

# Influence of Strategy Formulation on Performance of Youth Enterprise Development Fund in Nairobi County

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## ABSTRACT

The study sought to establish the influence of strategy formulation on the performance of youth enterprise funds in Nairobi County. The study was a descriptive survey. The population of the study was 114 officers at the organization's headquarters in Nairobi. Census sampling was applied. The study collected data using a questionnaire that was administered physically, through drop and pick method. Data collected was analyzed through descriptive and inferential analysis. Descriptive statistics included mean, frequency, percentage, and standard deviation whereas inferential analysis was through simple linear regression analysis. The findings of the study revealed a positive and significant relationship between strategy formulation and the performance of youth enterprise development fund ( $r = 0.775$ ,  $p\text{-value} = 0.001 < 0.05$ ). The study recommended that leadership formulate clear vision and mission statements that can be understood and are aligned with overall organizational strategy to enhance performance.

**Keywords:** Strategy Formulation, Performance, Youth Enterprise Development Fund, Nairobi County

## INTRODUCTION

Strategic planning entails prioritizing effective asset production plans and production management and ensuring that all stakeholders and staff are working toward a similar purpose. Companies commonly use the SWOT analysis as a guiding model at the beginning of the strategic planning process (Taouab, 2019). However, without such guidelines, it is impossible to assess whether a corporation can achieve its goals. To keep their business successful, managers must regularly evaluate the processes to ensure they operate as effectively as possible (Bryson, Edwards, & Van Slyke, 2018). Although there are various ways to assess a company, one of the most acceptable methods is to do a SWOT analysis. It draws focus to the internal and external elements that support or obstruct the accomplishment of a business objective. The study points out the variables that support or prevent the attainment of a business aim (Hemella, 2021).

An effective planning process for overcoming challenges and locating possible new business possibilities is to assess an organization's internal environment. Specific organizational concerns and duties that are critical for strategic planning and the organization's performance in the market. Unexpected issues arise in international markets, and global corporations that ignore these procedures are significantly more likely to be unprepared to compete with rivals in markets (Teixeira & Junior, 2019).

Procedures for strategic management sometimes involve strategic planning, in which all firm divisions are frequently involved. The administration and operations of the company are frequently significantly changed due to strategic planning. The results of an organization's strategic planning could directly affect its achievement or failure in its industry, which is why it must exhibit such proficiency in executing strategy (Daniel, 2018). Firms have to ensure that they identify the best strategic alternative to enable them to utilize their limited resources. A strategy expresses organizational commitment to certain goods, markets, competitive strategies, and ways of administering the business by reflecting management decisions among

possibilities (Nonaka & Takeuchi, 2021).

Strategic planning is among the most common management practices in today's private and public sectors. For a company to be successful, it must take advantage of opportunities and address its weaknesses in the external environment. By guaranteeing a thorough formulation and implementation process, and by following their implementations, organizations that utilize strategic planning models have higher chances of succeeding than those that do not (Doz, 2020). Strategic planning's lofty goal has been to boost an organization's productivity and effectiveness by streamlining processes (Shemella, 2021). Strategic planning helps an organization optimize its resources in activities that create the greatest value for an organization. To accomplish an organization's goals, strategic planning includes identifying the mission, strategies, and primary objectives that enable an organization to allocate resources effectively (Pearce et al., 2017). Strategic planning calls for an in-depth knowledge of a company's vision, purpose, values, and goals (Teixeira & Junior, 2019). The vision describes the long-term goals of the organization and how it envisions the environment in which it functions (Nonaka & Takeuchi, 2021).

Organizations are increasingly embracing strategic planning in the hope that it leads to increased performance. Companies within the Scandinavian region have highly recommended strategic planning as a critical success factor for organizations in the financial sector due to the nature of volatility in the financial markets (Nelson., Taylor & Walsh, 2020). Ansoff, Kipley, Lewis, Helm-Stevens, and Ansoff (2019) argued that an uncertain and tumultuous corporate climate has made companies come up with more long-term plans to cushion themselves against the loss of opportunities. Therefore, it has become clear over time that senior executives are shifting their attention to strategic planning. A comprehensive strategy is essentially a blueprint for achieving corporate objectives.

However, putting up a realistic strategic plan is not easy as it appears because many factors come into play such as the need to have a plan in place against prevalent risks and uncertainties in the industry (Kendall, 2016). Companies that have ignored strategic planning have found themselves in situations that have dire consequences for the business such as a decline in profitability, hardship in retaining workers due to lack of money to sustain salaries, a decline in market shares, and loss of innovative capacity to competitors which in most cases has led to downsizing of businesses (Fitria, 2018).

Youth enterprise development fund (YEDF) is an enterprise that shoulders the responsibility of granting loans to start-ups that are high risks businesses and building capacities among the youths so that their businesses sustain growth and offer much-needed employment opportunities. The need to carry out strategic planning in such instances is no doubt paramount. Despite all efforts by youth enterprises fund over the last 11 years, Kenya's youth and women unemployment rates are soaring. According to KBS, about 5,418,021 youths, or 39% of 13,700,207 youths in the country were unemployed. The lack of employment opportunities in Kenya and more so in Nairobi county is not only an economic problem but also a social problem, available statistics by Integrity (2019) revealed an increase in crime rates within Nairobi county among 100,000 residents at 7% in 2018 and a rise to 8.9 % in the last quarter of 2019 which is the reason the youth unemployment in Kenya is described as a time ticking bomb. To counter this challenge a robust strategic planning mechanism is desired through all relevant bodies and more so through youth enterprise development funds.

Youth and employment have attracted the attention of academicians, research practitioners, the public sector, and non-governmental and civic organization: some of the studies includes Maina (2018) who studied the efficiency of youth enterprises development fund in Kirinyaga County. The study found a positive relationship; Osendo (2019) studied the impacts of loan terms on the performance of youth enterprise development funds in the Kisumu sub-county. The study revealed shorter repayment periods significantly influence performance. Aberi and Jagongo (2018) studied the impacts of defaulting loans on youth enterprises in Dagoretti. The study revealed that high loan default had negatively affected the performance of youth enterprise development funds. There is nothing strategic about the studies conducted

in the youth enterprises development fund, more so the area of strategic planning has not been covered by previous scholars, it is upon these insights that the current study proposes to evaluate the influence of strategy formulation on the performance of youth enterprises development fund in Nairobi county.

## LITERATURE AND HYPOTHESIS

The impacts of strategic formulation and the impacts of performance indicators of innovation in microfinance institutions in South Africa was studied by Köseoglu, Altin, Chan, and Aladag, (2020). The study chose 99 personnel from renowned microfinance institutions randomly as a sample for the study. The validity of the research variables was established through construct validity tests and the hypotheses tested were examined using the regression analysis approach using SPSS. The authors utilized exploratory factor analysis and Cronbach's alpha to understand the reliability and dependability of the questionnaire. The findings demonstrate that developing a plan favors the effectiveness of innovation management, innovative products, and quality enhancement. As a result, the three hypotheses investigated were all confirmed. Consequently, the research findings are important to the current study because they have provided a good foundation to be used during research.

The impact of strategic planning on the performance of small firms operating in the transport sector in the US was studied by Parnell (2019). The research was anchored on previous studies on strategy formulation processes and performance in the same industry. Performance evaluation statistics were taken from the National Transportation System, while information on strategic planning came from an online poll of agency managers. By controlling for environmental and critical positions and effectiveness, this research used a regression model to compare 2005 results with 2007 findings. The findings showed that strategic planning does not save operational costs in an organization. Performance measures such as the number of passenger trips per capita are negatively impacted by logical incrementalism alone. The interaction term, which represents executing strategic planning activities is an effective tool for data-driven decision making and has a positive influence on both the effectiveness and the system productivity measurements. When considered collectively, these findings imply that strategic planning, whether used alone or in conjunction with rational incremental progress, has a favorable impact on several performance-related characteristics. Although the results showed a positive correlation, the findings cannot be used to generalize the results. This is because the demands of the firms in the USA under study are different from those in Kenya, especially in the YEDF in Nairobi County in Kenya.

The relationship between strategic formulation performances of NSE-listed firms in Nairobi County was assessed by Which, Krause, and Ngari (2020). The study was centered on the design of descriptive studies and positivist research methodology. The primary audience was three hundred and five top executives from companies on the NSE. The stratified sample approach was utilized, with property investment, internet, innovation, industrial and affiliated, financial firms, capital, insurance, fuel and petroleum, construction and allied, commercial and services, banking, vehicles, peripherals, and sectors of agriculture comprising the strata. To gather data, 178 top management were chosen as the random sample. The study used a standardized questionnaire to collect data from the target respondents. The research used a pilot study to evaluate the questionnaire's accuracy and dependability. The test research findings revealed a total Cronbach alpha of 0.7, demonstrating the questionnaire's dependability. Data were gathered from 148 participants, or 82.12 % sample size of 178, indicating a successful response rate.

The results showed significant statistical differences between company effectiveness and strategy creation and a good correlation between firm success and strategy development. The success of companies is highly impacted by the planning process, as per simple linear regression. The research suggests that firms that appear on the NSE develop an atmosphere favorable to successful strategy formation, such as ensuring that all stakeholders are involved in strategy development to accomplish the company's goal and enhance their results. Nevertheless, the conclusions of the study cannot be used to generalize the findings of the current research. This is because the analysis was performed in Nairobi Securities Exchange-listed enterprises and

not in the YEDF in Nairobi County. Thus, there is a need to research the YEDF in Nairobi County in Kenya.

*Hypothesis: The strategic formulation does not have a significant influence on the Performance of the Youth Enterprise Development Fund in Nairobi County*

## DATA AND METHODS

**Research Design:** The study applied a descriptive research design. Descriptive research design sought to answer questions like “what,” “where,” and “how” about a phenomenon (Siedlecki, 2020). The application of the descriptive research design enabled the researcher to quantify data and therefore conduct hypothesis testing.

**Target population:** Employees at the Nairobi headquarters of the Constituency Development Fund (CDF) Board served as the study’s population. The central CDF board office is staffed by 114 people (CDF board, 2022). A total of 114 participants were targeted in the study.

**Sample size and sampling Procedure:** The study applied a census sampling procedure because the sample size was small and easy to manage, therefore sample size was 114 respondents. Census sampling is supported by Bolarinwa (2020), who argues that census sampling can be considered for a population that is not large.

**Data Collection Instruments:** The study employed questionnaires and an interview guide. The questionnaires were developed following the objectives. The questionnaires used closed-ended questions. The closed-ended questions limit the respondents to make choices between multiple-choice questions, the advantage of closed questions in Likert is that less time is taken in coding, minimizing response variation, and leading to a high response rate. As a result, the survey questionnaire is deemed appropriate for this study because it is an efficient technique to get data quickly and cheaply compared to other data-gathering methods (Krosnick, 2018).

**Data Collection Procedure:** The study applied the drop-and-pick method where paper questionnaires were physically presented at the premises of the employees at the Nairobi headquarters of the constituency development fund. The method was preferred to explain in person the purpose of the study to the participants so that there can be a high rate of participation. The approach was supported by Yayeh (2021), who argued that when the cost of data collection is within the means of the researcher physical administration of instruments is more preferred.

**Data Analysis Techniques:** Data was analyzed through descriptive and inferential analysis using statistical packages for social sciences (SPSS), which according to Pallant (2020), enables the researcher to conduct descriptive analysis on measures of central tendencies and dispersion. Besides, SPSS can also be used to test the relationship between variables through correlation and regression analysis. Descriptive methods included: frequency, percentage, mean, and standard deviation. Besides inferential analysis was conducted through simple regression analysis method. The presentation of findings was done in tables and narratives. The following simple linear regression model was applied.

$$Y = \beta_0 + \beta_1 X_1 + e \dots \dots \dots \text{equation (i)}$$

Where Y = Performance of Youth enterprises development fund; X<sub>1</sub> = Strategy Formulation (predictor variable) and β<sub>1</sub> is the coefficient for the strategy formulation; e is the error term.

## FINDINGS AND DISCUSSIONS

**Response Rate:** The study targeted 114 individuals whereby the study was able to collect data from 96 respondents which represents a response rate of 84.2%

**Demographic Statistics:** Table 1, revealed that the majority of the respondents were male at 78.1%, with only 21.9% who were female. Besides, the study revealed that the majority of the participants were between 40 and 49 years, followed by 15.6% of the respondents who were below 25 years, and only 12.5% of the respondents were above 50 years old. Finally, the demographic statistics revealed that 43.8% of the respondents had worked in their current position between 5 and 9 years, followed by 33.3% of the respondents who had above 10 years of experience, and only 22.9% of the respondents had less than 5 years of experience.

**Table1: Demographic Statistics**

<b>Gender</b>	<b>Frequency</b>	<b>Percent (%)</b>
Male	75	78.1
Female	21	21.9
<b>Total</b>	<b>96</b>	<b>100.0</b>
<b>Age of the respondents</b>	<b>Frequency</b>	<b>Percent (%)</b>
Less than 25 years	15	15.6
26-39 years	14	14.6
40-49 years	55	57.3
Above 50 years	12	12.5
<b>Total</b>	<b>96</b>	<b>100.0</b>
<b>Experience in the organization</b>	<b>Frequency</b>	<b>Percent</b>
Less than 5 years	22	22.9
Between 5 to 9 years	42	43.8
Above 10 years	32	33.3
<b>Total</b>	<b>96</b>	<b>100.0</b>

Source: Primary Data (2023)

### **Descriptive Statistics on Strategy Formulation**

The study applied a Likert scale that run between 1 and 5 where 1= strongly disagreed and 5= strongly agreed. Table 4.2, revealed that respondents agreed that their organizations had a well-written vision and mission statement, as evidenced by a mean score of 4.24. According to the study, respondents agreed that they had engaged consultants during strategy formulation, as evidenced by a mean score of 4.27. The study also revealed that they had developed short-term and long-term strategies, as evidenced by a mean score of 4.39. According to the study, respondents agreed that they had developed strategies to help them achieve their goals, as evidenced by a mean score of 4.28. Finally, the respondents agreed that they had

developed strategies based on the intensity of the need analysis, as evidenced by a mean score of 4.51.

**Table 4.2: Descriptive Statistics on Strategy Formulation**

Statement on Strategy Formulation	M	Std. dev
We have a well-formulated vision and mission statement	4.24	0.594
We engage consultants during strategy formulation	4.27	0.624
We formulated strategies that are both short-term and long term	4.39	0.789
We come up with strategies to enable the achievement of set goals	4.28	0.593
Strategies are formulated on the intensity of the need/need's analysis base	4.51	0.615

Source: Primary Data (2023)

Parnell (2019), concurred with the study findings when the researcher explored the impact of strategic planning and rational approach on the performance of small- and medium-sized urban transportation agencies within the United States and found formulation practices on strategic planning included the setting of a vision, and having public participation to assess the needs of the organization and employees.

**Descriptive Statistics on Organization Performance**

Table 4.3 revealed that respondents agreed that there has been an increase in the number of young people starting businesses, based on a mean score of 4.32. According to the results, respondents agree that they have received business management training and financial literacy, as evidenced by a mean score of 4.33. Respondents also agreed that the income levels of reserved groups had increased by a mean of 4.45 percent as a result of Youth Enterprises funds. Finally, it was agreed that reserved groups' social welfare has increased by a factor of 4.34.

**Table 4.3: Descriptive Statistics on Organization Performance**

Statement on Strategic Monitoring and Evaluation	M	Std. dev
There has been an increase in youth opening business	4.32	0.657
We have carried out business management training and financial literacy	4.33	0.829
Income levels of reserved groups have increased through Youth Enterprises funds	4.45	0.793
The social welfare of reserved groups has increased	4.34	0.927

Source: Primary Data (2023)

**Hypothesis Testing**

**Table 4: Regression Analysis**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.509 <sup>a</sup>	.259	.252	.56299		
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	10.440	1	10.440	32.937	.000 <sup>b</sup>
	Residual	29.794	94	.317		
	Total	40.234	95			

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.001	.588		1.701	.092
	strategy formulation	.775	.135	.509	5.739	.000

1. Dependent Variable: Performance of Youth Enterprise Fund

Table 4.4, shows an R-square of 0.259, which suggested that 25.9% of the variations in the performance of youth enterprise funds could be explained by strategy formulation, other factors that were not considered by the study explained 74.1% of the variations. The study also established an F-ratio of 32.937, which was associated with a p-value of 0.001, which further suggested that that strategy formulation was significant in the prediction of the performance of the youth enterprise development fund because the observed p-value of 0.01 was less than chosen significance level of 0.005. Further, the coefficients section indicated a  $\beta$  of 0.775,  $t= 5.739$ , which was associated with a p-value of 0.001, which suggested that strategy formulation had a positive and significant influence on the performance of the youth enterprises development fund in Nairobi city county. Köseoglu et al. (2020), concurred with the study findings, where the researcher revealed that that developing a plan favors the effectiveness of innovation management, innovative products, and quality enhancement. Similar findings were postulated by Which et al. (2020), who conducted a study on the relationship between strategic formulation performances of NSE-listed firms in Nairobi County. The findings of the study revealed a significant statistical influence of strategy development on firm success. The study also argued that the success of companies is highly impacted by the planning process through the evidence of simple linear regression. The research suggests that firms that appear on the NSE develop an atmosphere favorable to successful strategy formation, such as ensuring that all stakeholders are involved in strategy development to accomplish the company’s goal and enhance their results.

**CONCLUSIONS AND RECOMMENDATIONS**

The study concluded that Strategy formulation had a significant effect on the performance of the Youth enterprises fund in Nairobi County; the study, therefore, rejected the null hypothesis that: Strategy formulation does not have a significant influence on the performance of the Youth enterprises fund in Nairobi County.

The study recommends that the Youth Enterprise Development board should come up with a review committee and involve top management or consultants to help in the formulation of appropriate strategies that would enhance the performance of the youth enterprise development fund in Nairobi County.

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