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# Drivers of Strategic Management: Implications for Strategic Financial Management in Higher Education Institutional Context

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***Abstract*: Most Higher Educational Institutions (HEIs) have in the past been largely managed without recourse to a systematic and integrated approach to financial strategy. This has largely been so since the sector has been regarded primarily as a publicly-funded service and the fact that HEIs have fewer financing requirements (and options) and face fewer acute financial risks. However, in recent times, it has become clear that to succeed financially and academically, HEIs must be a more proactive and strategic approach to the management of their finances in the long term. Proceeding from this backdrop, the present paper aims to assess the drivers of strategic management and examine their implications for the strategic management of finances in the context of universities. The paper adopts the conceptual and theoretical research approach. Through a review of the literature on the drivers of strategic management, the authors synthesize various theoretical perspectives and draw their implications for strategic financial management in universities. It is inferred from the study that leadership, communication, resource allocation, and monitoring and review of strategic plans are the factors that are cardinal to strategic financial management in universities. The study culminates by proffering recommendations for policy and practice in the area of university strategic financial management. Among other measures, it is recommended that the leadership of universities including Governments, Directors of Finance, and academic unit heads must aim to develop a financial strategy that aligns with the mission and vision of their institutions, communicates financial strategy across various institutional units, and regularly monitor the effectiveness of financial strategic plans and revise where necessary.**

***Keywords*: Strategic management, financial management, higher education.**

## 1. Introduction

In institutions of higher learning, effective and strategic financial management has become crucial. It has been observed that University funding is declining as the economic downturn deepens and the State is under massive pressure from different sectors of the economy for funding (Sav, 2016). The statement that academic institutions are in a financial meltdown and will remain in one for some time is not hyperbolic (Sav, 2016). Given the circumstances, it is important to manage the finances of the funds at hand, and it is time to look at some of the challenges that emerge. It must be stated clearly that financial management entails much more than just inventory and accounts and making sure money is securely invested (Parakhina et al., 2017). Rather, it is more concerned with determining the firm's or an organisation's risk and liquidity in the long run, with financial planning, and with strategic choices that put the firm's financial sustainability first.

Schtram (2004) argues that lifelong planning is crucial for the education industry just like any other sector or organisation. In recent years, Multilateral development organisations frequently compel sovereign governments in poor nations especially to create "vision" strategy documents for 2030 or 2050, that are subsequently utilised to create mid-term and short-term planning documents. Typically, these documents include listings of objectives, often together with an explanation of the tools of policy and the expenditures of related investments. Long-term development initiatives are often created by entire Ministries in poor nations, yet this does not guarantee their soundness or applicability. According to theory, strategic planning in low-income nations aims to increase the efficiency of public spending. Planning ahead and preventing waste is crucial because the amount of funds that are typically accessible is generally small. These initiatives for higher learning involve enrollment growth targets, but there are occasionally no solid fiscal obligations to match. Higher education institutions are encouraged to coordinate their aims with those of the government. As a result, even while the practice of development planning is still prevalent in several poor nations, the academic discussion surrounding it has become fairly old (Szirmai 2005).

Conceptually, strategic management is defined in a wide variety of ways. Tabatoni and Barblan (2002), for instance, define strategic management as a type of management appropriate for complicated, unpredictable circumstances, which "focuses on the crucial and proactive leadership processes that might omit current strategies and develop fresh ones. Specifically, strategic management equips individuals to anticipate the future " (p. 5). Thus, their design places a focus on organisational advancement and learning (Eastman, 2003). Schram (2004) argues that whilst there is an imperative need for strategy implementation at the national level and in universities, policymakers, executives, and managers often

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have to contend with a plethora of challenges. To start, institutions either do not receive any financial support for accomplishing their strategic objectives or receive it seldom, which makes it challenging to carry out long-term strategies. It is also difficult to find new full-time academics and keep the ones that already exist because of poor faculty wages. More so, there are significant demands for the higher-education system to expand more quickly due to the incredibly low enrolment rates (under 5 percent) for higher learning. (Schram, 2014)

In his study on how universities can be strategic in the era of decreasing public funding, Shattock (2000) found that competitiveness, opportunism, income generation and cost reduction, relevance, brilliance, and repute are the important ones for thriving universities. Deering and Sa (2014) in their study of Canadian Universities employing interview and document analysis found that cutting programme services and product offerings are strategies adopted by the studied Universities to reduce expenses. The study as well found that The University of Toronto, Queen's University, and the University of Lethbridge have decided to adopt decentralised budgetary planning and administration arrangements to improve efficiencies and look for new revenue streams rather than reduce expenditures. Jonyo, Ouma, and Mosoti (2020) in a study of selected Universities in Kenya found that strategic financial controls strongly predicted organisational performance which further highlights the importance of strategic financial management.

The work of Omboi (2014) focuses on the factors influencing strategy implementation in selected higher education institutions. Specifically, the author examined how managerial behaviour, institutional regulations, resource allocation, and incentive programmes and rewards affect the execution of strategic management plans. According to the findings of the research, managerial behaviour had a slight effect because of management's strategy formulation, and rewards and incentives had little effect on instructors' cooperation in carrying out strategic plans. Instead, lecturers were motivated to collaborate by their ethical conduct rather than by management's extrinsic motivation through tangible rewards. Due to limited knowledge and the sparse usage of the service code, a crucial "barometer" of strategy implementation efficacy and efficiency, institutional policies were found to have little impact on how strategies were implemented.

Ngonze (20211) similarly unraveled the drivers of strategic management and report that organisational structure and leadership were the key variables influencing strategy execution. It was found that organisational architecture was crucial to achieving each strategy objective effectively, and leadership directs a strategic path by identifying market demands, guaranteeing adequate resources are available, and promoting the execution of the chosen strategies. Employees' motivation was another important component because implementing a strategy mostly depends on personnel.

Although some of the previous studies generate useful insights, most were limited to the assessment of strategic management from a generic sense. There is a paucity of research into the implications of various drivers of strategic management on strategic financial management in the University context. The present paper aims to assess this issue. The rest of the paper proceeds as follows: Section 2 contains a review of the literature on the drivers of strategic management in general. Section 3 follows with a discussion of the methodology guiding the study. Section 4 discusses the implications of the literature on strategic financial management. Section 5 provides conclusions and recommendations for the study. Section 6 outlines suggestions for future research.

## 2. Literature Review

According to Kandie and Koech (2015), the drivers of strategic management can generally be categorized into context and process factors. Context factors include organisational structure, organisational culture, organisational learning, strategic leadership, and strategy alignment with market dynamics. Process factors on the other hand traditionally include operational planning, monitoring progress, allocating resources, ensuring that people and strategy are aligned, efficient communication, strategic and management control systems, and information resources. In the ensuing paragraphs, each of these variables is outlined.

*Organizational structure:* According to Miller (2004), a poor organisational structure is a contributor to the failure of a strategy. Structure and strategy must be well aligned (Aaltonen & Ikavaiko 2002). Organizational structure, as per the account of Okumus (2003), includes the shape, division of labour, job tasks and responsibilities, the allocation of authority, and the processes for making decisions inside the company. The possibility for changes in responsibilities, positions, decision-making, and communication connections are some of the factors to take into account when harmonizing structure and strategy. Additionally, it is important to evaluate how well the organisational structure promotes communication, coordination, and collaboration between various managerial levels and functional units. Organizational culture, according to Ahlstrand et al. (1999), is the set of common values and ideas that are expressed through customs, practices, and more outward expressions like stories, symbolism, and even physical structures and goods. Graham (2007) asserts that a company's culture develops as a result of a variety of elements, including top management practices, powerful forces inside the company, policies and procedures, organisational structure, rewards, appreciation, and advancement, among several others.

*Strategic leadership:* Raps (2005) asserts that to send a good signal to all members of staff, senior managers must be dedicated to the strategic vision on their own and show a readiness to devote effort and dedication to the implementation process. The chief executives ought to use every attempt to promote the strategy and persuade everyone in the company to back its execution. Numerous studies have highlighted top management's impact on strategy execution and the critical role that upper executives play as the process's head (Brauer & Schmidt, 2006; Schaap, 2006). (Okumus 2003) defines strategic leadership as the Chief Executive Officer's active involvement and backing of the strategic effort.

*Operational planning:* One of the main reasons why a strategy's implementation fails has been attributed to the lack of precisely articulated, specific key duties (Corboy & Corrbui, 1999; Raps 2005). Despite being some of the earliest instruments, action budgeting and strategic planning are still useful for making sure that strategies are implemented and approaches are in line with goals. It entails the assignment of activities and anticipated outcomes to individuals and departments within a specific time range. Task distribution to persons and departments should be done carefully to avoid power struggles and conflicts (Raps 2005). Action plans ought to be documented as a list of tasks to be completed, how they are to be completed (means), within a specific timetable, with specific goals to be attained, as well as the budget for resources needed (Okumus, 2003; Faull, 2005).

*Monitoring and review of progress:* Constant monitoring of the fierce competition, the action plan execution process, levels of customer satisfaction, and financial returns provided by the strategy are all necessary for effective implementation. Additionally, monitoring is useless if it does not include transparency and adjustment when it is necessary. Specific performance goals should be given to both departments and individuals (Sterling 2003). Organizations that have strong mechanisms in place for tracking employee performance and departmental performance about plans are more efficient at implementing strategies than those that do not (Chimhanzi & Morgan 2005). The likelihood of achieving the objectives will rise as a result of a formal evaluation of achievements because it allows the organisation to examine the discrepancies between measurements of the actual situation and the objectives (Terry, 2001).

*Teamwork:* It entails the capacity to collaborate on a shared goal that channels individual successes toward organisational goals and serves as the catalyst for ordinary people to achieve extraordinary outcomes (Carnegie, 2009). An activity or a series of linked activities carried out by multiple people to accomplish a single goal can be referred to as teamwork (Ujwal, 2009).

*Resource allocation:* All relevant resources, including time, money, skills, and expertise, ought to be accessible for a strategy to be implemented successfully. According to Sterling's research (2003a), certain initiatives fall short since insufficient funding is given to them, particularly capital-intensive ones. A financial assessment of a plan is necessary to make sure it does not unintentionally reduce value for shareholders and, in addition, to make sure there are enough resources readily available to carry it out. Management can evaluate the strategy's fiscal consequences on the organization's finances and find additional funding opportunities by conducting a financial assessment of the plan.

*People–strategy fit:* The caliber of those working on a strategy's implementation has an impact on its efficiency. Quality describes the capabilities, dispositions, experiences, and other traits of persons needed for a certain job or task (Peng & Little john, 2001). According to Viseras, Baines, and Sweeney (2005), the effectiveness of strategy implementation relies mostly on the human or people side of project management as opposed to aspects linked to organisations and systems. The correct number of employees with the necessary skills is required for efficient strategy implementation. The deficiency in personnel's abilities is among the factors contributing to bad strategy implementation (Beer & Eisenstat 2000; Regan 2001).

*Effective communication:* Communication difficulties is frequently cited by those who contribute to strategy implementation as a major factor in poor plan execution. Since changes ought to be successfully conveyed, according to Andrea (2005), communication is the key to implementation. In contrast to other types of obstacles, including those caused by organisational structure, learning, personnel management, or cultural considerations, hurdles are identified more often than any other type of strategy implementation roadblock (Peng & Littlejohn, 2001).

## 3. Methodology

The paper employs a theoretical research paper and is therefore more conceptual in nature. Edgar and Manz (2017) argue that Theoretical research is a logical exploration of a system of beliefs and assumptions and it also entails theorizing how a system should operate or should be and then unraveling the implications of the system is defined. One of the often-cited criticisms of theoretical research is that it is out of touch with reality often described as "ivory tower" research. However, every research type or approach can risk becoming irrelevant when carried out inappropriately (Edgar and Manz, 2017). Given the general paucity of research on strategic management in tertiary institutions in general and strategic financial management in particular, the use of theoretical research is proper in laying the foundations for future research. The paper also synthesizes various theoretical perspectives on the drivers of strategic management and their implications on financial management in universities. As espoused by Gilson and Golderg (2015), the focus of conceptual papers is to propose new relationships among constructs to develop logical arguments about the relationships rather than empirical testing of them.

## 4. Discussion of Results

A review of the literature reveals a plethora of factors that influence strategic management adoption and implementation in organisations. As it was made known in the literature review, leadership plays an important role in the strategic management process. Within the context of universities, leadership suggests that the top management of HEIs should lead the strategic financial management. As Raps (2005) contends, leadership is needed o send a signal that the strategic management adoption and implementation enjoy support from top management which suggests that resources including time and effort will be devoted to its implementation. In this case, as far as strategic financial management in the university is concerned, Governors will have a role to play. The institution's survival should eventually rest with the board of governors, who have a responsibility to determine the plan, monitor the effectiveness of the financial plan, and guarantee that it is appropriately synchronised with all other goals and initiatives. The creation of an efficient and comprehensive financial strategy will specifically include the Finance Committee (or an equivalent). The leaders of the academic institution must also give strategic leadership and oversee the institution to carry out the agreed-upon goals and strategies. Additionally, the senior management team ought to be jointly responsible for setting the strategic direction, including the different components of the business strategy, and both individually and jointly accountable for achieving the goals. It is additionally important to mention that the director of finance will have to lead the effort of formulating the plan and providing financial guidance within the university. Once more, as they plan and oversee the institution's basic operations, leaders of academics and other groups must assume responsibility for the strategic financial challenges.

The review of literature also brought to light that communications play important role in the strategic management process. As Andrea (2005) posits, communication is all that implementation is about as change has to be communicated. In this case, universities need to communicate their financial strategy across various units and departments to create awareness and buy-in. Indeed, the financial strategy touches every part of the institution and needs to involve a wide range of people. Sometimes too, it will also be important to involve and communicate with other stakeholders, who include staff, students, and external bodies with an interest in the institution.

Allocating resources, monitoring them through time, and evaluating their effectiveness are both similarly significant strategic management drivers (Sterling, 2003). Implicitly, the strategy ought to be founded on realistic strategic analysis, backed by a mechanism of monitoring and review, and incorporated with the result and other resource plans that are acknowledged and possessed by all included in the management of operations and resources. Critical issues to think about in this context include whether the strategy is founded on strenuous and objective assessment, if the financial strategy is effectively executed with the institution's output strategies, and if senior academics and other managers recognise and agree with the financial strategy's repercussions, and if the strategy is executed, evaluated, and deviations are discovered at a preliminary phase.

Through the institution's corporate plan and strategic positioning, the strategy must establish the financial performance goals for a sustainable level of academic and other activity whilst balancing resources and long-term goals. The corporate strategy incorporates the major institutional strategies and is completely supported by financial analyses and goals. The long-term forward forecast of revenue, expenses, liabilities, cash, and capital requirements—involving a provision for repurchasing and modernising assets and capability—should be taken into account by the financial strategy. Governors and senior management must also have to assess the institution's entire balance of operations and priorities, which reflects its present strategic posture, to conduct monitoring and review. They must take into account the institution's prospective future strategic posture regarding its assets and infrastructure, markets, and competitions, as well as historical performance.

Once more, the evaluation of strategic financial plans in universities over time may include issues like internal restructuring, including "delayering," substitute of smaller academic departments with very few, bigger business units (schools), the addition of support staff, modifications to the programmes available, distinct connections between academic units and the centre, and new resource allocation and budgeting models.

## 5. Conclusion and Recommendations

The paper sought to examine the factors that influence strategic management in organisations in general and to assess which of these factors matter for strategic financial management in the University setting. This objective was achieved through a theoretical and conceptual research approach that entails a synthesis of various scholarly perspectives and logical inferences. Based on the analysis carried out, it is clear that the factors that matter for strategic financial management are strategic leadership, communication, resource allocation, and monitoring and review of strategic financial plans over time. These findings have some implications for policy and practice. Academic institutions need to acknowledge that a financial strategy is concerned with financing the corporate plan of the institution. It is one of several strategies of an HEI, all of which contribute to its mission, and should have a similar life-span to the corporate plan. First, it is recommended that the leadership of universities should champion the need for strategic plans. The personnel to play important role in this regard include Governors, Directors of Finance, and Academic and other Departmental Heads. Another important area to attach priority is communication. Top management should demonstrate a strong commitment to strategic financial plans by communicating to all relevant stakeholders for buy-in. Moreover, the study recommends that resources be properly re-aligned over time in a manner consistent with the institution's objectives. Further, since strategic financial plans do not end in themselves, there is the need to do proper monitoring and review of financial strategies over time and amend them where necessary.

## 6. Suggestions for Future Research

The current paper sought to examine the drivers of strategic management and their implications on strategic financial management in the setting of Universities. The research approach was more theoretical and conceptual in nature. To test the validity of the claims made in the study, it is suggested that future research should test the drivers of strategic management and their effects on the strategic management of finance in the University using empirical data. Such studies should also aim to explore the relative importance of various factors driving strategic management as perceived by personnel of universities. It will equally be important for future research to examine the processes Universities engage in the implementation of their strategy and to examine their degree of effectiveness.

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