

**The State of Strategic Management Practices in  
Public Sector Organisations in Kenya.**

by

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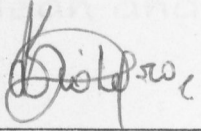
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Declaration

This project is my original work and has not been submitted for a degree in any other University.

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This project has been submitted for examination with my approval as the University Supervisor.

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To my parents Leah and Bernard for always being there for me.

To my nearest and dearest Doro, Oscar, and Alice who are my inspiration.

To Sammie the keeper of my heart and my sanity.

To Ivy, Judy, and KUI and the grooviest women I know.

"Bless your hearts"

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## ABSTRACT

The knowledge of strategic management has increased greatly over the last four decades. Most of this knowledge has however been accumulated in the context of developed countries. Research on the strategic management processes in the developing world is limited, but increasing, and concentrates on private sector enterprises.

In both developed and developing nations the state sector remains large. In more developed economies however public sector enterprises follow a market model and have identities separate from the government. In contrast many developing nations, particularly those in Africa, have public sector enterprises tied to the political structure. Government bureaucracy rather than the autonomy of the market is responsible for decisions.

The environment in which Kenyan public sector organisations exist and with which they interact is increasing in complexity and the rate of change is accelerating. There is increasing pressure to perform from both the Kenyan public and from International financial institutions concerned with assisting development and supporting structural adjustment efforts that require a reassessment of the role, structures, and performance of public sector organisations for improved management, divestiture, or privatisation. With these pressures to perform and increasing challenges in the business environment, public sector managers must have the capability to adapt and restructure the enterprise to challenge constraints and to regard organisational structures not as immutable. Hence the need for strategic management.

This study aimed at documenting strategic management practices in public sector organisations and determining whether the environment in which these organisations operate affects the practice strategic management. It also set out to determine whether the profit orientation of these organisations affected the practice of strategic management.

The findings of this study indicated that public sector organisations do engage in strategic management to varying degrees. They had well articulated missions, objectives, strategies and plans. However a lack of commitment to the same by top management and other employees of the organisations resulted in poor implementation. As a result the benefits of the use of strategy suggested in the literature reviewed were not enjoyed by these organisations.

# Chapter One

## INTRODUCTION

### 1.1 Background

In the recent past a number of management theories and techniques have been developed to improve the practice of management in organisations. The more significant of these include management by objectives, organisational development, and operations research. A recent addition to this group is strategic management. In most cases these theories and techniques were initially developed for and applied in private sector settings from where attempts are subsequently made to transfer them to public sector contexts. Such attempts meet varying degrees of success (Schwella, 1988)

It has often been argued that the principles of management models developed for the private sector should be applied to help the public sector improve their management performance. Strategic management as an approach holds definite possibilities for beneficial application in the public sector context. It must be stressed, however, that the successful application will have to account for the particular context of the public sector setting and the implications of this. Failure to do this will be in disregard of modern organisation and management theory and research (Schwella, 1988 ).

'Strategic Management is the process of making and implementing strategic decisions.....(it) is about the process of strategic change' (Bowman and Asch, 1987). Strategic management is concerned with matching the organisation to the environment in which it operates. The challenge of strategic management is in the involvement of managers in guiding the future direction of the organisation. Accordingly, management will need to consider what threats or opportunities exist, or may exist, in the future in order to position the entity appropriately. Linked closely with these is the need to understand the organisations own capabilities (Bowman and Asch, 1987).

Several empirical studies have been conducted to examine the relationship between strategic management and organisation performance. In general, the research revealed that strategic management leads to improved performance far more often than it results in no change or even in poorer performance (Powell, 1992).

Ansoff et al (1970), Gershefski (1970), Thune and House (1970), and Herold (1970) all conclude that organisations which utilise strategic planning achieve higher levels of performance or end results than organisations which do not utilise strategic planning. In a review of 28 studies of manufacturing firms, 20 studies revealed better performance with formal planning, 5 studies revealed no difference, and 3 studies revealed planning to be detrimental to performance (Amstrong, 1991). Although many of the firms studied were fairly large, other studies showed that the use of strategic management by medium sized firms improved performance. A study of 200 medium-sized Dutch firms showed that profitability was directly related the use of strategic management (Waalewijn & Segaar, 1993).

Research further revealed that the attainment of an appropriate match or "fit" between an organisation's environment and its strategy, structure and processes has positive effects on the organisations performance (Naman & Slevin, 1993). A study of the impact of deregulation on United States railroads found that railroads that changed strategies as their environment changed outperformed those that did not change theirs (Smith & Grimm, 1987).

Nevertheless, strategic management need not always be a formal process to be effective. Studies of planning practices of actual organisations suggest that the real value of strategic planning may be more in the future orientation of the planning process itself than in any resulting written strategic plan (Bryson & Bromiley, 1993).

However Fulmer and Rue (1973), Grinyer and Norbun (1975), Kallman and Shapiro (1978), Kudla (1980), and Leontiades and Tezel (1980) tended not to support the findings of earlier work. The results of their studies concluded that no relationship exists between the use of strategic planning and end results. These studies concluded that the higher levels of end results achieved by firms in the study did not necessarily relate to the utilisation of strategic planning. Despite this disparities in findings, there is a consensus among scholars that a knowledge of strategic management is essential to effective organisation performance in a changing environment (Wheelan & Hunger, 1995).

### **Public Sector Organisations in Kenya.**

The economy of Kenya is jointly controlled, albeit in differing proportions, by the following sectors: the co-operative movement, the public sector, the private enterprise, and the informal sector. The principal differences among them are in the mobilisation and application of funds. Thus the co-operative sector mobilises resources from people and applies the same to mass-owned investments administered jointly with the government; the public sector draws on funds mainly from the government and applies them to public and quasi-public investments; the private sector is financed from both publicly and privately mobilised resources and applies them to private joint-stock investments; and the informal sector procures resources from personal savings, private or public-sector savings and applies them to mainly informal single proprietorships.

The Public sector has since independence assumed an increasingly significant role in national development. In 1992, the sector comprised 41% of the wage employment, and in the same period had committed a total of Kshs 15 billion to the sector. The sheer size and extent of government financial commitment is a clear indication of the importance of the public sector.

During the 1970s it became increasingly apparent that state participation in the economy had grown well beyond governments original intentions. A large debt exposure among state owned enterprises resulted in increased vulnerability. Operating losses, inadequate returns on investments and limited administrative and managerial capabilities resulted in greater strain Public finances. In the early 1980s problems associated with the vast growth of the public sector began to emerge leading to a new government policy aimed at reducing government subsidies to state corporations and withdrawal of state participation altogether from enterprises that failed to perform well (GOK: Working Paper 1992 p.2).

Coupled with adverse developments in the global market place and economic problems experienced in Kenya in the late 1980s the government proclaimed a new development strategy in sessional paper No. 1 of 1986, Economic Management for Renewed Growth. This strategy called for the restructuring of the economy in ways that would direct it to an increasingly market driven system. This strategy emphasised the need for reform of public sector organisations which were largely characterised by widespread misuse of funds due lack of proper internal management and control. This inefficiency has created bottlenecks in the functioning of essential parts of the economy - notably health, water, communication and education services.

The persistent difficulties now confronting the public organisations reflect the profound over-extension of the government beyond its available means. The resulting economic reform programs resulted in revamping of the external trade sector (import liberalisation), liberalisation of controls in the domestic economy (interest rates, price controls, investment licensing) and reduced government expenditure among other activities. As a result Public sector organisations now operate in a changing environment that demands that they operate efficiently and effectively in order to survive. The drive towards a market driven economy has resulted in competition for previously protected public sector organisations and hence the need to adopt management practices adopted by their private sector counterparts to achieve higher end results. In this respect, strategic management could become invaluable. Strategic management enables organisations to cope with a dynamic environment as well as enhance the quality of its relationship with the outside environment. Strategic management enables organisations adapt under conditions of externally imposed stress or crisis because of the changing environment (Thompson 1990; Kiggundu, 1989). Given the situation facing public sector organisations in Kenya today, strategic management would be useful in helping managers cultivate a culture of forward planning.

## **1.2 The Research Problem**

Unlike that in industrialised countries, literature on the theory and practice of strategic management in organisations in developing countries is very limited indeed, particularly for the indigenous organisations in both the public and private sector (Kiggundu, 1989). In Africa in general, and in particular Kenya, research into strategic management processes is very limited. A few studies have been carried out to document strategic management practices in Kenya ( Shumbusho, 1983; Aosa, 1992; Karemu, 1993; Shimba, 1993). Though these studies provide valuable insights they provide only a partial view as they concentrate on strategic management processes in the private sector. None of them addresses the issue of strategic management processes in public sector organisations.

In his suggestions for further research, Aosa (1992), indicates that an investigation of strategic management practices in public sector organisations would increase the understanding of strategy processes in organisations in Kenya. Karemu (1993) also suggests the need to research on strategy practices in different sectors of the Kenyan economy.

This research aims at documenting strategy practices in public sector organisations in Kenya to determine whether public sector organisations use strategic management techniques, the unique challenges these organisations face, and how the environment in which they operate affects the way strategic management is practiced.

## **1.3 Objectives of the Study**

This study is being conducted with the following objectives:

- a) To investigate the state of strategy processes within public sector organisations in Kenya
- b) To investigate the problems in the development of strategy in public sector organisations in Kenya.



## **1.4 Value of the Research**

The public sector is an important sector in the Kenyan economy. It offers employment to many Kenyans and provides invaluable products and services to the public. Despite this importance no study on management practices has been done in this sector. This research will provide an exposition on strategy practices in this sector and this will lead to a better understanding of the problems organisations in this sector experience. Research on strategic management in Kenya is still in its infancy. This study is expected to further stimulate research in this area of strategic management.

## **1.5 Scope of the Study**

This study will focus on only those public sector organisations headquartered in Nairobi. It will have a bias on the analytical aspects of strategy and it will be cross-sectional in nature.

### **1.5.1 Structure of the Project**

#### **Chapter One**

This gives the background information on the usefulness of strategic management. It highlights the changing public sector environment that creates a need for strategic management. It also contains the research problem, the objectives of the study, the value of the research, and the scope of the study.

#### **Chapter Two**

This chapter reviews the literature on the environment of management processes and the impact of the environment on management. It highlights the strategic management process detailing the various aspects in strategy development processes in organisations. It also highlights the usefulness and

limitations of using strategic management. Also contained in this chapter is the state of strategic management in developing countries.

### **Chapter Three**

This chapter reviews the literature on public sector organisations (with specific reference to Kenya). It highlights the environment in which these organisations operate, the changes taking place in this environment and the use of strategic management by public sector organisations.

### **Chapter Four**

This chapter details the research methodology for this study. It contains the scope of the study, the research method, the population of study and the interview process.

### **Chapter Five**

This chapter contains the data analysis and findings

### **Chapter Six**

This chapter provides an overall discussion of the results of the study. It contains a summary of the findings of the study, the implications of this study and the limitations of the study. It also contains recommendations for further research.

## Chapter Two

# STRATEGIC MANAGEMENT

### 2.1 Introduction

The major task of managers is to ensure the continued existence of their enterprises by responding to challenges posed by the ever-changing environment of the organisation (Wheelan and Hunger, 1995).

Strategic management, which is concerned with arriving at decisions on what the organisation ought to be doing and where it ought to be going, is important in helping managers ensure the survival of their organisations (Howe, 1993).

### 2.2 The environment of management

When the evolution of theoretical approaches to the study of management is considered, two tendencies are clear. The first tendency is that there is a move away from a closed systems perspective to an open systems perspective. The closed perspectives of earlier origin investigated management phenomena in terms of their internal variables. Very little attention was given to the effect of external variables in shaping and influencing these phenomena. In contrast with this closed perspective, the open perspective of more modern origin emphasises the importance of the external environment in understanding and explaining organisational and management phenomena.

The second tendency that is evident is that earlier theoretical approaches tend to be involved in a search for a set of management principles which can be applied universally to management irrespective of context or circumstances. There is a search for the "one best way" of management. The modern views utilise a more strategic approach to the theory and practice of management. They

accept that there is an array of widely different options in management and not a single best way. A selection of the correct options must be made in accordance with the demands of the particular management situation (Fox, 1991).

The contingency approach as the most recent approach to the theory and practice of management incorporates both tendencies. This approach utilises an open systems theoretical foundation and stresses the importance of selecting the correct management options based upon a proper assessment of the management situation. Management strategies have to be selected and/ or adapted for the particular situation facing the organisation. It can be argued that this approach facilitates strategic management practices whereby strategic decisions are made in terms of an environmental analysis and situation assessment. A substantial body of empirical evidence in support of the contingency approach has been built up by researchers such as Burns and Stalker, Lawrence and Lorsch, Woodward, and Perrow (Robbins, 1980).

An open systems approach such as the contingency school by definition demands that attention will be given to the environment of management and organisational phenomena. Ansoff (1990) provides the following relationship between the organisation and the environment: successful environment serving organisations are open-systems. The open property is made necessary by two factors:

Firstly continued organisational survival depends on its ability to secure rewards from the environment which replenish the resources consumed in the conversion process, and secondly continued maintenance by the organisation of its social legitimacy.

The implications of the importance and influence of the environment for management could be viewed in theoretical and professional or practical terms. At a theoretical level it can be argued that given the importance and influence of the environment, it ought to be accounted for in theorising about management. If, for instance, it can be proven that there are major differences in the environments of the private and public sector organisations, this will have to be taken into account in theorising about management in the respective organisational sectors. At a practical level Koontz et al (1980) concisely summarise the implications for the professional manager:

“All managers, whether they operate in a business, a government agency, a church, a charitable foundation, or a university, must, in varying degrees, take into account the elements and forces, of their external environment. While they may be able to do little or nothing to change these forces, they have no alternative but to respond to them. They must identify, evaluate, and react to the forces external to the enterprise that may affect its operations.”

All organisations are environment dependent and managers, whether they operate in the private or public sector, are expected to respond to environmental challenges. Failure to take cognisance of the importance and influence of the environment on the part of managers may have serious consequences for the organisation. At least, the functioning of the organisation will be impaired at the worst, its existence may be threatened.

The context in which an organisation operates affects the practice of management (Pugh et al, 1969). This context consists of both environmental and organisational factors that Pugh et al (1969) refers to as Contextual factors. This view is supported by other authors including Nambudiri and Saiyadain (1978), Wallender (1978), Kiggundu et al (1983), Glueck and Jauch (1984), Ring and Perry (1985), Ansoff (1990), Kukalis (1991), Aosa (1992), Wheelan and Hunger (1995). Collectively they imply that environment and organisational factors have an impact on managerial processes.

## The Context of Management in Africa

Developments in management theory and practice have tended to reflect business circumstances in developed country contexts. The managerial context in Africa is different from that of developed countries. The different environmental forces prevailing in Africa influence the managerial processes and therefore need to be considered (Aosa, 1992).

Various environmental factors have been identified that influence managerial processes in Africa. These include Social and Cultural, economic, Political and Legal, and other national factors that make up the managers working environment (Wallender, 1978; Nambudiri and Saiyadain, 1978; Kiggundu et al. 1983; Glueck and Jauch, 1984; Yavas et al, 1985; Jones 1988; Austin, 1991).

### Social - Cultural factors

The social-cultural forces in a community shape the values, beliefs and attitudes of people.

Management problems and practices are to a large extent shaped by these forces.

African societies are characterised by extended family and paternalistic authority systems (Onyemelukwe, 1973; blunt, 1978; Yavas et al, 1985; Jones, 1988; Dia, 1991). Individuals belong to family groups and are loyal to them. This Phenomenon gives rise to the formation of small groups based on family, tribe or language (ethnic groups). Such Ethnic groups are prevalent in Africa and they influence organisational processes (Onyemelukwe, 1973; Nambudiri and Saiyadan, 1978; Blunt, 1978; Dia 1991)

African communities have been influenced partially by other cultures. A particularly dominant influence originates from western developed countries (Onyemelukwe, 1973). As a result, educational systems and organisational practices in Africa resemble those found in western countries (Henley,

1973; Blunt 1978). Such practices are not necessarily appropriate for Africa (Blunt, 1980; Jones, 1988; Dia, 1991).

### Economic Factors

There is a general scarcity of resources (physical, financial and human) in Africa. The economies are weak and poverty is widespread (Iboko, 1976; Nambuidiri and Saiyadan, 1978; Glen and James, 1980; Coughlin, 1991). Internal markets are small and this has tended to limit economic expansion. The countries have tended to rely on foreign aid to finance development programmes. Such aid has become increasingly uncertain over time. The countries are under great pressure (from aid donors to restructure their economies as a precondition to receiving further aid. Many of them have difficulties in implementing the structural adjustment programmes. This has meant a lot of uncertainty to economic performance and future availability of economic resources.

### Political - Legal factors

The countries tend to have highly centralised governments with limited delegation of authority. Such centralisation has often led to abuse of power and economic mismanagement. Government intervention in business activities is widespread. Political instability and uncertainty is a feature in many countries.

The factors outlined here differ from those prevailing in developed countries and thus indicate the unique challenges that make up the management context in Sub-Saharan Africa.

This study is conducted in Kenya, which is part of Sub-Saharan Africa.

## The Impact of environmental factors on management

Management is a process, which is made up of several processes. These have been identified as planning, organizing, leading and controlling. Planning precedes the other managerial functions. Through planning, objectives are set and organisational direction is established. Organising, leading and controlling are then performed in an effort to implement that which has been planned. These views have been advanced in developed country and reflect managerial contexts there. As already pointed out contextual factors influence management practices and it is therefore likely that such factors have influenced management in Africa.

Because this study concentrates on strategic management we shall focus primarily on the planning aspect of the management process and how environmental factors impact planning.

Wallender (1978) argues that the sequence where planning precedes other functions is applicable only in industrialised country contexts. In Africa and other developing nations management practices are characterised by a sequence he call a "process of management development cycle". In this sequence organising and controlling functions seem to be performed first followed by planning and leading. He attributes this change to the turbulence of local environments, lack of managerial resources, paucity of information and hostile government activities. As a result planning tends to be ad hoc. It is not used as a basis for integrating activities in an organisation or establishing goals and policies for the organisation

Yavas et al (1985) observe that organisations in developing countries did undertake planning activities, however planning is often short term. Organisations set vague and broad objectives.

Environmental factors such as s political uncertainty, economic instability and paucity of information were identified as contributing to the prevalence of short term planning.



Nambudiri and Saiyaidain (1978) also suggest that long term planning was not well developed in developing countries. They point out that where formal long term planning was undertaken it was mainly in larger organisations most of which were subsidiaries of multi national corporations. Ismoisili (1978) argued that the most critical factors affecting planning orientation in companies were the planner's educational and professional background and their responsibilities. Companies in which managers had managerial training were likely to do long term planning.

The factors outlined here indicate the unique environmental challenges that make up the context of management in Africa and the effect of these environmental challenges on management processes specifically planning.

### **2.3 Strategic Management defined**

Various definitions have been provided for the term strategic management.

David (1986) defines strategic management in the following way:

“Strategic management can be defined as the formulation, implementation and evaluation of actions that will enable an organisation to achieve its objectives. Strategy formulation includes identifying an organisation's internal strengths and weaknesses, determining a firm's external opportunities and threats, establishing a company mission, setting objectives, developing alternative strategies, analysing these alternatives, and deciding which ones to execute. Strategy implementation requires that a firm establish goals, devise policies, motivate employees and allocate resources in a manner that will allow formulated strategies to be pursued carefully. Strategy evaluation monitors the results of formulation and implementation activities.”

Wheelan and Hunger (1987) supply the following definition:

“Strategic management is that set of managerial decisions and actions that determines the long run performance of a corporation. It includes strategy formulation, strategy implementation and evaluation and control. The study of strategic management therefore emphasises the monitoring and evaluating of environmental opportunities and constraints in light of a corporations strengths and weaknesses.”

These definitions of strategic management stress the importance of environmental scanning and organisational assessment for the purpose of formulating, implementing and evaluating strategies to enhance organisational effectiveness and efficiency. Although their idiom is that of the private sector firm, company or corporation, it is clearly evident from the definitions given that the approach could, with the necessary adaptations, be useful for public sector contexts (David, 1986).

The underlying concept in strategic management is strategy. Strategy is defined as a set of decision-making rules for guidance of organisational behaviour (Ansoff, 1990). There are four distinct types of such rules:

1. Yardsticks by which the present and the future performance of the firm is measured. The quality of these yardsticks is usually called objectives and the desired quantity goals.
2. Rules for developing the firm's relationship with its external environment: what products- technology the firm will develop, where and to whom the products are to be sold, how will the firm gain advantage over competitors. This set of rules is called the Business strategy.
3. Rules for establishing the internal relations and processes within the organisation; this is frequently called the organisational concept.
4. The rules by which the firm conducts its day to day business called operating policies.

( Ansoff , 1990).

Ansoff (1990) continues to say that strategy is a tool which offers significant help for coping with turbulence confronted by business firms, loss of relevance by universities, breakdown in law enforcement, breakdown in health service systems, urban congestion. Therefore, it merits serious attention as a managerial tool, not only from the firm but also for a broad spectrum of social organisations.

## **2.4 Evolution of Strategic Management**

Research by Gluck, Kaufman, and Walleck (1980) proposes that, as top managers attempt to deal with their changing worlds, strategic management within a firm evolves through four sequential phases:

**Phase 1.** Basic financial planning: Seeking better operational control through the meeting of budgets.

**Phase 2.** Forecast based planning (Long range planning): Seeking more effective planning for growth by trying to predict the future beyond the next year.

**Phase 3.** Externally oriented planning (Strategic planning): Seeking increased responsiveness to markets and competition by trying to think strategically.

**Phase 4.** Strategic management: Seeking to manage all resources to develop competitive advantage and to help create a successful future

Ansoff (1990) argues that the evolution of systems for general management is in response to the decreasing familiarity of events and the decreasing visibility of the future. In response to increasing turbulence in the environment systems have been forced to become progressively more responsive and more complex. As the turbulence levels changed, management developed systematic approaches

to the handling the increasing unpredictability, novelty and complexity. As the future becomes more complex, novel and less foreseeable, systems become correspondingly more sophisticated, each complementing and enlarging upon the earlier ones.

The evolution of systems in general management can be grouped into four distinct stages of evolution:

1. **Management by (after the fact) control of performance;** This included financial planning and systems and procedures manuals and was adequate when change was slow and the future was recurring.
2. **Management by extrapolation;** This included management by objectives, capital budgeting and long range planning and was adequate when change was accelerated, but the future could still be predicted by extrapolation of the past.
3. **Management by anticipation;** This included periodic strategic planning and strategic posture management (this adds capability planning to strategic planning). This was adequate when discontinuities began to appear but change while rapid, was still slow enough to permit timely anticipation and response.
4. **Management through flexible/ rapid response;** this is the currently emerging management system useful under conditions in which many significant challenges develop too rapidly to permit timely anticipation. This includes contingency planning and strategic issue management which is a "real time" system that continuously collects information on forthcoming developments either inside or outside the organisation which are likely to have an important impact on the ability of the enterprise to meet its objectives.

## Views on the Strategy Development Process

There are two fundamental dimensions in strategy development

Goal orientation (what)

Process orientation (how)

These dimensions result in four views of the strategy development process as outlined by Indenburg 1993:

### 1. Rational Planning

Rational planning is as a form of strategy development is concerned with the development and formulation of achievable objectives. Rational arguments and analytical considerations are the basis for explicitly formulated options or optimal solutions for defined problems. Models of rational planning are based on iterative strategy development. The mission and basic objectives of the organisation are determined, after which a choice is made between alternative strategies.

Implementation plans are made based on an assessment of opportunities and threats in the external environment, strengths and weaknesses in the internal environment. The strategic management authors who fall in this rational planning view are Igor Ansoff and Michael Porter.

### 2. Planning as a Guided Learning Process

In the experience of many organisations, the mere formulation of strategic plans is an insufficient guarantee of behavioural change by managers. Their mental modes do not reflect the complexity of the world, as analysed in or during the preparation of strategic plans. The guided-learning process approach attempts to introduce these mental models of reality, so that they may be discussed. In this view on the process of strategy development, a common image of reality, a common language and the

joint acquisition of new insights is just as important as the definition of exact goals for the desired future. The learning process approach recognises that it is difficult or impossible to predict the future external and internal environment, and that organisations in a competitive situation in which the time factor is often important must learn quickly. The author on strategic management who primarily fit in this view is Chris Argyris.

### 3. Logical Incrementalism

This view of logical incrementalism recognises that the planned implementation of a strategy from A to Z is an illusion. Every successful strategy development process has elements of goal orientation and process orientation. The process develops in phases but each following phase builds on the previous phase and has its own internal logic: structure follows strategy, but organisational structure also impacts strategy development. Analysis and action are successive steps but ideas often manifest themselves in behaviour. Logical incrementalism recognises the reality of strategic management comprises steering goals as well as people. Authors supporting this view include James Brian Quinn and Charles Handy.

### 4. Emergent Strategy

According to this view, it is not possible to develop a perspective of the future and formulate explicit objectives in an unpredictable environment; instead, it is necessary to react in a flexible, opportunistic and accidental manner to new, unpredictable developments and 'muddle through'. Organisations are regularly overtaken by developments, react in a non-structures manner and learn by their mistakes. Authors supporting this view include Henry Mintzenberg.

The four alternative views of strategy development are inter-related and contain truths as reflections of the practical activities of strategic management. They provide a balanced view of goal and process oriented strategy development and point out the need for corporate planners and managers to understand the analytical and behavioural aspects of strategic management.

## 2.5 THE STRATEGIC MANAGEMENT PROCESS

The strategic management activity is concerned with establishing objectives and goals for the organisation, and with maintaining a set of relationships between the organisation and the environment which: enable it to pursue its objectives; are consistent with organisational capabilities, and: continue to be responsive to environmental demands (Ansoff, 1990).

The strategic management process is based upon the belief that key external and internal events and trends should continually be monitored. Organisations should pursue strategies that take advantage of external opportunities, minimise the impact of external threats, capitalize on internal strengths and mitigate internal weaknesses (David, 1986).

Kiggundu (1989) observes that the strategic management process aims at identifying, articulating or developing the organisation's: Uniqueness and wholeness; Environmental opportunities and threats; Internal strengths and weaknesses, or resource gaps; Current values and management philosophy.

The process of strategic management involves:

### 2.5.1 Strategy Formulation.

Strategy formulation is the development of long range plans for the effective management of environmental opportunities and threats, in light of the organisations strengths and weaknesses. It includes environmental scanning, defining the corporate mission, specifying achievable objectives, developing strategies and setting policy guidelines (Dess, 1987).

#### Environmental Scanning

The environment of an organisation consists of the external environment and the internal environment. Before an organisation can begin to formulate strategy, management must scan the environment in order to identify opportunities, threats, strengths and weaknesses of the organisation. To be successful over time, an organisation must be in tune with its environment. There must be a strategic fit between what the environment wants and what the organisation has to offer, as well as between what the organisation needs and what the environment can provide (Powell, 1992).

The External environment consists of variables outside the organisation and not typically within the short run control of management. These variables form the context in which the organisation exists. The external environment had two parts: Task environment and societal environment. The task environment includes those elements or groups that directly affect and are affected by the organisation's major operations. It includes shareholders, government, suppliers, local communities, competitors, customers, creditors, labour unions and special interest groups.

The societal environment includes more general forces - those that do not directly touch the short run activities of the organisation but that can, and often do, influence its long run decisions. These forces include socio-cultural, political-legal and economic forces.



Analysis of the external environment provides information used to identify potential opportunities and threats and they devise organisational strategies to deal with it.

The Internal environment consists of variables that are within the organisation itself but not usually within the short run control of management. These variables form the context in which work is done.

They include the organisations structure, culture and resources. By analysing its own internal capabilities an organisation is able to identify its unique strengths and weaknesses. Such an analysis enables the organisation to identify the resources it has at its disposal that in turn allows the organisation determine its capabilities. Research has identified a positive relationship between environmental scanning and profits (Thomas et al. 1993).

### Mission

A mission statement is an enduring statement of purpose that distinguishes one organisation from other and similar organisations (David, 1986) Wheelan and Hunger define an organisations mission as the purpose of or reason for the organisation's existence. A well conceived mission statement defines the fundamental, unique purpose that sets a company apart and identifies the scope of the organisations operations in terms of the products offered and the markets served. The concept of a corporate mission implies that a common thread should run through an organisation's activities and that organisations with such a common thread are better able to direct and administer their many activities (Ansoff, 1988).

### Objectives

Objectives are the end results of planned activity. They state what is to be accomplished by when and should be quantified if possible. David (1986) defines objectives as the long-term results that an organisation seeks to achieve in pursuing its basic mission. These objectives are vital to an

organisations success because they provide direction, aid in evaluation, create organisational synergy, reveal priorities, allow coordination and are essential for the successful management of organisations. Without a considered, communicated and verifiable set of objectives, positive management of the organisation becomes impossible. The comparison between objectives with current performance reveals the gap, if any, to be filled in the future performance of the business. The objectives set for an organisation over a specified time period must be the means used to appraise the organisation, hence the requirements for specific, verifiable objectives.

### Strategies

An organisation's strategy forms a comprehensive plan stating how the organisation will achieve its mission and objectives (David, 1986). The purpose of a selected strategy is to take the organisation from its present position towards the goals it has identified for itself (Howe, 1993). Various strategies could be pursued but as no organisation has unlimited resources, strategy decisions will have to eliminate some possible courses of action and allocate organisational resources to others. These strategic choices involve judgment which are often based on upon subjective factors. In choosing strategies management must examine the gap between the expected and ideal outcomes vis-à-vis the alternatives being considered. The size of the gap, its nature and whether or not management believes it can be reduced will strongly influence the choice of some alternatives over others. The choice of strategy is made in the context of the decision-maker and the decision situation.

#### 2.5.2 Strategy Implementation

Implementation of the chosen strategy is by any measure one of the most vital phases in the decision making process. Strategy implementation embraces all of those actions that are necessary to put the strategy into practice. David (1986) states that strategies are not the end result of the strategic

management process. Strategic thought has to be translated into strategic action. In strategy implementation management translates strategies and policies into action through development of programs, budgets, and procedures. Although implementation is usually considered after strategy has been formulated, implementation is a key part of strategic management.

Poor implementation of an appropriate strategy may cause that strategy to fail. An excellent implementation plan however not only will cause an appropriate strategy to succeed but it can also rescue a questionable strategy. Now more than ever before management is turning its attention to the problems of implementation. It is increasingly being realised that a successful strategy depends on organisation structure, resource allocation, compensation program, information system, and corporate culture among other resources. Supporting this view is recent research on organisations which revealed that performance is not so much a result of organisation strategy but of the organisations capability to carry out strategy effectively (Aaker, 1989).

### **2.5.3 Evaluation and Control**

Evaluation and control is the process by which an organisation's activities and performance results are monitored and actual performance compared with desired performance. Although evaluation and control is the final major element of strategic management, it can also pinpoint weaknesses in previously implemented strategies and thus stimulate the entire process to begin again. Wheelan and Hunger (1995) have developed a five step feedback model with which to evaluate strategy:

Firstly determine what to measure.

Secondly establish standards of performance and tolerance limits of deviations.

Thirdly measure actual performance against standards of performance at predetermined times.

Fourthly analyse deviations against tolerance limits.

Finally take corrective action if performance deviates from desired output outside the tolerance range.

Action must not only correct deviation but should also be aimed at preventing future deviation.

## **2.6 The need for strategic Management**

Various reasons have been advanced why strategic management is of vital importance to organisations:

- a) Developing, articulating and sustaining the organisation and its mission gives it a sense of purpose, direction and focus so that its internal systems and processes are consistent with the organisation's overall mission and objectives (Kiggundu, 1989)
- b) It enables the organisation to adapt under conditions of externally imposed stress or crisis. All organisations must grapple with the challenges of the changing realities of the environment in which they operate. Strategic management helps an organisation to adapt and in some cases actively create their environment (Kiggundu, 1989)
- c) It improves decisions about the future opportunities and threats faced by the organisation
- d) It stimulates the development of appropriate aims which serve as powerful motivators of people (Koontz et al .1980)
- e) It enhances communication, coordination and participation in the organisation
- f) There are research findings suggesting that organisations using strategic management are more successful than those that do not use strategic management.
- g) Strategic management creates the ability to proactively initiate action and influence the organisational environment Steiner (1979)

## 2.7 Limitations of Strategic Management

Firstly scholars have reduced strategic management to an over-simple list of concepts and this leads users of the concept into believing that it can do more for them than is reasonably possible. Strategic management has been criticised for depending too much on quantitative analysis which is now becoming less possible in an increasingly turbulent set of task and societal environments for most organisations (Kiechel, 1982)

Secondly strategic management is only a partial approach to ensuring business success (Peters and Waterman, 1985). Strategic management is over-concerned with the management science, quantifiable dimensions of the determinant of business performance. Critics of this approach argue that in addition to the 'Hard S's' of Strategy and Structure, business success comes from attention to the 'Soft' aspects of systems, skills, staff and shared values.

Thirdly the environment of strategic management has become more complex, dynamic and less predictable. At the same time technology and other factors have made organisations more complex requiring extended lead times in making important strategic decisions. These two changes - increased unpredictability of the environment and simultaneously a need for longer planning horizon - have combined to reduce considerably the value of corporate planning (Howe, 1993).

## 2.8 Strategic Management in Developing Countries

Unlike that in developed countries, literature on the theory and practice of strategic management in organisations in developing countries is very limited indeed, particularly for the indigenous organisations in both the private and public sectors. Why is this the case? Kiggundu (1989) suggests the following reasons:

### Firstly limited basic research

There is very little strategic management research on organisations in developing countries. The lack of basic research limits the possibility of informed decisions about utilization because the potential users would have no useful knowledge upon which to base such decisions

### Secondly highly volatile environment

Organisations in developing countries often face a highly volatile environment with too many unknowns. Unexpected political changes, debt problems, hyper-inflation, staff turnover, and international competition create so much environmental uncertainty and complexity that managers consider almost any planning or strategic management responses impossible. This causes a real dilemma because organisations are expected to respond to high environmental uncertainty by utilising strategic management. When an environment is especially volatile and organisations do not use strategic management to adapt or respond to its changes, they become even more vulnerable to future environmental threats. Thus they find themselves mired in a debilitating "Catch 22" situation

### Thirdly weaknesses in the performance of critical operating tasks

Critical operating tasks are the basic tasks of the organisation through which it strives to achieve its mission. Managers in developing countries usually engage in crisis management and this results in resources being redirected from strategic management tasks to solve day to day operation problems.

#### Fourthly lack of strategic management skills and motivation

Lack of skills and motivation on the part of senior managers and administrators has also been blamed for their disinterest in the performance of strategic management tasks. The skills and experience required for strategic management are especially rare. Problems also exist regarding the selection, placement and utilisation of senior managers. It is not unusual for appointments to be made on the basis of extraorganisational considerations. Even when proper criteria for selection has been followed, the appointees may not effectively be utilised as senior managers. For example they may not be accorded authority commensurate with their responsibility and therefore may be unable to make any significant strategic management choices. This limitation would obviously affect their motivation as well.

#### Fifthly institutional weaknesses

The existence of weak institutions and weak social and physical infrastructure may make it difficult for organisations to utilise strategic management. Many reasons can explain institutional weaknesses in developing countries. These include preference for strong personalised- as opposed to institutionalised- leadership; cultural and religious values and practices that emphasise the influence of the past on the present rather than the independent planning of the future; lack of positive reinforcement to planning and strategic management activities for the senior managers and their specialists; lack of adequate technical and administrative support systems for effective performance of strategic tasks; and strong self interests that are best advanced without rather than with a clear organisation mission. Lack of reliable data or information about strategic aspects of the environment is not conducive to effective strategic management of organisations.

## Chapter Three

# THE PUBLIC SECTOR ORGANISATIONS IN KENYA

### 3.1 Public Sector Organisations defined

For the purposes of this research public sector organisations will be defined to include public companies, corporations and statutory boards wholly owned by the government, as well as those organisations in which the government has as those in which the government has a large minority share (Collins, 1972).

### 3.2 The Position of Public Organisations

Since independence, the Kenyan government has encouraged the growth of a "mixed" economy where private and public organisations co-exist. Nearly all post-independence public organisations in Kenya were established in realisation of commitments made in the ruling party's (Kenya African National Union (KANU)) manifesto and reiterated thereafter in the Government of Kenya Sessional paper No.10 of 1965. These commitments included the elimination of hunger, disease, ignorance and poverty, the decolonisation of the economy, the promotion of development and regional balance and increase in citizen participation in the economy and greater control of the economy.

Public Sector organisations in Kenya are established with the expectation that:

- a) They would earn a surplus and also accomplish other societal objectives not necessarily financial in nature.
- b) They would establish businesses to provide goods and services deemed necessary for development.



- c) They would be used by international financial institutions and aid giving agencies in channeling their loans.
- d) They may engage in projects with large capital outlay which while necessary for development are unattractive to the private sector
- e) They may provide much needed direction, support to commercial enterprises and act as the consumers watchdog; This applied to statutory bodies (Nyamongo, 1993).

### Performance

Public sector organisations in Kenya have received as much bad press from the 1980s as they received good praise in the immediate post independence period as potential instruments of national economic and social development. They have been criticised not only on the basis of their record of performance but also for the economic and social problems of the country as a whole. Public sector organisations are notoriously inefficient and they contribute substantially to many of the problems hindering economic growth of the economy such as public sector deficits, domestic and foreign borrowing, and misallocation of resources. They are characterised by the widespread misuse of funds due to lack of proper internal management and control.

Some of this criticism is justified, because as several studies have shown (Aharoni, 1986; Berg, 1981; Jones and Moran, 1982; Nellis, 1986; Shirley, 1983), the performance of Public sector organisations, no matter how measured, has generally been below expectations. They have not been able to act as effective agents of social change. Specific problems associated with Public Sector organisations include: poor economic performance; overstaffing; overvalued assets; high debt ratios causing constant drain on the national treasury; and non responsive top management unable to take

advantage of changing domestic and international commercial opportunities. It is also true however that public sector organisations are victims of circumstances beyond their control. They operate in an economic, political, cultural and technological context that almost guarantees failure and in which organisational survival rather than profitability or growth is always the first priority of top management.

Government intervention in the management of public sector organisations is often dysfunctional for several reasons:

- a) It is inconsistent, irregular and designed to deal with the immediate crises.
- b) Government officials often lack intimate inside industry knowledge and technical expertise to make informed judgments.
- c) They often use extraorganisational considerations for making decisions, thus exposing public sector organisations to unnecessary environmental disturbances, risks or threats.
- d) Government intervention tends to concentrate on public sector organisations in financial or operational difficulties a choice that in most cases simply makes matters worse (Kiggundu, 1989).

### Why do some Public Sector organisations do well?

Not all Public sector organisations are poor performers. According to Kiggundu (1989), Public Sector organisations that do well are those whose management capability, local technological capacity, structures and control and incentive systems contribute to the effective performance of their critical operating tasks and strategic management tasks.

Successful Public Sector organisations are characterised by :

- a) simple structure and clear objectives

- b) technical competency and industry knowledge
- c) frequent business like contacts with the parent ministry
- d) proper financial management control
- e) systemic human resource development and utilization.

In the late 1980's, the Commonwealth Secretariat initiated a project to examine the elements of management used by successful public organisations. They aimed to identify managerial innovations that contributed to success, to translate the successful lessons into appropriate performance improvement strategies, and to develop turn-around strategies for enterprises with poor performance.

Although the enterprises came from a wide range of countries, there was a remarkable degree of agreement on the factors considered to be instrumental in achieving success. The factors identified included:

- a) Clear mandate from the government for individual organisations
- b) Appropriate governance structure within which to be able to operate on this mandate
- c) Leadership
- d) Promotion of an enterprise culture including a profit-making orientation
- e) A systematic and formal approach to Strategic Planning
- f) Positive personnel and training policies

Kiggindu's argument and the conclusions of the commonwealth secretariat suggest then that Public Sector organisations can achieve better performance by utilising strategic management techniques.

### 3.3 Strategic management in Public Sector Organisations.

As argued previously by various writers in management all organisations are open systems. They are dependent on their environment for inputs which they process and provide back to the environment as outputs. The successful use of any management techniques and approaches depends on the environment. In order to see how the concept of strategy would apply differently in the public sector it is necessary to consider perceived differences between the private and public sector environments.

1. Goals in the private sector organisations are quantitative, unchanging, consistent, unified, operational, clear and measurable. Goals in public sector organisations on the other hand are qualitative, variable, conflicting, complex, non-operational, ambiguous and non-measurable. These differences in goals may be observed from the respective objective statements.
2. There is a difference in performance measurement. Even though objectives in the public sector may sometimes be clear, their achievement is not measurable. Assessment of performance therefore becomes very difficult. This dimension of performance measurement makes the concept of strategy differ in application.
3. Private and public sector organisations differ with respect to funding and external coalition. Public sector entities obtain funds from a variety of sources; customers, local and central government, grants and loans. They are therefore subject to a variety of controlling influences. The recipients of public sector goods and services pay a nominal charge and hence the degree to which their interests will be of paramount importance in strategic decision making may well be small.

Despite this seemingly visible difference in the environments of private and public sector organisations there are several similarities as well;

1. The organisations in the private and public sectors interact with their environment. Irrespective of the sectors they operate in therefore the organisation must constantly scan their environment and respond to changes in it.
2. Organisations irrespective of which sector they operate in must engage in present and planned resource deployments in order to survive.
3. Managers in both these sectors perform similar tasks of planning, organising, leading, motivating, controlling and evaluation. These tasks require the skills of decision-making, communication, and negotiation.
4. Both private and Public sector organisations have as their ultimate goal of maximisation of stakeholders wealth; the shareholder in the case of private sector organisations and the general public in the case of public sector organisations.

The public sector environment in Kenya today is constantly undergoing changes that make the distinctiveness between public and private sector organisations less obvious. The demands made on public sector organisations for greater efficiency in utilisation of resources and provision of goods and services is growing from the general public and international donor agencies like the World Bank and the International Monetary Fund. The demands of globalisation have also resulted in public sector organisations behaving more like private sector firms.

The similarities in the operating environments of the public and private sector organisations suggests that strategic management practices that have enabled more effective management of private sector firms can also be harnessed for the benefit of public sector organisations. The differences in the organisational environments of private and public sector organisations, on the other hand suggest that the different environments will have an effect on the nature of strategic management practices in public sector organisations and these differences must be taken into consideration.

Ring and Perry (1985) argue that whereas the private organisation has entrepreneurial roots, public organisations are created by some higher controlling authority. This authority is usually composed of multiple and competing interests. Once the public organisation has been created its mission and objectives are still defined by the controlling authority on which it is also dependent for its resources. In a sense the mission and objectives of the public organisation are predetermined by other authoritative bodies such as legislatures or higher authorities and are usually fixed and unchangeable without their consent.

Hatten (1982) points out that it is difficult for public sector managers to state the overall mission and objectives of their organisations as they are not so all-encompassing and measurable as increased profits, sales or market share. The effectiveness of reaching the mission and objectives is not as easily measured as many and varied interest groups are involved in rating the performance. This view is also supported by Rainey et al (1976) where they mention the complexity of objectives for the public organisation in terms of its greater multiplicity and diversity, its greater vagueness and intangibility and its greater tendency to be involved in conflicting interests which require compromise and tradeoffs. Ring and Perry (1985) go even further to argue that the clear and unambiguous articulation of objectives and strategy may be politically unwise as it may serve as a rallying point for opposition political groupings.

Regarding decision making in public sector settings Rider (1987) emphasises that decision making is a political process. In such a situation decisions are typically not purely rational but rather incremental and adaptive and predetermined by interactions of political influence and sudden changes in the environment. He further argues that strategic planning has to be accomplished in a pluralistic environment where power is distributed among many and varied interest groups.

It is also important to realise that decision-makers in the public sector situation have distinctive characteristics. The public sector is usually characterised by at least two sets of decision-makers. There are the less permanent representatives of the public and the permanent career officials. Where the representatives are elected to office or appointed for political reasons, they have definite political aims such as remaining in the favour of the electorate or appointing body. Career officials, on the other hand, are subject to numerous legal and organisational constraints affecting their ability to make autonomous decisions. They are usually only permitted to decide within the constraints of policy and legal guidelines under the auspices of controlling authorities. These factors could have serious implications for the successful implementation of strategic management in public sector settings ( Rider , 1987).

### 3.3 Structural Adjustment

Structural adjustment is broadly defined as a comprehensive restructuring, management, and coordination of a country's public, parastatal, and private sector organisations so as to make them individually and collectively more productive and contribute more effectively, on a sustainable basis, to the country's development goals. Structural adjustment is essentially a process of identifying, creating, changing, developing, nurturing, and sustaining a wide range of public and private sector organisations for the effective management of the economy and its constituent factors.

Although strategies for structural adjustment programs differ across countries, the following elements are the common:

- a) Redefining the role and core responsibilities of the state in the management of the economy
- b) Introducing public service reforms for improving national and sectorial economic management
- c) Improving management of public service organisations, programs, and projects
- d) Establishing more active open participation in international trade
- e) Reducing price distortions and market imperfections
- f) Promoting the development of the indigenous private sector
- g) Improving human resource development and utilisation in both the formal and informal sectors
- h) Assessing the role, structures, and performance of State owned enterprises for improved management, divestiture or privatisation.

These structural adjustment programs largely proposed by the World Bank and International Monetary Fund are largely aimed at reducing the size of the public sector on the basis that private sector organisations have a better performance record. The poor performance record of public sector



organisations raises serious questions about the efficacy as an effective organizational form for managing development. This view is supported by Killick (1983) and Wade (1985). However in spite of the problems facing these organizations the argument that Public sector organisations should necessarily be sold of or closed is both simplistic and unrealistic. Ghai (1985) argues that performance measures used by advocated of divestiture and privatisation which consists of simple calculations of profits and return on investment obscure the diversity of purposes underlying Public sector organisations and are therefore inappropriate in highly uncompetitive markets.

In Kenya the process of structural adjustment is characterised by:

- a) Redefinition of the role of the state in economic management
- b) Public service improvements
- c) Removal of Price controls
- d) Privatisation

This changes in the environment in which Public sector organisations operate creates new challenges for the management of these organisations and will undoubtedly affect the performance of strategic management tasks in these organisations in the following ways:

Firstly public sector organisations must reformulate their mission to reflect reduced government interference in their operations.

Secondly public sector organisations must develop performance-based management systems to improve internal management and to provide incentives to managers for achievement of higher performance levels.

Thirdly public sector organisations must engage in more active environmental scanning, planning and management of cost controls.

From the above views on the distinctiveness of the public sector the following implications can be drawn:

- a) Strategic management in the public sector may be extremely difficult (Ring and Perry, 1985)
- b) The distinctive constraints imposed by the public sector context require a significantly different set of behavioral responses from public sector strategic managers (Ring and Perry, 1985)
- c) Strategic management adapted to the circumstances of the public sector should be flexible and facilitate thinking about options, stimulate the interchange of ideas and accept the processes of political negotiation (Rider, 1983)
- d) Strategic management should not be rigid and strategies must be capable of being modified as new situations develop (Rider, 1983).

Ring and Perry (1985) identified four processes and skills needed by public managers to cope with the demands of successfully launching strategic management in the public sector; the maintenance of flexibility, bridging competing worlds, wielding influence not authority and minimising discontinuity.

#### **Maintenance of flexibility**

Because the strategic management process should be high on developing changing and emergent strategies, flexibility and adaptability is required of public sector managers.

This will include skills in managing the policy agenda, avoiding premature public commitments and interpreting law and policy creatively.

#### **Bridging competing "worlds"**

Public managers function in at least two different cultural contexts ("worlds") which have to be bridged. The political world has a particular moral character and set of distinctive norms for the

strategic management process. Simultaneously large segments of the public demand efficiency where the tasks of government are executed without waste. Still others demand equity, fairness and reasonableness.

The public manager has to cope with the particular relationships in the public policy process where there are frequently competing constituencies and legislative members. For this the skills of being able to integrate competing viewpoints in decisions are important. Low levels of dogmatism have to be maintained and open-mindedness is important.

### **Wielding influence not authority**

Because many of the key actors in the public strategic management process are external to the organisation, skillful wielding of influence rather than high-handed wielding of authority is desirable.

The public manager must cope with confrontation without being confrontational. For this, the political skills of maintaining good relationships even with opposing groups outside and inside the organisation and the capacity to convince these groups that they are treated fairly, although they may be adversely affected by policy decisions, are important.

### **Minimising Discontinuity**

Strategic management in the public sector entails the management of discontinuity. Political executives have short and uncertain tenures and agendas change constantly. Successful public managers have to manage to minimise discontinuity and address the gaps that discontinuity creates.

For this, knowledge of the political climate, the skill to clearly define the management task and the ability to mobilise latent constituencies are important.

## Chapter Four

### RESEARCH METHODOLOGY

#### 4.1 Introduction

This chapter sets out the various steps that were necessary in executing the study thereby satisfying its objectives. There were two main objectives for this study:

- a) To investigate the state of strategy processes within public sector organisations in Kenya
- b) To investigate the problems in the development of strategy in public sector organisations in Kenya.

#### 4.2 Scope of the Study

This study focused on Public Sector organisations in headquartered in Nairobi only.

As earlier stated, this study took an analytical view. Such an analytical view has been taken in various studies carried out to document strategic management practices of companies in different countries. These include U.S.A (Ringbakk et al, 1976), Germany (Strigel, 1970), Netherlands (Eppink et al, 1976). South Africa (Woodburn, 1984), Nigeria (Adegbite, 1986; Fubara, 1986), Kenya (Karemu, 1993). This study was cross-sectional in nature. Due to time constraints it was not possible to carry out the study over a period of time (longitudinally).

#### 4.3 Research method

The current study set out to collect data on various aspects of strategy processes in public sector organisations. The study aimed at determining how the environment in which these organisations

operate affects their strategy processes. It therefore required the collection of primary data on these aspects using a standard questionnaire to allow comparison between organisations. Quantitative data was needed to facilitate comparisons between organisations. While this was the case, there was need to maintain flexibility in the data collection process. This would help pick up unexpected information, which would help in interpreting and clarifying the numeric data collected. All these requirements suggested that the survey would be the most appropriate data collection method. Churchill (1988), Emory (1985), and Paul et al (1988) give surveys and observation as the major methods of collecting primary data. Nachmias and Nachmias (1981) have grouped primary data collection methods into three broad categories : observational methods, surveys and unobtrusive measures. The choice of method is largely determined by the nature of data to be collected (Churchill, 1988).

For this research the survey was found superior compared to the other methods of collecting primary data for several reasons:

- a) In this study many of the variables could not be observed, as required under observational methods.
- b) The need to use probes to get additional information ruled out unobtrusive measures of data collection.

#### 4.3.1 Type of Survey

After choosing the survey method of data collection, it is necessary to choose the mode of this collection. There are three survey data collection modes; Personal interview, telephone interview and mail interview (Parasuraman, 1986). Tull and Hawkins (1987) add computer interview to this list. Each of these modes has advantages and disadvantages attached to it. Personal interview offers more

versatility and is cheaper (in terms of time and money) than observational methods. However it is very poor at controlling interviewer effects. Mail interview is excellent at controlling for interviewer effects but poor at handling complex questionnaires. Telephone interview is excellent at offering a high degree of sample control but only fair at collecting large amounts of data (Karemu, 1993).

The choice of mode should be dictated by the objectives of the research and required data (Nachmias and Nachmisa, 1981; Tull and Hawkins, 1990). Tull and Hawkins (1990) add that resource considerations are important.

In this study many variables were being investigated. For many of the issues raised, some supplementary information was necessary. As a result personal interview was found to be the most appropriate mode. Parasuraman (1986) indicates that personal interview has the potential of yielding the highest quality and quantity of data compared to the other modes. It also tends to be more flexible. Peterson (1992) advances similar views.

#### **4.3.2 Type of Interview**

Nachmias and Nachmias (1981) have identified three broad types of personal interviews: the scheduled structured, non-scheduled structured and nonstructured interview. Peterson refines this typology further when he points out that personal interviews can be characterised by two dimensions the number of people being interviewed at the same time and the degree of the interview structure.

The data required in this study was standard numeric data as well as supplementary data. For the former I chose to conduct structured interviews. Peil (1982) defends the use of structured interview by maintaining that by asking respondents the same questions in the same way it is possible to get

broad and reasonably accurate views on the issues under study. In addition to this, open-ended questions and probes were used to capture useful supplementary information.

In this study I chose to interview each individual separately. In each organisation studied the interviewee was a member of the management team.

### **4.3.3 The Survey process**

The implementation of the survey and subsequent collection of data was achieved in three main ways.

The construction of the questionnaire, selection of the public sector organisations to participate in the study and interviewing the various respondents.

### **Questionnaire construction**

The questionnaire I constructed had both open and closed-ended questions. The two types of questions were necessary because as already indicated I needed both standard and supplementary data. Some of the questionnaire items were originally formulated. Others were taken from similar empirical studies carried out in Kenya by Aosa (1992) and Karemu (1993).

### **4.4 Population of study**

The population of interest for this study comprises all Public Sector Organisations headquartered in Nairobi. A provisional list of Public Sector Organisations obtained from the Office of the President is to be used, updated by a list from the Parastatal Reform Commission and the Auditor Generals office.

This list consisted of 42 organisations. A census survey was carried out of all organisations in the

population. This is to enable the researcher to draw accurate conclusions on strategic management practices in Public Sector Organisations.

I contacted 42 of the public sector organisations that constituted my population. Out of the 42 public sector organisations appearing in the population 16 of them responded. This response rate (38%) was acceptable compared to those achieved in similar studies such as Karemu (1993) 55%, Aosa (1992) 15%, Adegbite (1986) 5%, Woodburn (1984) 7%, Wee et al (1989) 3%.

#### **4.5 Interview process**

The respondents were members of the management team in the organisation. It is these managers who were most familiar with and most involved in the strategy processes in their organisations.

The interview for each organisation was done in two stages. The first involved the respondent providing answers to questions contained in the questionnaires. The researcher in the second part prompted the respondents to talk freely about their organisations to bring out clearly certain information or clarify information filed in the questionnaire.

In some of the organisations due to a constraint of time the researcher discussed the contents of the questionnaire with the respondent and then returned later to pick up the completed questionnaire.



## Chapter Five

### DATA ANALYSIS AND FINDINGS

#### **5.1 Data Editing and Coding**

The completed questionnaires were edited in the field after completion of each interview. At the end of the interviewing process, they were checked again and coded. Coding was necessary to facilitate statistical analysis. The way each question was coded is presented in Appendix 3.

#### **5.2 Classification of Organisations**

The analysis in this study required comparisons between groups of these public sector organisations. First the whole sample was analysed. It was then split into subsamples and comparisons were made between these. The basis of the subsamples was their profit orientation: For profit vs. Not for profit organisations.

#### **5.3 Data Analysis**

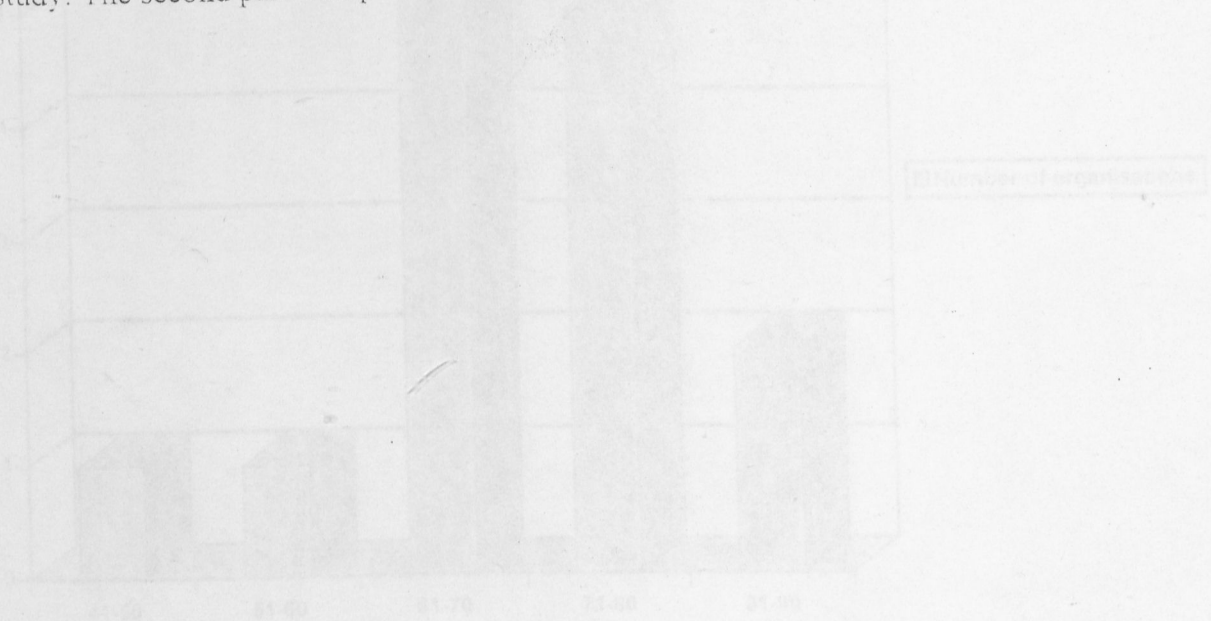
The data was summarised using histograms and barcharts. The data collected was then analysed using descriptive statistics. This entailed proportions, percentages, means and frequency distributions. Since the study was investigative in nature, these measures were deemed adequate.

Further statistical analysis was necessary to bring out any significant differences between the four subsamples (based on profit orientation and size). To facilitate this the Mann-Whitney U test was used. This test was chosen because a parametric test would not have been appropriate. Most of the data was ordinal and categorical. When the data was divided into subsamples they were unequal. The

distribution of the population was not known. Likert type profiles were also drawn to indicate any visual differences.

## 5.4 Research Findings

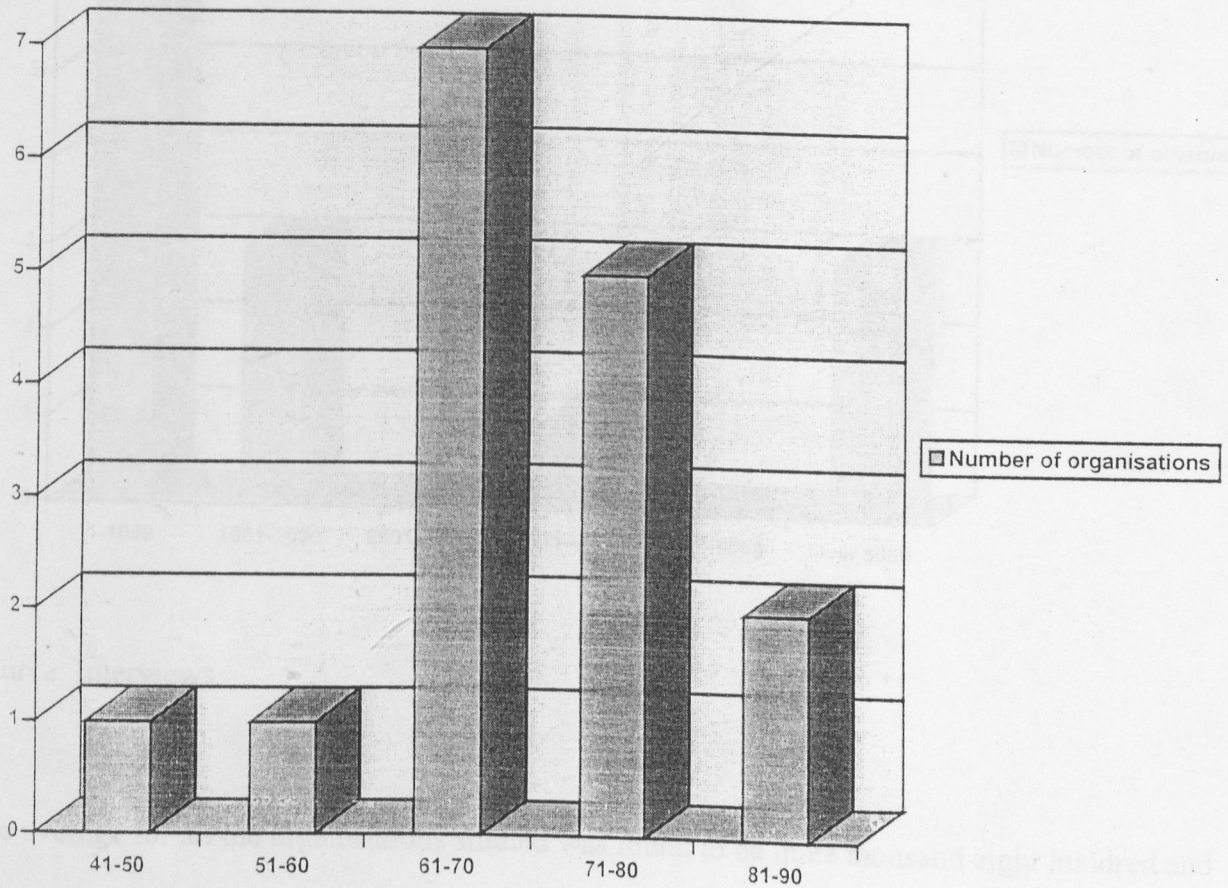
The results of this study will be represented in two parts. The first part will present the findings on the state of strategy processes in supermarkets. It will also address the issue of the problems Public sector organisations face in developing strategies. In effect this will be addressing the two objectives of the study. The second part will present findings on the Mann-Whitney U test and the Likert type profiles.



## 5.5 Organisation Details

This covered areas such as year of establishment (figure 5.1), number of employees (figure 5.2), and profit orientation (figure 5.3).

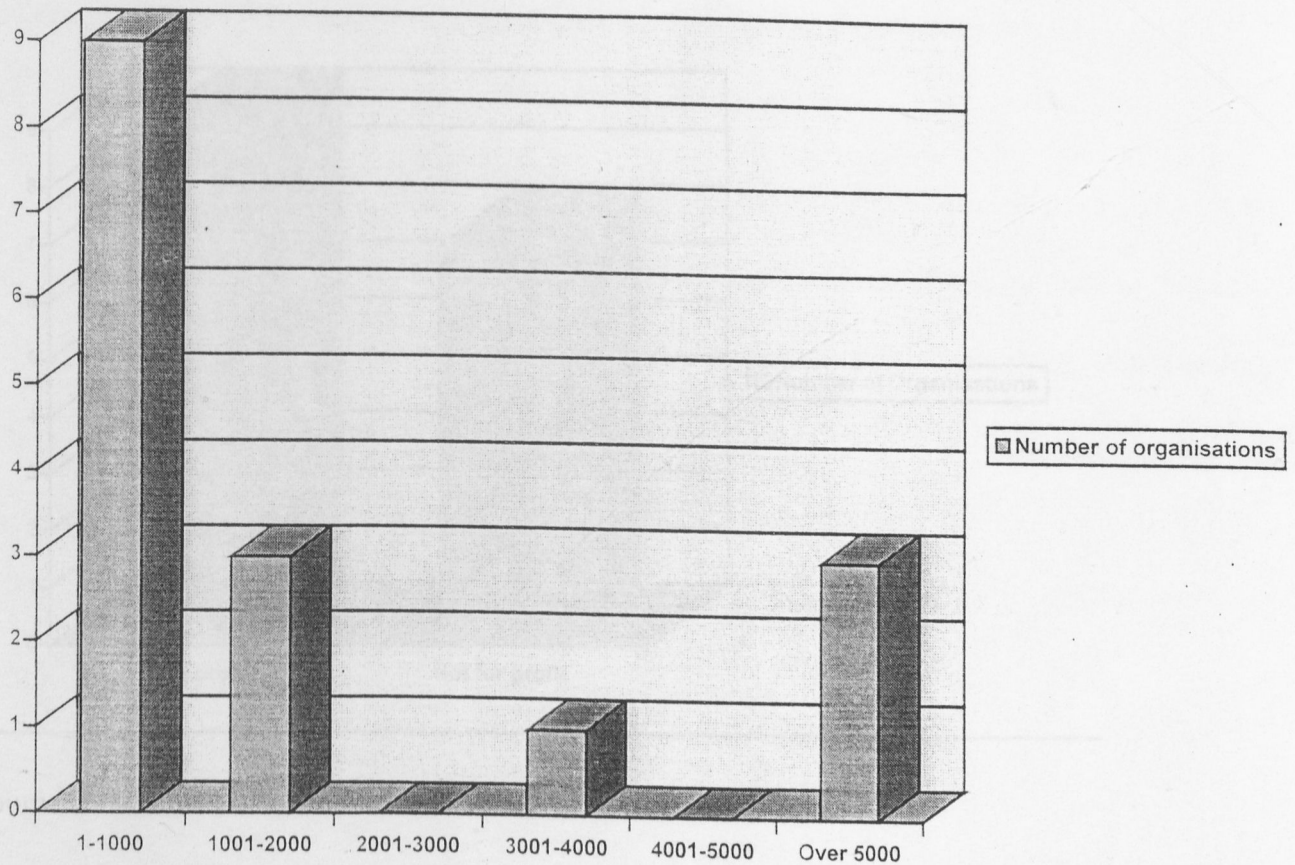
Figure 5.1 Distribution of public sector organisations by year of establishment



Source: Interviews

From the above figure 87.5% of the organisations (14) studied were established between 1961 and 1990. Of these twelve were established between 1961 and 1980. This can be explained by the fact that most Public sector organisations were established in the immediate post independence era to foster development in the country.

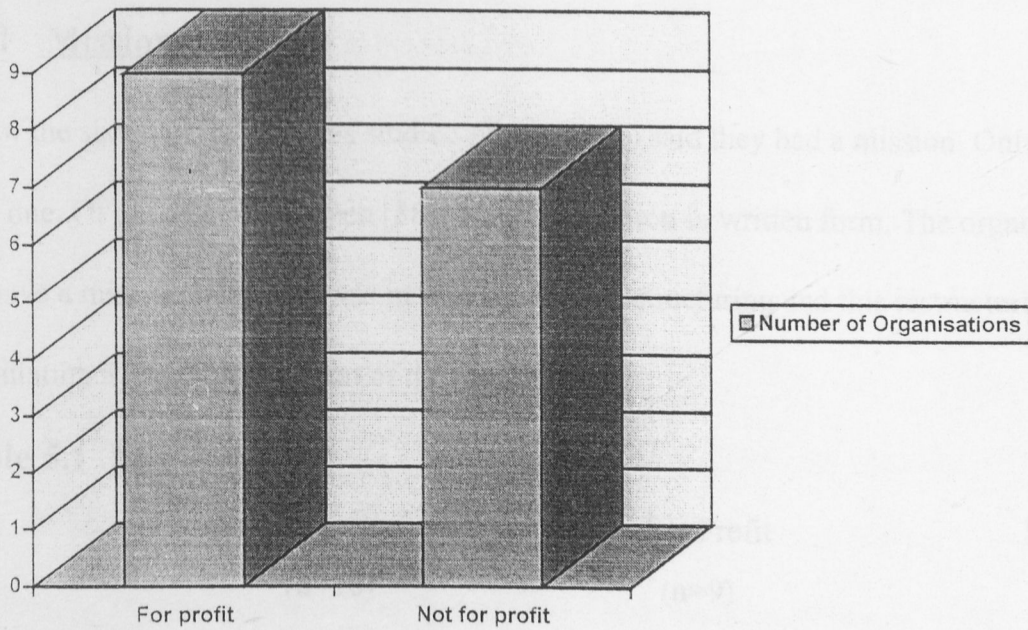
Figure 5.2 Distribution by number of employees



Source: Interviews

The average for all the organisations studied was found to be three thousand eight hundred and seventy-seven employees (3877). Of the sixteen organisations twelve (75%) fell below this average and only three (25%) fell above this average. There was a large difference between the organisation in terms of number of employees.

**Figure 5.3** Distribution by Profit orientation



Source: Interviews

From the figure above Nine (56%) of the organisations studied were For Profit organisations. Seven (44%) of the organisations were Not for profit organisations.

## 5.6 Specific details about Public Sector Organisations

This section covers the findings on the specific questions posed to the respondents.

### 5.6.1 Missions

Out of the sixteen organisations studied fifteen (94%) said they had a mission. Only one (6%) did not have one. Of the fifteen, fourteen (88%) had the mission in written form. The organisation that did not have a mission statement was in the process of restructuring and this restructuring would include formulating a mission statement of the organisation.

**Table 5.1 Mission**

	All organisations (n=16)		For Profit (n=9)		Not for profit (n=7)	
	n	%	n	%	n	%
Presence	15	94	9	100	6	86
Absence	1	6	0	0	1	14
Written	14	88	8	89	6	86
Unwritten	1	6	1	11	0	17

### 5.6.2 Objectives

All the respondents had set objectives for their organisations. These objectives were in written form.

Of these, four (25%) said these objectives were set at the top level of the organisations. Ten (63%) said objectives were set at the middle level and two (12%) said that the objectives were set even at the low levels of the organisation.

Four organisations (25%) allowed everyone to participate in the setting of their objectives. Ten (63%) organisation indicated that managers participated in the setting of objectives. Two organisations indicated that only directors participated in the setting of objectives.

Of the Sixteen organisations thirteen (81%) indicated that everyone in the organisation was aware of the objectives. Two (12%) of the organisations indicated that only senior personnel were aware of the organisation's objectives.

Thirteen of the organisations indicated that they communicated the objectives formally through the use of meetings, circulars, internal memorandums, staff workshops and press notices.

Two of the organisations indicated that they communicated their objectives to employees informally.

**Table 5.2 Objectives**

	All organisations (n=16)		For Profit (n=9)		Not for profit (n=7)	
	n	%	n	%	n	%
Presence	16	100	9	100	7	100
Absence	0	0	0	0	0	0
Written	15	94	8	89	7	100
Unwritten	1	6	1	11	0	0

**Table 5.3 Involvement in the setting of objectives**

	All organisations		For Profit		Not for profit	
	(n=16)		(n=9)		(n=7)	
	n	%	n	%	n	%
<b><u>Levels</u></b>						
Top	4	25	0	0	4	57
Middle	10	63	7	78	3	43
Low	2	12	2	12	0	0

Source: Interviews

	All organisations		For Profit		Not for profit	
	(n=16)		(n=9)		(n=7)	
	n	%	n	%	n	%
<b><u>Participation</u></b>						
Directors	2	12	0	0	2	29
Directors+Mgt	10	63	5	56	5	71
Everyone	4	25	4	44	0	0

Source: Interviews

**Table 5.4 Communication of the Objectives**

	All organisations		For Profit		Not for profit	
	(n=16)		(n=9)		(n=7)	
	n	%	n	%	n	%
<b><u>Communication</u></b>						
Everyone	13	81	8	89	4	57
Only Snr personnel	2	12	1	11	1	14
Formal	13	81	7	78	5	71
Informal	2	12	2	22	0	0

Source: Interviews



### 5.6.3 Plans and Planning horizons

The types of plans were similar among the sixteen organisations studied. All the organisations had financial plans (budgets) in place. Twelve (75%) organisations had in place plans other than financial ones. These included production plans, marketing, human resource development, project, new product development.

The most popular range of planning horizons was 0-1 year with eleven (69%) organisations indicating that they had plans in this range. Majority of this plans were financial in nature. Four organisations indicated that they developed plans in the 1-3 years planning horizons. Nine organisations indicated that they developed plans in the 3-5 years planning horizon. Only three (19%) organisations indicated that they developed plans that covered a horizon of more than five years.

**Table 5.5 Plans and Planning Horizons**

	All organisations (n=16)		For Profit (n=9)		Not for profit (n=7)	
	n	%	n	%	n	%
<b><u>Types</u></b>						
Financial	16	100	9	100	7	100
Other:	12	75	7	78	5	71
<b><u>Planning horizons</u></b>						
0-1 yr.	11	69	5	56	6	86
1-3 yr.	4	25	1	11	3	34
3-5 yr.	9	56	6	67	3	34
5yrs and beyond	3	19	2	22	1	14

Source: Interviews

All the organisations indicated that once developed the plans were put in writing.

The planning processes of the respondents were largely characterised by both informality and formality. Fourteen (88%) of the organisations indicated that they engaged in formal planning meetings. Twelve (75%) of the organisations indicated that informal planning interactions were also used in the process of formulating plans. Fourteen (88%) organisations indicated that they had timetables for plan preparations. Thirteen (81%) organisations indicated that they had clearly assigned responsibilities for planning. Eleven (69%) organisations had a planning department.

**Table 5.6**      **Presence of Written Plans**

	All organisations (n=16)		For Profit (n=9)		Not for profit (n=7)	
	n	%	n	%	n	%
Presence	16	100	9	100	7	100
Absence	0		0		0	

Source: Interviews.

**Table 5.7**      **Planning Process**

	All organisations (n=16)		For Profit (n=9)		Not for profit (n=7)	
	n	%	n	%	n	%
Formal	14	88	8	89	6	86
Informal	12	75	7	78	5	71
Timetables	14	88	8	89	6	86
Assigned duties	13	81	7	78	6	86
Planning Dept.	11	69	7	78	4	57

Source: Interviews

#### 5.6.4 Strategies

All the sixteen respondents indicated that they has strategies for their operations and that these strategies were put in writing once they were developed. Fifteen (94%) of the respondents indicated that they had a formal strategy development process while one (6%) respondent indicated that strategy formulation was done informally.

Twelve (75%) of the respondents indicated that they had strategic plans and that these plans were written down. Of the four (25%) respondents that indicated they did not have a strategic plan, two were in the process of developing one and these plans were to be in place by July 31st 1998.

Five (31%) of the respondents indicated that strategies were formulated at the board of directors level in the organisation while six (38%) indicated that strategy formulation was a process undertaken by the top management of the organisation. Four (25%) of the respondents indicated that strategy formulation was a process that involved everyone in the organisation.

**Table 5.8 Strategy Involvement**

	All organisations (n=16)		For Profit (n=9)		Not for profit (n=7)	
	n	%	n	%	n	%
<b><u>Presence of strategies</u></b>						
Presence	16	100	9	100	7	100
Absence	0		0		0	
Written	16	100	9	100	7	100
Unwritten	0		0		0	
Formal Devpt.	15	94	8	89	7	100
Informal Devpt	1	6	1	11	0	
<b><u>Strategic Plans</u></b>						
Presence	12	75	6	67	6	86
Absence	4	25	3	33	1	13
Written	11	69	5	56	6	86
Unwritten	1	6	0		0	
<b><u>Participation in formulation</u></b>						
Directors	5	31				
Directors+Mgt	6	38				
Everyone	4	25				

Source: Interviews

### 5.6.5 Environmental Scanning

The respondents were required to indicate the level of importance they attach to certain aspects of the environment (both external and internal). Those aspects were ranked on a five point Likert scale. A mean score was computed for each aspect (Table 5.9).

Table 5.9 Mean scores on various aspects of the Environment

Aspect	Mean score*
Political and Legal developments	3.86
General economic trends	4.63
Competitors	3.38
Market trends	4.25
Technological changes	3.94
Social and Cultural trends	3.06
Organisations Internal resources	4.63

\*Mean score - Ranked on a 5 point Likert scale

Source: Interviews

From the table above, it can be seen that all the aspects of the environment were considered important by all the respondents. General economic trends, market trends and the organisations internal resources were considered the very important in the planning process by all the respondents. Social and Cultural trends were considered least by all the respondents in their planning process.

Information on these various aspects of the business environment was collected in various ways. All the respondents indicated that they collected the information formally from a variety of sources that included; Newspapers, Government surveys and publications, Quarterly departmental reports, staff workshops, periodic market surveys, competitors publications, trade magazines, periodicals, weekly reports from field offices, and the use of consultancy firms.

Those in charge of this activity include the corporate planning department for the respondents who had indicated such a department exists in their organisations. Other departments charged with this responsibility were finance, production, marketing, business development and public relations.

Twelve (75%) of the respondents indicated that this activity was the collective responsibility of all departments.

The respondents were also required to indicate their perception of the business environment they were operating in. Most of the respondents (44%) indicated that the business environment they were operating in was fairly turbulent. 31% of the respondents considered their operating environment unstable. Only four (25%) of the respondents considered their environment stable.

**Table 5.10**    **The Business Environment**

<b>Definition</b>	<b>Frequency</b>	<b>Proportion %</b>
Stable	2	12.5
Fairly stable	2	12.5
Unstable	5	31
Fairly turbulent	7	44
Turbulent	-	-

Source: Interviews

### 5.6.6 Competition and Market Analysis

Eight (50%) of the respondents indicated that they regularly collected information about their competitors (Table 5.11).

**Table 5.11 Regular collection of information about competitors**

	All organisations (n=16)		For Profit (n=9)		Not for profit (n=7)	
	n	%	n	%	n	%
Yes	8	50	6	67	2	29
No	8	50	3	33	5	71

The respondents were also required to indicate the level of importance they attached to various aspects of their competition and their market in general. These aspects were ranked on a 5 point Likert scale. A mean score was computed for each aspect (Table 5.12, Table 5.13).

**Table 5.12 Mean score on certain aspects of competition**

Aspect	Mean score*
Goals of competitors	2.94
Current business approaches	4.00
Position of their products in the market	3.31
Their marketing approach	3.06
Their financial strength	3.13

\*Mean score - Ranked on a 5 point Likert scale

Source: Interviews

**Table 5.13 Mean scores on certain aspects of the Market**

Aspect	Mean score*
Number of organisations that presently compete with you	2.81
The organisations that may enter your line of business in the future	2.69
Suppliers of your raw materials	3.63
Buyers of your product	4.00
Growth rate of the market	4.06
Production methods used by competitors	2.94
Products that may be developed to replace yours in the market	3.06

\*Mean score - Ranked on a 5 point Likert scale

Source: Interviews

From the above tables it can be seen that all aspects of competition were considered important except for the goals of competitors. The current business approaches of competitors was considered very important by all the respondents.

The growth rate of the market was considered very important by all the respondents in their market analysis. The buyers of the organisation's product and the suppliers of raw materials were also considered as important. The other aspects of market analysis were not considered important by the respondents.



### 5.6.7 Tools and Techniques

All the respondents indicated that they utilised various tools and techniques in their planning processes. Twelve (75%) indicated that they used the analysis of Strengths, Weaknesses, Opportunities and threats (SWOT), Eight (50%) respondents indicated they used Key factor analysis, Thirteen (81%) indicated that they used Forecasting methods, Four (25%) indicated they used Portfolio models, and Five (31%) of the respondents indicated that they used Computer planning models in their planing processes (Table 5.14)

**Table 5.14 Tools and Techniques used in Planning**

	All organisations (n=16)		For Profit (n=9)		Not for profit (n=7)	
	n	%	n	%	n	%
SWOT	12	75	6	67	6	86
Key factor analysis	8	50	5	56	3	43
Forecasting	13	81	8	89	5	71
Portfolio models	4	25	2	22	2	29
Computer planning	5	31	3	33	2	29
Other						

### 5.6.8 Management Training and Development

Fifteen (94%) of the respondents indicated that their organisations run management training and development programmes for their managers while only one (6%) respondents indicated not running such programmes in the organisation (Table 5.15).

This management training and development programmes were conducted in various ways;

#### Types

- In-house workshops and seminars
- In-country and overseas non-academic and academic professional courses
- Organisation's training schools

- Annual Management workshop
- Exchange programmes with similar organisations in and outside the country
- Through management institutions

**Determined by:**

- training needs identified and organisational objectives
- needs detected after staff appraisal has been conducted

**Table 5. 15 Management training and Development programmes**

	All organisations (n=16)		For Profit (n=9)		Not for profit (n=7)	
	n	%	n	%	n	%
Presence	15	94	8	89	7	100
Absence	1	6	1	11		

**5.6.9 Problems in strategy development**

The response to the question on the problems public sector organisations face in the formulation of strategies included a variety of reasons;

- Unpredictably of external factors such as the weather, market conditions, prices of inputs.
- Lack of current information about the environment
- Political interference against prudent management decisions
- shortage of financial resources
- Constantly changing government policy creating uncertainty
- Negative social and cultural attitudes
- Restrictions created by legislation
- Lack of performance measurement measures
- Difficulty in getting all managers for meetings
- Rigidity and resistance to change in key operation areas
- Lack of management consensus in matters of strategy

- projectionist tendencies
- Lack of operational and performance measures
- Lack of training in strategic analysis, and understanding of the need for it
- Market instability
- Trade liberalization
- Government policy changes
- Political interference
- Bureaucracy leading to delays in strategy implementation
- Empire building
- Ostrich like approach to problems
- Rapidly changing technology
- Lack of financial resources

#### **5.6.10 Government Influence**

The response to the question on how government regulation affected the organisation in terms of development of strategies indicated the following ways;

- Appointments of the CEO and Board of Directors who sometimes are inefficient and ineffective due to wrong professional backgrounds
- Sourcing and expenditure of finance is subject to bureaucratic procedures which results in delays in strategy formulation and implementation
- Changes in Government policy result in rapidly changing strategies
- Political interference results in poorly developed strategies

### 5.6.11 The Likert Type Profiles

Before the Mann Whitney U test was conducted a Likert type profile was drawn. This was meant to visually present any differences between the subsamples with respect to environmental analysis, competitor analysis and market analysis (Figure 5.4).

From the profile below it can be concluded that the two subsamples of organisations; For Profit and Not For Profit;

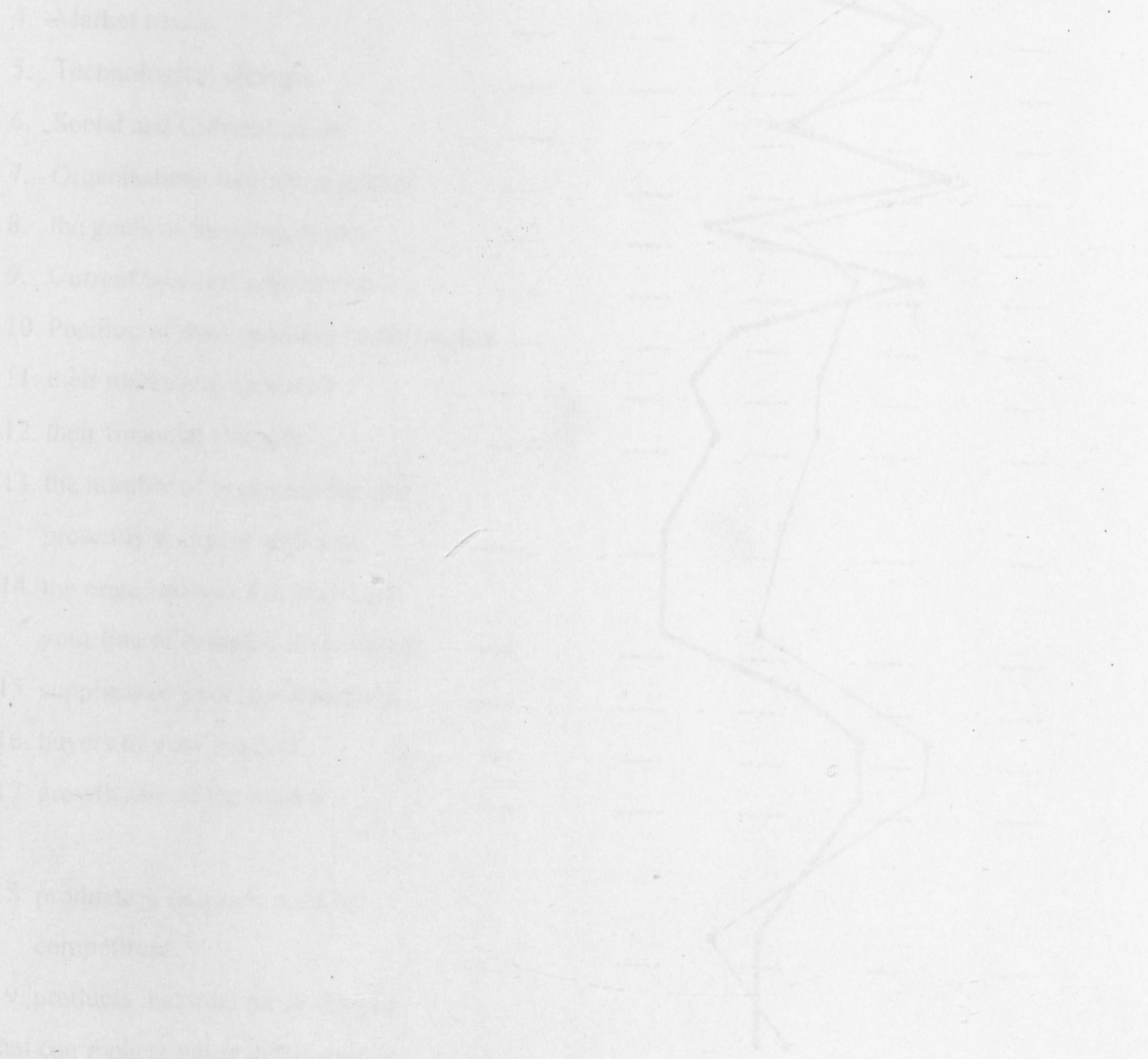
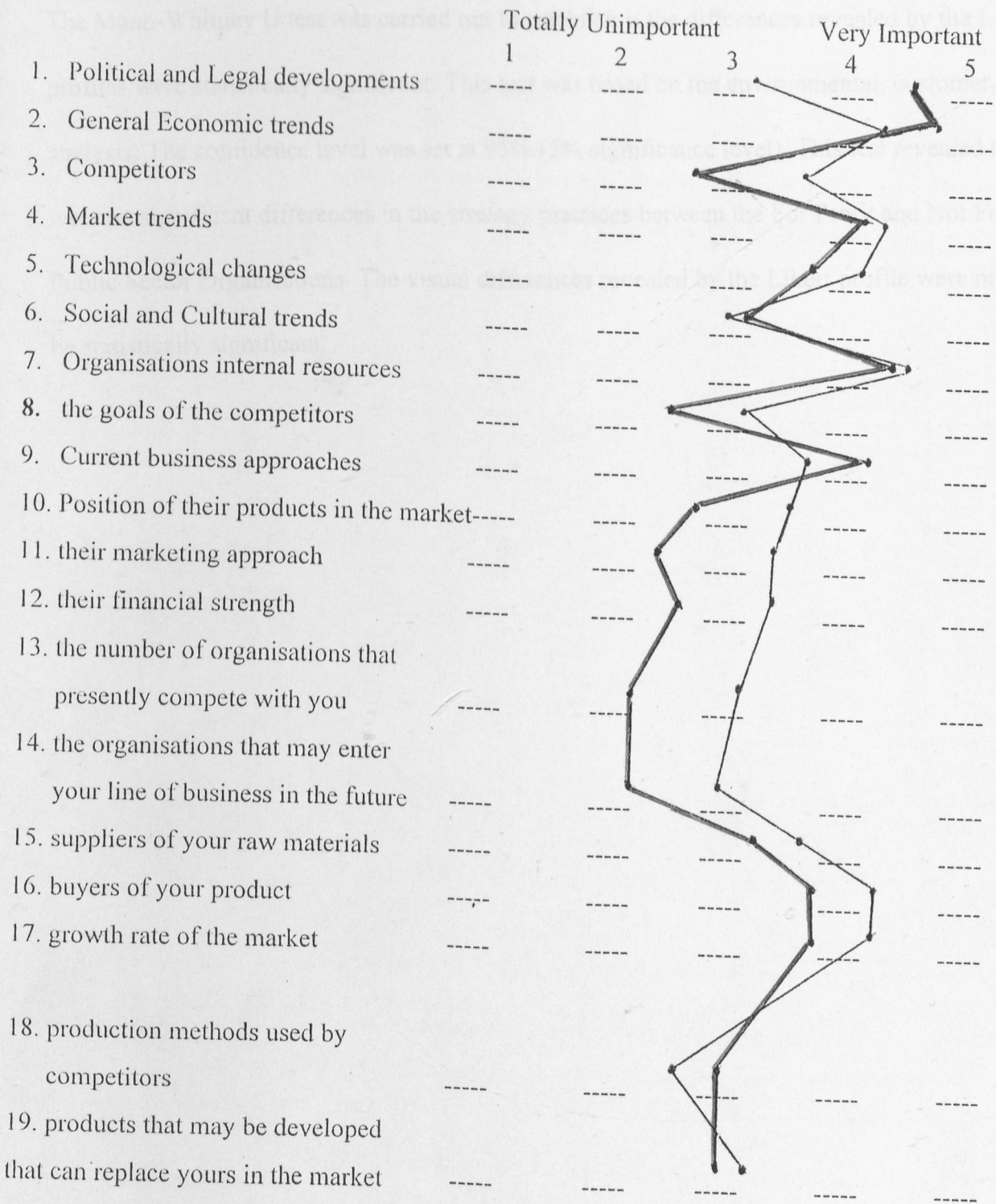


Figure 5.4 Likert type profile - Based on For profit and not for profit Public sector Organisations.



Key: ——— Group 1 For profit Public sector Organisations  
 ——— Group 2 Not for Profit Public Sector Organisations

### 5.6.12 Findings from the Mann-Whitney U Test

The Mann-Whitney U test was carried out to establish if the differences revealed by the Likert profiles were statistically significant. This test was based on the environmental, customer, and market analysis. The confidence level was set at 95% (5% significance level). This test revealed that there were no significant differences in the strategy practices between the For Profit and Not For Profit Public Sector Organisations. The visual differences revealed by the Likert profile were not found to be statistically significant.

**Table 5.16 Results of the Mann-Whitney U Test - Subsample based on profit orientation**

**Raw Score**

Not For Profit: 28 37 60 63 77 79 85

For Profit: 25 54 70 70 73 75 84 87 93

**Ranks**

**Not For Profit Organisations**

**For Profit Organisations**

2

3

5

6

11

12

14

1

4

7.5

7.5

9

10

13

15

16

n = 7

R = 53

n = 9

R = 83

Source: Interviews

## 5.7 Comparison with other Empirical Studies

In this section the findings of this study are compared with those of other studies carried out on strategy activities in Kenya and abroad. Shumpusho (1983) studied selected organisations in Kenya and found that most of them had mission statement that were written. This is similar to the findings of this study. Fifteen (94%) of the organisations studied indicated that they had a mission statement and Fourteen (88%) organisations indicated this mission was written. This is contrary to the findings of Aosa (1992) who studied private manufacturing companies in Kenya and found that majority of the companies had no explicit mission statement.

Adegbite (1986) studied twenty companies in Nigeria found out that all these companies had formal corporate objectives, in many cases well written down and well articulated. Shumpusho (1983) studied selected organisations in Kenya and found that 67% of the organisations studied had written objectives. This is similar to what I found out about the Public Sector Organisations I studied. All sixteen organisations indicated that they had written objectives. This findings were however contrary to those of Aosa (1992) and Karemu (1993), both of whom found that in most cases the organisations studied had unwritten objectives. The findings of this study on the communication of objectives differ with those of Adegbite (1986) and Karemu (1993) who both indicated that only about 50% of the organisations studied communicated their objectives to all their employees. In study 81% of the organisations studied indicated that they communicated the objectives to all their employees formally through the use of meetings, circulars, notices among other methods.

Findings by Adegbite (1986) and Shumpusho (1983) on planning practices were similar to those of this study. Adegbite noted that many of the companies he studied had fairly well developed corporate planning systems in operation. Shumpusho found that strategic planning was very well



done among the companies he studied. All the companies studied used existing tools in carrying out corporate planning. Corporate planners were staff specialists conversant with strategic planning techniques. In this study all the respondents had fairly well developed planning systems in place with 69% indicating that they had a planning department in place and 88% indicating that formality characterised their planning processes. Over 50% of the organisations in this study indicated they used the tools and techniques of SWOT analysis, forecasting and Key factor analysis but few indicated the understanding and use of portfolio models and computer planning models. All respondents indicated that once developed these plans were written down. The findings on planning horizons in this study were similar to those of Karemu(1993), Aosa (1992) and Fubara (1986). This studies found that most firms engaged in short term planning. In this study 69% of the organisations developed plans in the horizon of 0-1 year. However this study found that a significant number of organisations developed plans in the horizon of 3-5 years (56%). These were mainly plans for various departments including production, finance, and human resources.

The findings of this study indicated that all respondents had strategies for their operations. This is similar to the findings of Karemu (1993) and Shumpusho (1983). Formulation of these strategies was largely by the management with only 25% of the organisations in this study indicating that everyone in the organisation was involved in strategy formulation. This finding on participation in the organisation is similar to those of Adegbite (1986), Fubara (1986), Aosa (1993) and Karemu (1993). This can be explained by the environment in which management is practiced in Africa where the emphasis is on authority and power with decision making being centralised at the top.

## Chapter Six

### Overall discussion of results

#### 6.1 Summary and Conclusion

This study was conducted with the following objectives:

- a) To investigate the state of strategy processes within public sector organisations in Kenya
- b) To investigate the problems in the development of strategy in public sector organisations in Kenya.

In chapter two various components of the strategy development process were detailed. These included environmental scanning, missions, objectives, strategies and plans.

Majority of the public sector organisations studied had explicit mission statements that were written with only one organisation indicating that it did not have a mission statement. Most of the organisations understood the usefulness of the mission statement to the organisation.

All the organisations studied indicated that they had objectives. Majority of these objectives were written with only one organisation indicating that the objectives existed only in the minds of the directors and top management. Most of these objectives were set at the top and middle levels in the organisations. Participation in the setting of objectives was also done by directors and managers in the organisations studied. Most organisations studied indicated that they communicated the objectives to everyone in the organisation through formal methods such as circulars, notices, press releases and staff meetings.

Planning was formally done in the organisations studied. Majority of the organisations indicated that they had a mixture of plans for their operations the most common ones being budgets, production and marketing.

The planning horizons differed depending on the type of plan. Budgets had a short planning horizon (0-1 year). Majority of the organisations studied had budgets. The next popular planning horizon was the 3-5 year one. Majority of the organisations that indicated having plans in this time span indicated that these were mainly production, financial and corporate plans. The commitment of the organisations studied to planning was indicated by the existence of separate planning departments in majority of the organisations. The planning process in majority of this organisations studied was characterised by the use of timetables and the assigning of duties to specific people. Majority of the organisations studied used several planning tools and techniques. The least understood and used were portfolio and computer planning models.

All the organisations studied indicated the presence of written strategies for their operations. Majority of them also had written strategic plans. Majority of the organisations studied indicated that only directors and managers participated in the formulation of these plans.

The General economic trends and the market trends were considered the most important aspects of the environment by all the organisations studied. Majority of the organisations considered their business environment unstable. Despite this environmental considerations only half the organisations studied regularly collected information about their competitors. For the organisations that did the current business approaches of competitors was the most important aspect of competition. Most of the organisations studied indicated that the most important aspects of the market were the growth rate of the market and the buyers of their product.

Majority of the organisations studied indicated that government influence in their strategy processes was negative. The appointment of incompetent directors and chief executive officers and general political interference were the most common types of negative government influence and these resulted in poorly developed strategies leading to poor performance.

Bureaucracy and red tape in approval of strategies and plans was also a negative influence which resulted in delays in formulation of strategies and poor implementations of the same.

Majority of the organisations studied encountered the same problems in their strategy development processes. The most common problems included the instability of the external environment (weather, market conditions), lack of current information about the environment, shortage of financial resources, lack of operational and performance measures, lack of training in strategic analysis for decision makers and political interference against prudent management decisions.

## **6.2 Implications of this study**

The findings of this study indicate that Public sector organisations practice some aspects of strategic management. They develop missions, objectives, strategies and plans and scan their environment. According to the models of the evolution of strategic management discussed in chapter two, the public sector organisations studied are at the stage of Management by anticipation/ Strategic planning. They are seeking increased responsiveness to markets and competition by trying to think strategically. Discontinuities have begun to appear in their previously stable and predictable environments and they must anticipate these change in order to survive.

While the organisations in this study had well articulated missions, objectives, strategies and plans, a lack of commitment to the same by top management and other employees of the organisations resulted in poor implementation. As a result the benefits of the use of strategy, such as better organisational performance, suggested in the literature review are not enjoyed by these organisations.

For strategy to be effective it must be a process that all employees of an organisation are involved in, aware of, and committed to. This was not the case in the organisations studied. In majority of the organisations only directors and top managers were involved in the formulation of the missions, objectives, plans, and strategies. Despite the fact that these were then communicated to all employees by majority of these organisations, there was little commitment to them because employees did not feel like they had a stake in the achievement of these goals.

### **6.3 Limitations of this Study**

Some of the limitations of this study arise out of the use of the survey to collect data. The weaknesses of survey research are potential limitations to this study. These weaknesses include:

Surveys are obtrusive and as such can affect respondents' responses;

Self reporting is not always accurate and true;

The use of a structured questionnaire predetermined the questions respondents were supposed to answer. In some cases respondents answered questions even when they did not understand them.

The second limitation was the paucity of past studies on which to base this one. This therefore meant that this study collected information on various aspects of strategy and this may have sacrificed the benefits of a narrowly focused study.

Thirdly there were practical constraints. The researcher was operating within a limited time period and with limited resources. The researcher was conducting the interviews on her own. This affected the number of organisations visited.

Though the findings of this study have been compared with those of studies done elsewhere, a number of factors need to be taken into account:

The other studies were carried out in different countries and at different times;

Even those studies carried out in Kenya were carried out in the private sector. The variations observed may be reflective of the sectoral differences.

#### **6.4 Recommendations for further research**

This study documented strategy practices in the public sector in general. In this respect it is recommended that a study of strategy practices be done on organisations in different industries in the public sector. This would provide further insights into strategic management practices in the public sector.

This study concentrated on the aspects of strategy formulation as opposed to the entire strategic management process. In this respect it is recommended that a study can be conducted to document aspects of strategy implementation, evaluation and control in the public sector.

With ongoing changes in the environment of public sector organisations studies can regularly be conducted to document the effects these changes have on strategic management in public sector organisations.

## Appendix 1: List of Public Sector Organisations Visited

1. Nyayo Tea Zones Development Corporation,
2. Agricultural Development Corporation,
3. Agricultural Finance Corporation,
4. Kenya Agricultural Research Institute,
5. Kenya Airports Authority,
6. Kenya Bureau of Standards,
7. Kenya Commercial Bank,
8. Kenya Dairy Board,
9. Kenya Industrial Research and Development Institute,
10. Kenya Literature Bureau,
11. Kenya Medical Research Institute,
12. Kenya National Capital Corporation,
13. Kenya National Examinations Council,
14. Kenya Pipeline Corporation Limited,
15. Kenya Post Office Savings Bank,
16. Kenya Posts and Telecommunications Corporation,
17. Kenya Power and Lighting Company,
18. Kenya Railways Corporation,
19. Kenya Reinsurance Corporation,
20. Kenya Revenue Authority,
21. Kenya Sisal Board,
22. Kenya Sugar Authority,
23. Kenya Tea Development Authority,
24. Kenya Tourist Development Corporation,
25. Kenya Wildlife Services,
26. National Bank of Kenya,
27. National Cereals and Produce Board,
28. National Hospital Insurance Fund,
29. National Housing Corporation,
30. National Social Security Fund,
31. Capital Markets Authority,
32. Investments Promotion Centre,
33. Industrial and Commercial Development Corporation,
34. Industrial Development Bank,
35. Export Promotions Council,
36. Kenya Broadcasting Corporation,
37. Jomo Kenyatta Foundation,
38. University of Nairobi,
39. National Oil Corporation of Kenya,
40. Kenyatta University,
41. Central Bank of Kenya,
42. East African Portland Cement Company Ltd.,

Appendix 2a: Letter to respondents

Violette Kang'oro,  
MBA Programme,  
Faculty of Commerce  
Lower Kabete Campus,  
P.O. Box 30197,  
Nairobi.

18th May 1998.

«JobTitle»

«Company»

«Address1»

«City»

Dear Madam/ Sir

I am a Masters student in the Faculty of Commerce University of Nairobi. In partial fulfillment of the requirements of the **Master of Business and Administration (MBA)** I am conducting a study on "**Strategic Management in Public Sector Organisations**".

Your organisation has been selected to form part of this study. To this end , I kindly request your assistance in completing the attached questionnaire which forms an integral part of this research project. The information and data is needed for academic purposes and will be treated in strict confidence. A copy of the research project will be made available to your organisation upon request.

Please find attached a copy of my introductory letter and my research authorization permit.

Your cooperation is highly appreciated.

Thank you.

Yours sincerely,

Ms. Violette Kang'oro





**UNIVERSITY OF NAIROBI**  
**FACULTY OF COMMERCE**  
**MBA — PROGRAMME**

LOWER KABETE CAMPUS

Phone: 732160 Ext. 225  
Programs: "Varsity", Nairobi  
Fax: 22095 Varsity Nairobi

P.O. Box 30197  
Nairobi, Kenya.

INTRODUCTORY LETTER: - D61/7888/96

Violette N. Kang'oro is a Masters student in the Faculty of Commerce, University of Nairobi. In partial fulfilment of the requirements of the Masters in Business and Administration (MBA) is conducting a study on " " STRATEGIC MANAGEMENT IN PUBLIC SECTOR ORGANISATIONS".

Your organization/firm has been selected to form part of this study. To this end, we kindly request your assistance in completing the questionnaire which forms an integral part of the research project. Miss Kang'oro will be responsible for the administration of the questionnaire. Any additional information you might feel necessary for this study is welcome.

The information and data required is needed for academic purposes and will be treated in strict confidence. A copy of the research project will be made available to your organization/firm upon request.

Your cooperation will be highly appreciated.

Thank you.

Yours sincerely,



MBA Co-ordinator



OFFICE OF THE PRESIDENT

Appendix 2d: Questionnaire

Questionnaire  
Strategy Processes in Public Sector Organisations

Telegraphic address: "RAIS"

Telephone: Nairobi 227411

When replying please quote

Ref. No. \_\_\_\_\_  
and date

OP/13/001/28C 78/2

~~PERSONNEL DIVISION~~

P.O. Box 30510

NAIROBI

19th May, 19 98

Violette Nyokabi Kang'oro,  
P.O. Box 62856,  
NAIROBI.

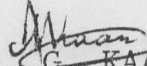
Dear Madam,

RESEARCH AUTHORIZATION

On the basis of your application for authority to conduct research on "An Investigation of the State of Strategic Management in Public Sector Organizations, I am pleased to let you know that your application has been considered and approved. Accordingly you are authorized to conduct research in Nairobi as from May, 1998 to 31st July, 1998.

You are advised to pay a courtesy call on the Provincial Commissioner, Nairobi before embarking on your research project. You are further advised to avail two copies of your final research report to this office upon completion of your research project.

Yours faithfully,

  
A. G. KAARIA

FOR: PERMANENT SECRETARY/  
PROVINCIAL ADMINISTRATION

cc: The Provincial Commissioner,  
NAIROBI.

# Questionnaire

## Strategy Processes in Public Sector Organisations

### I. GENERAL INFORMATION

- 1. Organisation \_\_\_\_\_
- 2. Year of Establishment \_\_\_\_\_
- 3. Orientation  
(a). For Profit \_\_\_\_\_  
(b). Not for profit \_\_\_\_\_
- 4. Number of Employees \_\_\_\_\_
- 5. Incorporation  
(a). State Corporations Act \_\_\_\_\_  
(b). Other (specify) \_\_\_\_\_
- 6. Title of Interviewee \_\_\_\_\_
- 7. How long have you been with this organisation? \_\_\_\_\_

### II. MISSION AND OBJECTIVES

- 8.(a). Do you have a mission statement for your organisation? Yes / No
- (b). If yes, is it a written statement? Yes / No
- 9. (a). Do you have objectives set for your organisation? Yes / No
- (b). If yes, at what levels are these objectives set? \_\_\_\_\_
- (c). Are these objectives in written form? Yes / No
- (d). Who participates in setting objectives in your organisation? \_\_\_\_\_
- (e). Is everyone in your organisation aware of these objectives? Yes / No
- (f). How do you communicate these objectives? \_\_\_\_\_

### III. PLANNING IN GENERAL

- 10. (a). What type of plans does your organisation develop
  - (i). Financial \_\_\_\_\_
  - (ii). Other (Specify) \_\_\_\_\_
- (b). What time periods do these plans cover?
  - 0-1 yr. \_\_\_\_\_
  - 1-3 yrs \_\_\_\_\_
  - 3-5 yrs \_\_\_\_\_
  - 5yrs and beyond \_\_\_\_\_

(c). Indicate when these plans were first developed in your organisation. \_\_\_\_\_

(d). Are these plans written once they are developed? Yes / No

11. Indicate whether the following features characterise your planning process:

- (a). Formal planning meetings Yes/ No
- (b). Informal Planning interactions Yes/ No
- (c). Timetables for plan preparations Yes/ No
- (d). Clearly assigned responsibilities for planning Yes/ No
- (e). Have a planning department Yes / No

12. Indicate the extent to which information on the following factors is considered in the planning process:

Given	Not considered					prime consideration				
	1	2	3	4	5	1	2	3	4	5
(a). Political and Legal developments	1	2	3	4	5	1	2	3	4	5
(b). General Economic trends	1	2	3	4	5	1	2	3	4	5
(c). Competitors	1	2	3	4	5	1	2	3	4	5
(d). Market trends	1	2	3	4	5	1	2	3	4	5
(e). Technological changes	1	2	3	4	5	1	2	3	4	5
(f). Social and Cultural trends	1	2	3	4	5	1	2	3	4	5
(g). Organisations internal resources	1	2	3	4	5	1	2	3	4	5

13. How do you collect information on the various aspects of your business environment?

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14. Who is in charge of this activity?

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15. Would you describe your business environment as stable or turbulent? Please indicate your perception on the following scale?

Stable			Turbulent	
1	2	3	4	5

#### IV. DEVELOPING THE ORGANISATION'S STRATEGY

16. Has your organisation developed strategies for operation? Yes / No

17. Please describe the process by which you arrive at decisions regarding your organisations strategy (e.g. who participates, information inputs, actual deliberations, etc.)

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18. Are your organisation's strategies put in writing once they are developed? Yes / No

19. Do you have Strategic Plans? Yes / No

20. If yes are they in written form? Yes / No

21. Please tell us the problems (if any) that your organisation encounters when developing strategies.

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22. Does your organisation regularly collect information about your competitors? Yes/No

23. Indicate the importance your organisation attaches to the following aspects of your competitors:

	Totally unimportant			Very important	
(a). the goals of the competitors	1	2	3	4	5
(b). Current business approaches	1	2	3	4	5
(c). Position of their products in the market	1	2	3	4	5
(d). their marketing approach	1	2	3	4	5
(e). their financial strength	1	2	3	4	5
(f). Other (specify)					

24. Indicate the importance your organisation attaches to information on the following:

	Totally unimportant			Very important	
(a). the number of organisations that presently compete with you	1	2	3	4	5
(b). the organisations that may enter your line of business in the future	1	2	3	4	5
(c). suppliers of your raw materials	1	2	3	4	5
(d). buyers of your product	1	2	3	4	5
(e). growth rate of the market	1	2	3	4	5
(f). production methods used by competitors	1	2	3	4	5
(g). products that may be developed that can replace yours in the market	1	2	3	4	5

## V. TOOLS AND TECHNIQUES

25. Listed below are a number of tools and techniques that may be used in developing strategies for an organisation. Please indicate if you use any of them.

- |  |          |
|--|----------|
| (a). Strength, Weaknesses, Opportunities, and Threats Analysis | Yes/ No  |
| (b). Key Factor Analysis                                       | Yes / No |
| (c). Forecasting   | Yes / No |
| (d). Portfolio Models  | Yes/ No  |
| (e). Computer Planning Models                                  | Yes/ No  |
| (f). Others (Specify)  |          |

## VI. GOVERNMENT INFLUENCE

26. How does government regulation affect your organisation in terms of development of the organisation's strategies?

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## VII. ADDITIONAL INFORMATION

27. Have you ever had any training related to planning? Yes / No

28. Do you run management training and development programmes for your managers? Explain.

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**THANK YOU VERY MUCH FOR YOUR CO-OPERATION**

## Appendix 3: Coding of questions

### 1. Mission Statement

Presence	1
Absence	2
Written	1
Unwritten	2

### 2. Objectives

Presence	1
Absence	2
Written	1
Unwritten	2

#### Levels at which objectives are set

Top	1
Middle	2
Low	3

#### Participation in setting objectives

Directors	1
Directors+Mgt	2
Everyone	3

#### Communication of objectives

Everyone	1
Only Snr personnel	2
Formal	3
Informal	4

### 3. Plans and planning horizons

#### Types of plans

Financial	1
Other:	2

#### Planning horizons

0-1 yr	1
1-3 yrs	2
3-5 yrs	3
5yrs and beyond	4

Presence of written plans

- Presence 1
- Absence 2

Development of plans

- Formal 1
- Informal 2

Planning Characteristics

- Timetables 3
- Assigned duties 4
- Planning Dept. 5

**4. Strategies**

- Presence 1
- Absence 2

- Written 1
- Unwritten 2

Development of Strategies

- Formal 1
- Informal 2

Participation in formulation

- Directors 1
- Directors+Mgt 2
- Everyone 3

**5. Collection of Information about competitors**

- Yes 1
- No 2

**6. The Business Environment**

- Stable 1
- Fairly Stable 2
- Unstable 3
- Fairly Turbulent 4
- Turbulent 5



**Appendix 4: Raw and Mean scores for the Likert Profile**

	Raw Scores		Mean scores	
	G1	G2	G1	G2
Political and Legal developments	30	32	3.33	4.57
General Economic trends	40	34	4.44	4.86
Competitors	35	19	3.89	2.71
Market trends	39	29	4.33	4.14
Technological changes	37	26	4.10	3.71
Social and Cultural trends	27	22	3.00	3.14
Organisation's internal resources	42	32	4.67	4.57
The goals of the competitors	29	18	3.22	2.57
Current business approaches of competitors	34	30	3.78	4.29
Position of competitors' products in the market	33	20	3.67	2.86
Competitors' marketing approach	32	17	3.56	2.43
Competitors' financial strength	32	18	3.56	2.57
The number of organisations that presently compete with you	29	16	3.22	2.29
The organisations that may enter your line of business in the future	27	16	3.00	2.29
Suppliers of your raw materials	35	23	3.89	3.29
Buyers of your product	38	26	4.22	3.71
Growth rate of the market	38	27	4.20	3.86
Production methods used by competitors	26	21	2.89	3.00
Products that may be developed that can replace yours in the market	28	21	3.11	3.00

Key: G1 = For Profit Organisations G2 = Not for Profit Organisations

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