerg Med 18, 11.
[19]. Truong, Y. (2009) An evaluation of the theory of planned behaviour in consumer acceptance of online video and electronic services, The Electronic Journal Information Systems Evaluation, 12(2), 177-186
[20]. World Bank (WB) (2016). Kenya Economic Update. Retrieved from http://openknowledge.worldbank.org/bistream/handle.

Charity Wangui, et. al. "Effect of government regulation on the relationship between strategy implementation imperatives and County Government performance in the central region, Kenya." *IOSR Journal of Business and Management (IOSR-JBM)*, 23(10), 2021, pp. 11-17.