

Effect of Resource Alignment on Organizational Performance of Listed Energy and Petroleum Companies in Kenya

Maureen Chemutai Bichii

Department of Business Administration, College of Human Resource Development, Jomo Kenyatta University of Agriculture and Technology
Email: mbichii@gmail.com

Dr. Margaret Waruguru

Department of Business Administration, College of Human Resource Development, Jomo Kenyatta University of Agriculture and Technology
Email: mwaruguru@jkuat.ac.ke

Abstract: Resource alignment as a vital element of strategic planning ensures that an organization focuses on the right and prioritized activities to promote organizational performance. Organizational performance of energy and petroleum companies is crucial to the manufacturing sector, which is currently an agenda for economic transformation in Kenya. However, their performance has been challenged by resource alignment ineffectiveness, high power costs and limited investment into the sector, thus hindering potential exploitation in power generation and supply. This led the researcher into conducting a study on the effect of resource alignment on the organizational performance of listed energy and petroleum companies in Kenya. A descriptive survey research design was adopted to enhance detailed description of resource alignment and organizational performance in energy and petroleum companies. Data was collected through structured questionnaires. Descriptive and inferential data analysis was performed through Statistical Packages for Social Sciences (SPSS). Descriptive findings revealed that resource alignment affected the organizational performance of listed energy and petroleum companies in Kenya. Correlation and regression analysis showed that resource alignment had a significant effect on organizational performance. The correlation coefficient was 0.768, while the coefficient of determination was 0.590, meaning that variations in resource alignment explained 59% variation in organizational performance. The study's findings will benefit the ministries of energy and petroleum in the formulation and implementation of strategic plans based on resource alignment to improve sector performance. The domestic and foreign investors in the energy sector will also apply the findings in aligning resources to areas of priority for improved organizational performance.

Key words: Resource Alignment, Strategic Planning, Organizational Performance

1. Introduction

Resource alignment is encompassed in strategic planning and is essential in resources' focusing and prioritization of activities towards achieving the organization's common goals (Haines, 2016). Resource alignment enhances the assessment and adjustment of the organization's direction in response to a changing environment. Ngoasong (2014) asserted that organizations ought to understand the environment in which it operates and evaluate its resource-based strategic plans to identify areas for improvement and refinement to promote consistent performance (Smith & Dunbar, 2014). Therefore, companies must make proper use of resources at their disposal to achieve optimal results. Resources are always scarce, but their needs are unlimited; hence, strategic planning is required to enable the organization to make the right priorities when allocating them. Energy sector companies, like other organizations, operate in a highly dynamic business environment. In such surroundings, strategic planning in resource alignment becomes a critical element in their operations (Smith & Dunbar, 2014). Well-developed energy and petroleum companies promote economic growth and development through adequate industrial investments. An adequate supply of electricity and liquid fuels are outcomes of the energy industry with effective strategic planning and resource alignment (Sioshansi, 2011).

Kenya's energy and petroleum companies are still developing, as it is the case with most other companies in sub-Saharan Africa (Mutua, Ngui, Osiolo, Aligula, & Gachanja, 2012). Kenya's energy sector contributes an average of 9.1% of Gross

Domestic Product GDP according to a report by the Kenya Institute for Public Policy Research and Analysis (KIPPRA) of the year 2017. This shows that the sector performance is crucial, particularly to the manufacturing industry, which is currently a significant government agenda for economic transformation. The level determines the energy sector's organizational performance, and the intensity of energy use through strategic planning for the provision of sustainable energy services is still insufficient in Kenya (Mutua *et al.*, 2012). According to the Ministry of Energy (GoK, 2017), average energy consumption in the country has been on a downward trend from 2013 to 2017. It was 2,823, 2,617, 2,119, 1,618 and 1,338 kilowatt hours in years 2013, 2014, 2015, 2016 and 2017 respectively. The significant discrepancy between demand and supply of electrical power in the country shows a lack of strategic direction in the energy companies leading to an over-reliance on hydroelectric power, subject to climatic and weather variations (Muema, 2014). In the absence of appropriate strategic planning and framework for resource alignment, the energy and petroleum companies grapple with power supply capacity inadequacy with demand for electrical power outstripping generation plants' capacity.

Resource alignment enables an organization to focus resources on the right activities to promote the organization's performance (Smith & Dunbar, 2014). It is crucial in resource prioritization and waste minimization thus, performance is promoted with limited resources. The energy sector's performance is very important to the manufacturing industry, which is currently a major agenda for economic transformation in Kenya. However, there have been challenges of resource alignment ineffectiveness, high power cost and limited investment into the energy sector, hindering potential exploitation in power generation and supply. According to the Kenya Association of Manufacturers (KMA, 2017), the cost of electrical power averages Kshs. 15 per kilowatt-hour (kWh), which is relatively higher than in Ethiopia Kshs. 4 and South Africa Kshs. 6. The pricing of energy products is linked to the focusing of resources on energy and petroleum companies' activities. There is no adequate research-based evidence regarding resource alignment and organizational performance of energy and petroleum companies in Kenya. Rao (2016) studied the relationship between macroeconomic factors and the performance of the five firms listed in the energy and petroleum sector. The study revealed that oil prices and interest rates had a significant effect on financial performance. Similarly, Makanga and Paul (2017) examined the influence of strategic management practices on the performance of Kenya Power. The study findings established that e-procurement affected performance. This study examined the effect of resource alignment on listed energy and petroleum companies' organizational performance in Kenya.

2. Objective of the Study

The objective of the study was to determine the effect of resource alignment on organizational performance of listed energy and petroleum companies in Kenya.

3. Review of Literature

Resource alignment is a component of strategic planning that promotes the effective deployment of resources, waste minimization, and avoidance of allocation, hence vital in improving its performance and productivity (Noe, Hollenbeck, Gerhart, & Wright, 2017). The desired outcomes in an organization are attained through thoughtful alignment of strategic resources. Rothaermel (2013) opined that resources are used to advance the organization's operational position. They are specifically meant to advance the company into new markets, develop new products, and identify new customers. As such, the alignment of resources is intended to enable the firm to stake out in the future rather than maintaining the current position that is subject to erosion due to environmental dynamism (Noe *et al.*, 2017). According to Wetering, Mikalef, and Pateli (2017), resources are aligned according to the review of company goals by identifying main areas requiring resource allocation. This is it easier for the organization to optimize resources, leading to better performance and productivity. Furthermore, Resource-based theory suggests that a company's productive activity requires to need the cooperation and coordination of strategic resources (Rothaermel, 2013). This is fundamental in the productive and operative activities of the firm. An organization is viewed as a collection of physical and intangible resources that enable it to compete with other companies. Its strategic resources ought to have qualities of heterogeneity, valuable, rare, in-imitability, and un-substitutable. Therefore, with the unique attributes of resources, the company can exploit its capabilities to achieve competitive advantage and effective organizational performance.

Optimal resource use as an indicator or resource alignment enables firms to focus their limited resources on crucial activities; thus, they can do more with less (Lau, 2011). Strategic resources at the disposal of energy and petroleum companies include; human resources, capital resources, and natural resources. From the perspective of human resources, the right employees can work productively and enable the company to perform well. They ought to be aligned according to the organization strategy to make the company competitive. When employees understand how their tasks align with the strategy, they become more effective. Capital resources are involved in making and providing the products to the customers (Noe *et al.*, 2017).

Allocation prioritization promotes efficiency in the alignment of resources in energy and petroleum companies (Kagiri & Wainaina, 2017). Inefficiency in energy and petroleum companies in Kenya can be attributed to improper alignment that lacks allocation prioritization. The alignment of natural resources, such as oil and water, contributes to energy and petroleum companies' desirable performance. However, improper strategic planning means that these resources have not been aligned well to influence energy and petroleum companies' better understanding. The resource alignment process can lead to benefits realization since the company will be clear on the critical activities requiring allocation to achieve the set goals.

According to Lau (2011), resource shifting enables one to contribute to desirable performance by optimizing people's contributions, processes, and inputs to realize measurable objectives and, thus, minimize waste and misdirection of effort and resources to unintended or unspecified purposes. Organizational performance is usually indicated by the service delivery effectiveness weighed by determining how the company is able to achieve the outcomes it intends to attain (Hussein, Mohamad, Noordin, & Ishak, 2014). In the context of energy and petroleum companies, organizational performance is indicated by energy consumption levels, market share, value creation, and service quality. Resource scarcity among energy and petroleum companies means that effective strategic planning is necessary to aid resource alignment and enhance organizational performance (Kagiri & Wainaina, 2017).

Organization performance of energy and petroleum companies has attracted the scholars' attention, and research works have been conducted based on the same matter. Makanga and Paul (2017) examined the influence of strategic management practices on performance of Kenya Power. The study revealed that e-procurement influenced performance, as shown by the correlation coefficient ($R=0.344$) and coefficient of determination ($R^2=0.121$). Further, Rao (2016) found that energy sector performance depended on macroeconomic factors; oil price, GDP growth, and interest rate, exchange rate and inflation rate. Kagiri and Wainaina (2017) revealed that resource planning, contractors' poor project preparation, government bureaucracy, and risk allocation contributed to the cost overruns among energy sector companies. The projects had time overruns ranging from 4.6% to 53.4 %, while the cost overruns varied between 9.4% and 29%. Nyongesa, Makokha, and Namusonge (2017) found that strategic leadership influenced the organizational performance of Kenya Power-Kitale Branch. The leadership of the organization encouraged accountability and emphasized customer satisfaction. Mwamuye (2017) found a significant positive correlation between top management commitment, strategy communication process, coordination of activities and availability of resources, and organizational performance. Therefore, strategy implementation is critical in enabling an organization to attain its set goals.

There exist little research information linked to resource alignment and organizational performance. For instance, Rao (2016) applied macroeconomic factors to assess the performance of the five firms listed in the energy and petroleum sector. Analysis of oil prices, interest rates, inflation rates, and foreign exchange rates did not properly guide decision-making or formulation and implementation of desirable performance strategies. The current study chose resource alignment as a component of strategic planning to address energy and petroleum companies' performance. Kagiri and Wainaina (2017) noted that the cost overruns were influenced by resource planning, government bureaucracy, and risk allocation. The study did not address the organizational performance from a strategic planning point of view. The current study examined the effect of resource alignment on performance. It included allocation prioritization and waste minimization as key indicators. The study by Nyongesa *et al* (2017) examined the influence of strategic management practices and organizational Performance of Kenya Power-Kitale Branch. A study on a single organization could not address the performance challenges in energy and petroleum companies. The current study was a survey of energy and petroleum companies and focused on resource alignment and organizational performance.

4. Research Methodology

The study applied descriptive research design. Mertens (2014) opined that a descriptive research design accurately represents the people, items, and conditions. The study targeted managers in 5 energy and petroleum companies that are listed in the Nairobi Securities Exchange. Hence, managers make strategic decisions that are deemed to possess information concerning resource alignment, strategic planning, and organizational performance. The Census technique was applied; thus, all the 60 managers of listed energy and petroleum companies in Kenya were involved in the study. Questionnaires were used in data collection. Descriptive and inferential statistical data analysis methods were applied in the analysis. The descriptive analysis incorporated percentages, means, and standard deviations. The study further used inferential analysis applying Pearson moment correlation and regression analysis that was executed with statistical packages for social sciences (SPSS). The study findings were presented in tables.

5. Results

The study aimed at determining the effect of resource alignment on organizational performance of listed energy and petroleum companies in Kenya. Both descriptive and inferential statistical data analysis methods were applied. The findings are discussed in accordance to the objective of the study.

5.1: Effect of Resource Alignment on Organizational Performance

The study sought to examine the effect of resource alignment on organizational performance of listed energy and petroleum companies in Kenya and descriptive results are shown on Table 1.

Table 1: Effect of Resource Alignment on Organizational Performance

Statement	N	5 SA	4 A	3 I	2 D	1 SD	Mean	Std. Dev.
There is optimal use of resources in in our company.	49	51%	26.5%	16.3%	6.1%	-	4.22	.941
There is resource prioritization in our organization.	49	32.6%	51%	8.2%	4.1%	4.1%	4.04	.978
There is wastage minimization from effective resource alignment in our organization.	49	10.2%	22.4%	53.1%	8.2%	6.1%	3.22	.963
Resource shifting in our company is aligned to efficiency goals.	49	28.6%	57.1%	8.2%	6.1%	-	4.08	.786

The descriptive study findings revealed that resource alignment, an element of strategic planning, affects energy and petroleum companies' organizational performance in Kenya. Resource alignment determines the production and availing of products to the customers and increases the uptake of energy products. Strategic planning contributes to resource use optimization that promotes organization performance. Through proper strategic planning, the companies would make maximum use of available resources and ensure the lowest levels of wastages to promote desirable organizational performance. The managers also noted that resource alignment contributes to benefits realization since we will be clear about their goals while resource shifting enhanced efficiency. Energy and petroleum companies in Kenya make strategic planning decisions on allocating resources clear due to proper alignment. Therefore, deficiencies in performance can be attributed to a lack of proper alignment of resources among the energy and petroleum companies. Study findings imply further implies that unfavorable charges in energy companies such as Kenya Power are a result of improper resource alignment that leads to allocation of resources to activities of no priority. The findings relate to those of Nyongesa *et al* (2017) on the influence of strategic management practices on the organizational performance of Kenya Power. They found a positive relationship between strategic leadership and organizational performance. Strategic planning is possible under effective organizational leadership in energy and petroleum companies. Therefore, the current study went further to build on strategic leadership by determining the effect of resource alignment as an element of strategic planning on organizational performance.

5.2: Descriptive Findings and Discussions for Organizational Performance

The researcher sought views of the respondents on organizational performance of listed energy and petroleum companies in Kenya and findings are illustrated on Table 2.

Table 2: Descriptive Findings and Discussions for Organizational Performance

Statement	N	5 SA	4 A	3 I	2 D	1 SD	Mean	Std. Dev.
Energy consumption levels have increased for the past five years.	49	55.1%	34.7%	8.2%	2%	-	4.43	.736
Value creation has increased for the last five years in our organization.	49	46.9%	42.9%	10.2%	-	-	4.37	.668
Service quality in organization has been on continuous improvement.	49	57.1%	38.8%	4.1%	-	-	4.53	.581
Market share has increased for the past five years.	49	57.2%	38.8%	2%	2%	-	4.51	.649

The study findings revealed that energy consumption levels indicate the extent of energy and petroleum companies' performance in Kenya. The managers further noted that energy consumption levels in their companies had increased for the past five years. Energy and petroleum companies have increased value creation regarding their products as well as market share, which contributed to organizational performance. Market share determines the performance level of energy and petroleum companies in Kenya. Overall, the descriptive findings show that the indicators of organizational performance; energy consumption, value creation, service quality, and market share are affected by the resource alignment component of strategic planning.

5.3: Correlation Analysis for Resource Alignment and Organization Performance

The researcher sought to establish the relationship between resource alignment and organizational performance. Correlation analysis was conducted and findings are illustrated on Table 3.

Table 3: Correlation Analysis for Resource Alignment and Organizational Performance

		Organizational Performance
Resource Alignment	Pearson Correlation	.768**
	Sig. (2-tailed)	.000
	N	49

** . Correlation is significant at the 0.01 level (2-tailed).

The study revealed that the relationship between resource alignment and organizational performance of energy and petroleum companies in Kenya was strong, positive, and statistically significant. The correlation coefficient was 0.768, with a probability value of 0.000. 1% significance level was applied; thus, the association was significant since 0.01 was greater than p-value=0.000. A significant correlation coefficient implied that resource alignment affected the organizational performance of energy and petroleum companies in Kenya. Optimal resource use, prioritization, and decision clarity are realized through resource alignment, and organizational performance increases with their improvement.

5.4: Regression Analysis

Regression analysis determines the relationship between independent variables and dependent variables by predicting changes in dependent variable that is caused by changes in the independent variables. It consists of model summary, Analysis of Variance and the regression coefficients as illustrated on Tables 4, 5 and 6.

Table 4: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.768 ^a	.590	.581	.25857

a. Predictors: (Constant) Resource Alignment

Regression model summary findings indicated that resource alignment significantly affected the organizational performance of listed energy and petroleum companies in Kenya. The correlation coefficient was 0.768, which portrayed a strong relationship between resource alignment and organizational performance. It was further indicated that changes

in resource alignment explained changes in organizational performance. The coefficient of determination was 0.590, meaning that variations in resource alignment explained a 59% variation in organizational performance.

Table 5: Analysis of Variance (ANOVA^a)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.526	1	4.526	67.692	.000 ^b
	Residual	3.142	47	.067		
	Total	7.668	48			

- a. Dependent Variable: Organizational Performance
- b. Predictors: (Constant) Resource Alignment

The researcher tested the overall significance of the regression model applied in the research study. Analysis of Variance (ANOVA) checked for the model's fitness based on data collected on resource alignment and organizational performance. The findings revealed that the effect of all independent variable indicators on organizational performance was significant. The F-value was 67.692; hence the model was fit for the data.

Table 6: Regression Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.576	.232		11.112	.000
	Resource Alignment	.486	.059	.768	8.228	.000

- a. Dependent Variable: Organizational Performance

Regression analysis findings indicated that organizational performance was predicted from resource alignment. There was a significant relationship between resource alignment and organizational performance of listed energy and petroleum companies in Kenya. The study revealed that resource alignment had a beta coefficient value $\beta = .486$ with sig. value/p-value of 0.000. The researcher applied a significance level of 5%, meaning that 0.000 was less than 0.05, thus a significant relationship. This implied that allocation prioritization, waste minimization, and resource shifting affected the market share and product consumption levels in Kenya's energy and petroleum companies. Therefore, resource alignment affected significantly affected the organizational performance of energy and petroleum companies in Kenya.

6. Conclusion

Resource alignment plays a crucial role in determining the listed energy and petroleum companies' organizational performance in Kenya. Organizational performance depends on the optimal use of resources; thus, strategic planning is crucial among the energy and petroleum companies that operate in dynamic environments where adoption to continual change is needed for them to thrive. Strategic planning helps energy and petroleum companies determine the required resources and how they should be aligned to achieve good performance. Resource alignment and the capabilities of the companies are inexorably linked. The energy and petroleum companies' capabilities include their abilities to manage their resources through proper resource alignment. Strategic planning promotes resource allocation prioritization in energy and petroleum companies. Resource alignment leads to a reduction of resource wastages, and the company realizes the benefits of increased outputs that is an indicator of improved organizational performance.

7. Recommendation

Recommendation is made in accordance with the conclusion on the effect of resource alignment on organizational performance. The researcher recommends that energy and petroleum companies re-establish their strategic planning and properly align resources to their capabilities and enhance effective organizational performance.

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