STRATEGIC SYNERGIES ORGANIZATIONAL PERFORMANCE IN ELECTRICITY GENERATING COMPANIES IN KENYA

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ABSTRACT
The general objective of this study was to examine the strategic synergies on organizational performance in electricity generating companies in Kenya. The specific objectives of this research included; to establish the effects of strategic alliances and to determine the effects of strategic mergers on organizational performance in electricity generating companies in Kenya. The target population comprised of 300 respondents. The study adopted descriptive research design. A sample of 122 respondents was drawn from the target population using stratified random. The study grouped the population into strata. From each stratum the study used simple random sampling to select respondents. This study applied a stratified random sampling technique. The researcher used both secondary data as well as questionnaires as the research instrument to gather the relevant information needed to the study. The questionnaires were both open and closed ended to respondents who were not limited to give their opinion regarding the study at hand. The questionnaire was divided into two parts. The first part was mainly on the demographics which enabled the researcher to get demographic information of the respondents, while the other was to evaluate the study variables. The questionnaires were designed to reflect the main objective of the study. Quantitative research was used to provide numerical measurement and analysis. Survey questionnaires were used for standardization purposes. The questionnaires were pilot tested, to authenticate its reliability and validity before it was administered in the final study.

Keywords: strategic alliances, strategic mergers, organizational performance
INTRODUCTION

Synergy is the creation of a whole that is greater than the simple sum of its parts. The term synergy comes from the Greek word meaning "working together. A corporate synergy refers to a financial benefit that a corporation expects to realize when it merges with or acquires another corporation. According to Mullins (2010), an important aspect of corporate strategy and the growth and development of organizations is the concept of synergy that was developed in management applications by Ansoff. Synergy results when the whole is greater than the sum of its component parts.

Synergy is often experienced in situations of expansion or where one organization merges with another, for example an organization responsible for the development and production of a product merging with an organization that markets the product. The new organization could benefit from the combined strengths and opportunities, skills and expertise, shared fixed overheads and technology, and from the streamlining and economy of its operations (Mullins, 2010). In the search for synergy and increased productivity, a number of organizations are creating a more streamlined structure and concentrating on key activities with the outsourcing of non-core activities. The importance of strategic alliances in today's business environment has been a common point of discussion in the world of academia. At the same time, strategic alliances are becoming more and more prominent in the global economy. Strategic alliances are fast becoming a trend in the corporate business. In fact, the biggest change in corporate culture and the conduction of business is the rapidly growing number of corporate deals based not on ownership, but on partnerships. Indeed, searches on the internet for strategic alliances produces numerous press releases of companies forming alliances and also produce several addresses for strategic alliances consulting companies. Strategic alliances are agreements that are important to the partners, created to achieve common interests. Pearce, Richard and Robinson (2011) define a strategic alliance as an agreement between two or more companies in which they both contribute capabilities, resources or expertise to a joint undertaking, usually with an identity of its own, with each firm giving up overall control in return for the potential to participate in and benefit from the joint venture relationship.

A strategic alliance is an agreement between companies to establish cooperative partnerships that go beyond normal company-to-company relations, but fall short of becoming a real merger. Gamble, Strickland and Thompson (2007) on the other hand define a strategic alliance as a formal agreement between two or more separate companies in which there is strategically relevant collaboration of some sort, joint contribution of resources, shared risk, shared control and mutual dependence. Alliances include a wide variety of goals which companies are completely or partially precluded from achieving when confronting competition on their own. Strategic alliances range from simple, informal handshake agreements occurring over lunch to formal agreements complete with contracts that enable companies to exchange equities. Different sets of reasons can be found as to why a firm should seek strategic alliances in order to compete in today's open and aggressive markets.

Financial performance as the measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period of time. Financial performance refers to the act of performing financial activity. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. A company's
financial statements provide various financial information that investors and creditors use to evaluate a company’s financial performance. This usually entails the growth and profitability of a company. Kilimo (2014) posit that the most useful sources of the financial performance of a firm are the periodic management account such as the balance sheet and income statement, cash flow information and bank statements. They estimate that these of information are used by over 80% of companies to determine their business performance. The core of business enterprises is to make profit in the short-term while in the long run is to increase the owner’s wealth. Financial measures being quantitative, objective, scientific and intuitive are mostly proffered in measuring the financial performance of organizations. Traditionally, financial performance measures are split into those measuring; profitability, liquidity/working capital, gearing and investors ratios (Kaplan, 2012).

In a study carried out by KMPG (2009) on Joint ventures, the study revealed that strategic alliances were on the rise. Companies forming joint ventures had specific reasons for opting for the ventures. The main reasons for the formation of strategic alliances were so as to enable the companies gain access to greater markets, reduce on costs, reduce risk as joint ventures can share or spread risk between partners better than alternative forms of corporate strategies hence improving on their profitability (KPMG, 2009). In highly uncertain foreign markets in particular, international Joint ventures (IJVs) tend to outperform wholly owned subsidiaries (WOSs) because of the benefits a local partner provides (Brouthers, 2002). Unlike non-equity alliances, the capital invested in a JV signals partner commitment, thereby enhancing the probability of success. This commitment enhances cooperation among the parent firms, which is especially important when they are competitors, as is sometimes the case (Beamish and Lupton, 2009). Craig (2005) on the other hand reveals that despite strategic alliances offering the promise of economic and other benefits, they often entail significant costs in their implementation. Due to their shared decision making nature, strategic alliances tend to be fragile relationships with a high failure rate; above 305 according to Beamish and Makino (1998), Park and Ungson (1997) among others. Lane and Beamish (1990) found out that breakdown of communications generally had significant consequences on strategic alliances which sometimes led to the eventual dismemberment of the venture.

Literature broadly describes strategic sourcing (SS) as a process that directs all sourcing activities toward opportunities that enable the firm to achieve its long-term operational and organizational performance goals. This study investigates the mindset (orientation) of SS top management, which influences their SS decisions and processes (Eltantawy, Giunipero, & Handfield, 2014).

The history of Kenya’s power sector can be traced back to 1922 when the East African Power and Lighting Company (EAP&L) was established through a merger of two companies. These were; the Mombasa Electric Power and Lighting Company established in 1908 by a Mombasa merchant Harrali Esmajiee Jeevanjee and Nairobi Power and Lighting Syndicate also formed in 1908 by engineer Clement Hertzel. The Kenya Power Company (KPC) was later formed in 1954 as a subsidiary of the EAP & L with the sole mandate of constructing electricity transmission lines between Nairobi and Tororo in Uganda. This infrastructure was mainly to enable Kenya import power from the Owen Falls Dam in Uganda. With many operations of EAP&L largely confined to Kenya, the company finally changed its name to Kenya Power and Lighting Company Limited (KPLC) in 1983. KPC was 100% government owned. Following the structural adjustments program in the 1990s, the Government of Kenya officially liberalized power
Synergy is the creation of a whole that is greater than the simple sum of its parts. A corporate synergy refers to a financial benefit that a corporation expects to realize when it merges with or acquires another corporation. Synergies are obtained through the economic gains as a result of combining the joint resources of the companies. Motivated by synergy, acquisition motives could be exemplified by e.g. an increase in market shares, reduced or eliminated competition, quick and beneficial entry into a new business, impulse acquisition of a seemingly cheap business, new technology and rapid growth. The reasons for integration are e.g. to reduce risk and increase company effectiveness in both production and distribution. However, the most important factor for the realization of synergy is to what extent organizational integration has succeeded. Several studies have been carried on generating companies in Kenya. Ombaka (2013) carried a research study on implementation of diversification strategy at Kenya Power and Lighting Company Limited. Mugo (2006) carried research studies on Strategic change management practices in the Kenya power and lighting company limited (KPLC). Kaumbuthu (2013) also carried a study on strategic issue management practices at the Kenya power & lighting company ltd. None of the studies was carried on strategic synergies on performance in electricity generating companies in Kenya. Therefore the purpose of this study was to find out the effects of strategic synergies on performance in electricity generating companies in Kenya with particular reference to electricity generation companies.

Objective of the Study

The general objective of this study was to examine the strategic synergies on organizational performance in electricity generating companies in Kenya. The specific objectives were:-

- To establish the effects of strategic alliances on organizational performance in electricity generating companies in Kenya
- To determine the effects of strategic mergers on organizational performance in electricity generating companies in Kenya
LITERATURE REVIEW

Theoretical orientation

Scientific management theory

Sarker & Khan (2013 pp.2) states, scientific management concentrates on the one best way to perform a task; that is, it investigates how a task situation can be structured to get the highest production from workers. The process of finding this one best way has become known as scientific management (Certo & Certo, 2006). Although the techniques of scientific management could conceivably be applied to management at all levels, the research, research applications and illustrations relate mostly to lower-level managers. Therefore theory is also referred to lower level management analysis. Scientific management consists primarily of the work of Frederick W. Taylor, Frank and Lilian Gilbreth, and Henry L. Gantt. Frederick W Taylor (1856-1915) is commonly called the father of scientific management because of the significance of his contribution. He started his career as an apprentice in a small shop in Philadelphia (USA) in 1875. Taylor witnessed much inefficiency (Robbins et al, 2003). He sought to create a mental revolution among both workers and managers by defining clear guidelines for improving production efficiency. He argued that the four principles of management would result in prosperity for both workers and managers. The principles (Robbins et al, 2003) are; develop a science for each element of an individual’s work to replace the old rule-of-thumb method; scientifically select and then train, teach, and develop the worker. Heartily cooperate with the workers so as to ensure that all work is done in accordance with the principles of the science that has been developed; divide work and responsibility almost equality between management and workers. Management does all work for which it better suited than the workers. According to Turan (2015), Taylor expressed that the managers have to shoulder certain responsibilities and fulfill some missions to which they are not accustomed in order to completely understand the scientific method and implement it. He announced these missions and responsibilities as Scientific Management Principles which is the title of the book at the same time.

These principles are as follows: They develop a science for each element of a man’s work, which replaces the old rule-of-thumb method. They scientifically select and then train, teach, and develop the workman, whereas in the past he chose his own work and trained himself as best he could. Taken scientific management principles into account, it could be said that they substantially contributed to the modern management. Instead of the rule-of-thumb method which is the first principle, determining how the work is done better and dividing the work into elements were realized as performance/job analysis, work study and work design in today’s human resources management. The second principle which describes the selection of labour force via scientific methods, training and developing them is one of the essential functions of today’s human resources management Turan (2015).

Bureaucratic Management theory

According to Sarker & Khan (2013 pp.3), bureaucratic management is a stream of classical theory of management. It is a formal system of organization that is based on clearly defined hierarchical levels and roles in order to maintain efficiency and effectiveness (Hodgetts et al, 1981). This theory was developed by Max Weber and is widely used in the management of both public and private sector organizations. According to the bureaucratic management approach, organizations are usually divided into hierarchies. These divisions help in creating strong lines of authority and control (Singh R N, 1983) within the organization. Max Weber (1864-1924) was the first of management theorists who developed a theory of authority structures and relations based on an ideal type of organization he called a bureaucracy – a form of organization characterized by division of
labor, a clearly defined hierarchy, detailed rules and regulations, and impersonal relationships. Bureaucratic management depends upon administration devices. Max Weber presents the ideal organization structure. According to Weber the bureaucratic management approach is based on four principles - Hierarchical positions, rules of system, division of labor for specialization, and impersonal relationship. In every step of hierarchy, authority and duties are determined formally by pre-determined law, method and administrative regulations. Processes and communication are done in written form; workers obey to directives as they are based on legal authority. Again, according to Weber, the legal structure of contemporary state is licit in human’s esteem (Çelik & Doğan, 2011).

**Empirical review**

**Strategic alliances**

A strategic alliance is where two or more organizations share resources and activities to pursue a strategy. They vary from simple two-partner alliances produce a product to one with multiple partners providing complex products and solutions. By the turn of the century the top 500 global companies had an average of 60 alliances each. This kind of joint development of new strategies has becomes increasingly popular. This is because organizations cannot always cope with increasingly complex environments or strategies such as globalization from internal resources and competences alone. They may need to obtain materials, skills, innovation, finance or access to markets but recognize that these may be as readily available through cooperation as through ownership. The choice of acquisition or alliance is therefore one that many organizations face. However, about half of all alliances fail (Johnson, Scholes & Whittington, 2008 pp. 360) As Johnson et al (2008 pp.361) explains, a frequent reason for alliances is to obtain resources that an organization needs but does not itself possess. For example, banks need to gain access to the payment systems that allow credit cards to be used in retail outlets and to the automated teller machines (ATMs) to allow cash withdrawals. These resources do not, however, confer competitive advantage on members of the alliance; nor are they intended to so: they are threshold requirements for modern banking. Such arrangements are infrastructure alliances that involve the sharing or pooling of resources and mechanism of cooperation, but which are not seeking to gain competitive advantage. Here, however, we are concerned with strategic alliances that do seek to gain such advantage. One type of alliance is networks which are less formal arrangements where organizations gain mutual advantage by working in collaboration without relying on cross-ownership arrangements and formal contracts. Characteristic of such network arrangements are a reliance on coordination through mutual adaptation of working relationships, mutual trust and, typically, a ‘hub organization’ that may have promoted the network and maintains proactive attitude to it. Such networked arrangements may exist between competitors in highly competitive industries where some form of sharing is none the less beneficial (Johnson et al, 2008 pp. 362).

**Strategic mergers and acquisitions**

An acquisition is where an organization takes ownership of another organization, whereas a merger implies a mutually agreed decision for joint ownership between organizations. In practice, few acquisitions are hostile and few mergers are the joining of equals. So both acquisitions and mergers typically involve the managers of one organization exerting strategic influence over the other (Johnson et al, 2008). There are different motives for developing through acquisition or merger. A major reason can be the need to keep up with a changing environment includes: speed of entry- Products or markets may be changing so rapidly that acquisition
becomes the only way of successfully entering the market, since the process of internal development is too slow. The competitive situation may influence a company to prefer acquisition. In static markets and where markets shares of companies are steady it can be difficult for a new company to enter the market, since its presence may create excess capacity. If entry is by acquisition the risk of competitive reaction may be reduced.

Conceptual Framework

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic alliances</td>
<td>Organization Performance</td>
</tr>
<tr>
<td>Strategic mergers</td>
<td></td>
</tr>
<tr>
<td>Organizational goals</td>
<td></td>
</tr>
<tr>
<td>Knowledge transfer</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author (2018)

FINDINGS AND DISCUSSION

Organization performance

The study respondents were requested to show their level of agreement with the statements in relation to organization performance. The results were shown in table 1 below.

Table 1: Descriptive Statistics for Organization Performance

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company's productivity has increased in the past five years</td>
<td>86</td>
<td>3.80</td>
<td>1.566</td>
</tr>
<tr>
<td>Automation has enhanced company performance</td>
<td>86</td>
<td>4.32</td>
<td>.956</td>
</tr>
<tr>
<td>Employee involvement and inputs have increased performance</td>
<td>86</td>
<td>4.50</td>
<td>1.062</td>
</tr>
<tr>
<td>The management has brought chances to improve performance</td>
<td>86</td>
<td>4.29</td>
<td>1.246</td>
</tr>
<tr>
<td>Good corporate image has contributed to its performance</td>
<td>86</td>
<td>4.75</td>
<td>.477</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td>86</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

The analysis in table 1 above showed that the majority who scored the highest mean of 4.75 and a standard deviation of 0.477 agreed that goog corporate image influences organization...
performances. This was closely followed by those who too agreed that Employee involvement and inputs had increased performance a mean of (4.50) and a standard deviation of (1.062). Futher more respondents agreed automation had enhanced company performance with a mean of (4.32) and a standard deviation of (0.956), The management had brought chances to improve performance at a mean of (4.29) and a standard deviation of (1.246), and the company’s productivity had increased in the past five years (3.80) and a standard deviation of (1.566).

**Influence of strategic alliance on organization performance**

The respondents were requested to show their level of agreement with the statements in relation to strategic alliance. The results were as shown in table 2.

<table>
<thead>
<tr>
<th>N</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>86</td>
<td>4.39</td>
<td>.867</td>
</tr>
<tr>
<td>86</td>
<td>4.30</td>
<td>1.094</td>
</tr>
<tr>
<td>86</td>
<td>4.68</td>
<td>.543</td>
</tr>
<tr>
<td>86</td>
<td>3.93</td>
<td>1.319</td>
</tr>
<tr>
<td>86</td>
<td>4.45</td>
<td>.971</td>
</tr>
</tbody>
</table>

**Source:** Researcher (2018)

Strategic alliances have been acknowledged to be one of the factors that influence organisation performance in electricity generating companies. The study wanted to establish the claim. The respondents were therefore required to rate their responses on a likert scale of 1-5 where: 1= Strongly Agree; 2= Agree; 3= Undecided; 4= Disagree; 5= Strongly Disagree. The analysis showed that the majority who scored the highest mean of (4.68) and a standard deviation of (0.543) agreed that strategic alliances were created to achieve common interests. This was closely followed by those who too agreed that Strategic alliances were efficient to company operations of (4.45) and a standard deviation of (0.971). Futher more respondents agreed that Strategic alliances were becoming more and more prominent in the global economy with a mean of (4.39) and a standard deviation of (0.867), and Strategic alliances were becoming more and more prominent in the global economy with a mean of (4.32) and a standard deviation of (0.855). This finding agreed with Atieno (2012), assessed the effect of strategic change management on the performance of Airtel Kenya Limited by measuring the effects of product reengineering, brand equity, and strategic alliances and technology adoption as key facets of strategic change management. The researcher focused on effects of product reengineering, brand equity, strategic alliances and technology adoption on performance of Airtel. The finding refilled positive influence except strategic alliance.

**Influence of strategic mergers on organization performance**

The respondents were requested to show their level of agreement with the statements in relation to strategic mergers. The results were as shown in Table 3.
Table 3: Strategic mergers influence on organization performance

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>A merger implies a mutually agreed decision for joint ownership between organizations</td>
<td>86</td>
<td>3.93</td>
<td>1.234</td>
</tr>
<tr>
<td>Strategic merges bring consolidation opportunities</td>
<td>86</td>
<td>3.57</td>
<td>1.386</td>
</tr>
<tr>
<td>Through Strategic mergers, resources are used well</td>
<td>86</td>
<td>4.07</td>
<td>1.248</td>
</tr>
<tr>
<td>Strategic mergers ensure companies survive under competition.</td>
<td>86</td>
<td>3.23</td>
<td>1.584</td>
</tr>
<tr>
<td>Strategic mergers enable companies to gain big market share</td>
<td>86</td>
<td>3.57</td>
<td>1.463</td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

Strategic mergers have been acknowledged to be one of the factors that influence organisation performance in electricity generating companies. The respondents were therefore required to rate their responses on a likert scale of 1-5 where: 1= Strongly Agree; 2= Agree; 3= Undecided; 4= Disagree; 5=Strongly Disagree. The analysis showed that all the respondents in the category agreed that; Through strategic mergers, resources were used well, at a mean of (4.07) and a standard deviation of (1.248), a merger implies a mutually agreed decision for joint ownership between organizations at a mean of (3.93) and a standard deviation of (1.234), the same with Strategic merges bring consolidation opportunities at a mean of (3.93) and a standard deviation of (1.234), Personal selling of security firms’ products reminds customers to purchase the products with a mean of (3.66) and a standard deviation of (1.210), and Personal selling is effective in increasing security firms’ sales at a mean of (3.57) and a standard deviation of (1.386) same with Personal selling of security firm’s products create high level of customer attention at a mean of (3.57) and a standard deviation of (1.463). Strategic mergers enabled companies to gain big market share at a mean of 3.23 and a standard deviation of (1.584).

CONCLUSIONS

From the research carried out it was evident that Electricity generating firms took M& A strategic planning as an important aspect of their operations. This understanding had enabled the company to be alert on the environmental changes and took adequate measures in response and had seen the results of the adopted strategy realizing positive performance in an exponential manner for the period under study despite the M&A challenges. This was in line with the adopted theories on resource dependency theory and market power theory. As a result, Electricity generating firms should have been able to compete favorably against its competitors and expand its market share leading to remarkable organizational performance.

Specific emphasis was placed on cultural implications to consider prior to the merger or acquisition (event) and implications to consider subsequent to the event. Strategic alternatives suggested by researchers in organizational change, organizational strategy, and organizational development / management research were also synthesized in an attempt to offer a comprehensive perspective on ways that organizations might improve the success rate of M&As.
In conclusion, our study provided useful insights into the effects of learning from experience and performance in the context of corporate acquisitions. However, there were several ways in which our findings could be extended both theoretically and empirically. Although our empirical models focused on the organizational level of analysis and used archival data to measure organization-level variables, we did not directly examine the role of decision makers in the studied firms (e.g., Bergh, 2001).

The characteristics of top management teams and boards of directors may have important moderating or mediating influences on the relationship between past acquisition performance and subsequent acquisition decisions. Future research that incorporates measures of managerial characteristics may help explain more variance in organizational decisions. In addition, although we examined the effects of acquisition experience, prior acquisition performance, and their interaction, we did not examine the processes that underlay our effects. It may be that for acquisition success firms need to manage their acquisition experience and have some corporate activity to facilitate its transfer to the next acquisition.

RECOMMENDATIONS
The study recommended that organizations should focus on taking the right measure in strategic change in an organization so as to improve organizational performance through increasing firm customer base, asset quality, quality of service, increased production and increased market share. This was because management taking appropriate measure at the rightful time where strategies seems to fail in achieving set goals, energies channeled and abilities to explicitly enhance strategies that propel firm’s performance positively. The solution for managers does not lie in learning a series of change recipes or formulas. They need to have analysis skills so that they can understand their context of operation, judgment skills so that they can use this knowledge to determine what is key about their context and the implications of this for their change design, influencing and interpersonal skills so that they can sell their change ideas to others. The study recommended that management should clearly communicate to employees what has to be done and employees should be involved in setting the standards under which their performance will be evaluated.

Suggestion for further studies
The study sought to establish the relationship between strategic synergies on organizational performance focusing on companies generating electricity in Kenya. A further study should be carried out to establish challenges facing organizations in implementation of strategic change in companies generating electricity in Kenya.

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