STRATEGIC MANAGEMENT PRACTICES ADOPTED BY LOCAL AUTHORITIES IN KENYA: A CASE STUDY OF THIKA, RUIRU, KIAMBU AND MAVOKO LOCAL AUTHORITIES IN KENYA

BY

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OCTOBER, 2009.
DECLARATION

I, the undersigned, declare that this project is my original work and has not been submitted to any other college, institution or university other than the University of Nairobi for academic credit.

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

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DEDICATION

My special dedication to my dear parents for unwavering commitment to the education of their children. To my dear wife and children for their support and encouragement. To my lecturers for imparting knowledge and wisdom. To my Supervisor for good guidance and patience. To all my friends and well wishers for their prayers and goodwill.
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ABBREVIATIONS

HTTP: Hyper Text Transfer Protocol.

ABSTRACT

The purpose of this study was to establish the strategic management practices adopted and challenges of adopting the strategic management practices in Thika, Ruiru, Mavoko Municipal Councils and Kiambu County Council. The objectives were, to determine the strategic management practices adopted by these local authorities and to determine the challenges the local authorities faced in adopting strategic management practices. Primary and secondary data was collected. Primary data was collected by interviewing town clerks who some delegated to their deputies or to their administrative assistants. The secondary was collected in a form of already processed information that included strategic plans, performance contracts and other information from the studied council’s websites.

The data collected was summarized and analyzed in a systematic way. Conclusions and recommendations were made for the studied local authorities. The findings were used to determine whether the studied local authorities in this case study practiced strategic management and whether there were any challenges encountered during the adoption of strategic management practices. The researcher recommended alignment of strategies with resource allocation, performance monitoring, evaluation and reward systems.

The limitations of the study were related to the scope and time. The study considered views of town clerks, who are the chief executive officers of the councils. However, in some instances they delegated to their assistants.

The researcher identified areas of further study such as in other councils that were not covered by the case study, similar studies can be conducted to establish strategic management practices and challenges they encounter. Other areas of further study are on performance monitoring and reward systems.
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The Government embarked on a programme of comprehensive public sector reforms aimed at improving efficiency and effectiveness in the delivery of public services in 2003. The Results-Based Management (RBM) guided by the Economic Recovery Strategy (ERS) for Wealth and Employment Creation (2003) and Vision 2030 mandated public servants to enter into performance contracts with their respective employers. Every ministry and public institution is required to implement strategic management practices.

It is in this regard that the study sought to establish the strategic management adoption by local authorities and the challenges the came with the adoption. Thika Municipal Council, Ruiru Municipal Council, Kiambu County Council and Mavoko Municipal Council were randomly chosen together to form a unit of the case study. All enterprises are created for one purpose that is to achieve the long-term and short-term objectives of their stakeholders (Bradmore 1996).

Local authorities are charged with the responsibility of providing services such as health, primary education, refuse collection, water, sanitation and fire protection among others. They make by-laws that govern their areas of jurisdiction. It is expected that local authorities adopted strategic management practices since the introduction of performance contracting in public institutions in 2003.

1.1.1 Strategic Management Practices

Pearse and Robinson (2007) defines strategic management as a set of decisions and activities that result in the formulation and implementation of plans designed to achieve an organization’s objectives via formulating the mission, developing the profile, assessing the external environment, analyzing the options, selecting the most appropriate option, developing the long – term objectives, implementing the strategic choices by means of budgeted resource allocations and evaluating the
success of the strategic process as an input for future decision making. In the field of business administration it is useful to talk about "strategic alignment" between the organization and its environment or "strategic consistency". According to Arieu (2007), "there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context."

Strategic management practices are those strategies that various firms put in practice in the process of formulating and implementation of plans designed to achieve an organization’s objectives. They entail the organization’s adopted methods of formulating the mission, vision, situational analysis, assessing the political, economical, social and technological environments, selecting the best alternative cause of action, implementing the chosen option, monitoring results and review.

Lamb (1984) states that for those firms that have adopted strategic management practices, “Strategic management is an ongoing process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment.”

The rationale for strategic planning and management is that an agency requires a clear strategic direction to achieve its objectives. Strategic management practices are key for any organization since they are used to determine where an organization is going over the next year or more and how it is going to get there. A
strategic plan is a "road map" through which an organization is able to position itself to face challenges in the operating environment.

The coordinated strategic management practices were introduced in the public sector in August 2003 through a gazette notice by the government.

This created Performance Contracts Steering Committee to spearhead introduction and implementation of performance contracts in the Public Service. This was followed with the requirement that every government ministry, departments, state corporations and local authority to formulate a strategic plan. The performance contracts would then be developed from the action plans of the respective organization’s strategic plans.

Strategic practices in local authorities include strategic analysis, strategic formulation, strategic implementation and strategic evaluation. Strategic analysis entails, review of the political, economic, social and technical environments and analysis of the strengths, weaknesses, opportunities and threats of the organization. Strategic formulation entails the determination of appropriate courses of action that will enable the organization achieve its objectives and thereby accomplish organizational purpose. Setting strategic direction, strategic goals, mission, vision, values, key result areas, action planning, specific objectives, tactical plans, responsibilities and timelines, annual plans and work plans, monitoring and evaluation of performance.

The strategic plans in the local authorities are developed in line with government agenda on Economic recovery and vision 2030 priorities. The process is through workshops and seminars for the civic leaders, chief officers and staff members and other stakeholders like Non Governmental Organizations, residents associations and the business community. Participants are taken through the phases of a strategic plan making process. During the seminars, a common understanding of the strategic plan process and the resultant roles are established and a draft
strategic plan formulated. The draft strategic plan is then circulated to stakeholders for comments by the consultant. The feedback is then compiled, moderated and incorporated into a final draft and presented to a full council for adoption by the consultant. After the strategic plan is adopted, performance contracts between the individual local authorities and the parent ministry, local government ministry are signed each year. The performances of local authorities are then evaluated at the end of financial year and the highest performer among them is then rewarded.

1.1.2 Local Authorities in Kenya

Local authorities in Kenya are the bodies controlling local governance in Kenya.

Within their jurisdictions, the Local Authorities in Kenya are charged with the responsibility for providing services such as health, primary education, refuse collection, water and sanitation, and fire protection services among others. They also make by-laws that govern their areas of jurisdiction. Kenya has four classes of local authorities: City, Municipality, Town and County council. Currently there are three authorities with city status: Nairobi, the national capital, Mombasa and Kisumu. Municipalities and towns are other forms of urban authorities and are generally named after their central town. County councils are essentially rural. Each district has a maximum of one county council, such that they cover all area not taken up by urban authorities. County councils are usually named after their respective districts, which often bear the same name with its district capital. Thus county councils are often named after a major town, but their land area may not cover the town itself but its surroundings. Some districts have only one local authority, which are county councils, apart from few exceptions. There are currently a total of 175 local authorities in Kenya.

Local authority administration consists of a Mayor, Town clerk and councillors. The number of councillors depends on population and area of each authority and they are elected by the public during the Kenya general elections held every five
years or by-elections held in between. Authorities are divided into wards and each ward elects only one councillor. Wards have often common boundaries with administrative locations.

The main legislation governing all local authorities in Kenya is the Local Government Act (Cap 265) of 1977. Other laws that affect the management of local authorities and their revenue base include: Local Government Loan Authority Act (Cap 270), Land Planning Act (Cap 303), Trade Licensing Act (Cap 497), Rating Act (Cap 267), Valuation for Rating Act (Cap 255), Agriculture Act (Cap 218). The legislation gives all local authorities – City, Municipal and Town Councils – similar responsibilities. The local authorities have a semi-autonomous status within their geographic area. Under the provisions of the Local Government Act 1977, the Minister of Local Government is responsible for local authorities.

Local government elections are held at the same time as those for the president and the National Assembly, local councils being dissolved after the dissolution of the National Assembly. Two-thirds of the councillors in each authority are directly elected in single-member wards for a five-year term. The Minister of Local Government appoints the other one-third, with nominations made by the political parties or coalitions on the basis of their representation within each council. The district commissioner (or their representative) is also a councillor, providing a link between the local authority and district activities. The system is uniform across the country.

Senior staffs of Local Government are recruited through the Public Service Commission. The commission is also responsible for promotions and/or disciplinary matters. Other staff are directly recruited and dismissed by local authorities. Part-time casual workers are also employed. A town clerk, appointed by the PSC, is the head of the paid service in the city, municipal and town councils.
In addition to the town clerk’s and treasure’s department, there may be other departments such as the works and planning department, the education and social services department and the water and sanitation department.

Councils are relying heavily on water charges, land rates, house rents, sewerage fees and grants, slaughterhouses and a few collect large amounts of revenue from game reserves within their areas of jurisdiction. In 1998 the Kenyan government established the Local Authority Transfer Fund (LATF). Through the LATF the government allocates 5% of the national income tax to all local authorities in Kenya. The conditions for LATF since 2002 are that at least 50% must be allocated to service delivery, not more than 60% of the total should be for personnel and statutory charges must be paid within the year in which they are due.

1.2 The Research Problem

For an organisation to operate it has to first have goals and aims in order to operate in a manner whereby it can achieve the targets it has set. Such targets are the basis of what Strategic Management Practices are all about. Strategic Management is the process through which managers formulate and implement strategies geared to optimising strategic goal achievement (Bartol et al., 2001). Since the introduction of performance contracting in State Corporations in 2003, local authorities have been expected to adopt strategic management practices that will enhance service delivery. Many local authorities had not adopted the concept of strategic management instead they had master plans which only address the end results and not the means to achieve those results. Many of these master plans were not achievable. Since the introduction of the requirement for strategic management practices in the local authorities no known studies had been carried out to determine the strategic management practices adopted and the challenges faced in adopting the practices. Previous studies did not concentrate on a study of strategic management practices adoption by local authorities in Kenya for example Kiamba.
(1998) effect of corporate governance on financial performance of local authorities, Kariuki (2003) did a survey of revenue enhancement strategies by local authorities in Kenya, and Mwirichia (2003) studied financing local authorities in Kenya: a case study of Meru municipality. Was strategic management adopted in local authorities? What were the challenges the adoption had brought about? The researcher intends to bridge this gap in knowledge by determining the strategic management practices adopted in local authorities and the challenges faced in adopting these practices.

1.3 The Research Objectives

The researchers objectives were:


ii) To determine the challenges the studied local authorities faced in adopting the strategic management practices.

1.4 Importance of the study

The findings of this study are beneficial to investors, management, scholars and consumers of services offered by the local authorities. The study will create awareness of the business direction and opportunities that exists with the local authority jurisdictions in the short, medium and long term. This will enable investors to make informed investment decisions. The consumers of the local authority services will also benefit from the study. They will be informed about the strategic undertakings by the local authorities.

This will enable them demand better services and value for their money. Management of the local authorities will also benefit from the study. Town Clerks are responsible for the day to day running of the local authorities. Councils which normally comprise of elected and nominated councilors play the role of an over
board. They formulate the strategic policies that assist in running the councils. These strategic policies may affect the running and service delivery. The town managers will therefore use this information to re-evaluate their strategic actions and possible change tactic and review some of the strategies that are currently in place. For researchers and academicians, this will form a crucial catalyst for further research. It will add to the body of knowledge as a reference material.
CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategic Management

What is strategy? The challenge to provide a definition of strategy is not straightforward because there are some elements of strategy that have universal validity and can be applied to any institution, regardless of its nature (Hax and Majluf, 1996). Strategy can be seen as a multidimensional concept that embraces all the critical activities of the firm, providing it with a sense of unity, direction and purpose, as well as facilitating the necessary changes induced by its environment. Works in the field of strategy, have identified the following critical dimensions that contribute to a unified definition of the concept of strategy.

Strategy is about winning and therefore forward looking. Strategizing is important in all spheres of life, in organizations as well as personal levels. Strategy is a unifying theme that gives coherence and direction to the actions and decisions of an individual or organization. The concepts and theories of business strategy have their antecedents in military strategy. Indeed the term strategy derives from the Greek word strategia meaning “generalship,” itself formed from stratos, meaning “army,” and -ag, “to lead.” However, the concept did not originate with the Greeks: Sun Tzu’s classic the Art of War written about 500 b.c. is regarded as the first treatise on strategy. Military strategy and business strategy share a number of common concepts and principles, the most basic being the distinction between strategy and tactics.

The evolution of business strategy has been driven more by the practical needs of business rather than by the development of theory. The emergence of corporate planning was associated with the problems faced by managers in coordinating decisions and maintaining control in increasingly large and complex enterprises (Grant, 2002). The development of financial budgeting procedures provided a basic control mechanism, but coordinating capital investment decisions required a
longer planning horizon than the standard annual budgeting process. The emphasis on longer-term planning during the 1960s reflected concern with achieving coordination and consistency in investment planning during a period of stability and expansion. As companies sought to exploit the efficiencies of large size while controlling risks, so long-term planning based on economic and market forecasts became a central task of top management. The typical format was a five-year corporate planning document that set goals and objectives, forecast key economic trends (including market demand, the company’s market share, revenue, costs, and margins), established priorities for different products and business areas of the firm, and allocated capital expenditures.

During the 1970s, circumstances changed. Not only did diversification fail to deliver the anticipated synergies, but the oil shocks of 1974 and 1979 ushered in a new era of macroeconomic instability combined with increased international competition from resurgent Japanese, European, and Southeast Asian firms. Faced with a more turbulent business environment, firm’s ability to plan their investments, product introductions, market initiatives, and personnel requirements three-to-five years ahead was no longer possible, simply because they couldn’t forecast that far ahead.

The result was a shift in emphasis from planning to strategy making where the focus was less on the detailed management of companies’ growth paths as upon the positioning the company in markets and in relation to competitors in order to maximize the potential for profit. This transition from corporate planning to what became termed strategic management was associated with increasing focus on competition as the central characteristic of the business environment and competitive advantage as the primary goal of strategy. As Henderson (1963), founder of the Boston Consulting Group, observed: Strategy is a deliberate search for a plan of action that will develop a business’s competitive advantage and compound it.
This shift of attention towards strategy as a quest for performance focusing attention on the sources of profitability. Initially (during the late 1970s and into the 1980s) the focus was on firms’ external environments through the analysis of industry structure and competition. Porter (1979) pioneered the application of industrial organization economics to analyzing the determinants of firm profitability. Meanwhile, at the Boston Consulting Group, the determinants of profitability differences within industries were under investigation. Their studies pointed to the critical role of market share and economies of experience.

During the late 1980s and early 1990s, interest in the role of strategy in building competitive advantage resulted in a shift of interest toward the internal aspects of the firm. The focus upon internal resources and capabilities has emphasized the differences between companies and need to exploit these differences in order to establish unique positions of competitive advantage. Porter (1998) pointed that: “Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value.” At the beginning of a new decade, the field continued with its rapid evolution. Key theoretical developments include interest in the dynamics of competition through apply game theory and complexity theory to business, probing the disruptive effects of technology, diagnosis of the “new economy”, the strategic use of knowledge within the firm, and the application of real options thinking to strategic choice. Whether strategy formulation is deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy process.

The benefit of strategy is not just offering simplification and consistency to decision making, but the identification of strategy as the commonality and unity of all the enterprise’s decisions. A fundamental concern is what the firm (or the individual or the organization more generally) wants to be in the future. Such a view is often made explicit in a statement of company vision. The purpose of such goal setting is not just to establish a direction to guide the formulation of strategy,
but also to set aspirations for the company that can create the motivation for outstanding performance.

### 2.2 Strategic Management Processes and Practices

The strategic management process is made up of four elements: situation analysis, strategy formulation, strategy implementation, and strategy evaluation. This is a process, run in-house usually by a Strategic Management Group. It is supported by various consultants and accessible to stakeholders. According to Arieu (2007), there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context.

Chandler (1962) recognized the importance of coordinating the various aspects of management under one all-encompassing strategy. Prior to this time the various functions of management were separate with little overall coordination or strategy. Interactions between functions or between departments were typically handled by a boundary position, that is, there were one or two managers that relayed information back and forth between two departments. He also stressed the importance of taking a long term perspective when looking to the future. In his groundbreaking work Strategy and Structure, he showed that a long-term coordinated strategy was necessary to give a company structure, direction, and focus. He says it concisely, “structure follows strategy.”

Ansoff (1965) built on Chandler's work by adding a range of strategic concepts and inventing a whole new vocabulary. He developed a strategy grid that compared market penetration strategies, product development strategies, market development strategies and horizontal and vertical integration and diversification strategies. He felt that management could use these strategies to systematically prepare for future opportunities and challenges. In his classic Corporate Strategy, he developed the gap analysis still used today in which we must understand the gap between where
we are currently and where we would like to be, then develop what he called “gap reducing actions”.

These elements are steps that are performed, in order, when developing a new strategic management plan. Existing businesses that have already developed a strategic management plan will revisit these steps as the need arises, in order to make necessary changes and improvements. Situation analysis is the first step in the strategic management process. The situation analysis provides the information necessary to create a company mission statement. According to Coulter (2005), situation analysis involves scanning and evaluating the organizational context, the external environment, and the organizational environment. This analysis can be performed using several techniques.

Mintzberg (1988) looked at the changing world around him and decided it was time to reexamine how strategic management was done. He examined the strategic process and concluded it was much more fluid and unpredictable than people had thought. Because of this, he could not point to one process that could be called strategic planning. Instead he concludes that there are five types of strategies.

Observation and communication are methods applied. To begin this process, organizations observe the internal company environment. This includes employee interaction with other employees, employee interaction with management, manager interaction with other managers, and management interaction with shareholders. In addition, discussions, interviews, and surveys can be used to analyze the internal environment. Organizations also need to analyze the external environment. This would include customers, suppliers, creditors, and competitors. Several questions can be asked which may help analyze the external environment. What is the relationship between the company and its customers? What is the relationship between the company and its suppliers? Does the company have a good rapport with its creditors? Is the company actively trying to increase the value of the
business for its shareholders? Who is the competition? What advantages do competitors have over the company?

Selznick (1957) introduced the idea of matching the organization's internal factors with external environmental circumstances. This core idea was developed into what we now call SWOT analysis by Learned, Andrews, and others at the Harvard Business School General Management Group. Strengths and weaknesses of the firm are assessed in light of the opportunities and threats from the business environment. After scanning the internal and external environment, then the process of strategy formulation is undertaken. Strategy formulation involves designing and developing the company strategies. Strategy formulation is both a leadership skill and a process that leaders use to focus their organizations on where they need to go (positioning the firm), to adapt to their customer needs and to align their team.

Fundamental decisions about product offerings and business design are made. Determining company strengths aids in the formulation of strategies. Strategy formulation is generally broken down into three organizational levels: operational, competitive, and corporate. Operational strategies are short-term and are associated with the various operational departments of the company, such as human resources, finance, marketing, and production. These strategies are department specific. For example, human resource strategies would be training employees with the goal of increasing human capital.

Competitive strategies are those associated with methods of competing in a certain business or industry. Knowledge of competitors is required in order to formulate a competitive strategy. The company must learn who its competitors are and how they operate, as well as identify the strengths and weaknesses of the competition. Moore, Frank and Cook (1991), detected a shift in the nature of competition. In industries with high technology content, technical standards become established
and this gives the dominant firm a near monopoly. The same is true of networked industries in which interoperability requires compatibility between users. An example is word processor documents. Once a product has gained market dominance, other products, even far superior products, cannot compete. Moore showed how firms could attain this enviable position by using E.M. Rogers five stage adoption process and focusing on one group of customers at a time, using each group as a base for marketing to the next group.

Access to information systems have allowed senior managers to take a much more comprehensive view of strategic management than ever before. The most notable of the comprehensive systems is the balanced scorecard approach (Kaplan and Norton, 1992). It measures several factors financial, marketing, production, organizational development, and new product development in order to achieve a 'balanced' perspective.

Operating as a sole business or operating as a business with several divisions are both part of the corporate strategy. Strategy implementation involves putting the strategy into practice. This includes developing steps, methods, and procedures to execute the strategy. It also includes determining which strategies should be implemented first. The strategies should be prioritized based on the seriousness of underlying issues. The company should first focus on the worst problems, then move onto the other problems once those have been addressed.

Strategy implementation is "the process of allocating resources to support the chosen strategies". This process includes the various management activities that are necessary to put strategy in motion, institute strategic controls that monitor progress, and ultimately achieve organizational goals. According to Steiner, "the implementation process covers the entire managerial activities including such matters as motivation, compensation, management appraisal, and control processes". As Higgins (1999) has pointed out, almost all the management functions -planning, controlling, organizing, motivating, leading, directing,
integrating, communicating, and innovation -are in some degree applied in the implementation process. Pierce and Robinson (2007) say that to effectively direct and control the use of the firm's resources, mechanisms such as organizational structure, information systems, leadership styles, assignment of key managers, budgeting, rewards, and control systems are essential strategy implementation ingredients.

An additional level of strategy called operational strategy was encouraged by Drucker (1967) in his theory of management by objectives (MBO). It is very narrow in focus and deals with day-to-day operational activities such as scheduling criteria. It must operate within a budget but is not at liberty to adjust or create that budget. Operational level strategies are informed by business level strategies which, in turn, are informed by corporate level strategies.

Strategy evaluation involves examining how the strategy has been implemented as well as the outcomes of the strategy. This includes determining whether deadlines have been met, whether the implementation steps and processes are working correctly, and whether the expected results have been achieved. If it is determined that deadlines are not being met, processes are not working, or results are not in line with the actual goal, then the strategy can and should be modified or reformulated. Both management and employees are involved in strategy evaluation, because each is able to view the implemented strategy from different perspectives. An employee may recognize a problem in a specific implementation step that management would not be able to identify. In corporate strategy, Johnson and Scholes (1999) presented a model in which strategic options are evaluated against three key success criteria: suitability (would it work?), feasibility (can it be made to work?) and acceptability (will they work it?). Suitability deals with the overall rationale of the strategy. The key point to consider is whether the strategy would address the key strategic issues underlined by the organization’s strategic position. Does it make economic sense? Would the organization obtain economies
of scale, economies of scope or experience economy? Would it be suitable in terms of environment and capabilities? Tools that can be used to evaluate suitability include: Ranking strategic options, Decision trees and What-if analysis. Feasibility is concerned with the resources required to implement the strategy are available, can be developed or obtained. Resources include funding, people, time and information. Tools that can be used to evaluate feasibility include: cash flow analysis and forecasting, break-even analysis and resource deployment analysis (Drury, 2005).

Acceptability is concerned with the expectations of the identified stakeholders (mainly shareholders, employees and customers) with the expected performance outcomes, which can be return, risk and stakeholder reactions. Return deals with the benefits expected by the stakeholders (financial and non-financial). For example, shareholders would expect the increase of their wealth, employees would expect improvement in their careers and customers would expect better value for money. Risk deals with the probability and consequences of failure of a strategy (financial and non-financial). Stakeholder reactions deal with anticipating the likely reaction of stakeholders. Shareholders could oppose the issuing of new shares, employees and unions could oppose outsourcing for fear of losing their jobs, customers could have concerns over a merger with regards to quality and support. Tools that can be used to evaluate acceptability include: what-if analysis and stakeholder mapping.

2.3 Factors Influencing Strategic Management Practices

Strategic management theory proposes that sustained superior performance is contingent on the ability of the firm to gain and retain a competitive advantage Fahy (2002). There are a number of factors that are given enough importance in the concepts of strategic management. Primarily, two businesses cannot be same and there should be some basic differences between them. Because of this, the goals
and the plans of action are different for each business. Again, the strategies for long term and short term development should be different and these need to be applied separately.

Identification of the market opportunities and risks is very essential and forms an important part of the concepts of strategic management. If the opportunities and risks are identified properly, the chances of success become high. At the same time, the entrepreneur should have proper knowledge about the merits and demerits of the business and also about the personal skills of the people related to the business. On the other hand, making best use of the sudden changes in the market is also crucial in the context of strategic management.

Some of the factors that influence strategic management practice are political, economic, social, technological, legal and environmental. Political factors or how and to what degree a government intervenes in the economy and development of an entity. Specifically, political factors include areas such as tax policy, labour law, environmental law, trade restrictions, tariffs, and political stability. Political factors may also include goods and services which the government wants to provide or be provided (merit goods) and those that the government does not want to be provided (demerit or merit). Furthermore, governments have great influence on the health, education and infrastructure of a nation. Economic factors include economic growth, interest rates, exchange rates and the inflation rate. These factors have major impacts on how businesses operate and make decisions. For example, interest rates affect a firm's cost of capital and therefore to what extent a business grows and expands. Exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy.

Social factors include the cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. Trends in social factors affect the demand for a company's products and how that
company operates. For example, an ageing population may imply a smaller and less-willing workforce-thus increasing the cost of labor. Furthermore, companies may change various management strategies to adapt to these social trends-such as recruiting older workers. Technological factors include ecological and environmental aspects, such as R&D activity, automation, technology incentives, media/publicity and the rate of technological change. They can determine barriers to entry, minimum efficient production level and influence outsourcing decisions. Furthermore, technological shifts can affect costs, quality, and lead to innovation. Legal factors include consumer law, antitrust law, employment law, and health and safety law and other sector specific trade laws. These factors can affect how a company operates, its costs, and the demand for its products. Environmental factors include weather, climate, and climate change, which may especially affect industries such as tourism, farming, and insurance. Furthermore, growing awareness to climate change is affecting how companies operate and the products they offer—it is both creating new markets and diminishing or destroying existing ones.

Other factors that can influence strategic management practices can be explained in a framework for the industry analysis and business strategy development developed by Porter (1979). This framework is based on five forces that can influence the behavior and determine the failure and success of a firm. These five forces are the threat of substitute products, threat of the entry of new competitors, intensity of competitive rivalry, bargaining power of customers and bargaining power of suppliers. The existence of close substitute products increases the propensity of customers to switch to alternatives in response to price increases (high elasticity of demand). Organization should therefore monitor buyer propensity to substitute, relative price performance of substitutes, buyer switching costs, perceived level of product differentiation.
Profitable markets that yield high returns will draw most firms (Porter, 1979). This results in many new entrants, which will effectively decrease profitability. Unless the entry of new firms can be blocked by incumbents, the profit rate will fall towards a competitive level (perfect competition). Firms should therefore monitor the existence of barriers to entry (patents, rights, etc.), economies of product differences, brand equity, switching costs or sunk costs, capital requirements, access to distribution, absolute cost advantages, learning curve advantages, expected retaliation by incumbents and government policies. For most industries, a major determinant of the competitiveness of the industry is intensity of competitive rivalry. Sometimes rivals compete aggressively and sometimes rivals compete in non-price dimensions such as innovation, marketing, etc. Firms should therefore monitor the number of competitors, rate of industry growth, intermittent industry overcapacity, exit barriers, diversity of competitors, informational complexity and asymmetry, fixed cost allocation per value added, level of advertising expense, Economies of scale and Sustainable competitive advantage through improvisation.

The bargaining power of customers, also described as the market of outputs (Porter, 1979). The ability of customers to put the firm under pressure and it also affects the customer's sensitivity to price changes, buyer concentration to firm concentration ratio, degree of dependency upon existing channels of distribution, bargaining leverage, particularly in industries with high fixed costs, buyer volume, buyer switching costs relative to firm switching costs, buyer information availability, ability to backward integrate, availability of existing substitute products, buyer price sensitivity, differential advantage (uniqueness) of industry products and asking questions such - When was the last order?, how many orders have they placed with us? And what is the value of their orders? The bargaining power of suppliers, also described as market of inputs. Suppliers of raw materials, components, labor, and services (such as expertise) to the firm can be a source of
power over the firm. Suppliers may refuse to work with the firm or charge excessively high prices for unique resources. Firms should therefore monitor supplier switching costs relative to firm switching costs, degree of differentiation of inputs, presence of substitute inputs, supplier concentration to firm concentration ratio, employee solidarity, and threats of forward integration by suppliers relative to the threat of backward integration by firms and cost of inputs relative to selling price of the product.

2.4 Challenges to Strategic Management Adoption

Alexander (1965) identified inadequate planning and communication as two major obstacles to successful implementation of strategies. Others are ineffective coordination of implementation activities, insufficient capabilities of employees, inadequate training given to lower cadre employees, lack of clear responsibility, lack of support from other levels of management.

Hamel (2000) coined the term strategic convergence to explain the limited scope of the strategies being used by rivals in greatly differing circumstances. He lamented that strategies converge more than they should, because the more successful ones are imitated by firms that do not understand that the strategic process involves designing a custom strategy for the specifics of each situation.

Mintzberg (1973), found that senior managers typically deal with unpredictable situations so they strategize in ad hoc, flexible, dynamic, and implicit ways. He says, the job breeds adaptive information-manipulators who prefer the live concrete situation. The manager works in an environment of stimulous-response, and he develops in his work a clear preference for live action.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The research methodology covers the research design for the study, data collection and data analysis.

3.2 Research Design

A Case Study was used to determine the strategic management practices of the studied local authorities and the challenges the local authorities faced in adopting the strategic management practices. Mugenda and Mugenda (2003) defined a case study as an in-depth investigation of an individual, group, institution or phenomenon. A case study was chosen in order to gain an in-depth knowledge of the strategic management practices in the studied councils that were randomly selected to form a unit of analysis. The councils studied were Thika Municipal Council, Ruiru Municipal Council, Mavoko Municipal Council and Kiambu County Council. A case study design was most appropriate where a detailed analysis of study was desired as it provided focused and detailed insight to the phenomenon. The importance of a case study was emphasized by Young (1960) and also by Kathori (1990) who both acknowledged that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what unit is under study. The interview guide used had entailed the various aspects of the study, which included the strategic management situational analysis practices, strategic management formulation practices, strategic management implementation practices, strategic management evaluation practices and the challenges of adopting these practices.

3.3 Data Collection

The researcher collected both primary and secondary data. The primary data was collected by means of an interview guide (Appendix 1) while secondary data was
collected from existing documents like strategic plans, performance contracts and data uploaded on the studied council websites. The interview guide consisted three sections. Section A was to collect personal and council data, section B to determine the strategic management practices by the council and section C to determine the challenges faced in adopting the strategic management practices. Units of observation were the town clerks or their designated assistants.

3.4 Data Analysis

Data collected was summarized and content analysis was used to analyze it according to the identified study objectives; that were to determine the strategic management practices adopted by the studied local authorities and to determine the challenges the said local authorities faced in adopting the strategic management practices. The researcher was able to systematically analyze the information, determine the strategic management practices being practiced by the studied local authorities determine the challenges faced during the adoption of the strategic management practices and make recommendations. Mugenda and Mugenda (2003), notes that by using the qualitative method, researchers are able to collect data and explain phenomena more deeply and exhaustively.
CHAPTER FOUR: RESEARCH FINDINGS

4.1 Introduction

The study had two objectives. The first objective was to establish the strategic management practices adopted by the studied local authorities. The second objective was to establish the challenges faced during the adoption of the strategic management in the studied local authorities namely Thika Municipal Council, Mavoko Municipal Council, Ruiru Municipal Council and Kiambu County Council. This chapter analyzes the strategic management practices of the studied local authority and the challenges faced. This chapter also presents in depth analysis, findings, conclusions and recommendations of the study.

4.2 Strategic Management Practices at the Studied Local Authorities

The study covered four local authorities namely Thika Municipal Council, Ruiru Municipal Council, Mavoko Municipal Council and Kiambu County Council. These are state firms established to offer local authority services such as fire brigade, water and sewerage within their jurisdiction under Local Authority Act (Cap 265) of 1977.

The strategic management practices are broken down into three main stages. Stage 1, is on the conceptual framework. It presents the context upon which the plan is framed, defines the mandate and functions of the council, rationale of the strategic plan and methodology used in developing the plan. Stage 2, provides the situational and environmental issues that influence the external and internal aspects of the Council and describes the aspiring vision, mission, core values and principles, the strengths, weakness, opportunities and challenges, including the core aspects of stakeholder analysis and expectations. Stage 3, provides the strategic analysis and action programs to be implemented during the plan period. These include the strategic approaches, goals, objectives, performance outcomes to be achieved during the five year period.
In the development of the strategic plan both primary and secondary data sources were used to provide information. Consultative meetings with stakeholders were used to consolidate the concept. Joint efforts were forged with Local NGO/CBO/Community and private sector development actors. Secondary data was obtained through review of relevant literature. Development trends within the councils jurisdictions as contained in the Economic Recovery Strategy (ERS), The National and District Poverty Reduction Strategy Papers, District Development Plans, the Local Authorities Transfer Fund (LATF), Millennium Development Goals (MDG’s) and Vision 2030 were considered.

The councils aim at enhancing capacity in to offer Quality Services and Governance. In order to achieve this strategic objective, the councils intend to improve management and development of the human resources as well as provision of adequate physical facilities, working tools & equipment; and strengthen structures, systems and procedures. They also call for planning, budget and performance integration to develop and implementation of monitoring and evaluation systems and structures. Inculcate a culture of accountability and transparency by promoting good governance and integrity principles as well as improving financial management. The strategies for this goal includes to achieve quality organizational management in the councils through enhanced Institutional and Human Resource Capacity development and provision of working tools, boost the implementation capacity of council staff, improve development and management of the Human Resource, provide adequate physical facilities, working tools & equipment; and strengthen structures, systems and Procedures, forge a stronger partnership between civic leaders and officers, institute measures to enhance financial management, improve yield from existing revenue sources, expand the revenue base, create a culture of accountability for revenues, improve programmes related to the revenue payers needs & enhance transparency and dialogue with them, enhanced communication with community, rate payers and
vulnerable target groups, publish quarterly newsletters, website and posters, hold quarterly public meetings at location level, operationalise suggestion boxes, publish feedback articles in electronic and print media and conduct opinion polls annually.

The councils also plan to institute mechanism for performance monitoring and evaluation. This will entail creating good performance feedback systems in order to enhance the responsiveness of the councils to the demands of internal and external stakeholders for good governance, accountability and transparency, greater development effectiveness and delivery of tangible results. The focus will be to shift from traditional implementation based approaches toward new result based approaches in monitoring and evaluation. The strategies put in place to achieve this include to meet stakeholders demand for delivery of tangible results, preparation of annual action plans based on the strategic management plan, set key performance indicators to monitor progress with respect to inputs, activities, review baseline information on the current condition based on the customer survey and service charter, monitoring regularly and collect data to assess whether the targets are being met, report the results and make improvements, disseminate findings to generate and share knowledge and learning in the council and sustain the Monitoring & Evaluation system within the councils.

4.4 Challenges Encountered at the Studied Local Authorities during the Adoption of Strategic Management.

The challenges identified included diseases such as HIV/AIDS has affected social and economic development by lowering productivity of staff. Some diseases emanate form the poor sewerage network and unfavourable environment. Influx of people from the neighbourhood is stretching the available scarce resources and services in addition to mushrooming slums because of poverty levels. Political interference and by partisan game plays sometime affects the implementation of
strategies in the councils. Coping with technological advancement was also identified as a challenge. Environmental changes and unpredictable service demands by residents and stakeholders were identified as challenges. Scarcity of resources was also identified as a challenge. Policies on resource allocation are unfavourable since they are based on wards and not population. This gives challenges in planning for service delivery.
CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter covers the summary, discussion and conclusion of the study. The study sought to establish the adoption of strategic management practices in the studied local authorities and the challenges faced during the adoption of these strategic management practices. Having analyzed the results, conclusion and recommendations for further study are presented.

5.2 Summary
All local authorities studied had mission and vision statements and strategic plans. Some were in the process of reviewing their strategic plans. All managers were involved in the formulation, implementation and evaluation of strategic management plans. Time and resources are allocated though on moderate basis, given the scarcity of the same. From the foregoing discussion, it can be concluded that most local authorities have adopted strategic management. It is good to note that all local authorities studied have vision and mission statements well displayed at strategic areas. They also have strategic plans and performance contracts which are basic requirements of strategic management practices.

Inadequate resources, politics, technological advancement economic factors and diseases especially HIV/AIDs were found to be the major challenges to the adoption of strategic management practices in the studied local authorities. Staff were however taken through and owned the process of strategic management. It is important to carry out situational analysis to identify all possible challenges and find solutions on how they can be resolved in the event that they occur.

5.3 Conclusions
The study determined the strategic management practices adopted by Thika Municipal Council, Ruiru Municipal Council, Mavoko Municipal Council and
Kiambu County Council. The study also determined the challenges the studied local authorities faced in adopting the strategic management practices. It is therefore established that the studied local authorities practice strategic management.

Though, they faced with challenges during the adoption of the strategic management practices. Inadequate resources, politics, liberalization of services and economic recession were identified as major challenges.

5.4 Limitations of the Study

This study was subject to resource and time constraints. In this regard, the scope was limited to four local authorities. Further, the context was limited to strategic management practices adopted and challenges encountered in the process of adoption of the practices.

5.5 Suggestions for Further Research

As stated above, the scope of research was four local authorities and was based on strategic management practices adopted and challenges encountered during adoption. One could look at factors of performance monitoring and reward system within the councils in Kenya. One may also wish to study how strategic management can be sustained as a practice within the local authorities. Also one can study the strategic management adopted and challenges faced in the adoption process in other local authorities that were not covered by this study.

5.6 Recommendations for Policy and Practice

Performance reward system should be established. Performance targets should be derived from the strategic management plans. The strategies should be flexible in order to allow reviews based on opportunities and threats arising in the environment. Finally policies on resource assignment should be reviewed in line
with strategies to ensure effective implementation of strategic management practices in the local authorities.
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APPENDIX 1: INTERVIEW GUIDE

Strategic Management in Local Authorities in Kenya

Part A: General Information:

Name of Council

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Date of Survey

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Name of employee

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Job title

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Department

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Part B: Strategic Management Practices

i. Strategic Management Situational Analysis Practices

Does the Council periodically gather and analyze data about market and other external/internal factors which affect its operation and business?

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Does the external/internal market analysis identify key strengths, weaknesses, opportunities and threats to the business?
ii. Strategic Management Formulation Practices

Does the executive take formal responsibility for the Council’s strategic management planning?

Is Strategic Management Practice a top priority activity in your council?

Does the Council provide resources (managers' time, money & staff support) earmarked specifically for strategic management planning.

Does the Council hire the services of a consultant?

Are members of staff are briefed and taken through the strategic management plan before implementation?
iii. Strategic Management Implementation Practices

Does the Council have a written mission and vision statements?

Are all management and staff aware of the mission and vision?

Does the Council have strategic objectives? Yes or No

If Yes, What are the strategies applied in order to achieve the strategic objectives

iv. Strategic Management Evaluation Practices

Does the Council sets clearly defined and measurable performance targets for each strategic management plan element? Yes or No
If yes, kindly list them

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Does the Council conduct perception surveys to gauge staff and customer satisfaction? Yes or No

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If yes, give the rate at which such surveys are conducted and the results for each?

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Does the Council review strategic management decisions as accordingly? Yes or No.

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If yes, give an account of the most recent reviews

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Part C: Strategic Management Challenges

Were there any challenges your council faced as a result adopting strategic management practices? Yes or No
If yes, kindly state the challenges faced

I thank you for your time.