

POWER DISTANCE AND STRATEGY REALIZATION IN GOVERNMENT OWNED ORGANIZATIONS

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ABSTRACT

Companies have faced significant difficulties with regards to the process of strategy realization as most strategies have failed to produce superior performance for the company due to ignoring the culture of the organization and poor implementation. Lack of power distance and clear policies and procedures have led to poor decision making and their disputes not being settled in the right time. As much as power distance plays an instrumental role in the organization; its actual effect in Kenyan companies has not been fully articulated or felt. This has necessitated the need to carry out a study on the effects of power distance on strategy realization. The study adopted descriptive research design, quantitative approach. The target population comprised of upper echelons management, middle level management and lower level management. Questionnaires were used to collect primary data. Variables were measured on a 5-point likert scale. The data was edited, organized, analyzed and interpreted using descriptive statistics and inferential statistics. Regression model was used to ascertain the relationship between teamwork orientation and strategy realization. The researcher employed the computer programme SPSS version 20 to code and analyze the information/data. The results indicated that that power distance has a significant influence on the strategy realization ($\beta = 2.253$; $t = 2.575$; $p < 0.05$). It was also established that the management establishes effective strategic controls to ensure that strategy realization is maintained with a mean of 3.916. The study concluded that power distance had a significant positive effect on strategy realization of organizations. The study also concludes that organizations are keen to departments providing distance in power. The study recommended that there is need for organizations to overhaul or improve the existing power distance in order to support achievement of its organizational objectives and strategy realization.

Keywords: Power Distance, Strategy realization.

BACKGROUND

The organizational culture of a company is supposed to be consistent and supportive with the strategy being realized. This shows that organizational culture offers employees a sense of how to act and behave hence influencing employees to support strategy that is current in order to strengthen its realization and implementation. In order for strategy realization to receive support that is sustainable, it must be aligned with the culture of the organization. Organization's strategy realization needs a culture that is encouraging change. Indeed, the realization of a strategy and performance of organizations is influenced by the behavior of actors, including the leaders' norms

and values systems. Organizational culture is the shared norms, values and beliefs within an organization, and is the core foundation from which a strategy emerges. According to Schein (2009) organizational culture is a behaviour of people that is collective in nature and is part of an organization formed by the organization habits, beliefs, systems, values, norms, visions, symbols and working language. On the other hand, according to Zaribaf and Bayrami (2010) the majority of large organizations have problems with strategy realization because this cannot be achieved by upper managers alone, it requires teamwork of members within and without an organization, which are practices ingrained in a strong organization culture.

The concept and practice of organizational culture in realizing strategies has been employed across various sectors and worldwide because of its perceived contribution to effectiveness in organizations (Thompson & Strickland, 2007). Today, companies both private and public have taken seriously to the organizational culture practice in realizing their strategies to guide the performance of those organizations. For instance, Malaysian companies have succeeded in strategy realization through strong, unified culture that are produced and reproduced by physical artifacts, symbols, setting, dress, ceremonies, stories and slogans. In addition the collectivist mind-set in Indian organizations has a team orientation; though individual members have greater flexibility in adapting to the norms that are collective, often they are passive to propose new ideas in realizing their strategies. Hrebiniak's, (2006) study on strategy implementation found out that consistency in strategy realization has become difficult for management team and throughout the organizational setup due to poor organizational culture.

In the African context, a myriad of factors like organizational cultures have potentially affected the process by which strategies and its realization are turned into organizational action. Aosa (2012) noted that participating in the realization of strategies varied with some companies showing high participation while others had lower participation as stated upon by their culture. Owing to diversity in terms of religion, race/tribe and origin within African organizations today, the major task in strategy realization is to create values that are common, defining ethical criteria, and creating workplace supporting strategies and a high achievement aim in the culture of the organization. For instance, An Economist survey by Allio (2005) found that a discouraging fifty seven (57) percent of organizations in Zimbabwe and Cameroon were unsuccessful to execute strategic initiatives over the past three (3) years due to poor organizational culture. According to the White Paper of Strategy Implementation of Nigerian Corporations (2006), organizational culture has become one of the important factors for strategy realization and most significant challenge of management which all kinds of organizations face at the moment. The survey reported in that white paper indicated that eighty three (83) percent of the surveyed companies fail to realize their strategies smoothly, and only seventeen (17) percent felt that they had a strategy realization process that was consistent.

Statement of the Problem

Companies have faced significant difficulties with regards to the process of strategy realization as most strategies have failed to produce superior performance for the company due to ignoring the culture of the organization and poor implementation. Lack of power distance and clear policies and procedures have led to poor decision making and their disputes not being settled in the right time. As much as power distance plays an instrumental role in the organization; its actual effect in

Kenyan companies has not been fully articulated or felt. This has necessitated the need to carry out a study on the effects of power distance on strategy realization.

LITERATURE REVIEW

Hofstede (2011) defines power distance index as the degree to which the less powerful members of an organization expect and accept that power is unequally distributed. Power distance relates to the extent to which unequal distribution of power is tolerated in a given organization and society. Specifically, it expresses the extent of acceptance by less powerful members of an organization and a society that power is unequally distributed (Hofstede, 2011). In this dimension, power and inequality is perceived from the lower level or the followers. A higher extent of the index signifies that hierarchy is clearly recognized and executed in an organization or society, without reason or doubt. A lower degree of the index indicates that people attempt to distribute power and question authority in an organization.

Adaba (2013) found out that strategic realization has generated much interest among company managers as a significant indicator in the pursuit to gain value from investments. The study confirmed that low power distance of the organization is embedded in the styles of management, structure of the organization and the process of decision making of the subordinates which is deemed to be positioned in a context of high power distance. Heine, Grover, & Malhotra (2013) and Peppard & Breu (2013) argue that strategies for accomplishing strategic realization and alignment cannot be well understood without considering the complex interactions between organizational context and the cultural factors. In the light of these results and the different contexts of culture in which organizations operate, it is very important to understand the implications of cultural factors such as power distance for strategy realization.

Culture is manifested at a variety of levels, including individual, national and organizational levels among others. In particular, the effects of power distance influence management and strategic realization and alignment practices (Peppard & Breu 2013). High power distance contexts are usually highly structured, unequal and hierarchical. On the other hand, low power distance organizations tend to be more democratic and less structured. The power distance dimension is a significant factor in the management of organizations and strategy realization. For instance, Schermerhorn & Bond (2007) argued out that power distance is one of the most relevant and enduring since organizations are social systems that are complex and structured hierarchically in term of authority and status. It establishes how well senior managers are relating with lower level staff, with implications for management. Schermerhorn & Bond (2007) suggest that power distance might affect strategic realization and alignment in organizations through its effects on management practices and processes of strategy realization.

Ayoun & Moreo, (2008) state that the extent to which power distance influences strategy realization and approaches of strategic planning to decision making (Plakoyiannaki & Johnson, 2011), communication (Richardson & Smith, 2007), team participation (Newman & Nollen, 2006) and organizational structure and styles of management (Khatri, 2009). Power distance has been shown to influence strategic planning approaches. Countries with lower power distance have a more participatory approach to strategy development and realization (Ayoun & Moreo, 2008). Ayoun & Moreo, (2008) have shown that strategic planning approach that is consultative is crucial for achieving strategy realization as human resources are more likely to be enthusiastic in the

realization and implementation of those different strategies. On the other hand, in settings of high power distance, organizations and human resources from levels that are different of an organization may be uncomfortable to participate or contribute to strategy development and realization. This may negatively affect the efficacy of the resulting strategy as a result of ineffective input from the lower cadre of the organization. In the context of strategic alignment and realization, the power distance levels affects how senior managers and top management relate to lower level cadre of staff. It might also influence the level of consultative and collaboration between the organizational functions, a significant necessity for achieving strategy realization.

Martinsons, Davison, and Martinsons (2009) found that organizations in cultural contexts of high power distance use information systems for communications that are vertical to strengthen hierarchical controls of organizational activities and are less likely to formulate plans that are formal. Khatri (2009) found that management in a context of high power distance has largely managerial decision making that is autocratic, which is expected to have effects that are negative on strategy realization. Equally, a low power distance context partnership among employees at various organizational levels in strategic planning and execution, may lead to positive influence on strategy realization. Furthermore, informal and decentralized organizational structures features of cultures of low power distance are significant for achieving strategic realization and its alignment (Chan, *et al* 2007). Lower power distance leads to teamwork that is greater, which can improve strategic realization (Zhang & Begley, 2011).

Methodology

This study adopted descriptive research design, quantitative approach. Ary (2014) stated that descriptive research studies are designed to obtain information concerning the current status of phenomena. This is directed toward determining the nature of a situation as it exists at the time of the study. Creswell (2002) noted that quantitative research is the process of collecting, analyzing, interpreting, and writing the results of a study. The target population comprised of upper level management, middle level management and lower level management. 5-point Likert Scale questionnaires were used to collect data. The data was edited, organized, analyzed and interpreted using descriptive and inferential statistics. Regression Model was used to test the hypothesis **H₀**: Power distance has no significant effect on strategy. The study employed the computer programme SPSS version 20 to code and analyzes the information/data. The results were then presented using frequency tables.

RESULTS AND DISCUSSION

According to findings the management relates well with juniors in the organization to enhance strategy realization with a mean of 3.800 and the flexibility of the organization structure influence strategy realization (Mean=3.884) and the hierarchies employed in the organization influence strategy realization with a mean of 3.884. It was also established that the management establishes effective strategic controls to ensure that strategy realization is maintained with a mean of 3.916 and that the employee work together with the management and are motivated to realize its strategies (Mean=3.351). The respondents further agreed that the staff are involved in participative decision making to enhance and improve on strategy realization (Mean=3.676) and that power is distributed equally in the organization to enhance strategy realization with a mean of 3.360.

Table 1: Power Distance and Strategy Realization

Power Distance		SA	A	N	D	SD	Total	Mean
The management relates well with juniors in the organization to enhance strategy realization	Freq	108	26	41	38	12	225	3.800
	%	48.00	11.56	18.22	16.89	5.33	100	
The flexibility of the organization structure influence strategy realization	Freq	98	54	36	23	14	225	3.884
	%	43.56	24.00	16.00	10.22	6.22	100	
The hierarchies employed in the organization influence strategy realization	Freq	89	41	78	14	3	225	3.884
	%	39.56	18.22	34.67	6.22222	1.33	100	
The management establishes effective strategic controls to ensure that strategy realization is maintained	Freq	104	55	28	19	19	225	3.916
	%	46.22	24.44	12.44	8.44	8.44	100	
The employee work together with the management and are motivated to realize its strategies	Freq	45	36	112	17	15	225	3.351
	%	20.00	16.00	49.78	7.56	6.67	100	
The staff are involved in participative decision making to enhance and improve on strategy realization	Freq	87	69	5	37	27	225	3.676
	%	38.67	30.67	2.22	16.44	12.00	100	
Power is distributed equally in the organization to enhance strategy realization	Freq	66	72	14	23	50	225	3.360
	%	29.33	32.00	6.22	10.22	22.22	100	

***Five -point scale: 1=Strongly Disagree; 5= Strongly Agree**

Correlation and regression results indicated that that there was significant positive correlation between power distance ($r = 0.714$; $p < 0.05$) and strategy realization. These findings reveal that power distance are positively related to strategy realization indicating that an improvement in one or all of these variables would results to an improvement of the strategy realization.

The findings disagrees with Khatri (2009) who found that management in a high power distance context has largely autocratic managerial decision making, which is expected to have negative effects on strategy realization. Conversely, a low power distance context partnership among staff at various levels of the organization in strategic planning and strategy execution, may lead to positive effects on strategy realization. Furthermore, decentralized and informal organizational structures characteristic of low power distance cultures, are important for achieving strategic alignment. Low power distance leads to greater teamwork, which can enhance strategic realization. Further findings reveal that power distance has a significant influence on the strategy realization ($\beta = 2.253$; $t = 2.575$; $p < 0.05$). This indicates that distance in power in relation to the culture of the company has a positive and significant effect on strategy realization. This implies that an improvement on power distance positively influenced a rise on strategy realization and vice versa. Therefore the hypothesis was rejected since there is a strong positive relationship between power distance and strategy realization. According to Schermerhorn & Bond (2007) contend that power distance is one of the most enduring and relevant because organizations are complex social systems structured hierarchically in term of status and authority. It determines how well senior managers relate with lower level staff, with implications for management. Schermerhorn & Bond (2007)

suggests that power distance might affect strategic alignment in organizations through its influence on management practices and strategy realization processes.

The findings agree with the findings by Schermerhorn & Bond (2007) who observed that power distance is one of the most enduring and relevant because organizations are complex social systems structured hierarchically in term of status and authority. It determines how well senior managers relate with lower level staff, with implications for management. A review of the extant literature suggests that power distance might affect strategic alignment in organizations through its influence on management practices and strategy realization processes.

CONCLUSION AND RECOMMENDATION

The study concluded that power distance had a significant positive effect on strategy realization in organizations. The study also concludes that the company under the study is keen to departments providing distance in power. The study recommended that there is need for Kenyan Parastatals to overhaul or improve the existing power distance in order to support achievement of its organizational objectives and strategy realization.

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